

## Marketing.com



BB

1 year PD  
0.38% to 0.60%

Strong PE sponsor providing lease guarantee and good strategic direction; company is well-positioned for growth with expanding margins, however, high leverage from M&A activity provides some near-term risk.

### Strengths

- Revenue and Profit Growth:** Revenues and gross profit grew by 22.4% and 23.0% (2021 to 2022), with continued momentum in T12 Apr-23.
- Revenue Diversity:** Strong product, geographic, and customer diversity reduces risk profile.
- PE-sponsor:** Founded in 2008, JAL Equity specializes in buyouts and growth investments, with a preference for B2B services & marketing. They have made >30 investments, currently hold 17, and conducted 8 exits, with plans to acquire at least 5 more entities to double their revenue. Projected 2023 revenues for JAL is ~\$500 million.

### Challenges

- High Leverage:** High debt-to-assets ratio (65.1%) from acquisitions activity. PE-sponsor has much lower debt (debt-to-assets of 33%), lowering the overall leverage risk profile.
- Liquidity:** Quick ratio of 0.78 is below the industry median of 1.05 as a result of substantial inventory (>4x industry median). Again, PE-sponsorship can mitigate near-term liquidity risks given JAL's more robust credit availability and financial flexibility.

### Scorecard Summary

	Weight	Score	Dimension	Contribution
Financial	20%	5.1	Liquidity	<div></div>
			Leverage	<div></div>
			Profitability	<div></div>
Business	80%	6.4	Industry Risk	<div></div>
			Competitive Position	<div></div>
			Mgmt / Governance	<div></div>
			Sponsor / Parent	<div></div>
Modifiers		-0.3	Financial Transparency	<div></div>
			Financial Flexibility	<div></div>

#### Financial vs Business Risk Weighting Factors

Ownership	Private (PE)	Owned by JAL Equity
Company Stage	Growth	Non-stabililized with ongoing M&A activity
Financials	Partial	< 3 years of full financials; non-audited

### Company Overview

Headquarters	Eureka, MS
Type	Private (PE)
Employees	1,800
Year Founded	2021
Website	https://marketing.com/
Business	Commercial printing, signage, and fulfillment services
Revenues	\$170.2M

- Company Overview:** Marketing.com provides omnichannel marketing solutions, including print, signage, digital, and promotional services.
- Product:** Marketing.com provides a combination of print (60%), signage (20%), warehouse- and fulfillment service (15%), e-commerce, and t-shirt printing. Their commercial printing services include sheetfed, web, and digital printing. Digital marketing services include researching, designing, and implementing omnichannel marketing campaigns. Their signage and installation services include planning and pre-media to prototypes, shipping, and installation.
- Customers:** Diverse range of industries including franchise organizations, national, and regional multi-location brands. Their customers range from small local businesses to larger multinational corporations such as Signarama, Intuit, and Hello Fresh.
- Ownership:** Privately held company with majority ownership share held by JAL Equity, acquired in 2021. Since then, JAL has acquired several bolt-on companies to expand its product offering, each with years, if not decades, of experience. JAL consolidated them and launched Marketing.com in 05/2023.

### Business Risk Highlights

- Competitive Position:** Company was established in 2021 and has scaled through M&A. The companies acquired have strong expertise (retain founders/owners of companies acquired) within their respective segments. Low customer concentration (~15% top 5 clients), and a diversified product mix which includes e-commerce, a segment slated for growth, provides low concentration risk.
- PE Sponsor:** JAL Equity has established itself as a prominent player in the middle-market acquisition and operational space, focusing on the marketing, printing, and related industries. Their commitment to long-term value creation, conservative financial management, and continuous innovation positions them for continued success in the years to come.

