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Technology, Digital, Media and Marketing

2022 Global M&A Review & 2023 Outlook

Guest Editorials from Currys, Panmure Gordon, R3 Worldwide, Capgemini, CL Management Consultants

In partnership with Bird & Bird, PitchBook

2022 Global M&A Review & 2023 Outlook

This report focuses on the global M&A activity in the technology, digital, media and marketing sectors in 2022. This includes all the sub-sectors at the complex intersections of where these worlds meet. For the purposes of this report, our analysts have only tracked deals that are relevant to the technology, digital, media and marketing sectors. The review focuses on M&A transactions in these sectors, excluding seed capital investments and IPOs.

We are ever increasing our involvement and traction with the Healthcare and Sustainability sectors, and our market intelligence reflects that. This report also explores our insights for those sectors as we continue to expand our sector specialism.

In addition to our deal activity analysis by volume, disclosed values, geographical regions and sectors, the report provides insights and trend analysis of Private Equity-backed activity, notable deals, and most active buyers this year to date, along with our Outlook for the sector in 2023.

The report has been prepared by the Ciesco's Market Intelligence team using various data points and sources including data that is available via PitchBook's M&A database.

We are pleased to be publishing this report in co-operation with Bird & Bird, a leading international law firm in business sectors where technology plays a key role.

As a specialist M&A advisory firm, Ciesco focuses on the technology, digital, media and healthcare sectors and our analysts track relevant deals on a global basis in this space.

About Ciesco

Ciesco is a leading specialist M&A firm with a focus on the technology, digital media and healthcare sectors.

Headquartered in London, Ciesco offers a unique combination at the partnership level, of senior-level industry practitioners and sector specialist investment bankers. This enables an extensive network of contacts and strong relationships that reach into organisations worldwide at C-suite sponsor levels.

We are well-regarded in the market for our specialist advice derived from our deep understanding of the sector, industry and buyer landscape insights, and execution expertise.

Bird & Bird is an international law firm, with a focus on helping clients being changed by technology and the digital world.

Through their 1,300 lawyers across 30 offices globally, they take a single-minded approach to advising clients, helping them succeed and by thinking innovatively. The firm is well-known for its intellectual property work.

PitchBook is a financial data and software company with offices in London, New York, San Francisco and Seattle.

Serving clients in 19 languages, they provide thousands of global business professionals with comprehensive data on the private and public markets - including companies, investors, funds, investments, exits and people, providing users with the tools they need to discover better opportunities, work more efficiently and make more informed decisions.

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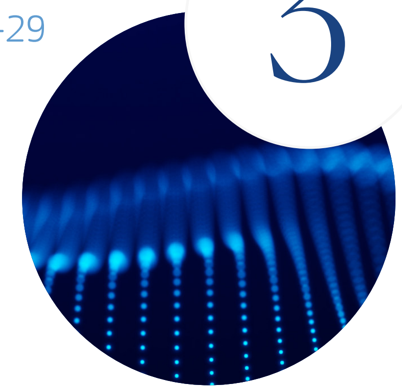

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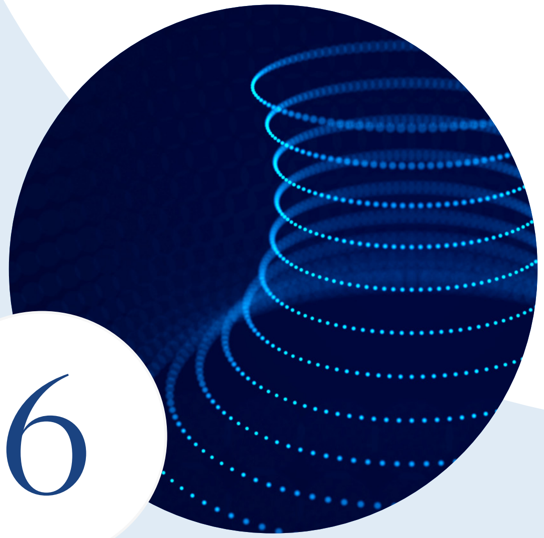

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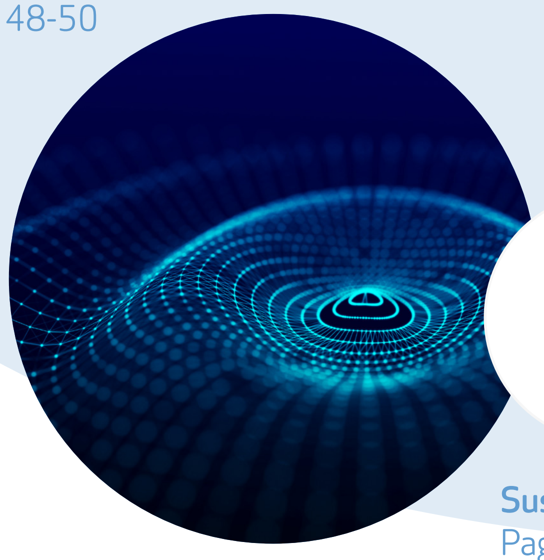

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Introduction & Outlook

CHRIS SAHOTA
FOUNDER & CEO

Foreword

I am pleased to present the 2023 edition of Ciesco's Annual Global M&A Review.

Our Review details the global M&A deal activity throughout 2022 that has shaped the technology, digital, media and marketing sectors. As always in our Review, we present our Outlook for the sector for the year ahead in 2023.

As we entered the year 2022, very few of us anticipated an outright, prolonged war in Central Europe; China-related supply chain and continued COVID issues; a surge in inflation towards double digits and rising energy prices; a universal and significant rise in interest rates, triggering a huge rise in cost of living which in turn would create a social as well as economic crisis and a sharp downward rating in stock markets. Business leaders were already in the process of re-imagining their businesses to adapt to the "new normal" following the COVID pandemic years. The events of 2022 provided further challenges which some leaders translated into opportunities to accelerate their planned business transformation programmes.

Against the backdrop of the above, our Ciesco market intelligence team tracked a total of 2,095 M&A transactions in 2022 within the focus sector. This represents a year-on-year increase of 20% over 2021 (2021 was 1,748) and 92% over 2020 (1,091) - the sector remains buoyant, albeit at a slower growth rate than in 2021. Once again, the USA and the UK kept their status as the most active M&A markets in 2022, with 888 and 293 deals respectively, making up 56% of all global deal activity in the sector. They were followed by France, Germany, Australia, and Canada. These countries combined with the USA and UK represent 73% of global deal activity in the sector in 2022, whilst APAC saw the greatest year-on-year increase, up 92% from 2021.

