

Lead Generation M&A Fall 2024



Mergers & Acquisitions
Capital Raising
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M&A IN THE LEAD GENERATION INDUSTRY

M&A in the U.S. lead generation industry remains robust, with firms being acquired not only for their customer bases but increasingly for their data analytics and AI capabilities. These technologies are pivotal in enhancing lead generation efficiency while improving operational margins. Private equity investors are attracted to the sector's strong margins and recurring revenue models, which many lead generation companies offer. Consequently, larger players, often backed by private equity, are leading industry consolidation, driving further innovation and growth.

DRIVERS OF M&A

Several key factors are driving the current M&A market for lead generation companies as investors and buyers are seeking to capitalize on the growing importance of digital marketing and data-driven decision-making:

1. Increasing Importance of Data Analytics and AI

Firms specializing in advanced data analytics, AI-driven content creation, and automated marketing solutions are increasingly sought after. In a market with a finite pool of leads, success hinges on deploying the right lead at the right moment; leveraging analytics and AI is essential to optimizing this process. Recent transactions of companies for their AI capabilities include:

- Better Car People's acquisition of Proactive Dealer Solutions which includes its Brooke.AI Digital Voice Assistant
- Agital's acquisition of Go Fish Digital which includes AI and language models to improve online lead generation and website traffic

2. Private Equity Interest

Private equity firms invest in lead generation companies, attracted by the high growth potential, recurring revenue models, margin enhancement through AI, and roll-up opportunities. Recent examples include:

- Liftout Capital's acquisition of Pay4Leads, Inc.
- Abry Partner's investment in Better Car People

3. Market Consolidation

The lead generation market is highly fragmented, with many small to mid-sized players. Larger companies are driving consolidation in the market by acquiring these smaller firms to expand their tech stack, service offerings, and customer base.

- Red Ventures' acquisition of Healthline Media to add two of the four largest consumer health and wellness information sites
- Brookfield Asset Management backed eLocal's acquisition of Bunker Hill Labs to expand qualified leads for Home Services, Legal, and other business verticals
- Banzai's acquisition of IGLeads.io, a lead generation platform in the technology SaaS sector

In Colonnade's September 2020 industry commentary, we highlighted the "buy and build" strategy favored by many private equity firms. Between 2018 and 2021, private-equity-backed platforms actively acquired smaller companies to strengthen vertical integration, enhance capabilities, and broaden industry reach. However, major players like Internet Brands (owned by KKR) have not made any acquisitions since 2021, and companies like Digital Media Solutions and Red Ventures have significantly slowed their acquisition activity.

MARKET SIZE

As of 2023, the U.S. lead generation solutions market, defined as companies that are generating third-party leads, is experiencing rapid expansion, valued at approximately \$3.1 billion¹. This marks a substantial increase from prior years, with projections indicating a compound annual growth rate (CAGR) of 17-18%, potentially reaching \$10.5 billion by 2032. The market's growth trajectory is being driven by several critical factors: the acceleration of digital transformation across industries, the increasing reliance on data-driven strategies, and the integration of advanced technologies such as artificial intelligence (AI) and machine learning into lead generation practices.

¹Source: DataHorizon Research (w/2 zz) Information and Technology Market Research Report, ID DHR 2761, Published 3/2/24

TOP LEAD GENERATION INDUSTRY SECTORS

Home Improvement, Warranty and Maintenance

This sector includes services related to home renovation, repairs, landscaping, and other maintenance activities. Companies generate leads for contractors, remodelers, maintenance services and home warranties. Rising interest rates and lack of supply have made it more expensive to buy new homes, leading many homeowners to invest in remodeling and maintenance instead.

Homeowner improvements and maintenance is estimated at \$468 billion in annually, per the Joint Center for Housing Studies of Harvard University².

