

# MERGERS AND ACQUISITIONS IN THE MARKETING AND MEDIA SECTORS

## A review of Q3 2019

Despite the political and economic uncertainty that has continued to impact global and UK businesses, and a year-on-year decline since 2016, there has been significantly more M&A activity in the sector than we expected at the start of the year. This quarter had 55 deals recorded, only slightly less than the corresponding quarters in the previous two years. Moore Kingston Smith intelligence also shows that previous years have tended to have a quieter Q4 before a jump in numbers come Q1 of the following year. This is certainly a trend we expect to see given the delay of Brexit and the imminent election. However, the rumour that entrepreneurs' relief is under threat, regardless of who wins the election, may encourage owners to sell sooner rather than later.

In our Q2 report we noticed a tipping point for cross-border deals. At that point, 43% of these deals were backed by foreign investment – which has risen to 53% in Q3. The percentage of cross-border vs UK-UK deals has also tipped, if slightly, in favour of cross-

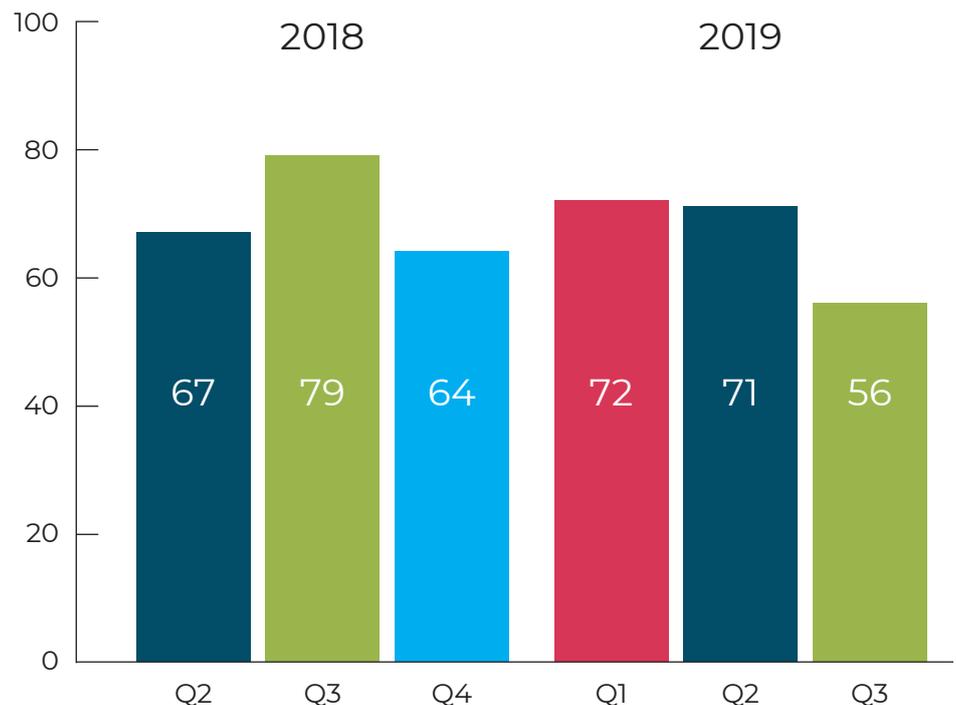
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border. These figures support the picture of increased international presence in the UK, perhaps led by the attractiveness of the weaker pound.

“This was a relatively strong quarter for the sector, and our busiest ever. Sellers are definitely more cautious at the moment, which may last into the new year, however buyers are still actively engaged in the market. The cross-border activity is particularly interesting this quarter. We had expected global expansion from the UK in the anticipation of Brexit, but it is refreshing to see investment flowing inwards,” says Mandy Merron, corporate finance partner.