The year of 2022 saw a dramatic negative shift in macro conditions and outlook, but what has been a clear constant in M&A throughout is once again the major activity of Private equity buyers. The number of global Private Equity-backed deals that we recorded, consisting of both new platform investments and bolt-on acquisitions for existing portfolio companies, showed a year-on-year increase of 11% in deal activity over the comparative period. PE buyers collectively maintained a high level of penetration, accounting for 42% of all deals in 2022 compared to 45% in 2021, and just 13% 5 years ago (2017). With an upward trend in funds raised, PE buyers are likely to remain active, with an estimated industry $2.0tn in unspent dry powder funding sitting in the wings, despite existential challenges at the macro level.

Whilst all our sub-sectors recorded significant activity, it was those with tech and digital-led capabilities and services that were highly attractive to buyers. The Digital Media, MarTech and Digital Agency sub-sectors were the highest performing in terms of deal volume across 2021, and this has unsurprisingly continued. Together, those sub-sectors made up 44% of all global deal activity in the sector in 2022 and we expect that to continue in 2023.

This Review, for the first time, also places a spotlight on both the Healthcare and Sustainability sectors. Healthcare and Sustainability focused companies have become highly acquisitive following the COVID-19 pandemic for a few reasons. Firstly, the pandemic highlighted the importance of access to quality healthcare and the role of preventative measures in protecting and promoting the importance of public health. This in turn led to increased public awareness and interest in healthcare-related issues, especially in the world of M&A. Additionally, the economic and societal disruptions caused by the pandemic have led to a renewed focus on sustainability and resilience, as countries and communities look for ways to rebuild and prepare for future crises. The pandemic also highlighted the interconnectedness of global systems, including healthcare and sustainability, and the need for more holistic, systemic approaches to addressing these issues. As we continue to grow and expand our own sector specialisms, we look towards developing the reach of our market intelligence insights for future Reviews.

We will all be watchful as to how 2023 starts and begins to rollout, particularly with many countries facing and experiencing recession with high inflation and cost of living challenges, and the current non-clarity of a resolution to the Russia-Ukraine war. Nevertheless, we expect a continued strong appetite for M&A activity within the sector in 2023.

I trust that you find the information in our annual Ciesco Review insightful and informative whether you are a potential investor, strategic buyer or stakeholder planning the future of your business. We would be delighted to hear from you and discuss aspects of the Ciesco Review that are of specific interest.

Executive Summary

Deal Statistics

2022 has been a buoyant year for M&A activity in the technology, digital, media and marketing sectors by deal volume. We tracked a total of 2,095 M&A transactions within the sector, representing a year-on-year increase of 20% over that of 2021, and 92% over that of the COVID-19 year of 2020. The total value of deals with disclosed transaction values recorded in 2022 stood at $43.0bn, not including the three mega deals - defined as a transaction where deal value is $10.0bn.

Notable Deals

There were 11 acquisitions above the $1bn threshold announced in 2022, which was a significant decrease on the 33 which were announced in 2021, and slightly below the 13 deals which occurred in 2020.

It is important to note that only 13% of deals in 2022 had their values disclosed.

There were three mega deals - deals with values over $10bn - announced in the focus sector in 2022. Evergreen Coast Capital, an affiliate of Elliott Investment Management, led a consortium to acquire American data and market measurement company, Nielsen, for $16bn. The second was Permira, with its $10.2bn acquisition of Zendesk, a provider of CRM software, in June. In October, Elon Musk's acquisition of Twitter was finally completed after months of legal action, with a deal value of $44bn, making it by far the largest acquisition of the year in this target sector.

Other notable deals that occurred in 2022 include the $8bn acquisition by The NPD Group, a leading provider of market research and predictive analytics services, backed by US PE firm Hellman & Friedman, of IR (Information Resources), a provider of big data and predictive analytics for clients in the retail and healthcare industries, in April. We also note Unity's, the operating game engine, $4.4bn merger with IronSource to supply monetisation methods for its mobile games.

Geographic Overview

The USA and the UK were once again the most active M&A markets in 2022, with 888 and 293 deals respectively. Together, they make up 56% of global deal activity in the sector. They were followed by France, Germany, Australia, and Canada; these, combined with the USA and UK, represent 73% of global deal activity in the sector. APAC saw the greatest year-on-year increase, up 92% from 2021, driven by Australia, which announced 77 deals - 31 more than in 2021. Japan showed the greatest increase not just in APAC but above all markets, completing 31 acquisitions in 2022 compared to just 2 in 2021.

Sectors

Digital Agency, MarTech and Digital Media continue to be the most active and attractive sectors in terms of deal volume. Combined they represent 44% of all of 2022 activity. There were 338 deals in the Digital Agency sector - the largest deal count and a 41% year-on -year increase. There was also a 12% growth in the MarTech sector, whilst Content/Production, with 227 deals, demonstrated a 58% volume increase and Agency Services delivered 199 deals, an increase of 52% over 2021.

$43bn

The total value of deals with disclosed transaction values recorded in 2022.

Buyer Landscape

Holding Networks

The six largest advertising holding networks made 30 acquisitions in total, an increase of 100% over the previous year (15). Havas was the most active with 8 deals completed in 2022 - they strengthened across multiple capabilities and several geographies, and acquired companies in digital marketing and experience, data, research, e-commerce, creative services and healthcare communications. WPP was the second most active with 7 deals completed; Publicis acquired 6 companies; Dentsu acquired 5; Omnicom acquired 3; and IPG acquired 1.

Consultancies

Consultancies picked up again in 2022, recording a significant increase in deal volume compared to previous year. Accenture and Deloitte led the way in the sub-sector with 6 deals respectively made.

Technology

In the Technology & IT sector there was continued activity from Salesforce, which acquired 4 businesses. CentralNic acquired VGL and M.A. Aporia. Banyan Software, an increasingly active and expanding software group, showed a significant level of appetite in the sector, including completing its first acquisitions in the UK and Europe.

Mid-market

The sector stayed level in 2022 compared with activity over 2021. Stagwell led several significant transactions in the sector in a bid to rival the legacy holding companies with a total of 10 acquisitions. S4 Capital made 3 acquisitions, and Next15 made 2 including acquiring the UK business of Engine Group for $100m.

Private Equity

The number of Private Equity-backed deals recorded globally showed an increase of 11% in activity over the comparative period. PE buyers collectively maintained a high level of penetration accounting for 42% of deals in FY 2022 compared to 45% for FY 2021, and to just 13% five years ago (2017). In terms of the sub-sectors tracked - Digital Media, MarTech, Digital Agencies and Content & Production are the main sub-sectors of investment by PE buyers, representing 56% of deals executed; 2021 was 58%. Tracking deals globally, data shows the geographic split of PE funding remains similar year-on-year with the USA accounting for 47% of deals, the UK 14% and continental Europe 21%. The most active PE buyers and backers in the sectors were The Carlyle Group with 13, and Providence Equity Partners, Kohlberg Kravis Roberts and Providence Strategic Growth, all with 8 deals.

