

IPO Rumors: Is Wall Street Ready To Embrace Ad Tech (Again)?

Murmurs have circulated in recent weeks that several ad tech companies are preparing initial public offerings, contributing to the most robust IPO market in five years.

Adweek spoke with several analysts in the space to gauge if the recent reports indicate a repeat of past investment crash-and-burn bubbles, or whether the industry is entering a new period of substantive value and growth.

This past week, Bloomberg reported DoubleVerify is preparing for an IPO with the content verification company reportedly seeking to raise \$500 million, with a valuation of \$5 billion.

And in early October, CNBC reported that AppLovin—a \$2 billion company that has ad tech lineage, but has increasingly shifted to mobile gaming—appointed Morgan Stanley to make preparations for an IPO expected in 2021.

Echoes of the early 2010's

Such dramatic activity in rapid succession struck investment analysts with surprise, as the fairly recent performance history of ad tech in financial markets is not one that's littered with success.

The Trade Desk's market capitalization topped \$30 billion this week, an exceptional success story. By comparison, the market cap of the industry's individual major holding groups averaged closer to \$10 billion.

The first decade of the century saw venture capitalists shower the ad-tech sector with funding as they all sought 'the next Google' and in the early 2010s the sector saw a slew of IPOs between 2012 and 2014 in the U.S. markets (see below).

Company	IPO Year	
Current status		
▪ Millennial Media (now Verizon Media) in 2015	2012	Sold to AOL
▪ YuMe to RhythmOne (now part of Taptica) 2017	2013	Sold
▪ Tremor Video half sold to Taptica in 2017*	2013	Split with
▪ Rocket Fuel Sizmek in 2017, and now Zeta Global	2013	Sold to
▪ Criteo Still trading publicly	2013	
▪ Rubicon Project Telaria in 2020, now called Magnite	2014	Merged with
▪ TubeMogul Adobe in 2016	2014	Sold to
▪ The Trade Desk trading publicly	2016	Still

*Remaining half rebranded as Telaria and merged with Rubicon Project

Arbitraging Media ≠ Unicorn Status

Sources told Adweek that each initially basked in the glow of "the new," with many comparing them to Google but they were soon found out.

Terence Kawaja, CEO of investment bank Luma Partners, told Adweek many of these companies were simply media resellers or ad networks, a phenomenon that still exists to this day, whose value proposition was questionable.

"That earlier wave of ad tech IPOs was primarily led by what

we would call a '1.0 cohort' of ad network companies that relied on a media arbitrage business model," he said. "These companies did not fare well with the rapid migration towards [actual] programmatic ad buying."

It's likely that many of these companies may have been forced to IPO before their ad tech was actually ready for public scrutiny by VC's eager to see an ROI, or "liquidity moment."

Back in 2013, not many people knew a thing about ad tech. I mean, most investors didn't know how to spell 'DSP.'

Brian Wieser, global president business intelligence, GroupM

Meanwhile, Brian Wieser, global president business intelligence at GroupM, and a former equities analyst, suggested the initial honeymoon period between Wall Street and programmatic players was largely fueled by an ignorance of ad tech. The halo effect of other "tech stocks," such as Facebook which IPO'd in 2012, also played a role in investors' previous ardor for ad tech stock offerings.

Continue Reading

Pages: 1 2

Recommended articles

<https://www.adweek.com/programmatic/ipo-rumors-is-wall-street-ready-to-embrace-ad-tech-again/>