Angi (formerly Angie's List)

Connects homeowners with local contractors and service providers for renovations and repairs

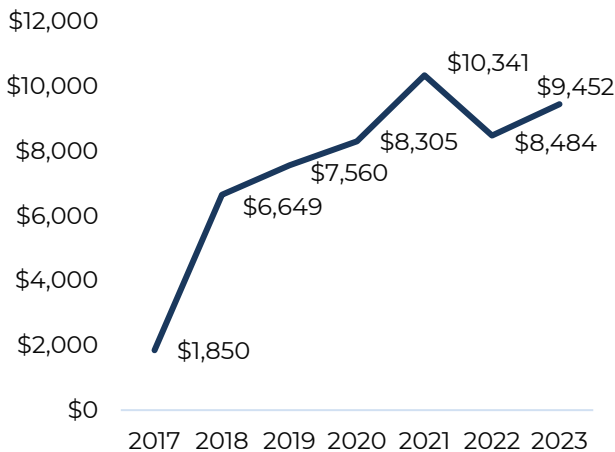
HomeAdvisor

A platform that generates leads for professionals in home improvement, repairs, and maintenance

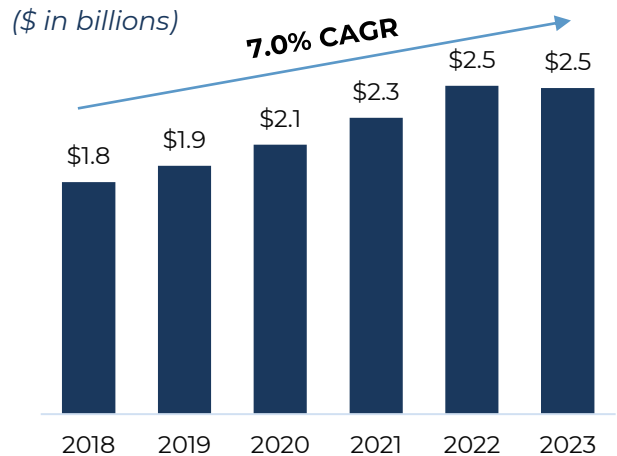
TREND

Increased demand for contractors, remodelers, and maintenance services will drive higher demand for leads in this sector.

AVERAGE HOME IMPROVEMENT SPEND³



HOME WARRANTY DIRECT-TO-CONSUMER CHANNEL SIZE⁴



²<https://www.jchs.harvard.edu/press-releases/remodeling-spending-tick-through-mid-year-2025>

³Source: <https://research.angi.com/research/reports/spending/>

⁴Frontdoor Annual Reports and Colonnade Estimates

Car Purchase, Warranty and Maintenance

This sector includes vehicle sales and services such as repairs, maintenance, vehicle service contracts, aftermarket upgrades, and detailing. Leads are generated for dealerships, auto repair shops, parts suppliers, and direct-to-consumer vehicle service contract sellers. With the expansion of online vehicle purchasing and dealerships extending their geographic reach, competition to capture car buyers has intensified, prompting increased marketing investments. The rising average age of vehicles on the road is also driving demand for repairs and maintenance.

RepairPal

Offers leads to auto repair shops by connecting them with consumers in need of vehicle repairs

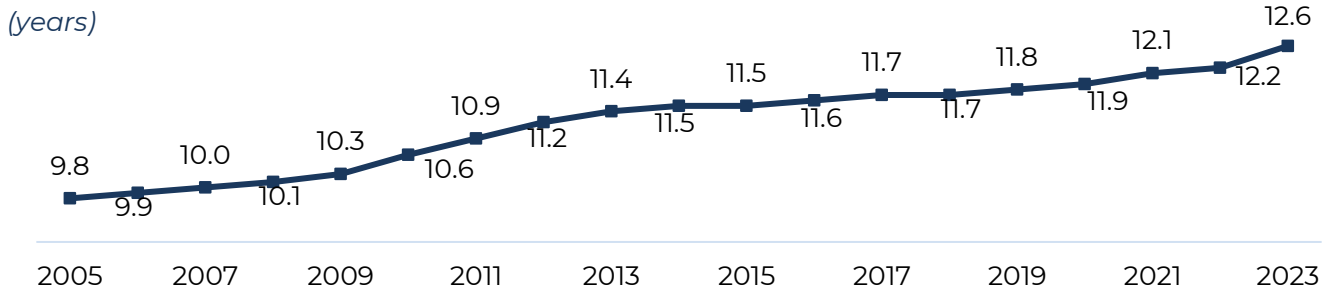
AutoWeb

Provides lead generation services for automotive dealers and aftermarket service providers