"2022 has been a buoyant year for M&A activity in the technology, digital, media and marketing sectors by deal volume."

Ciesco Outlook

01

Major stock markets around the world fell by 20% to 30% rapidly and continually throughout 2022, not including the FTSE 100, which was assisted by a bias to 'old economy' stocks. Many high-profile technology groups saw share prices fall by much more – Facebook (Meta) and Google (Alphabet) down 64% and 40% respectively. The factors are well documented – Russia-Ukraine war, rapidly rising energy costs and interest rates, and China related supply chain and COVID issues. However, whilst businesses and consumers in 2023 will face this reality, the financial markets typically look 12 to 18 months ahead. Evidenced by a modest recovery in the last two months of 2022, the outlook for 2023 is that of a much steadier year in stock market performance as the recessionary environment has already been built into expectations – and potentially a positive outcome as a level of confidence returns.

02

IPOs and SPACs are now in seizure. This is not surprising given the macro conditions. IPOs were minimal in 2022 compared to 2021 (and previously), and at the same time, the bull market enthusiasm for SPACs dramatically waned. SPACS have been a mechanism for public market investors to invest in high growth new economy businesses, bypassing Private Equity. Many SPACs have yet to invest and have seen their share prices sink below the value of cash; those that have invested have seen some dreadful price performance - Boxed is down 90% since its SPAC transaction; Buzzfeed is down 70%. The 'Emperors Clothes' syndrome seems to have come into focus regarding the strength of their business models. All these factors have opened the channels even further for Private Equity as the most active investors. We anticipate more take-private and corporate carve-out deals in the coming year as companies refocus on the core parts of their business.

03

Despite the challenges seen in 2022, we are experiencing continued strong investment appetite from Private Equity for quality businesses led by strong management teams. We believe PE will continue to be the lead buyer group in 2023 – noting that several of the best portfolio returns from PE have occurred when investments continue through turbulent environments. Their focus being companies that deliver must have services or products with quality revenues. Specific interest being in mission-critical enterprise software, healthcare, digital transformation, and consumer staples sectors. PE and other financial investors reported dry-powder funding of circa US$ 2 trillion will ensure swift application when attractive and viable investment opportunities arise.

04

Brands will be under further pressure and challenged in creating and attaining approval for effective marketing and media budgets to support their activity in competitive marketplaces in 2023. That pressure will also be felt by their supporting marketing communication agencies. There will be further local, regional, and global client reviews throughout 2023. Specialist Media and Marketing Procurement consultancies will continue to be active in playing a prominent role in guiding agency identification, selection, and alignment. The role and standing of these consultancies have risen in recent years and their key experiences will extend and accelerate further. We have seen consolidation within these specialist consultancies, and we expect further M&A activity in this sub-sector in 2023.

05

Technology will continue to occupy agendas at Board level as more mid-size and corporates seek to put technology at the core of all its business operations to be able to streamline and future proof operations, align better to its customers in both B2B and B2C frameworks, and realise greater sales potentials particularly in new business environments. This in many cases will mean substantial budget commitments and a total reinvention. It will also mean senior leadership defining and communicating a clear and defined technology strategy to all its stakeholders. The recognised Technology Vision for all operating companies will be critical and form both its short- and long-term success.

06

The Life Sciences industry is vibrant, driven by many aspects including continuous new drug development, evolving healthcare needs and the sector finally embracing digital transformation. Many new multifaceted businesses have emerged and are aligning to both support and positively help drive the industry, and they include companies active in technology convergence, machine learning, digitalisation, healthcare supply chain management, genomic analysis, tele-medicines, robotics and augmented reality. Companies developing and operating in this sphere will be attractive acquisitions for active buyers in the sector, and we anticipate continuous M&A activity in this sub-sector.

07

In 2023 we expect Sustainability to continue to be a major and growing focus in the boardroom. Sustainability reporting and the process of measuring, disclosing, and being accountable for an organisation's environmental and social performance will increase, driven by new recently introduced regulations that stipulate formal reporting practices. Businesses are becoming more accountable to stakeholders in this area – who in turn are applying pressure in wanting to witness evidential progress. Analysis by Barclays Capital shows that global VC funding across all sectors declined by 40% year on year in 2022 – however, VC funding in climate tech/ sustainability increased by 80%. We expect this investment trend to continue, irrespective of economic conditions, with the focus on innovative software and technology-enabled companies that support the drive to Sustainability.

08

ChatGPT grabbed headlines with many viewing its release as the dawn of a new era for AI. It has provided us with a sneak preview of the compelling AI capabilities that are in store for us this year. 2023 will see the rapid adoption of AI and machine learning technology by business to maximise efficiency and enhance performance of delivery. ChatGPT is already having a powerful impact on the target sectors including how marketing agencies generate ideas & content, analyse data, and how developers write code & test software. Those that are quick to adapt will reap the most reward. The industry has already seen an influx of capital over the past few years, with some AI businesses attracting eye watering valuations. However, with the practical applications of certain AI tools now plain for all to see, there is no doubt that 2023 will be another active and exciting year for the industry.

09

Despite Meta losing billions on its metaverse project, the idea of virtual online worlds has garnered a lot of attention and no wonder given its forecast to generate $5 trillion by 2030. While the metaverse as a finished product is years away, there are other ways in which it can prove valuable in the near future. In 2023, the metaverse will become more conventional through enhanced adoption in business operations, events, and marketing. Tech giants will take the lead in developing sophisticated avatar systems, next-gen headsets and full-body haptic suits paving the way for an enhanced user experience of simulated reality. The digital marketing space will adopt a whole new look as the metaverse offers companies a new direct channel to connect with their customers.

10

Digital twins aren't necessarily a new and emerging technology having been labelled as one of the leading technological trends for several years. The technology has been used in the manufacturing and engineering sectors for decades, but recent advancements have enabled the recreation of physical objects inside virtual worlds so that new prototypes can be tested under almost every conceivable condition. Physical entities can now be digitised from point clouds, supply chains can be built and optimised, and processes can be automated leveraging other technologies such as AI. Real-time insights into a virtual world are made possible by digital twins, making it easier to make accurate conclusions and analyse data more precisely, increasing efficiency and reinforcing expertise. In 2023, we will see digital twins make the leap across verticals and industries, from factories to precision healthcare to automobiles to robotics process automation.

CIESCO

02

Guest Editorials

Technology is not optional. Reinvention is vital.

