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### Nexage deal may expose Millennial Media to a sale

By [Jaewon Kang](#) Updated 05:25 PM, Sep-23-2014 ET

**Millennial Media Inc.** (MM) may slow its dealmaking after its acquisition of **Nexage Inc.**, but the transaction is likely to hasten strategic buyers' interest in the mobile advertising company, according to industry watchers.

Baltimore-based Millennial Media announced Tuesday that it has agreed to purchase mobile advertising platform Nexage for about \$107.5 million in cash and stock. The company will pay \$22.5 million in cash and approximately \$85 million in stock.

Investors cheered the news, as shares of Millennial Media rose 16% to finish at \$2.07 Tuesday. Millennial Media has a market capitalization of approximately \$197 million. Even with Tuesday's burst, Millennial Media's stock price is down 71% for the year.

Millennial Media approached Nexage earlier this summer about a deal after identifying a "handful" of targets, said Marc Theermann, executive vice president of business strategy at Millennial Media, in a phone interview.

The acquisition of Nexage comes after Millennial Media scooped up **JumpTap Inc.** last November. Theermann said that while the company will keep its eyes open for acquisition opportunities, it won't be actively pursuing deals. He explained that following the Nexage acquisition, Millennial will now be able to help both ends of the advertising ecosystem — publishers on the buy side and advertisers on the sell side — and that it will focus on integrating its business.

"We've always had.....strategic interest," said Nexage CEO Ernie Cormier via phone. While Cormier declined to elaborate, he said companies that approached Nexage involved a "full spectrum of what you'd expect."

The question ultimately came down to "mutual benefit," Cormier said, adding that he saw Nexage and Millennial as complimentary businesses with a clear synergy.

Nexage has secured a total of \$24 million in venture capital funding, he added.

"It's a very distinct strategic move," said Todd Van Fleet, an analyst with **First Analysis Securities Corp.** of

Millennial Media. "They're really defining themselves as a comprehensive, full-tech ad solutions [provider]."

There are two types of advertising: Premium advertising refers to using sales people while programmatic advertising refers to an automated buy and sell. The latter has been integrated with real-time bidding, also known as RTB, which Nexage specializes in. Tarang Shah, a managing partner at investment bank Bois Capital LLC, said that while Millennial Media has historically been more involved on the sell side and premium selling, it will now be able to blend premium and programmatic, as well as buy and sell.

"Post transaction, this will be the largest, independent, full-stack programmatically enabled mobile advertising company," said Terry Kawaja, CEO and founder of **Luma** Partners LLC, which provided financial advice to Millennial Media. "It will be a near irresistible target" for a number of players across the U.S. and Asia.

Bois Capital's Shah agreed, adding that he sees a good fit for Millennial Media with **Google Inc.** and **Twitter Inc.** Both companies already have a presence in the mobile ad space. Advertising giant **WPP plc** and media company **Tencent Holdings Ltd.** could also be interested, he said.

The mobile ad space is a fragmented one, Van Fleet added, noting that many players are currently trying to scope opportunities in the market before selling out or making a strategic move.

Investors have not been kind to advertising technology stocks, including Millennial Media's, whose shares are down more than 70% this year.

Van Fleet explained that investors are looking for ad tech companies to demonstrate scale, but haven't been shown it yet.. There have also been questions surrounding the viability of the ad network model, which refers to connecting advertisers to web sites that could host their ads.

Luma's Kawaja gave financial counsel to Millennial Media, which received legal counsel from Goodwin & Procter LLP.

Mark Greenbaum, John Lambros, Dick Filippini, Kevin Sheehan and Ali Lauer of GCA Savvian Advisors LLC provided financial advice for Nexage. Legal counsel was provided by Jeff Hermanson, Mick Bain, Peter Osborn, Christie DiNapoli, Kim Wethly and Meghan Walsh from **WilmerHale** LP.

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