

M&A in the UK media and marketing services sectors: Q4 2024

UK market holds steady despite economic turbulence

Our view of the market

M&A activity in the UK's media and marketing services sectors was resilient in 2024, despite the UK economy underperforming market commentators' predictions for the year. We recorded a total of 393 UK deals in 2024, which is just 4% down on the 411 deals we logged in 2023. This is some way off the dizzy heights of 2022 but it remains comfortably ahead of pre-pandemic activity levels.

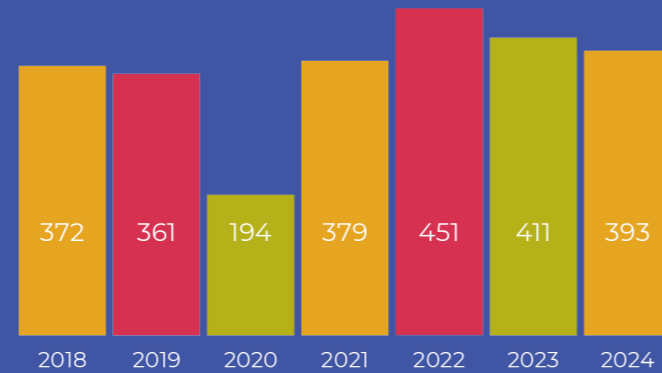
The picture is more nuanced when we examine the quarterly data. We recorded a creditable 100+ deals in every quarter of the year bar one – Q2 – which saw a distinct cooling-off in activity, thus pulling down the overall annual total. We counted 102 transactions in Q4 2024, just one fewer than in Q3.

The economic backdrop has been a difficult one for the UK in 2024. Market commentators expected 2024 to usher in lower inflation, a more stable economic environment and reduced interest rates – all of which should have led to increased M&A activity. Inflation did come down during 2024 but not as far as anticipated. More worryingly, it started to increase again in the final quarter. The UK's bank rate was trimmed by 50 basis points but, again, this was less than people had hoped for at the start of the year, and economic growth essentially flatlined. As a result, M&A activity and capital raising in several sectors were subdued.

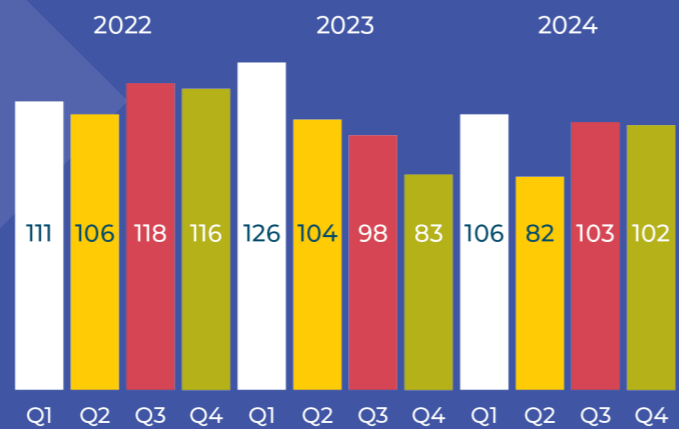
Within the media and marketing services sectors, the client environment remains tough for many. We have seen some sale processes delayed while would-be sellers wait for a hoped-for opportunity to present a better set of numbers to potential buyers. The big global holding companies were noticeably less acquisitive last year. The quoted groups mostly saw their share prices fall or remain flat during 2024 and PE found it harder to finance transactions in a relatively high-interest rate environment. This led to a drag on M&A transactions. Despite these challenges, the level of activity has sustained, reflecting the vibrancy and attractiveness of UK businesses in this space, as well as a 'flight to safety' with smaller businesses merging amid the tougher macroeconomic conditions.

The outlook for 2025 is unclear and linked to client spend, but we remain hopeful of an improving environment for would-be sellers and acquirers.

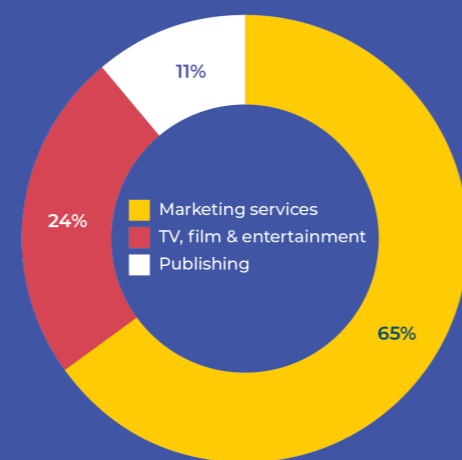
Annual deal volume



Quarterly deal volume



Q4 deals by sector



Trending: PR

PR was the favourite marketing services category with acquirers in Q4. It made up 14% of all the marketing services deals we recorded, a significant increase on the 6% in Q3. Acquirers are responding to a rising demand for PR services as corporates operate in an increasingly complex business environment, with heightened levels of reputational challenge.