ANDY GAMBLE
CHIEF INFORMATION OFFICER, CURRYS PLC

Billions of pounds worth of technology investment has been allocated to drive the reinvention of the world's leading brands. Investment that will not only generate commensurate return, but also safeguard those organisations futures...but is the board room ready to capitalise on this opportunity?

Reinvention inevitably revolves around new business propositions driven through the appropriate implementation and use of technology, but some businesses are going even further, moving toward 'Total Enterprise Reinvention'. This term coined by Accenture focuses on a deliberate strategy to set a new performance frontier for companies and the industries in which they operate. Centred around a strong technology ('digital') core, this strategy promises to drive growth and optimise operations.

Historically, the focus on technological change at board level has been limited, with this being largely handled through Audit and Risk Committees. Consequently, this has led to a lack of clear insight on the true value of technological change and thus failed value realisation. With reinvention becoming more prevalent, it's now vital for boards to build appropriate experience to enable them to step up to the challenge and help the CEO drive a redefined vision enabled by the right technology.

Boards leaning into this challenge by adding technology focused non-executives have already seen a 100-600 bps increase in operating margins according to a recent McKinsey study. This is only amplified when considering complex M&A activity where synergy realisation is often technology centred.

Asking the right questions will help to understand if your board has what is necessary to drive success:

1. Can the board provide technology mentorship, challenge and support to key executives?
2. Is technology fundamental in delivering a step change in the business?
3. Are the implications of any new digitally led propositions understood sufficiently?
4. Are emerging threats introduced through new technology propositions understood?
5. How clear are the measures of success for any digitally led transformation?

By answering these questions boards can determine a clearer view on their role linking strategic outcomes with the technology required. Posing the right fundamental questions and becoming "tech forward" will separate the winners from the losers in this new era of reinvention.

As Peter Drucker once said, "a time of turbulence is a dangerous time, but its greatest danger is a temptation to deny reality".

Partnerships, managing spend and mastering media investment

GREG PAULL AND SHUFEN GOH
CO-FOUNDERS & PRINCIPALS, R3

R3 WORLDWIDE

2023 might be the year where our industry stops recognising itself. Blame the economy, NetZero, cookie depreciation, Web3, ChatGPT and TikTok. The companies that have defined our consumer landscape are at a strategic inflection point and this is shaping the CMO agenda. CMOs are doing less "marketing" today and spending more time being what PepsiCo's Jane Wakely once described as the "architects of growth for their companies."

It might sound counterintuitive but preparing for a decentralised future requires a return to classic fundamentals. What's the best way to drive efficiencies on your investments? How do you determine the value of what you pay for? And what are the methodologies on which investments are made? These questions repeatedly appear in our work with some of world's leading brands, which speaks to their timelessness across categories and geography.

Through this lens, here are three marketing directions we anticipate for the coming year.

Grounding partnerships in Six Degrees of Integration

65% of marketers go beyond traditional agency partnerships to include specialists and media platforms. As holding companies diversify their offerings, independents grow in reputation, and boutique agencies carve their niche, establishing the right foundational model for partnerships becomes crucial. There's a buffet of options out there, but not everything works together in synergy.

Ensuring that every dollar spent works harder

The trendline in R3's New Business League shows that the value of agency contracts is decreasing. Media specialisation is splitting up spend, but pricing is also influenced by controlled budgeting by CFOs. As all companies (agencies included) will be looking to operate in economic uncertainty over the next twelve months, implementing financial mechanisms for performance will contribute to greater transparency and stability.

Mastering the methodologies behind media investment

The pursuit of well-managed media with clear standards and governance is a challenge for marketers. Data provided by publishers and agencies will come under greater scrutiny as the pressure to deliver metrics increases. To maintain an upper hand, advertisers will not only need to use third-party tools to validate media consumption data, but they will need to understand methodologies being used.

The complexity of the global macro picture and changing finance costs

JOHNATHAN BARRETT
EXECUTIVE DIRECTOR OF MEDIA, DIGITAL & INNOVATION RESEARCH, PANMURE GORDON

Panmure Gordon

To say 2022 was a tough year is an understatement. Early optimism that there would be a roaring global economy driven by recovery from the pandemic was crushed by Russia's war in Ukraine and re-start of the cold war. The global economy has been impacted through sanctions, blisteringly high inflation in food and energy and volatility in global politics. The effects in the developing world are extreme and could lead to famines and energy poverty. On top of all of this is the world's 2nd largest economies continuing fight with the pandemic, adding to the complexity of the global macro picture.

In financial markets the effect on global equity and bond markets has been huge. Global equities declined by approximately 20% last year. In the UK the very largest shares only held ground in aggregate due to a strong dollar boosting sterling returns and the huge profits from global energy and resources prices soaring. In domestically orientated small caps share prices were hit hard. Globally technology and growth stocks have seen some of the largest falls as the cost of equity has risen. Bond yields have soared raising the cost of servicing pandemic-inflated government debt piles and halting activity by corporates as they sort to manage leverage and cash.

Whilst the world is almost certainly in a better place than many feared, the backdrop is complex. Nonetheless we expect corporate activity to pick up as businesses return to their plans. Finance costs have moved back to levels associated with the early noughties. We believe the critical action point for management and shareholders is to test existing financing arrangements with different scenarios and explore options for a future which looks likely to suffer from volatility for some time.

We believe the change in finance costs is likely to rebalance the mix of equity and debt used to build businesses. VC and PE investors' increased debt costs will impact returns, meaning lower valuations for vendors as these investors stick to their return hurdles. When interest rates start to level off liquid public equity markets, where debt is used less aggressively, are likely to become more popular again with those seeking to realise value or build a business.

Navigating opportunities in a challenging macro environment

LUKE ROWELL
DIRECTOR, CIL MANAGEMENT CONSULTANTS

CIL MANAGEMENT CONSULTANTS

As we enter 2023, three themes are dominating our conversations with investors and management in marketing services: economic resilience (of course), the ability to improve efficiency (and margins), and approaches to integration.

Resilience

UK ad spend is demonstrating increased resilience to economic shocks. Historically, advertising over indexed in times of GDP decline and growth. During the dot-com crisis a 1% change in GDP led to a 7% change in ad spend. COVID saw that volatility reduce substantially as gearing declined from 7x to 2x. While the economic outlook for 2023 in the UK is poor, ad spend is still expected to grow.
The shift to digital is key to this. Digital will account for >75% of UK ad spend this year, up from just 1% in 2001 (and less than 25% in 2008). Digital ad spend is typically focused on driving conversion, with tailored campaigns targeting micro-cohorts. Digital spend is transparent; it is closer to a sale than brand spend, can be flexed easily in response to campaign and market dynamics, and crucially delivers measurable ROI. These characteristics also make it easier for investors to measure the relative strengths of different digital propositions.