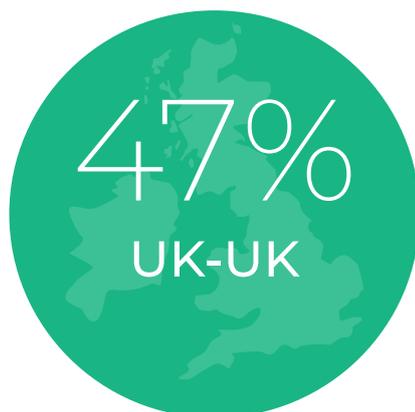
## QUARTERLY VOLUME

Number of transactions



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### CROSS-BORDER DEALS



### ACTIVE PLAYERS IN Q3 2019

#### Private equity leads the way...

Substantial interest from private equity buyers has been a feature throughout 2019, and continues into Q3. Having invested significantly in MSQ Partners last quarter, in Q3 mid-market firm LDC (alongside LGT Capital Partners) backed Fishawack in its move to acquire 2e Creative, an internationally recognised healthcare marketing strategy firm based in Manchester.

On the other side of the PE space, Bain Capital has purchased a majority stake in data research business, Kantar, from WPP. Following the deal to buy 60%, valuing Kantar at £3.2m, Bain Capital has promised to invest and make further acquisitions. The promise of future investment in Kantar's people and technology is balanced by the growth opportunities that Bain sees in the market research sector. Having been speculated on since Q2 2018, this deal is reflective of the slow pace at which deals have progressed during a time of insecurity – the appetite remains, even with delay.

**“Substantial interest from private equity buyers has been a feature throughout 2019.”**

#### ...while the big agencies are quietly getting their ducks in a row

The large-scale acquisition roll-outs seen in Q1 this year have not been repeated this quarter – instead the quiet planning of Q2 continues.

Having been exceptionally quiet in Q2, Dentsu Aegis has picked up its purchasing plans in Q3 with major investment in digital marketing services and

consultancy via Ugam Solutions, Davanti Consulting, Ambient Digital Advertising Service Co, and Mutesix. It is also noteworthy that all four of these investments are outside the UK – India, New Zealand, Vietnam and the US respectively – which reflects the firm's move back towards international acquisitions seen in 2018, unlike its local focus in Q1 this year.

Although creative titan WPP is following suit in international investment, it is a smaller and perhaps more strategic step than seen above. Despite a focus on organic growth announced at the start of the year, and a hopeful nod towards acquisitions being part of the agency's future strategy last quarter, we have also seen its majority ownership of Kantar sold to Bain Capital, as well as other stake sales in order to pay down debts. The purchase of Italian technology-driven creative agency, AQuest, does match the firm's strategy “to provide transformative ideas and outcomes for its clients through an integrated offer of communications, experience, commerce and technology”, and we expect these acquisition criteria to come to the fore again.

AIM-listed digital communications group Next 15 has continued its growth, picking up two more select acquisitions. Adding to its research division, Savanta, formed only earlier this year, the group has acquired an additional spoke to its wheel – ComRes. The research consultancy joins merged agencies Morar HPI, VIGA, Charterhouse and Circle, along with freshly acquired Planning-inc (Q1), bringing “incredible talent into the business as it broadens and deepens its offering”. On top of this development, the group also acquired London-based social media agency Market Making – reflecting a specialist trend that we are seeing more of this quarter.

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### SECTOR ACTIVITY: SOCIAL PICK-UP ON TOP OF GROUNDED THEMES

#### Social media specialism rises to the top for marketing services & tech

Although marketing services continues to be a popular subsector for all investors, accounting for 30 of the deals seen this quarter, the focus on social media specialists is notable. The larger agencies have led the way – Dentsu Aegis with a huge investment in digital, and Next 15 picking up Market Making – and established the trend.

Media and technology company Iconic Labs acquired social media agency Social Alchemist in order to complement and expand on its current capabilities. Although Social Alchemist was only formed in October 2018, its specialisms in platform-based reach, consultancy, strategy and content creation – including original social video production – was obviously considered worth backing.