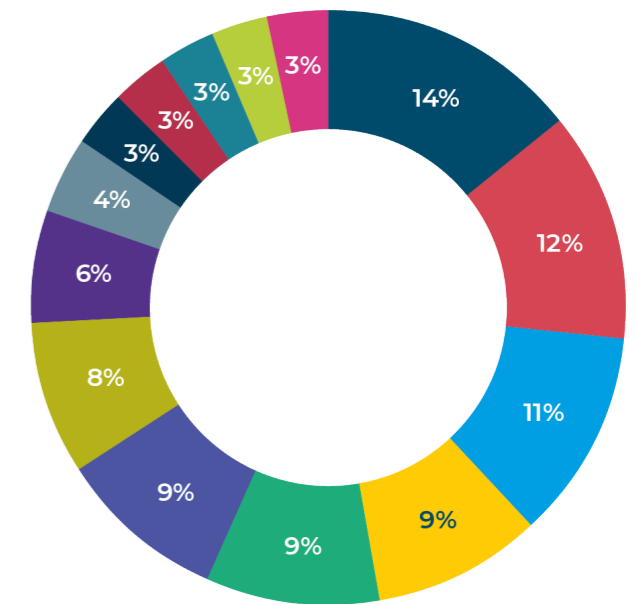
The biggest PR deal in Q4 was the December completion of US PE house KKR's acquisition of WPP's majority stake in strategic communications and public affairs consultancy FGS Global for \$775 million.

"The FGS deal is a landmark deal for the PR sector at an unprecedented multiple. KKR will be looking to significantly disrupt the way FGS is run in order to generate a financial return. This will either be through a consolidation of the market through further M&A, or generating efficiencies through the use of AI and other technologies."

George Hatswell, Director



Q4 2024 deal activity in the marketing services sector



Spotlight on: Martech

In the marketing services sector, while most deals involved the acquisition of traditional service-led agencies, 24% of the deals we recorded in Q4 were technology-led. This is a higher percentage than we recorded in any other quarter in 2024 and demonstrates an increasing interest in technology-first agencies on the part of acquirers.

81% of the technology-led transactions we recorded in Q4 related to martech companies (companies developing and using technology to assist their digital marketing strategy), while 13% were adtech and 6% mediatech.

Notable UK martech deals



In November, Irish e-commerce accelerator Luzern acquired Tambo, a UK-based technology and services provider that helps brands gain a competitive edge on Amazon through advertising and retail optimisation solutions.



In October, UK-based digital insights business Glimpse Analytics announced that it was acquiring US sensor-based analytics company Retail Aware.

KEY STATS:



102

Deals completed



24%

Technology-first marketing services deals



48%

Deals backed by PE



Shipleys joins the growing Moore Kingston Smith team



Annual Survey 2024: Key takeaway points on AI



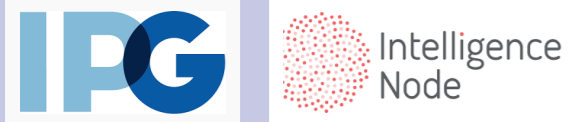
Webinar – The economic outlook: implications for media M&A in 2025

M&A in the UK media and marketing services sectors: Q4 2024

Major holding companies

Notable transactions

After a busy Q3, four of the major marketing services networks – Havas, Omnicom, WPP and Dentsu – made no new acquisitions in Q4. IPG made one, while Publicis completed two acquisitions in the quarter.



In December, IPG announced its first and only acquisition of 2024, revealing that it had acquired an e-commerce intelligence platform, Intelligence Node. It also announced that it had sold its digital company, Huge, to PE house AEA Investors.



Publicis announced two acquisitions in Q4. In October, it completed the acquisition of Spanish digital creative agency 3dids. Then in November, Publicis Media US acquired Picture Motion, a social advocacy and cause marketing company.