Innovation driving efficiency

As inferred above, not all digital models are created equal. "Cost plus" rate card-based models provide limited opportunity for margin expansion. By comparison, outcomes-based pricing can offer significant potential for margin expansion. An area of increasing investor focus is in technology that can automate processes (taking cost out) or improve the effectiveness of targeting. Dynamic creative is particularly attractive as it has the potential both to reduce costs and improve conversion.

Integration

As a new generation of agency group is emerging in the digital space, effective approaches to consolidation and integration are increasingly important. These are often focused on go-to-market and back-office operations.
Successful go-to-market integrations typically involve moving account management from individual portfolio agencies into a central function under a master brand. This approach can help drive awareness of group capabilities, position a group as having the scale to work with larger clients and enhance cross-sell. However, it requires an incentivisation structure that encourages the historic owner-managers of the portfolio brands to collaborate, which is not always straight-forward if there are earn-outs in place.

The complexity of integrating back-office functions can also sometimes be underestimated. Portfolio agencies may often have distinct software requirements that are not fit for centralisation, pay structures that are difficult to align, and, crucially, distinct cultures that are key to retaining talent. Ensuring buy-in to integration by demonstrating value is essential.

So what?

A difficult macro environment will have its challenges, but teams with a proactive and strategic approach to digital should be able to drive growth. This may involve diversifying revenue streams, investing in technology and automation, driving operational synergies, or looking for complementary M&A opportunities. We believe CIL is uniquely positioned to help investors and business owners deliver on these opportunities.

Cybersecurity trends you can expect in 2023

CHERYL MARTIN
VP HEAD OF CYBER SECURITY, CAPGEMINI UK LTD

Capgemini

It's that time of year again when we try to predict what's ahead of us in terms of cybersecurity. 2022 has already become a record-breaker for the sheer volume of phishing scams, cyberattacks, data breaches, crypto heist and, geopolitical unrest, giving rise to hactivisim where state-sponsored cyber legions disrupted critical infrastructure and services, defaced websites, launched DDoS attacks and stole information.

As we embrace the cyber security challenges for 2023, we review the social and economic trends that influence global organisations with a backdrop of scarce technical resources and a predicted downturn in organisational spending.

Greater Privacy and Regulatory Pressures

Governments and organisations around the world are stepping up efforts to protect the data privacy of citizens. Gartner predicts that by 2023, "65% of the world's population will have personal data covered under modern privacy regulations, up from 10% in 2020." In the U.S. alone, 5 Major states will have new comprehensive data privacy laws rolling out in 2023, with a further 40 states having introduced more than 250 bills dealing with cybersecurity in 2022. Global mandates that critical infrastructure organisations must report cyber incidents and ransomware payments provide greater comfort for the customers of organisations, but leaves the organisations themselves looking to build greater resiliency within their Third-Party supply chain and infrastructure.

The new Buzz word in Cyber – Zero Trust Replaces VPN

Hybrid working continues to be the new normal for organisations and legacy networks are unable to meet scalability demands, with the weakest link in cyber resiliency chains the employee becoming further prone to to cyberattacks and vulnerabilities. Zero trust is a multitiered approach that is both scalable and highly secure. Zero-trust strategy is based on the concept of "never trust, always verify," which means that just because users can be identified and authenticated, they must not be granted blanket access to all resources. In a zero-trust environment, users are continuously validated, reassessed and reauthorised using multiple authentication methods.

The Biden administration has already mandated federal agencies to adopt a zero-trust architecture (ZTA) by the end of the 2024 fiscal year. Gartner believes that zero-trust network access (ZTNA) is the fastest-growing form of network security, will grow by 31% in 2023 and will replace VPNs entirely by 2025.

Threat Detection and Response Tools Go Mainstream

Cyberattacks aren't a question of "if"; they're a question of "when." The only way organisations can mitigate an attack, or reduce its impact, is by the rapid identification of unusual activity across the entire ecosystem of users, applications and infrastructure. With the increasing drive to cloud threat detection solutions need to embrace more dynamic operational effectiveness.

Threat Detection and Response tools like endpoint detection and response (EDR), extended detection and response (XDR) and managed detection and response (MDR) can analyse historical data using Artificial Intelligence and machine learning algorithms to spot unusual patterns as well as leverage threat intelligence to detect and block advanced threats that are designed to evade traditional defences.

Increased Demand For Third-Party Risk Management

As we saw earlier, many adversaries are circumventing sophisticated defences that large enterprises deploy, by understanding the supply chain and hacking the weaker links of smaller suppliers that might have access to the same information but do not have an equal level of protection.

Gartner predicts that by 2025, 45% of organisations will experience attacks on their software supply chains, which will be three times as many as in 2021. Boards, CEOs and regulators are all demanding security assessment and improvement in the resiliency of supply chains.

The Continued Outsource of Cybersecurity Requirements

Cybersecurity complexity and a war on Cyber security talent means that many organisations are neither experts in cybersecurity nor do they have the skills or resources to manage their security environments. The on-going skills shortages for cybersecurity talent makes it difficult to recruit and retain security experts. For these reasons, many organisations will be forced to think creatively and the solution to reduce risk is the outsourcing of security operations to an experienced solution provider or leveraging the leadership services of a virtual CISO.

In summary, all employees within any organisations are the first line of defence in stopping cyber incidents and must stay vigilant, never compromise and, if needed, leverage security expertise for advice and guidance.

Buckle your seat belts, 2023 is going to be another bumper cybersecurity year.

Doing What's Right for Health & Humanity

DANA MAIMAN
GLOBAL CEO, IPG HEALTH

Reflecting on the unprecedented global turbulence of the past few years, two things have risen to the top as being all-important regardless of the curve balls that life inevitably will always throw – the primacy of health and the unfailing power of integrity, specifically, choosing to always do what's right, especially in challenging times.

As someone who has worked in healthcare marketing for over two decades with deep reverence and relentless focus on the humanity of what we do, and a constant advocate of inclusion and social justice, this has been a hallmark of my career.

The Primacy of Health

As a leader in healthcare marketing, I've always been acutely aware of how crucial/vital the healthcare sector is in our day to day lives. If you don't have your health, nothing else really matters. The global pandemic, among a myriad of macrotrends that are fundamentally shifting our world, have laid this simple truth bare.

And, seemingly overnight, healthcare became the new business frontier, with nearly every sector pivoting to health and wellness. From mobility providers launching healthcare delivery services, luxury brands leaning into health and wellness as a marketing tool, and even national variety chain stores hiring Chief Medical Officers.

