



# Evolve

## Capital Partners

## Cardlytics

February 2018

### Summary of Initial Public Offering



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**SPECIALIZED INVESTMENT BANKERS AT  
THE INTERSECTION OF FINANCE & TECHNOLOGY**

# Cardlytics IPO – Executive Summary

## Initial Public Offering Overview



NasdaqGM: CDLX



### Description

Cardlytics makes marketing more relevant and measurable through their purchase intelligence platform. The company uses purchase data from more than 2,000 financial institutions and applies advanced analytics to it, thereby making it actionable and helping marketers identify, reach and influence likely buyers at scale. This information allows merchants to measure the actual sales impact of their marketing spend.



### Use of Proceeds

The company intends to use the IPO proceeds for working capital and other general corporate purposes. Cardlytics may use some of the net proceeds to pursue strategic investments in complementary businesses or technologies. Lastly, the IPO increases the firm's financial flexibility and allows future access to capital markets.

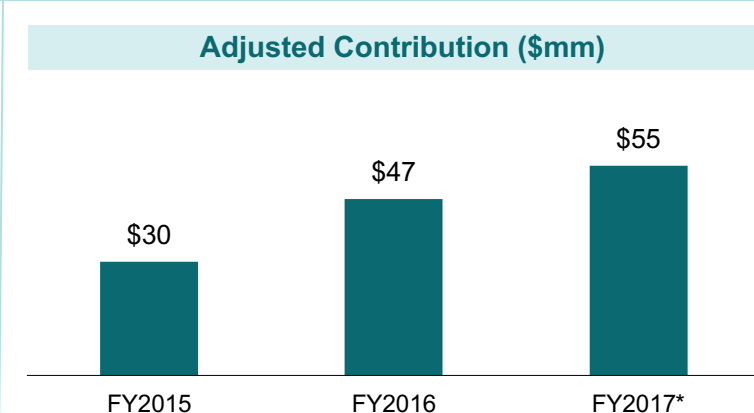
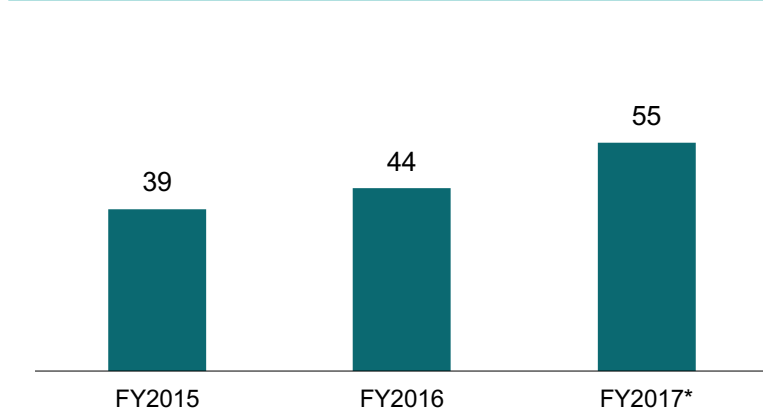
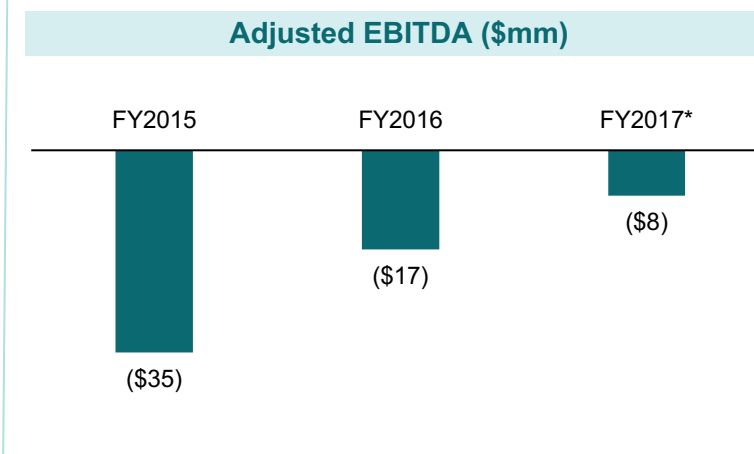
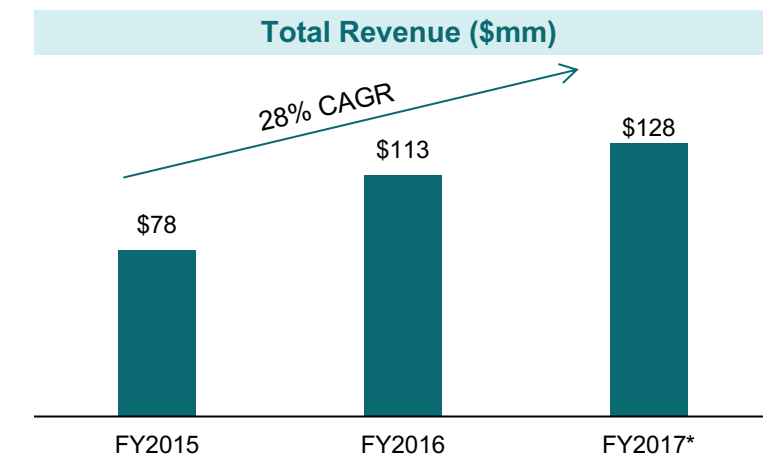
Source(s): Company website, S1 Filing