OmnicomGroup

Despite the majors being relatively inactive on the M&A front in 2024, December saw the announcement of a massive transaction that is likely to cause a significant shake-up in the industry in 2025 and beyond. On 9 December, Omnicom announced that it intended to acquire IPG in a \$13 billion all-share offer, to form the world's largest media and advertising holding group. IPG's board has accepted Omnicom's offer and the deal is expected to close in the second half of 2025. This is subject to the consent of both companies' shareholders and regulatory approvals, and assuming that no rival bidders enter the fray. We expect this deal to trigger further M&A as other holding companies seek to regain competitive advantage, or as Omnicom and IPG look to rationalise their existing interests, either through consolidation or strategic divestment.

Major holding companies acquisitions completed in 2024

WPP completed the sale of its majority stake in strategic communications and advisory firm FGS Global to US PE house KKR for \$775 million in December.

Havas and Publicis tied as the most prolific network acquirers in 2024, completing a total of six acquisitions. All the networks saw a reduction in the level of their M&A activity last year, completing a total of just 16 transactions between them, compared with 34 in 2023 and 23 in 2022.



Challenger networks

Q4 saw a few of the challenger networks continuing to buy and build. In December, serial acquirer Stagwell announced its 11th acquisition of 2024, with the purchase of media monitoring and analytics platform UNICEPTA.

In October, data and tech-driven agency MSQ acquired New York-based creative agency SPCSHP in a move that it said would more than double its presence in the US. This is the first acquisition the group has made under their new PE owner, and this was followed by the November acquisition of German customer experience digital agency United Digital Group.

Marketing consultancy Gravity Global announced the acquisition of Denver-based social media agency VOCO in October. The deal will support Gravity Global's ambition to enhance its full-funnel marketing activities.

Acquisitive group The Independents acquired fashion PR agency Lucien Pagès Communications in December.

Marketing services industry stock performance

Global stock markets showed some small gains in Q4. The S&P 500 was up by 2% in the final quarter, although the UK's FTSE 100 was down by 1%. Marketing services companies fell out of favour with investors and, as a result, the Moore Kingston Smith Marketing Services Index underperformed the market significantly, ending Q4 6% down. Of the 13 companies in the Moore Kingston Smith Marketing Services Index, only four ended the quarter in positive territory.

Q4's star performer was MISSION, which saw its share price increase by 9% across the period. After a period in the doldrums, following MISSION's snubbing of Brave Bison's takeover approach and the resignation of its CEO James Clifton, MISSION's share price began to climb steadily in December.

This was possibly in anticipation of its announcement on 2 January that it was selling its April Six subsidiary to Marketbridge for £17.4 million and commencing a share buy-back programme.

Our star performer in Q3, Omnicom, saw its fortunes reverse in Q4 as its share price declined by 17% across the quarter. Its share price fell by 11% in a single day when it announced that it planned to acquire its rival holding company, IPG. While Omnicom executives talked about the benefits of synergies and how the new combined entity would be better placed to take on the tech giants, investors seemed less than convinced.