In this increasingly crowded healthcare arena, it's vital for brands to focus on the humanity of patients and personalised, meaningful connections. This level of interaction and care will never go out of style especially as people are savvier, more sophisticated, choiceful and expectant when it comes to their health and care.

This presents an opportunity for us in healthcare marketing – to play into the humanness of what we do every day, and connect with brands and patients on a deeply personal level. Given the global reality of the past three years, I'd say this is a unique privilege that personally excites and energises me. As healthcare marketers, are we ready to seize the opportunity?

Doing What's Right

When we think of the humanness of what we do in healthcare, I can't help but think about 'doing what's right.' That is foundational to the healthcare sector – from the physician's Hippocratic Oath to HIPAA regulations and compliance.

IPG Health itself was born from this commitment. Against conventional wisdom, IPG Health launched in the middle of a global pandemic, bringing together 45+ of the world's most awarded and renowned healthcare marketing agencies, to do what's right for our clients, their brands, and our people.

Central to doing what's right is EDI (equity, diversity and inclusion), and it's embedded across all aspects of our business – from our creative solutions, to our recruitment efforts to our impact on our industry and in our communities, and so much more. We view EDI as business imperatives that, similar to growth and innovation, cannot be the responsibility of any one person, group, or even department. It's just too important. The way I see it, EDI is not just a responsibility, it's a privilege, and it's something that every single person in our organisation is responsible and accountable for ensuring on a daily basis.

At IPG Health, we recently launched EDI+You, a formal strategic evolution of our longstanding evolution to EDI that formalises our approach to creating systemic changes and solutions across four core areas of our business: Our People, Our Culture, Our Creative Solutions and Our Impact.

While I would never say we have it all figured out, we ARE making progress, bit by bit. As an industry, while progress has been slow, I know we are all fully committed to the ongoing journey, so let's do it together.

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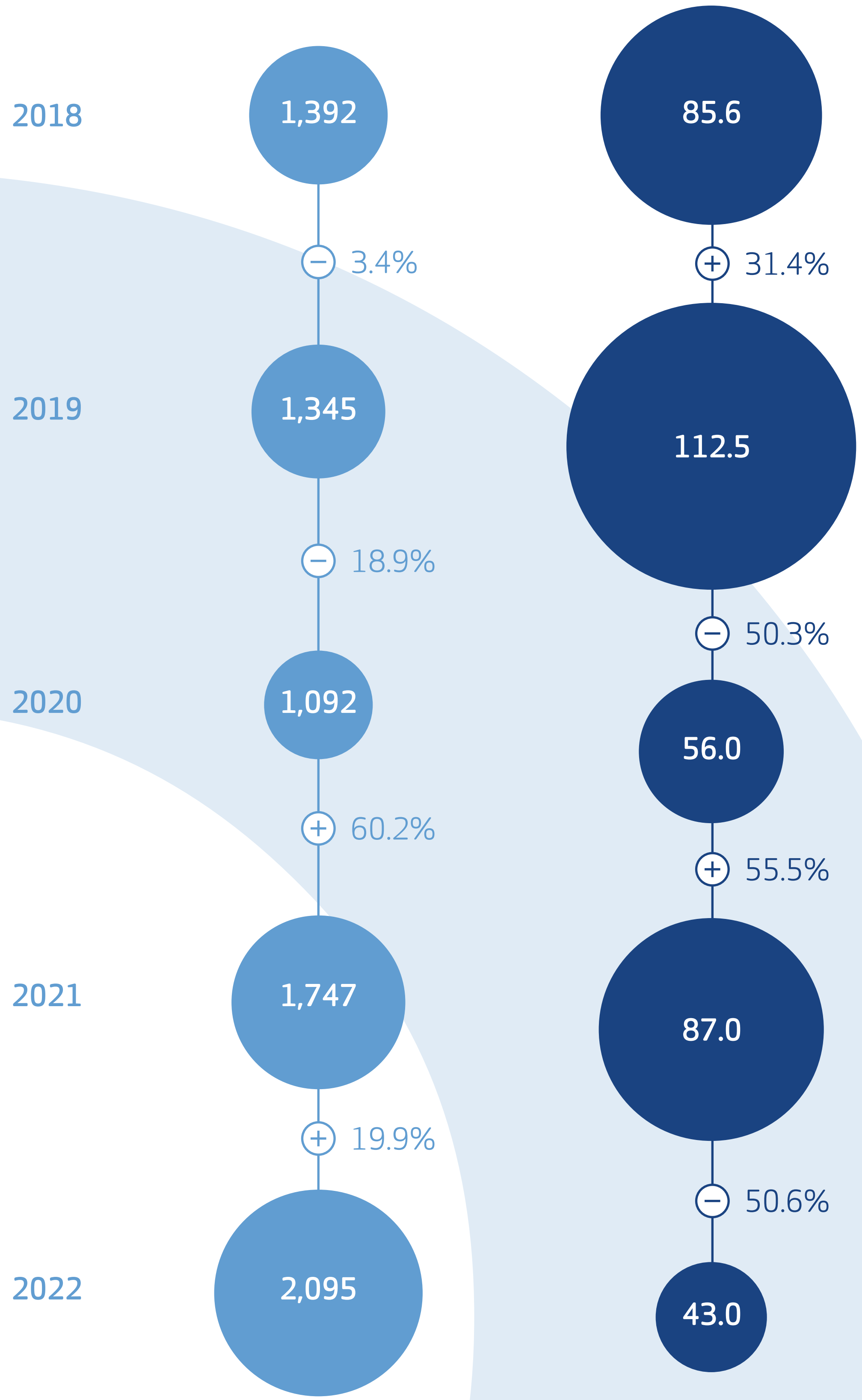
03

Deal Statistics & Notable Deals

FIGURE 1
ANNUAL DEAL VOLUME AND VALUE (EXCL. MEGA DEALS), 2018 - 2022



*Please note, in 2022 only 13% of deals that we tracked announced their deal value.

Deal Statistics

2022 has been a buoyant year for M&A activity in the technology, digital, media and marketing sectors by deal volume. When compared with 2021 and 2020, deal volume is up 20% and 92% respectively.

