

# MERGERS AND ACQUISITIONS IN THE MARKETING AND MEDIA SECTORS

## M&A in the marketing and media sector Q1 2020

In our final review of 2019, we commented that while the year had delivered slightly fewer deals than 2018 or 2017, there were signs in the final quarter of an uptick in activity. This was perhaps because of a more settled post-election approach to Brexit. We therefore expressed hope that 2020 would show further signs of a revival in M&A activity in the marketing and media sector.

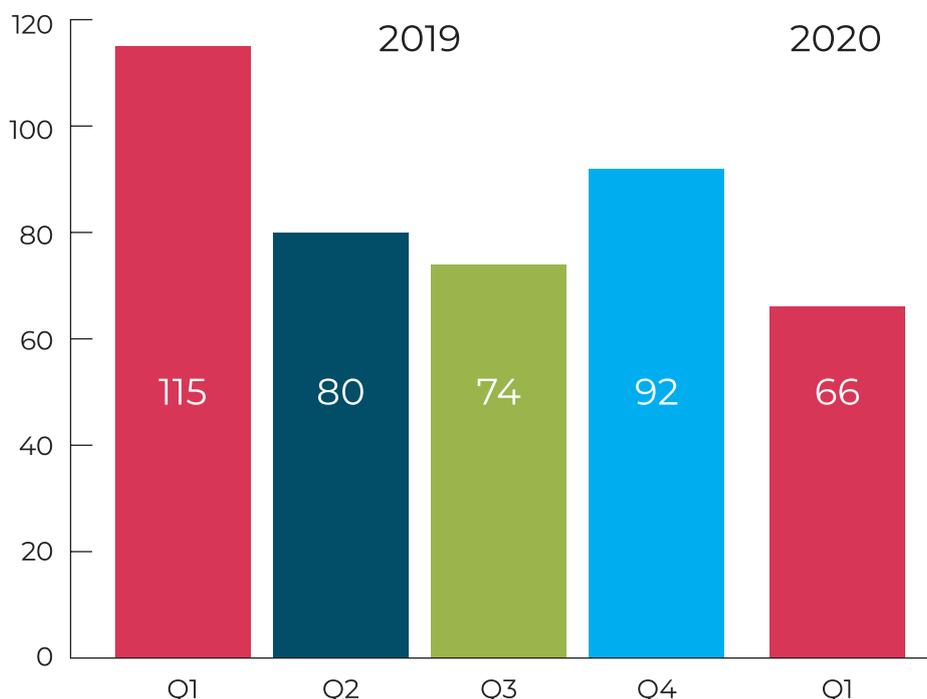
That was of course before the Coronavirus emerged. The virus has had, and continues to have, a significant impact on businesses throughout the UK, not least on companies in the marketing and media space. Companies working in live entertainment, TV, film and commercial production and events may have no income at all at present. Agencies may be less badly affected, depending on the nature of their clients, but

will be experiencing project-freezes, deferments and cancellations.

We now expect that UK M&A activity in the first half of 2020 will be severely impacted, as businesses focus on more pressing concerns regarding their ability to trade through the crisis. The data we have collected so far does show signs of a decline in activity. Just 66 deals in the marketing and media sector were recorded in Q1 2020, lower than in any quarter in the previous year, and some 43% down on the comparable figures for Q1 2019. This is despite entrepreneurial owners of UK businesses being given a special incentive to complete corporate transactions before Budget Day on 11 March 2020, in anticipation of entrepreneurs' relief perhaps being scaled back significantly (as indeed it was).

### QUARTERLY DEAL VOLUME

Number of deals



“We began 2020 with an extremely positive outlook, expecting to build on what was an exceptionally busy year for the Moore Kingston Smith team,” says Nicola Horton, Corporate Finance Principal. “While the Coronavirus means much planned M&A activity is now on hold, we remain hopeful of a return to a reasonable level of activity within the next few months. For now, we are focused on helping our clients with their immediate business and financial needs to ensure that they are in the best possible shape once normal service resumes.”

### CROSS-BORDER ACTIVITY STILL SIGNIFICANT

Cross-border activity remained steady in Q1 2020, with half the deals that we tracked throughout the last three months involving an overseas buyer or seller of a UK business. This is in line with our findings for 2019 and 2018 and continues to support the view that a weaker pound has led to UK businesses being seen as particularly attractive to international buyers.

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### SECTOR ACTIVITY – DIGITAL CONTINUES TO OUTPERFORM

As far as the types of deals that were most common in Q1 2020 are concerned, the marketing services sector continued to occupy the top spot (just as it did throughout 2019). It accounted for almost two-thirds of the deals we analysed, with mediatech coming second.