### Financial Statement Highlights

\$ '000s	(C)	(B)	(A)	Change	
	Dec-21	Dec-22	Apr-23	(C) to (B)	(B) to (A)
	T12	T12	T12		
Income Statement					
Total Revenue	134,559	164,652	170,244	22.4%	3.4%
Gross Profit	28,565	35,144	37,439	23.0%	6.5%
Adjusted EBITDA	11,035	16,855	18,771	52.7%	11.4%
Gross Profit Margin	21.2%	21.3%	22.0%	+12 bps	+65 bps
EBITDA Margin	8.2%	10.2%	11.0%	+204 bps	+79 bps
Balance Sheet					
Cash And Cash Equivalents	-	-	2,004		
Total Current Assets	-	-	35,625		
Total Assets	-	-	67,036		
Total Current Liabilities	-	-	29,339		
Total Debt	-	-	43,669		
Total Equity	-	-	9,933		
Key Ratios					
Current Ratio			1.21		
Quick Ratio			0.78		
Net Debt / EBITDA	-	-	2.22		
Debt to Assets			65.1%		
EBITDA Margin	8.2%	10.2%	11.0%	+204 bps	+79 bps
ROCE %			0.40x		

### Financial Benchmarking

	# of Benchmarks:	101	Industry	Company	Percentile
			Median	Metric	Rank
Liquidity			1.63	1.21	<div></div> 30%
			1.05	0.78	<div></div> 24%
Leverage			3.15	2.22	<div></div> 60%
			43.0%	65.1%	<div></div> 18%
Profitability			9.4%	11.0%	<div></div> 58%
			11.9%	39.9%	<div></div> 94%
			Revenue	\$419M	\$170M

Industry Benchmarks - Primary: Commercial Printing | Secondary: Advertising | Tertiary: Distributors



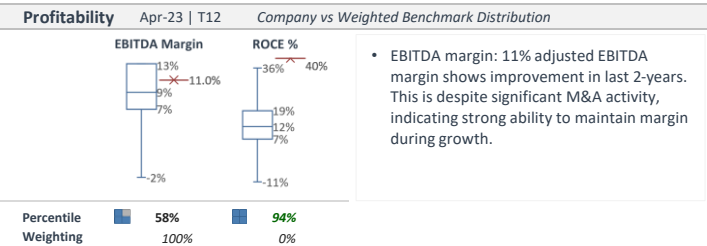
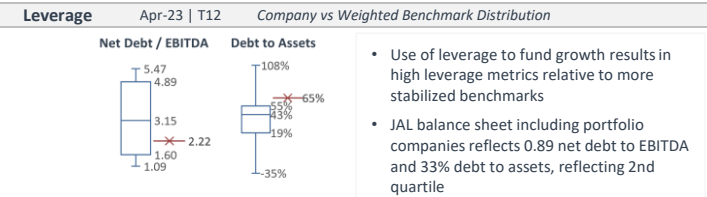
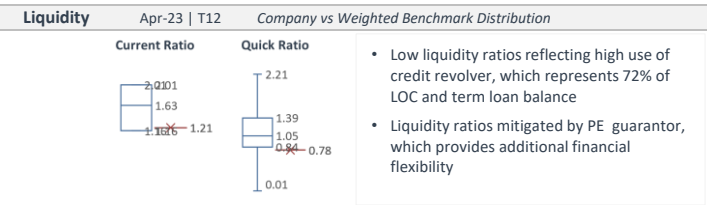
# Marketing.com



Financial Benchmark Summary			
Financial Risk		Rating	Weight
Liquidity		3.4	30%
Leverage		5.5	35%
Profitability		6.2	35%
Total		5.1	20%

## Financial Benchmarking Detail

	Industry	Weighting	Benchmarks	Med. Rev
Overall		100%	101	\$419M
Primary	Commercial Printing	50%	31	\$461M
Secondary	Advertising	25%	22	\$308M
Tertiary	Distributors	25%	48	\$446M
			Revenue Min:	\$100M
			Revenue Max:	\$10,000M



Business Risk Summary			
Business Risk		Rating	Weight
Industry		4.5	15%
Competitive Position		7.0	35%
Direct Management / Governance		6.3	15%
Sponsor / Parent		6.7	35%
Total		6.4	80%