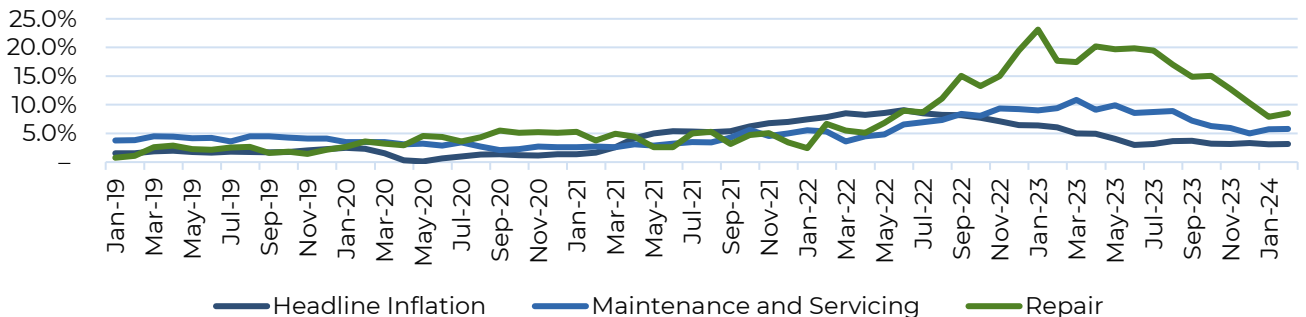
TREND

As vehicles continue to age and maintenance costs rise, demand for leads to repair shops, warranties, and aftermarket services will grow. Additionally, car dealerships will aggressively seek leads to compete in a broader, more competitive market, driven by online sales and expanded geographic reach.

AVERAGE AGE OF PASSENGER VEHICLES HAS STEADILY INCREASED⁵



AUTOMOTIVE MAINTENANCE AND REPAIR INFLATION⁶



⁵U.S. Department of Transportation

⁶Bureau of Labor Statistics, FRED

Financial Services

This sector encompasses lead generation for mortgages, loans, credit cards, financial advisory services, and insurance. The rise of digital banking, fintech solutions, and online financial platforms has simplified the process for consumers to explore and switch financial products. Consequently, competition among financial service providers has intensified, driving the need for more leads to attract and retain customers. Additionally, the digitalization of insurance services has streamlined the process for consumers to compare and purchase policies online.

LendingTree

Generates leads for mortgages, personal loans, credit cards, and other financial products

TREND

As interest rates decline, demand for mortgage refinancing will surge. However, this uptick in the refinance market may be short-lived, given that high mortgage rates have only been a recent phenomenon. Once rates drop, refinance lenders are likely to aggressively seek leads to capitalize on the renewed demand.

INSURANCE POLICY SHOPPING⁷

Shopping Online



■ 22% ■ 27%
2022 2023

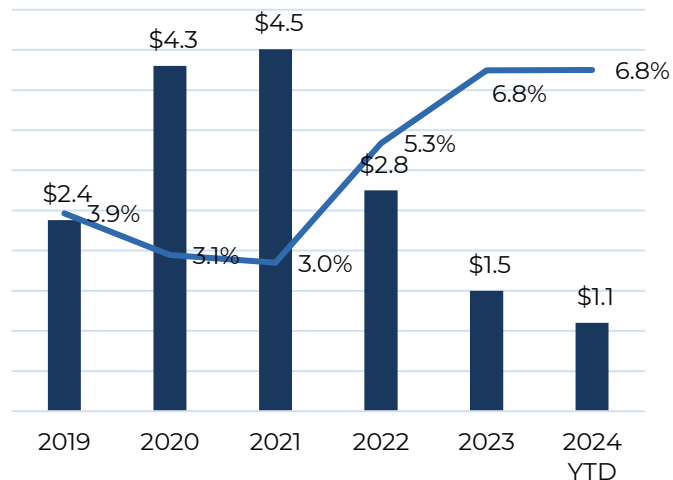
Shopping via an Agent



■ 42% ■ 35%
2022 2023

A DROP IN MORTGAGE RATES WILL FUEL ONLY 2 YEARS OF REFINANCING⁸

(\$ in trillions)