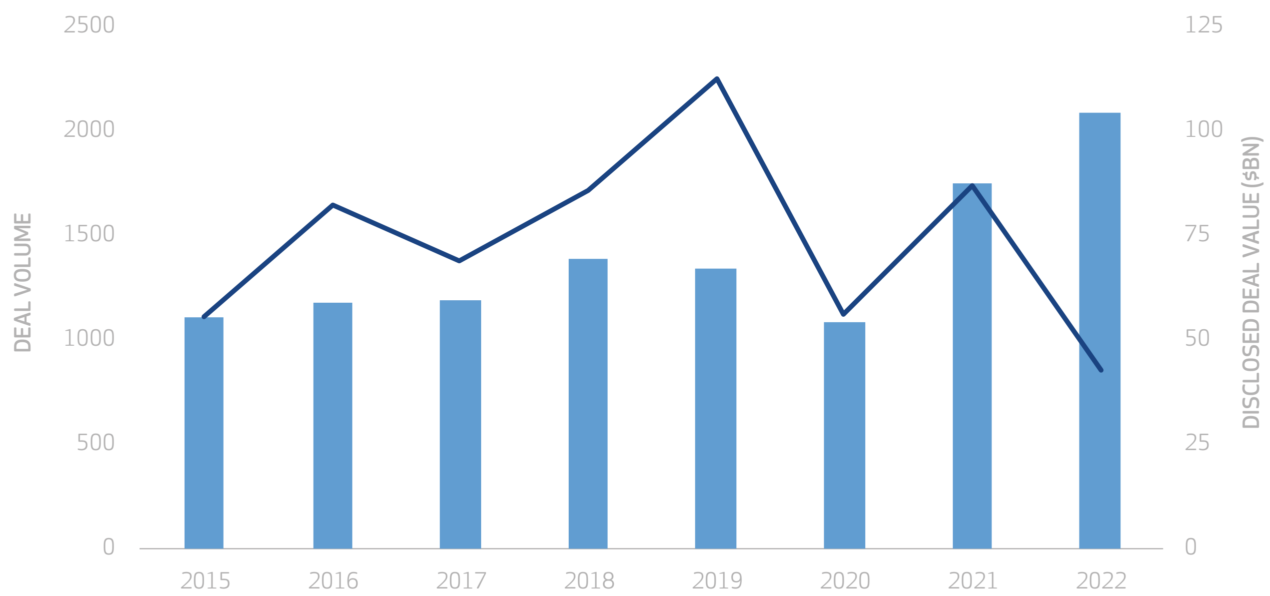
Deal activity in 2022 has remained strong despite market/geopolitical headwinds, inflationary pressures and global military conflicts, such as the invasion of Ukraine. Whilst the total deal value plummeted by more than 50% in 2022 – which could be explained by the increasing interest rates that particularly impacted technology companies' valuations – we observe an 11.7% CAGR increase in deal volumes, from a normalised base 2019, and a 24.3% CAGR increase from 2020 (a COVID-19 impacted year), supported by record levels of Private Equity dry powder, pent-up buyer demand caused by the COVID-19 pandemic, and industry consolidation and digitalisation.

In 2022, 2,095 deals took place, marking a 20% rise over 2021, and 92% on 2020. The total value of deals with disclosed transaction values recorded in 2022 stood at $43.0bn, not including the three mega deals (defined as a transaction where deal value > $10.0bn) which saw Evergreen Coast Capital acquire The Nielsen Company for $16bn in March 2022, Permira's acquisition of Zendesk in June 2022 for $10.2bn, and Elon Musk's $44bn takeover of Twitter in October 2022.

It should be noted that the true total value of deals will be significantly higher than the figures quoted in this Review, as the majority of M&A transaction values are not disclosed. Therefore, the more accurate annual comparison of sector M&A activity is deal volume.
2022 saw a sharp decline in the number of large transactions (defined as deals with a value of at least $1.0bn). There were 11 large transactions completed in 2022, compared with 33 in 2021, 13 in 2020, and 28 in 2019.

When analysing the past five years, 2020 can be considered an outlier in terms of deal activity. The overarching trend is that the appetite for businesses in the technology, digital, media and marketing sectors continue its rapid growth. 2022 deal volume in these sectors has grown by 50.5% over 5 years, with a CAGR of 8.5%.

FIGURE 2
DEAL VOLUME AND DISCLOSED VALUE, 2018 - 2022



In terms of quarterly deal volume, the year started off very strong with a total of 507 M&A transactions recorded in Q1 compared with 426 in 2021 and 346 in 2020, marking a 19.5% and 46.5% rise, respectively.

The strong momentum continued through 2022 despite rising inflation, increased borrowing costs, the energy crisis and geopolitical turmoil. In terms of deal volume, 4 of the strongest quarters over the past 3 years all occurred in 2022. The second half of 2022 was slightly stronger than the first, with H2 witnessing a 2.6% rise in deal volume.

A closer look at deal values, however, indicates a different story. Q1 and Q2 2022 total deal value marked a decrease of 35% and 45% respectively, relative to the same periods in 2021. Q3 2022 saw a rebound with a total announced deal value of $17.9bn compared to $12.1bn and $8.1bn in the first two quarters, but still a decrease relative to the $22.7bn in Q3 2021. Q4 saw the lowest announced deal value over the last 3 years, at only $4.8bn. Central banks raised interest rates in most economies, which, combined with volatile stock markets, lowered the access to capital on both private and public markets. This resulted in strategic and financial buyers becoming more cautious about valuations.

"2022 saw the highest quantity of deals in every month of the year (except March) compared with the past three years."

"Overall, 2022 emerged as the strongest year in recent times in terms of M&A activity"

Regulatory headwinds have also increased, as the Federal Trade Commission ("FTC") and the Department of Justice ("DOJ") agreed to collaborate to update Horizontal Merger Guidelines in the US. The European Commission has also stepped up its efforts in scrutinising large cross-border deals. Nevertheless, there is confidence that deal flow will continue to increase due to the record amounts of dry powder and the ever-increasing appetite of Private Equity groups. We observed an 11% increase in the number of deals by Private Equity groups compared to 2021, although Private Equity groups accounted for 42% of all transactions, down from 45% a year before.

Overall, 2022 emerged as the strongest year in recent times in terms of M&A activity. The combination of record levels of Private Equity dry powder, the digitalisation of the economy, and the quest for cost synergies in the current inflationary environment are driving the deal activity across the technology, digital, media and marketing sectors. To put into context the scale of M&A activity that occurred in 2022: the year saw the highest quantity of deals in every month of the year (except March) when compared with the past three years.