Within marketing services, digital marketing is the out-and-out leader, representing 55% of the deals we recorded. Digital agencies have been extremely popular for some years now, but we expect the interest in digital services to increase still further as a result of the current crisis and businesses operating in lockdown. Businesses and consumers are having to get used to doing things in a very different fashion to normal. While restrictions may lift in the short term, it is entirely possible that some of these new ways of working will become more customary.

### DEAL ACTIVITY WITHIN THE MARKETING SERVICES SECTOR



The digital arena is one where Moore Kingston Smith's corporate finance team has been particularly active this year. In January 2020 we advised on the sale of digital media monitoring and optimisation services provider Digital Decisions to Ebiquity, the AIM-listed independent marketing and media consultancy; and in March 2020 we advised on the sale of a majority stake in global digital commerce and design agency Redbox Digital to the SQLI Group, a digital services group listed on the Euronext Paris.

### GLOBAL NETWORKS BACK ON THE ACQUISITION TRAIL

In our last update we suggested that we might see Dentsu back in the M&A game in 2020, after a fallow six months in the latter half of 2019, when it was entirely focused on internal restructuring, and Q1 has not disappointed. In January 2020 Dentsu

There is a light-hearted post widely circulated on LinkedIn which asks people who led their company's digital transformation. Possible answer choices: a) CEO, b) CTO or c) COVID-19.

The question is humorous but the answer is serious. COVID-19 has in many cases forced companies to pursue a digital transformation much more rapidly than they would have done otherwise. Many people are working from home; shopping for food and household essentials online is now the norm for many who would not have considered it in the past; online media consumption is through the roof; and even the most entrenched luddites have embraced video teleconferencing. It would seem, to paraphrase the recent remarks of Mark Read, CEO of WPP, as though ten years' digital innovation has taken place within ten weeks.

became a major Google Analytics 360 sales & service partner when it acquired California-based E-Nor and folded that into its own marketing analytics consulting arm, Cardinal Path. Less than a fortnight later it made another purchase in the US - acquiring Digital Pi, a Dallas-based provider of marketing automation consulting services in the B2B sector, for its performance marketing agency Merkle.

This was swiftly followed by Merkle acquiring 4Cite, a leading data services technology company in the ecommerce sector, based in Albany, New York and Peterborough, New Hampshire. January's three deals for Dentsu were followed by a fourth US acquisition in February, when Merkle bought a majority stake in New York-headquartered Media Storm, a data-driven audience planning and targeting agency. The transaction comes with an option to buy the remaining equity in the future.

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We have also seen activity from a number of the other networks, including WPP, which increased its ownership stake in UK-based advertising agency The&Partnership in February 2020. The following month it acquired Sandtable, a UK company that specialises in behavioural analytics and advanced simulations, for its GroupM technology practice. The Sandtable acquisition is in line with WPP's strategy to deepen its technology offer by further strengthening its investment and innovation in data science.

In March 2020 Havas Group announced the acquisition of UK-headquartered Cicero Group, a full-service communications and market research agency, specialising in corporate PR, public affairs, market research and digital communications. Havas said that it will integrate Cicero into AMO, its global strategic advisory network, and will rebrand as Cicero/AMO.

Also in March 2020, Moore Kingston Smith's corporate finance team advised on the sale of Bristol-based employee engagement agency Synergy Creative to McCann Worldgroup.

### CONSULTANTS STILL ACTIVE

After a busy 2019, Accenture has demonstrated a continued appetite for the sector, with a number of deals announced. In February it acquired maihiro,