■ Mortgage Origination Volume
— Average Mortgage Interest Rate

⁷TransUnion Insurance Trends and 2024 Outlook Report

⁸Federal Reserve St. Louis, source: Freddie Mac, Lending Tree

Healthcare Services

Lead generation in this sector targets services such as health insurance, elective procedures (e.g., cosmetic surgery, dental), senior care, and wellness programs, including telemedicine and healthcare providers. The demand for healthcare leads, particularly in mental health, has surged due to growing interest in online services. Mental health apps and telehealth platforms have gained significant popularity, offering easier access to care. For example, in 2023, behavioral health services saw a 17% increase in visit volumes compared to pre-pandemic levels, largely driven by digital platforms enabling remote therapy and mental health care.

eHealth

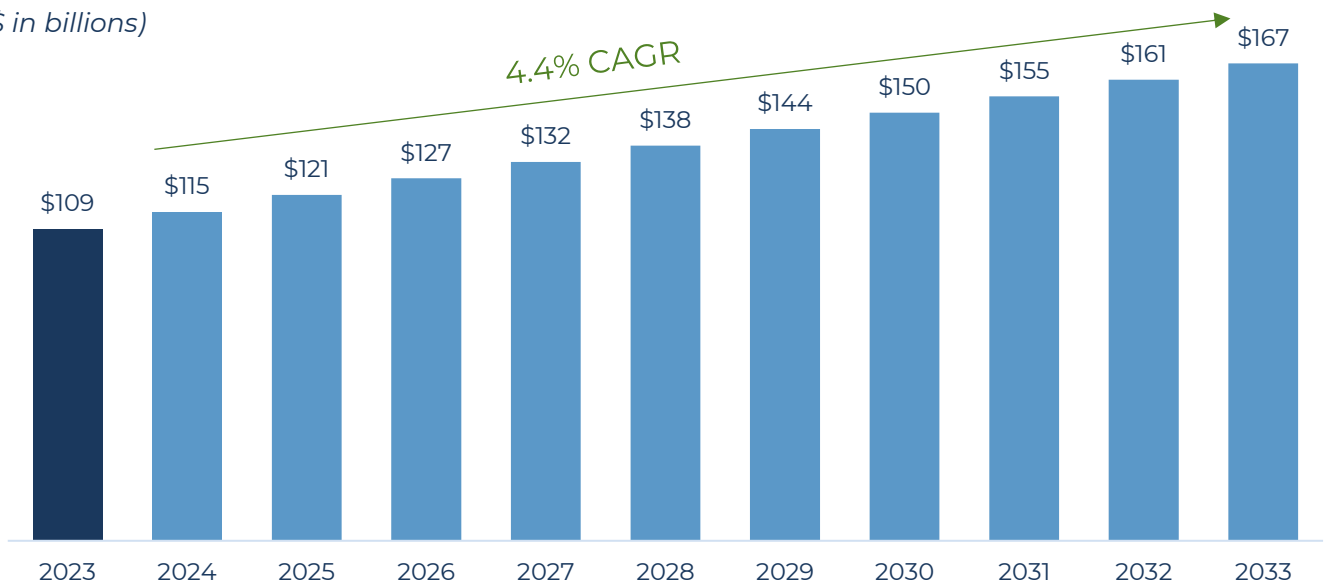
Provides leads to health insurance providers and brokers, focusing on individual and family plans

TREND

The ongoing demand for mental health services, combined with a shortage of local providers, will continue to drive the need for leads in this sector.

PROJECTED U.S. BEHAVIORAL HEALTH MARKET GROWTH⁹

(\$ in billions)



⁹Precedence Research, <https://www.precedenceresearch.com/us-behavioral-health-market>