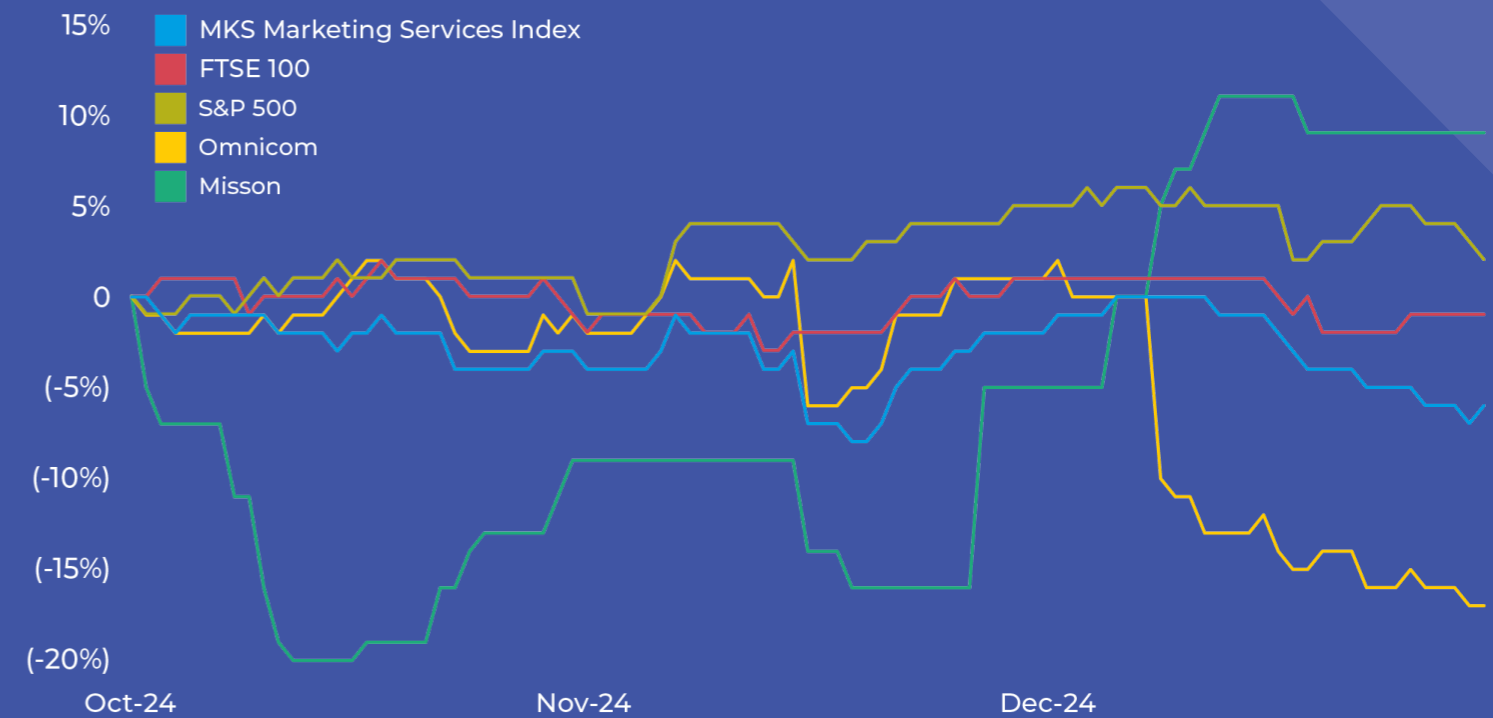
Top 3 performers



Bottom 3 performers



Moore Kingston Smith marketing services index - Q4 2024



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Private equity

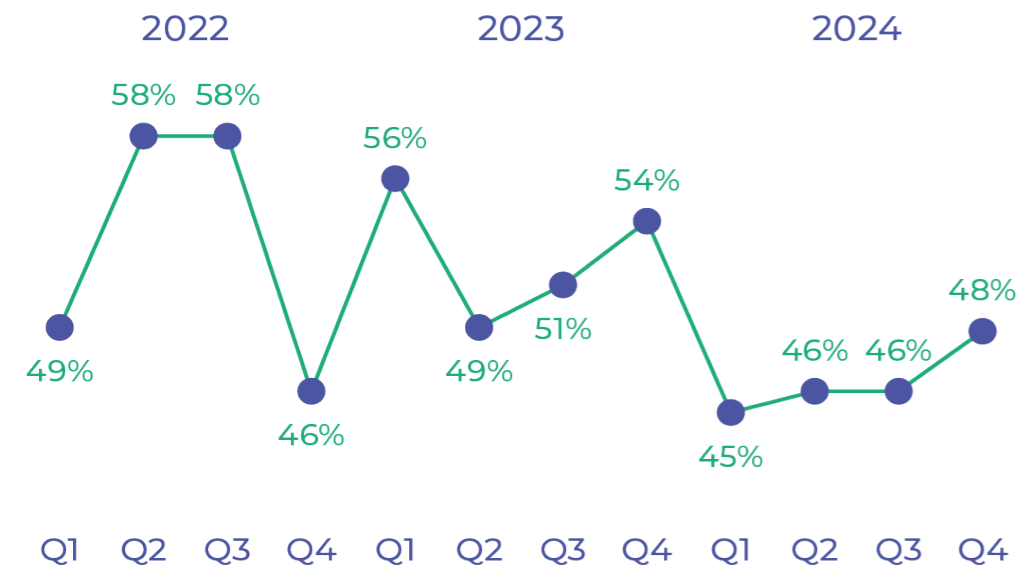
Of the 102 transactions we recorded in Q4, 48% involved PE investment, either directly or via an existing portfolio company. This is an improvement on the levels we saw in the first nine months of 2024.

