



American
Discovery
Capital



CASE STUDY

SmartBug Success Story

Rapidly Growing Digital
Marketing Agency Operating
in the Expanding Inbound
Marketing Industry

Investment Overview

- SmartBug Media (“SmartBug” or the “Company”) is the leading digital marketing agency operating in the high-growth industry for inbound marketing.
- The SmartBug investment is the result of a proprietary relationship between SmartBug’s founder, Ryan Malone, and ADC. The ADC investment is the first outside capital SmartBug has taken in its company history.
- SmartBug’s high-growth recurring revenue model is built on contractually based retainers, leading to enhanced revenue predictably with strong EBITDA margins and high free cash flow generation.
- Our active M&A environment within the marketing services sector supports a strong future exit and returns for shareholders.



Business Overview

SmartBug Media is a rapidly growing remote-work digital marketing agency operating in the expanding inbound marketing industry.

SmartBug Media assists businesses in growing revenue by generating leads, increasing brand awareness, and building customer loyalty through technology-enabled inbound marketing.

The Company is well-regarded in the industry for its strong growth, positive work environment, and client success. SmartBug's value proposition and delivery model allow it to provide better service to clients while scaling rapidly to meet client demand.

SmartBug was on AdWeek's and Inc 5000's fastest-growing companies lists, has several "great places to work" awards, and has received numerous awards for client work.

Notably, SmartBug has a very successful relationship with HubSpot (they earned Global Partner of the Year in 2018 and North American Partner of the Year in 2021), and there are additional growth opportunities by increasing partnerships with others. SmartBug is constantly recruiting and creating a backlog of qualified candidates, which allows it to scale up quickly to meet client demands.

SmartBug is well-regarded in the industry for its strong growth, positive work environment, and client success.



SmartBug
and ADC came
together the
same way most
ADC investments
come together—
personal
connections
with people who
share our values.



An Ideal Partnership

With SmartBug, we're investing in the recognized leader in the expanding inbound marketing industry with a unique workforce model that allows the Company to access a broad pool of global talent to scale.

SmartBug and ADC came together the same way most ADC investments come together: personal connections with people who share our values. We got to know SmartBug's founder, Ryan Malone, and realized he had created something special. Ryan had a great deal of his own assets invested in SmartBug and was looking for partners to help him achieve partial liquidity on his ownership stake, while injecting fresh capital and strategic guidance to help him scale his business. SmartBug had grown from a small startup to a healthy, solid mid-sized business in a matter of a few years. Ryan managed to build his vision his way—SmartBug reflected not just his talent and business acumen but also how passionate he was about creating a healthy, happy, smart agency.

Before the pandemic of 2020, an all-remote inbound marketing agency was unique, and SmartBug continued to grow despite conventional wisdom that an agency needed an HQ. With SmartBug's remote work model, Ryan has found a way to recruit talent where they are and, at the same time, build work and communication processes to promote a strong company culture despite the lack of a physical office.

At ADC, we understood the unique opportunity presented by SmartBug and started discussing a long-term plan with Ryan for the growth of the company. Our common vision for the future of SmartBug enabled us to develop a mutually-agreeable investment construct for the company, and motivated Ryan to roll a significant amount of equity that aligns with our interests for long-term growth and success.

Proven Remote-Work Success

Pre-COVID-19, investing in an all-remote marketing agency was seen as risky. Not many investors were lining up to invest in a company that didn't have a corporate headquarters.

We saw the value in the unique agency model Ryan Malone and his team built using talent from every corner of the U.S. and several countries around the world. While other businesses struggled to adapt to a remote-work world during the pandemic, at SmartBug, it was business as usual.

During the worst part of COVID-19, SmartBug maintained their ground, continuing to thrive, onboard new clients and hire new talent, proving that investing in an all-remote workforce was worth the risk.

SmartBug has grown significantly since ADC's investment, more than doubling its headcount while continuing to deliver high quality work and customer satisfaction.



With ADC, we got partners, not just investors. They're growth oriented and really looked at us as a platform. We partnered not long before COVID-19 hit, and they remained calm and accommodating and were there with us on our mission to preserve what we'd built. We hit the numbers we needed to, even during the worst of the pandemic. The board is very teaching-oriented, and they learn the why behind everything. They're patient, strong leaders, and I've never had a bad phone call with any of them.

—Ryan Malone, SmartBug Chairman & Founder



The Westwood Gateway
11150 Santa Monica Boulevard
Suite 1425
Los Angeles, CA 90025

(310) 481-8700