A teal icon of a globe with latitude and longitude lines.	Headquarters	Atlanta, GA
A teal icon of a magnifying glass over a person silhouette.	Founded	2008
A teal icon of three stylized human figures.	Employees	342
A teal icon of a calendar.	Listing Date	02/09/2018
A teal icon of a building.	Lead Underwriters	Bank of America Merrill Lynch  J.P. Morgan  Wells Fargo Securities
A teal icon of a dollar sign.	Issue Price	\$13.00
A teal icon of a credit card.	Shares Offered	5.4 million (underwriters were offered an additional 810K shares to cover over-allotment)
A teal icon of a fan of money.	Gross Proceeds	\$70 million

# Cardlytics IPO – Executive Summary

## Key Metrics – IPO

Shares Offered at the time of IPO	5.4 million
Issue Price	\$13.00
Total Shares Outstanding after IPO	19.5 million
Market Value at Issue Price**	\$253.5 million
Enterprise Value at Issue Price <sup>#</sup>	\$226.2 million
EV / 2017* Revenue	1.8x
Listing Date	02/09/2018
Market Closing Price	\$13.37



Source(s): Capital IQ, Pitchbook, S1 filing

\* Last Twelve Months as of 09/30/2017

\*\* Market value has been calculated by multiplying Total Shares Outstanding with the Issued Price

† Adjusted Contribution = Revenue – FI Share and other third party costs

# Enterprise Value has been calculated by adding Net Debt as of September 30, 2017 to Market Value at Issue Price.





# Cardlytics IPO – Executive Summary

## Company Overview

*Cardlytics makes marketing more relevant and measurable through its proprietary purchase intelligence platform that analyzes data from over 2,000 financial institutions and produces cutting-edge actionable insights for marketers.*

- Cardlytics, Inc. operates purchase data intelligence platforms in the United States, Canada and the United Kingdom. The company operates through two segments, Cardlytics Direct and Other Platform Solutions.
- Cardlytics Direct is a proprietary native bank advertising channel that enables marketers to reach consumers through their trusted and frequently visited online and mobile banking channels. It offers solutions that enable marketers and marketing service providers to leverage the power of purchase intelligence outside the banking channel.
- Cardlytics benefits marketers by providing them with tailored marketing services to bring in new customers and sell more to current customers. It also enables marketers to precisely measure their impact, both online and in-store.
- Cardlytics benefits Financial Institutions (FIs) customers by providing them with customized offers and cash back rewards. Loyalty programs help with retention and encourage greater card spending.
- Cardlytics is headquartered in Atlanta, Georgia and was founded in 2008.