Looking at the year as a whole, PE-backed investments accounted for 46% of the 393 deals we recorded. This is significantly down on the 53% in 2023 and 2022, and the 54% in 2021, as interest rates continue to dampen appetite. For the first time since the pandemic, PE has been absent from most M&A transactions in the UK's media and marketing services sectors, although it remains an important activity driver.

The increased cost of debt capital has forced many PE houses to rely on equity-heavy transaction structures, encouraging them to focus on expanding their portfolio businesses rather than chasing large platform acquisitions. We expect the number of stand-alone acquisitions in the space to increase again if interest rates come down further in 2025, and the expected wave of secondary transaction will materialise.

We have commented previously on the resurgence of secondary transactions – where one PE house exits its investment by selling to another PE investor. A significant example of this in Q4 was PE house LDC's sale of its investment in global full-service digital marketing company Croud to ECI Partners. LDC completed a £30 million minority investment in Croud in 2019, backing its founders to accelerate global growth and M&A activity. With the support of LDC, the management team has completed five acquisitions. New investor ECI has taken a majority stake and will now support Croud on the next stage of its growth journey as it looks to expand the business through further acquisitions and organic growth.

PERCENTAGE OF PE-BACKED DEALS



Notable UK PE-backed deals



In Q4, Washington DC-based strategic communications and public affairs agency Bully Pulpit International, which is backed by Broad Sky Partners, acquired two UK businesses: Seven Hills and Message House.



In December, US PE group Fortress bought the Curzon cinema chain, including its 16 UK cinemas, distribution arm and online streaming service. Fortress already has a significant interest in the UK high street through its ownership of Poundstretchers, Punch Pubs Group and Majestic Wine.



LDC backed MSQ's international expansion ambitions through its Q4 acquisitions of UDG in Germany and SPCSHP in the US.

TV, film and entertainment

Within the TV, film and entertainment sector, TV and film transactions proved to be the most popular with acquirers in Q4, accounting for 36% of the deals we recorded – a sizeable increase on the 25% in Q3. Gaming, which had held the top spot for the last two quarters, fell into joint fourth place in Q4.

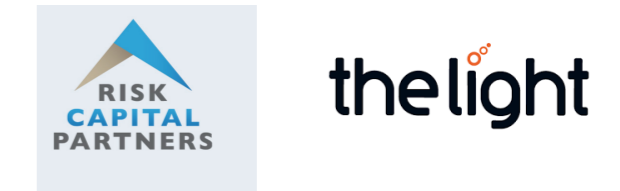
Production services deals were the most prominent in Q4, accounting for 48% of the transactions we recorded, closely followed by pure content plays at 44%.

TV and film transactions were boosted in Q4 by an explosion of interest in UK production companies. Sony Pictures Television snapped up new drama label, Belfast-based Hot Sauce, which was founded by the creators of BBC hits The Salisbury Poisonings and Blue Lights. Zinc Media acquired Raw Cut, a factual production company that produces true crime, history and feature documentaries. ITV Studios acquired Eagle Eye Drama, with its slate including a raft of returning shows including ITV's Professor T and Hotel Portofino, Channel 4's Before We Die and Suspect, as well as The Couple Next Door, which was Channel 4's biggest ever scripted streaming launch.

Notable UK TV, film and entertainment deals

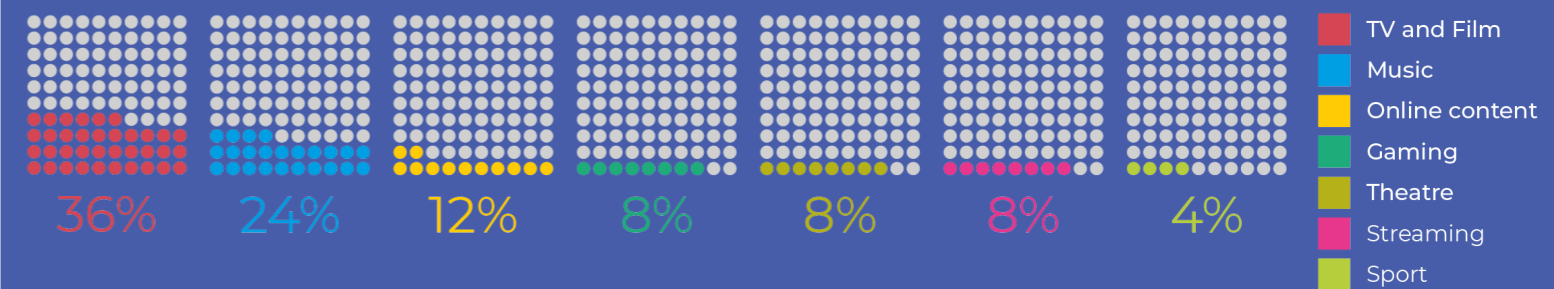


In December, UK sports and entertainment streaming platform DAZN – which is backed by Sir Len Blavatnik via his investment firm Access Industries – announced it was acquiring Australian pay-TV giant Foxtel from its majority shareholder News Corp and minority shareholder Telstra for \$2.2 billion, subject to regulatory approval.