Retail and E-commerce

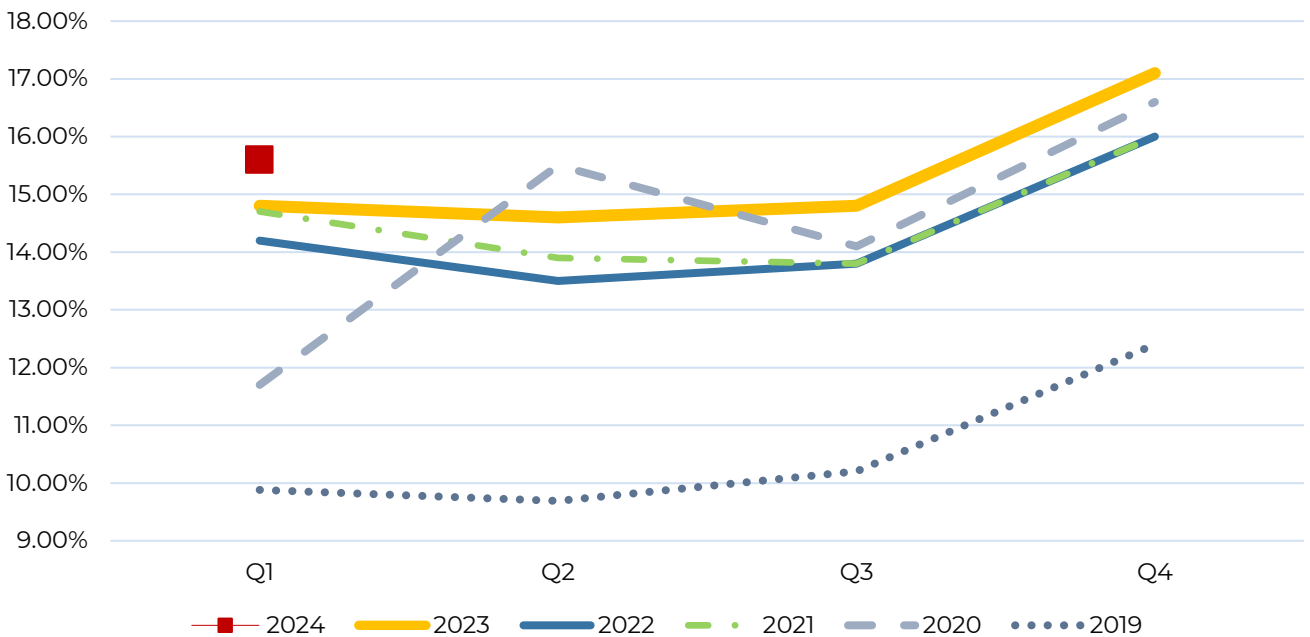
This sector covers lead generation for online and brick-and-mortar retail, including apparel, electronics, and consumer goods. It also includes subscription services and direct-to-consumer brands. E-commerce continues to grow, driven by changing consumer habits and the convenience of online shopping.

Rakuten Advertising

Generates leads for e-commerce retailers through affiliate marketing and paid search

TREND *Subscription services and direct-to-consumer brands are on the rise as consumers seek personalized shopping experiences.*

ONLINE SHOPPING KEEPS INCREASING AS A SHARE OF ALL RETAIL¹⁰



¹⁰Capital One Online Shopping Statistics (2024): Growth, Sales & Demographics

THE ELEPHANT IN THE ROOM: IMPACT OF AI ON THE LEAD GENERATION INDUSTRY

AI is profoundly reshaping lead generation by making it more data-driven, personalized, and efficient. The need for AI solutions is driving many M&A transactions.

1. Enhanced Data Analysis and Predictive Analytics

AI-driven tools enable more accurate lead scoring and prioritization by continuously analyzing data and optimizing marketing efforts.

2. Personalization at Scale

AI allows businesses to tailor content and offers to individual prospects by analyzing user behavior and preferences, enhancing engagement.

3. Automation of Lead Generation Processes

AI-powered automation streamlines lead generation activities, enabling 24/7 engagement through chatbots and real-time lead qualification.

4. Improved Lead Scoring and Qualification

AI refines lead scoring models by incorporating diverse data points, continuously improving the accuracy of lead qualification.

5. AI-Driven Content Creation and Optimization

AI tools generate and optimize personalized content, ensuring relevance and maximizing engagement through real-time adjustments.