## Key Statistics

 <b>Transactions</b>	Analyzed 18 billion transactions worth \$1.3 trillion in consumer spending in 2016
 <b>Revenue</b>	\$127.5 billion in the last twelve months (as of 9/30/17)
 <b>Partnerships</b>	Partners with 2,041 Financial Institutions (as of 9/30/17)
 <b>Revenue Growth</b>	Cardlytics has grown at a CAGR of 28% from 2015 to 2017

Source(s): Company Website, S1 Filing



# Cardlytics IPO – Executive Summary

## Products and Services

### Solutions

**Cardlytics Direct** embeds the purchase intelligence platform into Financial Institution (FI) partners' online and mobile banking platforms. Through Cardlytics Direct, marketers can deliver advertising content to FI customers in the form of an opportunity to earn rewards, which are funded by a portion of the fees Cardlytics collects from marketers. Cardlytics uses a portion of these fees to provide consumers with incentives after they make qualifying purchases. These incentives are referred to as Consumer Incentives.

Cardlytics Direct has two pricing models:

- Cost per Served Sale (CPS) – Cardlytics receives a percentage (CPS Rate) for each purchase made within a campaign period for marketers. Fees are used to provide Consumer Incentives to buyers.
- Cost per Redemption (COR) – In this case, marketers determine and fund the Consumer Incentive. Cardlytics receives a separate fee (either a percentage or a flat amount) for each purchase generated.

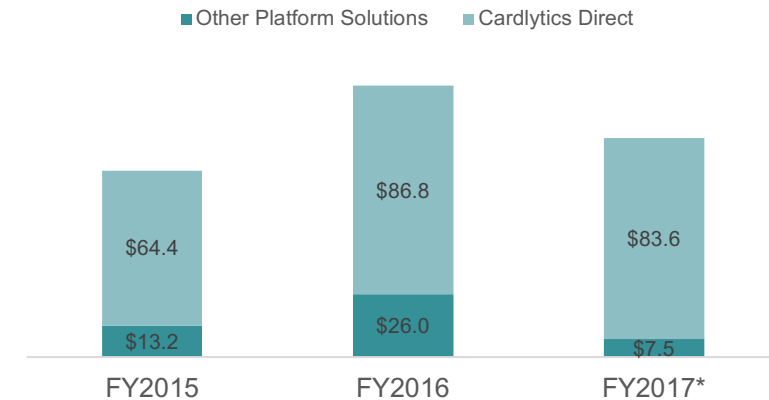
**Other Platform Solutions** – Marketers can purchase Purchase Intelligence outside Cardlytics Direct and outside the bank channel. Generally, programmatic vendors run market campaigns and deliver Other Platform Solutions as a managed service. Marketers pay a fee on a cost per thousand impressions (CPM) basis, depending on the number of impressions for their marketing campaign.

Source(s): Company Website, S1 Filing

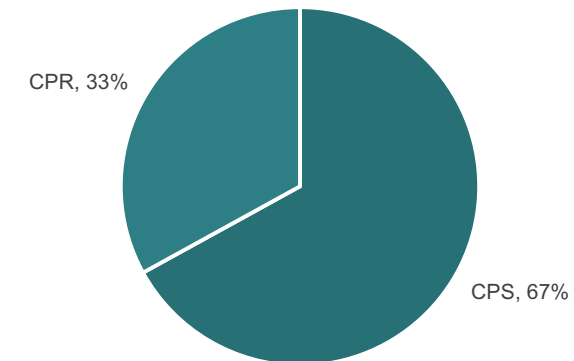
\* Nine months ending 09/30/2017

\*\* Fiscal Year 2015/16

### Revenue Breakdown



### Cardlytics Direct Breakdown\*\*



# Cardlytics IPO – Executive Summary

## Company Overview

*Cardlytics' extensive reach through its partnerships with Financial Institutions gives the company access to proprietary data.*

### Cardlytics' Key Strengths

#### Deeply Embedded with FIs and Proprietary Consumer Touchpoints

Cardlytics has partnered with over 2,000 FIs. No FI partner with which it has contracted has directly or unilaterally terminated its use of the Purchase Intelligence platform. Cardlytics enables marketers to reach consumers in a captive, largely untapped and digitally engaging environment at a time when they are thinking about their finances.