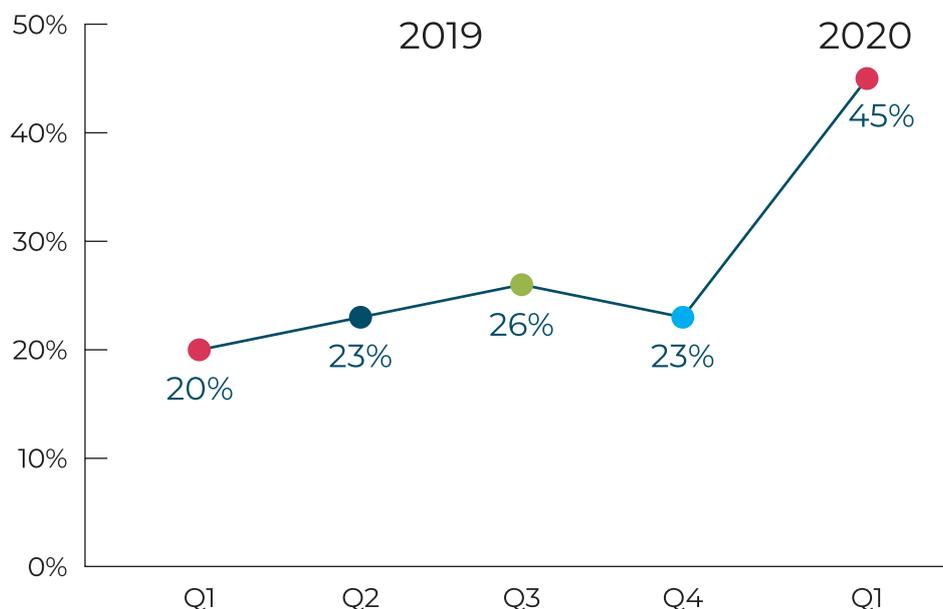
a provider of SAP-based customer experience, customer relationship management and commerce services with offices across Germany and Austria. Also in February, Accenture acquired product design and innovation agency VanBerlo, headquartered in Eindhoven. The acquisition is intended to strengthen Accenture's capabilities to help clients benefit from the merging of physical products and digital services.

In February Capgemini revealed its acquisition of Purpose, a social impact agency and hub for campaign innovation headquartered in New York with outlets across the globe. It was announced that Purpose will integrate with Capgemini Invent, the digital innovation, consulting and transformation brand of Capgemini. The integration is in a bid to support clients to transform their business models and practices for impact, and engage their stakeholders in making meaningful contributions to society.

### PRIVATE EQUITY APPETITE INCREASING

Private equity backed investments accounted for 45% of Q1 2020 deals. This is an investment trend that we first flagged in 2019 and said we expected to see continuing through 2020, but there has been a marked uptick in activity this quarter. In 2019, PE-backed deals represented approximately one quarter of all the transactions we analysed.

### PE BACKED DEALS AS A PERCENTAGE OF ALL DEALS



Last year digital marketing firm Brainlabs sold a 40% stake in its business to private equity firm Livingbridge. At the time, Brainlabs' CEO Daniel Gilbert said this would give the company more firepower to make acquisitions. That is exactly what has happened: in January 2020 it closed on a deal to acquire London-based SEO agency Distilled and then followed that up in February with the acquisition of US digital agency

Hanapin. It is reported that Brainlabs is eyeing another 10-15 acquisitions over the next two or three years.

Following Bain Capital's acquisition of a majority stake in Kantar last year, the reinvigorated research giant has gone on to acquire data-led digital marketing consultancy Mavens of London.

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The expectation is that Mavens will be folded into Kantar's analytics practice, expanding Kantar's insights into how consumers act, think and feel through both human and artificial intelligence.

"Private equity houses remain very interested in the sector, with digital and tech assets of particular interest," says Paul Winterflood, Corporate Finance Director. "Institutions still have significant funds to deploy so we expect to see opportunistic investments and acquisitions being made by private equity houses over the coming months, taking advantage of the market turbulence."

### OUTLOOK

At the end of 2019 we opined that 2020 could prove to be a promising one for M&A in the marketing and media sector, but this was before the Coronavirus came into view.

Companies that have a great track record, great client base, great people and great culture who have, through no fault of their own, seen their income decimated, will look for a safe harbour and merge with or be acquired by a company with a stronger balance sheet.



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**Paul Winterflood,**  
Corporate Finance Director

It is too early to say how deep or prolonged the economic impact of the Coronavirus will be – so much depends on whether the virus can be brought under control and how quickly people can return to work. However, we can surely expect that next quarter's numbers will be lower than Q1's and that certain sectors – including agencies with clients in travel, retail (outside food) and entertainment – will suffer more than others.

However, deals will still be done in the next three months. Many private equity houses are still open for business, and because of the time it takes to complete a sale, there are deals currently in train that will, provided they are not in the highest-risk sectors, manage to get over the line. In addition, we will doubtless start to see more accelerated M&A or rescue deals. Companies that have a great track record, great client base, great people and great culture who have, through no fault of their own, seen their income decimated, will look for a safe harbour and merge with or be acquired by a company with a stronger balance sheet.

For more information, get in touch with the **Moore Kingston Smith corporate finance team.**

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In compiling our Dealtracker we use Pitchbook, a research platform capturing venture capital, private equity and M&A transactions. We analyse every deal and where the target company is classified as marketing services, media tech, publishing or TV, film & entertainment, the transaction is then entered into the Dealtracker. We categorise marketing services into eight sub-categories, and of those, the digital agencies are further classified into fifteen sub-categories.