In October, serial entrepreneur Luke Johnson's Risk Capital Partners acquired UK cinema chain The Light, which was previously backed by Connection Capital. The Light currently operates 13 cinema and leisure venues across the UK and the new owners aim to double the size of the existing business by expanding its cinema offerings to include other entertainment services.

Q4 2024 deal activity in the TV, film and entertainment sector



Moore Kingston Smith advises Incubeta on Shout Bravo acquisition



Moore Kingston Smith advises Wushu Studios on sale to Keywords Studios

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Publishing

Having logged no deals in Q3, academic and professional publishing secured the top spot in Q4, accounting for 46% of the deals we recorded.

The main publishing news story in Q4 was the December agreement in principle by the Scott Trust and Guardian Media Group to sell the Observer – the Sunday newspaper founded in 1791 – to Tortoise Media, which was only launched five years ago. Tortoise is run by former BBC and The Times executive James Harding and former US ambassador to the UK Matthew Barzun. The company has high-profile backers, including tech investor Saul Klein and Nando's executive Leslie Perlman, and promises to invest £25 million in the paper.



Notable UK publishing deals



In November, Leeds-based academic and professional publisher Emerald acquired Information Age Publishing, a social science publisher of academic and scholarly books and journals. Emerald said IAP would significantly enhance its author footprint in North America.



In December, Dow Jones acquired WorldEcr, a London-based provider of export and trade sanctions news, bolstering its risk and compliance offerings. The deal adds WorldEcr's subscription-based publications and its CtrlAtlas regulatory database to Dow Jones Risk & Compliance's portfolio.

Q4 2024 deal activity in the publishing sector



Outlook



The outlook for 2025 is unclear. The government says it is taking action to boost the UK economy, including announcing substantial investments in AI but the figures for economic growth remain flat. Inflation may have fallen back again in December 2024 but inflationary pressures are still in the system. Opinions differ as to when the Bank of England will cut interest rates, how many times and by how much.

On the other hand, acquirers based in higher-growth economies may be well-placed to acquire UK targets, viewing UK assets as good value because of a falling pound. Consolidation at the top of the market – in the form of the tie-up between Omnicom and IPG – is likely to fuel additional M&A activity in the mid-market and beyond. PE houses that made significant investments in the sector within the last five years will be looking to exit, either through a secondary transaction or to sell a larger trade acquirer.

Paul Winterflood, Partner, comments: "M&A in the media and marketing services sectors held up surprisingly well in 2024, given the wider economic environment. We are optimistic that 2025 will offer an increasingly favourable landscape for companies and investors seeking to engage in transactions."

Moore Kingston Smith Media M&A highlights

<p>Transaction Services Due Diligence</p> <p>Marketing Services</p> <p>COMMON INTEREST</p> <p>TWENTYFIRST CENTURY BRAND</p>	<p>Transaction Services Due Diligence</p> <p>Marketing Services</p> <p>INCUBETA</p> <p>BRAVO</p>	<p>M&A Tax Advice Sale</p> <p>Marketing services</p> <p>WPP</p> <p>NCA.</p>	<p>Lead Adviser Sale</p> <p>Marketing Services</p> <p>MEDIAPLUS</p> <p>TotalMedia The Behavioural Planning Agency</p>
<p>Lead Adviser Sale</p> <p>Marketing Services</p> <p>Black Sun</p> <p>PEOPLE MADE</p>	<p>Sellside Advisory Sale</p> <p>Marketing Services</p> <p>Capgemini</p> <p>23red</p>	<p>Sellside Advisory Sale</p> <p>Gaming</p> <p>Keywords STUDIOS</p> <p>WUSHU</p>	<p>Lead Adviser MBO</p> <p>Marketing Services</p> <p>CONISTON CAPITAL</p> <p>CRC Group</p>



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