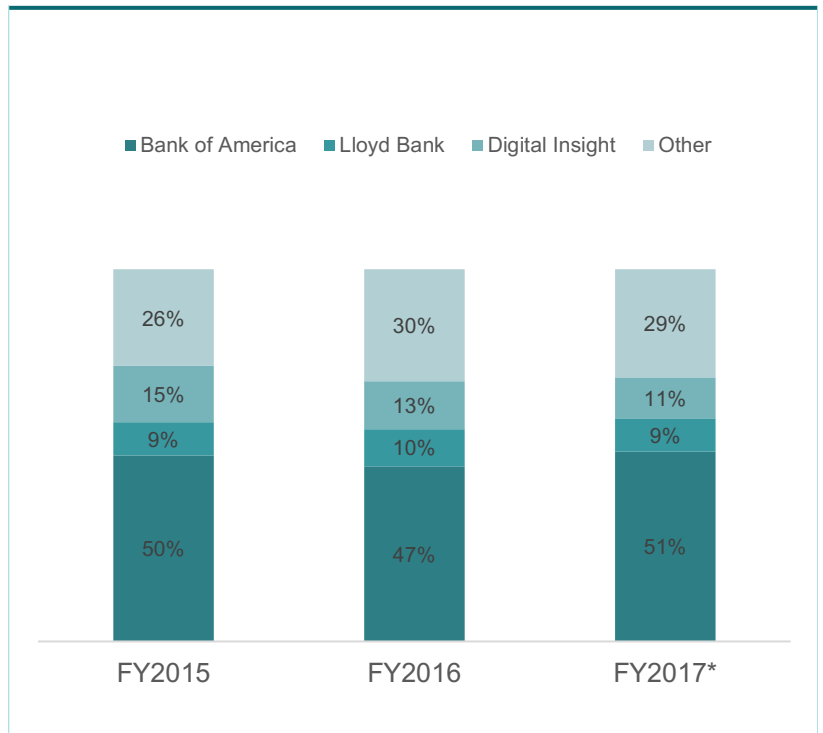
#### Massive Reach Informed by Purchase Intelligence

The company's platform aggregated and analyzed approximately \$1.3 trillion in U.S. purchase data in 2016 across stores, retail categories and geographies, both online and in-store. This data represented over 18.0 billion transactions across more than 94.0 million accounts in the United States. These types of transactions represented approximately 40% of all U.S. consumer spending in 2016, based on a 2016 study from The Nilson Report.

#### Proprietary Technology Architecture and Advanced Analytics Capabilities

Cardlytics designed the Purchase Intelligence platform to protect highly sensitive first-party data. The proprietary, distributed architecture helps facilitate both the effective delivery of the company's solutions and the protection of FI customers' personally identifiable information or PII. No PII is shared by the FIs with Cardlytics.

### FI Monthly Active Users Breakdown



Source(s): Company Website, S1 Filing

\* Nine months ending on 09/30/2017

# Cardlytics IPO – Executive Summary

## Market Opportunity

Cardlytics believes that purchase intelligence is the next disruptive opportunity in marketing. Aggregated consumer spending data analyzed with advanced analytics has the potential to make all marketing more relevant and measurable. Particularly, if it can be effectively analyzed and leveraged to help predict and measure future buying behavior, both in-store and online.