SELECT TRANSACTIONS

	TARGET	BUYER	COMMENTS
July 2024	PAY4LEADS, INC.	Liftout Capital	Leading lead generation and customer acquisition company in the tree care industry and expanding into roofing, siding and window markets
July 2024	HEALTHLINE MEDIA <i>(Summit Partners)</i>	Red Ventures <i>(20% owned by General Atlantic and Silver Lake)</i>	Adds the publisher of two of the four largest consumer health and wellness information sites to its portfolio of digital companies
June 2024	PROACTIVE DEALER SOLUTIONS	Better Car People <i>(Abry Partners)</i>	Adds PDS's Brooke AI Digital Voice Assistant and BCP's omnichannel engagement solutions to help auto dealers increase sales volume, service appointments, customer loyalty, and satisfaction. Abry Partners invested in BCP in 2024, fueling this transaction
May 2024	BUNKER HILL LABS	eLocal <i>(Brookfield Asset Management)</i>	Expands qualified leads for Home Services, Legal, and other business verticals
February 2024	GO FISH DIGITAL	Agital <i>(Trinity Hunt)</i>	Adds AI and language models to improve online lead generation and website traffic
January 2024	IGLEADS.IO	Banzai International, Inc. <i>(NASDAQ: BNZI)</i>	Profitable lead generation platform with close to 1,000 customers in technology SaaS sector; creates cross-selling opportunities
January 2024	ICAPTURE	Cvent <i>(Blackstone)</i>	Captures leads at trade shows
December 2023	VOLLY	MyHome <i>(Williston Financial Group)</i>	Expands MyHome's solutions for mortgage lead generation, conversion and retention
December 2023	TRINITY OAK PARTNERS	HomeScout <i>(FirstClose, Inc.)</i>	Provides AI-based lead generation services for the real estate technology company
November 2023	STEER CAMPAIGN	CIENCE	Adds open source marketing automation platform to CIENCE's B2B lead generation services
November 2023	SHIFT44 LLC	PopReach Corporation <i>(dba Ionik, TSXV: INIK)</i>	Synergistic add of first-party data acquisition and lead generation platform
October 2023	SIERRA INTERACTIVE	Alpine Software Group <i>(Alpine Investors)</i>	Expands Alpine's involvement in the property technology market by adding lead generation for real estate companies
September 2023	ASSURE MEDIA, LLC	Labwire, Inc. <i>(OTC: LBWR)</i>	Specializes in financial, legal, and home services sectors

SELECT TRANSACTIONS (continued...)

	TARGET	BUYER	COMMENTS
July 2023	WHO KNOWS	LeadGenius	B2B lead generation company adding AI-based omni-channel B2B lead generation capabilities for startups and small businesses
June 2023	E-INSURE SERVICES, INC.	HUB International <i>(Hellman & Friedman)</i>	Insurance broker adding direct-to-consumer lead generation platform
June 2023	3 BIRDS	DAS Technology	Provides improved lead generation and retention to automotive OEMs and dealerships
April 2023	DEFTSALES	SmartAsset <i>(TTV Capital, Javelin Venture Partners Citi Ventures and others)</i>	Adds capabilities with a fast response lead nurturing and development platform
March 2023	HOMEQUOTE.IO	Digital Medial Solutions	Adds a home services marketplace to multi-industry lead generation platform
June 2022	UPNEST	Realtor.com <i>(Move Inc., subsidiary of News Corp.)</i>	Adds a lead generation platform connecting home sellers and buyers with real estate agents
June 2022	GREEN LEADS	Activate Marketing Services <i>(Next 15 Group plc)</i>	Accelerates Activate's demand generation services and adds sales appointment setting capabilities
February 2022	IDG	Selling Simplified	Creates the largest supplier of B2B tech leads

CONCLUSION

Recent M&A activity in the lead generation industry has been characterized by a focus on acquiring firms with advanced data analytics and AI capabilities, as these technologies are critical for optimizing lead management and marketing efficiency. The market remains attractive to private equity investors, particularly due to the sector's recurring revenue models and high margins. Recent deals reflect a strategic push towards consolidation, with larger firms expanding their technological offerings and vertical integration through acquisitions, positioning themselves to dominate in an increasingly competitive digital marketing landscape.

Looking ahead, we expect the pace of consolidation to persist as companies continue to prioritize AI-driven lead generation tools. The ability to leverage AI for enhanced customer targeting, personalization, and process automation will remain a significant driver for acquisitions. This ongoing transformation, fueled by both technological advancements and the pressure to scale, will likely lead to further innovation and growth in the sector, making it an appealing target for investors seeking to capitalize on these trends.

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Sources: DataHorizon Research, Harvard, Angi, Frontdoor, U.S. Department of Transportation, Bureau of Labor Statistics, FRED, TransUnion, Federal Reserve St. Louis, Freddie Mac, Lending Tree, Precedence Research, Capital One and Colonnade research

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