## Business Risk Detail

		Rating	Weight
Industry		4.5	15%
Cyclicalty	Intermediate risk	▶	🕒
Competitive Risk	Intermediate risk	▶	🕒
Global Industry	Intermediate risk	▶	🕒
Market Segment Outlook	Declining	▶	🕒

- Companies in the Printing industry primarily print on paper, textile products, metal, glass, plastic, and other materials, excluding fabric.
- The US print industry is in decline, with revenue falling at a CAGR of 3.0% to \$82.9bn over the past five years and projected to decrease further at a CAGR of -3.5% over the next five years to \$69.5bn. This decline is driven by a shift towards digital products and services, leading to reduced demand for printing and a fall in print advertising expenditure at a CAGR of -10.7% through 2023.
- Industry consolidation and diversification into value-added services are responses to these challenges.

		Rating	Weight
Competitive Position		7.0	35%
Market Position	Strong	▶	🕒
Customer Switching Costs	Satisfactory	▶	🕒
Product / Market Diversity	Above Average	▶	🕒
Customer Diversity	Above Average	▶	🕒
Supplier Relationships	Above Average	▶	🕒

- Company was established in 2021, hence, as a whole they haven't faced a down-cycle yet. They are in conversations with 5 entities that they want to acquire to become a major player in the US, essentially doubling their revenue.
- The companies that they bought have extensive experience and expertise (retain founders/owners of companies acquired), each within their respective segment. Combined with the larger capabilities under Marketing.com they have an advantage over 1-dimensional competitors that are also lacking economies of scale.Low customer concentration (~15% top 5 clients), and a diversified product mix which includes e-commerce, a segment slated for growth.
- Average customer contract term 2-3 years.

Anchor Modifiers			
Modifiers		Value	Commentary
Financial Transparency		-0.5	Non-audited, partial financials
Financial Flexibility		0.3	Financial backing of mid-market PE sponsor
Total		-0.3	

		Rating	Weight
Direct Management / Governance		6.3	15%
Volatility / Succession	Above Average	▶	🕒
Direct Mgmt Quality	Above Average	▶	🕒
Risk Awareness	Satisfactory	▶	🕒

- Formal CEO, Eran Salu (51), has no formal succession plan but an informal Co-CEO (Andy Johnson), with >30 years of industry experience, that manages day-to-day operations. Eran's focus is on growing the business through acquisitions.
- Eran (also owner of JAL Equity) has a good track record for retaining founders/owners of companies that he acquired under the entity (4-5 to date) creating a deep pool of experienced staff, minimizing key man risk, and adding to their competitive advantage.
- While lacking a formal risk management process, the company cost-prices each contract prior to quoting. In part, they rely on their joint industry experience and entrepreneurial spirit under the umbrella of Marketing.com.

		Rating	Weight
Sponsor / Parent		6.7	35%
Sponsor Reputation	Satisfactory	▶	🕒
Company Commitment	Strong	▶	🕒
Industry Experience	Strong	▶	🕒
Investment Strategy	Above Average	▶	🕒
Funding Base	Satisfactory	▶	🕒
Financial Strength	Satisfactory	▶	🕒

- JAL Equity, founded in 2008, has made 34 investments and 8 successful exits across various sectors. Since then they focused specifically on marketing/print services.
- The firm, led by founder Eran Salu, increased operational efficiency from 8.2% to 12.3% (2021 to Q1-2023). It has a long-term growth plan for Marketing.com through further acquisitions, currently in negotiations with 5 entities that would jointly be adding ~\$170mn in annual revenue.
- All funds invested by JAL Equity are provided by the founder and owner, Eran Salu, demonstrating strong financial commitment.
- Due to personal reasons, Eran took a bit of a break in 2019, and sold several entities JAL Equity invested in. Leaving a bit of a stain on his ability to see things through.