### Fragmented Source of Purchase Data and Consumer Connectivity

According to the Nilson Report's 2016 findings, more than 70% of U.S. consumer payments are electronic debit card, credit card, ACH or bill pay. This percentage is projected to continue to increase. For purchase intelligence to be actionable, purchase data must be connected to the consumer through electronic touchpoints.

### Competition for Financial Institutions

The recent rise of alternative banking solutions and non-bank competitors creates a need for FIs to continue to engage customers and strengthen customer loyalty. FIs have further incentive to seek revenue generating opportunities such as through partnerships with Cardlytics.

### Explosive growth in digital marketing

According to MAGNA Global, digital media spending has grown 13% from \$178 billion in 2016 to \$202 billion in 2017. Traditional marketing channels, such as television, are being disrupted and provide online marketing channels with a strong tailwind for continued growth.





















Source(s): S1 Filing

## Growth Strategy

<b>Grow direct business with marketers</b>	<ul style="list-style-type: none"><li>Expand sales and marketing efforts to grow Cardlytics Direct business with existing marketers and attract new brands, retailers, and service providers.</li></ul>
<b>Drive growth through existing FI partners</b>	<ul style="list-style-type: none"><li>Drive revenue growth by increasing customer adoption and improving the effectiveness of FI's digital channels.</li></ul>
<b>Expand network of FI partners</b>	<ul style="list-style-type: none"><li>Grow network of FI partners by integrating directly with large regional and national banks and reselling solutions through financial processors and payment networks.</li></ul>
<b>Grow platform through integrations with partners</b>	<ul style="list-style-type: none"><li>Partner with other media platforms, marketing technology providers and marketing agencies that serve a broad array of customers.</li></ul>
<b>Innovate and evolve platform</b>	<ul style="list-style-type: none"><li>Grow data assets and enhance platform, develop new solutions and use increasingly sophisticated analytical capabilities.</li></ul>

# Cardlytics IPO – Executive Summary

## Financing History

Date	Series/Type	Amount (\$mm)	Lead Investor	Transaction Notes
05/18/2017	Series G	\$11.9	   	The company raised \$12 million of Series G venture funding from Polaris Partners, Canaan partners, TTV Capital, ITC Holdings and Kinetic Ventures on May 18, 2017, putting the estimated pre-money valuation at \$575 million.
10/29/2014	Series F	\$70.0		The company raised \$70 million of Series F venture funding in a deal led by Discovery Capital. The company intends to use the funds to continue to extend and expand the breadth of the company's capabilities to make all marketing more relevant and measurable.
05/21/2013	Series E	\$40.0	   	The company raised \$40 million of Series E funding of a planned \$60 million from lead investor Groupe Aeroplan on May 21, 2013, putting the estimated pre-money valuation at \$425 million. Kinetic Ventures, ITC Holding Company, Canaan Partners, Polaris Venture Partners and Total Technology Ventures also participated..
09/08/2011	Series D	\$33.0	   	The company raised \$33 million of Series D funding from lead investor Groupe Aeroplan on September 8, 2011, putting the pre-money valuation at \$236 million. Kinetic Ventures, ITC Holding Company, Canaan Partners, Polaris Venture Partners and Total Technology Ventures also participated.
08/16/2010	Series C	\$18.0	   	The company raised \$18 million of Series C venture funding from ITC Holdings, Kinetic Ventures, Canaan Partners, Polaris Venture Partners and Total Technology Ventures on August 16, 2010, putting the pre-money valuation at \$83 million.
01/15/2010	Series B	\$5.7	  	The company raised \$6 million of Series B venture funding from Canaan Partners, Polaris Venture Partners and Total Technology Ventures on January 15, 2010, putting the company's pre-money valuation at \$10 million.
11/30/2009	Series A	\$1.9	<b>Undisclosed</b>	The company raised \$2 million of Series A venture funding from undisclosed investors, putting the company's post-money valuation at \$4 million.

Source(s): CapitalIQ, Pitchbook, Press Releases



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