Social Studies, a data-backed micro-influencer and digital marketing agency that connects innovative brands with emerging social content creators, made its first acquisition with Magi Metrics. It provides the ability to export data from Instagram; a handy extension for the agency's client base.

“The previous quarter had more of a focus on martech, and although this hasn't faded, it is interesting to see a forming focus where specialist social agencies are being picked up from both sides of the market. We expect this trend to continue as brands demand fast and agile content to be distributed effectively,” says Paul Winterflood, corporate finance director.

### “Brands demand fast and agile content to be distributed effectively.”

#### Communication in healthcare continues

Deals in this space continue to be popular, from both sides of the buying market. For private equity, as previously mentioned, LDC has supported Fishawack in its development in the space. Meanwhile, just edging into Q4, in October, Next 15 announced the group's acquisition of US-based Creston and its subsidiary, global health consultancy and communications agency Health Unlimited. This has been seen as a “major milestone for Next 15”, adding specialism to its portfolio while also expanding internationally.

### “Large investment in the sector is coming from within.”

Large investment in the sector is also coming from within. In its second acquisition in the past 18 months, OneHealth Communications Group purchased UK market leader Bartlett Davis Communications, whose client list has contributed to the company, currently representing 20% of all money spent on pharmaceutical brand advertising.

Bangalore-based life sciences services company Indegene acquired a majority stake in the UK-based consulting company DT Associates. Increasing Indegene's footprint in Europe, its London-based operations will focus on helping pharma companies with their customer experience and digital operations. The plan is for Indegene's investment to be stepped up until it owns all of DT Associates in around three years' time.

Investment is moving both ways in this space, as seen with Macclesfield-based Lucid Group which acquired medical communications agency HealthCare21 in order to expand its global footprint with the addition of offices in Singapore and Dubai. This acquisition brings scientific strategy, content creation, editorial excellence and digital design capabilities to Lucid.

“As established by the deals seen in last quarter and this, the healthcare specialist sub-sector continues to grow with a renewed focus on communication being key to its professionals and end-clients,” says Nicola Horton, corporate finance principal.

#### The grass is still green for outdoor media buying

Outdoor is another sub-sector where growth continues. Moore Kingston Smith supported the sale of independent outdoor creative specialist, Grand Visual, to Talon, the third largest player in the UK's outdoor media buying market. The deal included QDot, a spin-off housing the technology that Grand Visual uses to deliver creative to digital outdoor screens and handle campaign reporting. This acquisition adds to Talon's offering in markets outside the UK, particularly in the US, a strategy that was put in place earlier this year with its purchase of US independent outdoor media agency Grandesign.

International investment continued in this space with UK-based premium digital out-of-home media owner Ocean Outdoor's acquisition of Visual Art Media, Sweden's largest pure-play digital out-of-home operator. This independent digital out-of-home media and tech group operates in three Nordic countries and Germany, and adds to Ocean Outdoor's DOOH portfolio in the UK and the Netherlands.

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## OUTLOOK

We predicted a quieter 2019 earlier this year, and although there has been a year-on-year decline, this year's activity has been much higher than we had initially expected.

While the UK's political backdrop continues with uncertainty into 2020, and the end of the economic cycle approaches, we cannot predict leaps in numbers for next year.

That said, we do expect to see continued inward investment over outward acquisition. It is likely that strategic approaches will drive deals in the last quarter of this year, with strong alliances and future-proofed business development leading decisions.

We're interested in seeing where the market will go, from the expansion of social media to new investment in AR/VR as the next step in diversification.



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“This is the time for transformation. Although the so-called megamergers are less likely now, the market leaders will continue to aim for differentiation while new companies gain ground with quicker moves,” says Paul Winterflood, corporate finance director.

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For more information or to find out how we can help you, please get in touch with the **Moore Kingston Smith corporate finance team**. Moore Kingston Smith is a member of Moore Global, a network of firms spanning 609 offices in 112 countries.

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**Paul Winterflood**  
Corporate finance director

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