FIGURE 3
MONTHLY DEAL VOLUME, 2020 - 2022

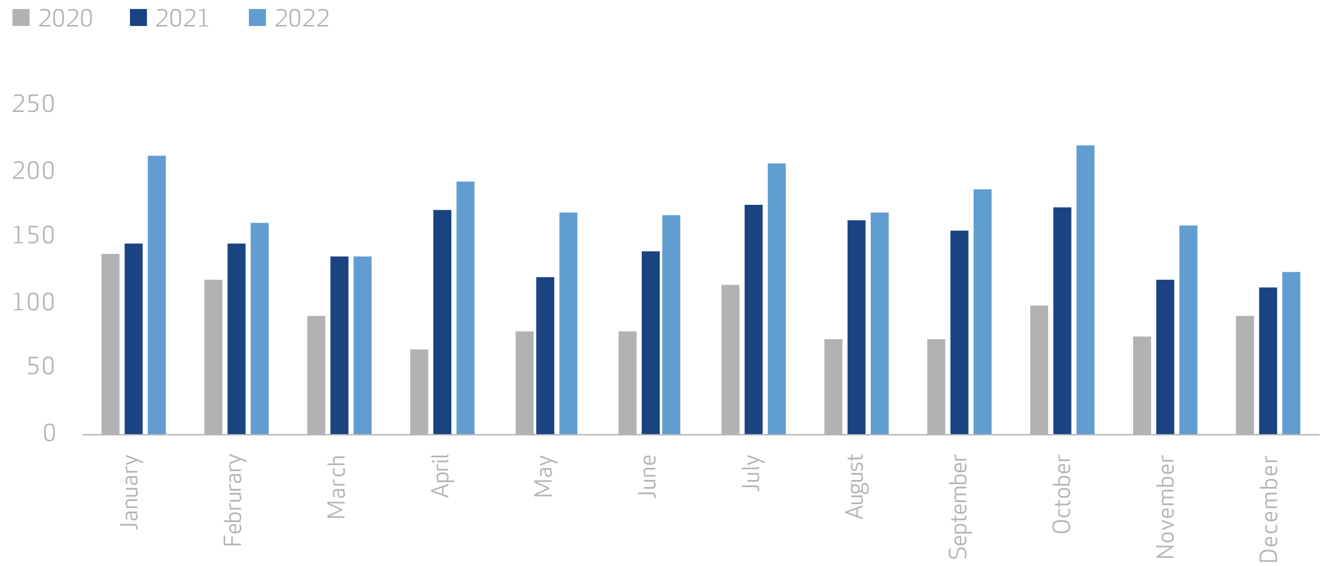
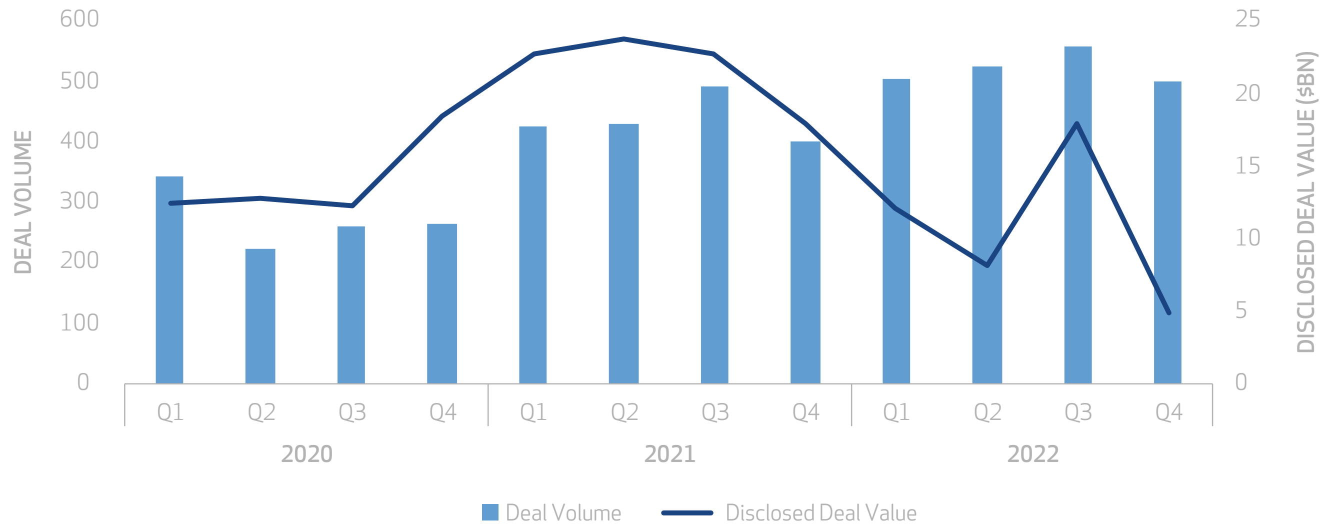


FIGURE 4
QUARTERLY DEAL VOLUME AND DISCLOSED VALUE (EXCL. MEGA DEALS), 2020 - 2022



Notable Deals

There were 11 acquisitions above the $1bn threshold announced in 2022, which was a significant decrease on the 33 which were announced in 2021, and slightly lower than the 13 deals which occurred in 2020.

There were three mega deals (deals with values over $10bn) announced in the focus sector in 2022 – the first was completed in March by **Evergreen Coast Capital**, an affiliate of Elliott Investment Management, which led a consortium to acquire American data and market measurement company, **Nielsen**, for $16bn. The second was **Permira**, with its $10.2bn acquisition of **Zendesk**, a provider of CRM software, in June.

In October, **Elon Musk's** acquisition of **Twitter** was finally completed after months of legal action, with a deal value of $44bn, making it by far the largest acquisition of the year in the target sector.

Private Equity interest in the technology, digital, media and marketing sectors has steadily increased over the past few years. In 2022, 5 of the top 7 largest announced deals shown on the next page were acquisitions made by Private Equity or Private Equity-backed companies.

In addition to the Private Equity consortium led by **Evergreen Coast Capital** and **Permira, Veritas Capital** made an appearance in the largest deals in the target sector, with its $2.8bn acquisition of **Houghton Mifflin Harcourt** in February.

Chatham Asset Management was responsible for the seventh-largest deal with its acquisition of US-headquartered multichannel marketing and business services group, **R.R. Donnelley** for $2.0bn.

Other notable deals that occurred in 2022 include the $8bn acquisition by The NPD Group, a leading provider of market research and predictive analytics services, backed by US PE firm Hellman & Friedman, of IR (Information Resources), a provider of big data and predictive analytics for clients in the retail and healthcare industries, in April. We also note Unity's, the operating game engine, $4.4bn merger with IronSource to supply monetisation methods for its mobile games.

This year, the only deals above $1bn to take place outside of the US were Unity's merger with Israel-based IronSource and **Mobile Streams'** acquisition of UK-based data and analytics provider **Krunch** for $1bn.

MEGA DEAL
$16bn
Evergreen Coast Capital aquires Nielsen

MEGA DEAL
$10.2bn
Permira aquires Zendesk

MEGA DEAL
$44bn
Elon Musk acquires Twitter

DEAL
$2.8bn
Veritas Capital aquires Houghton Mifflin Harcourt

DEAL
$1.9bn
Chatham Asset Management aquires RRD

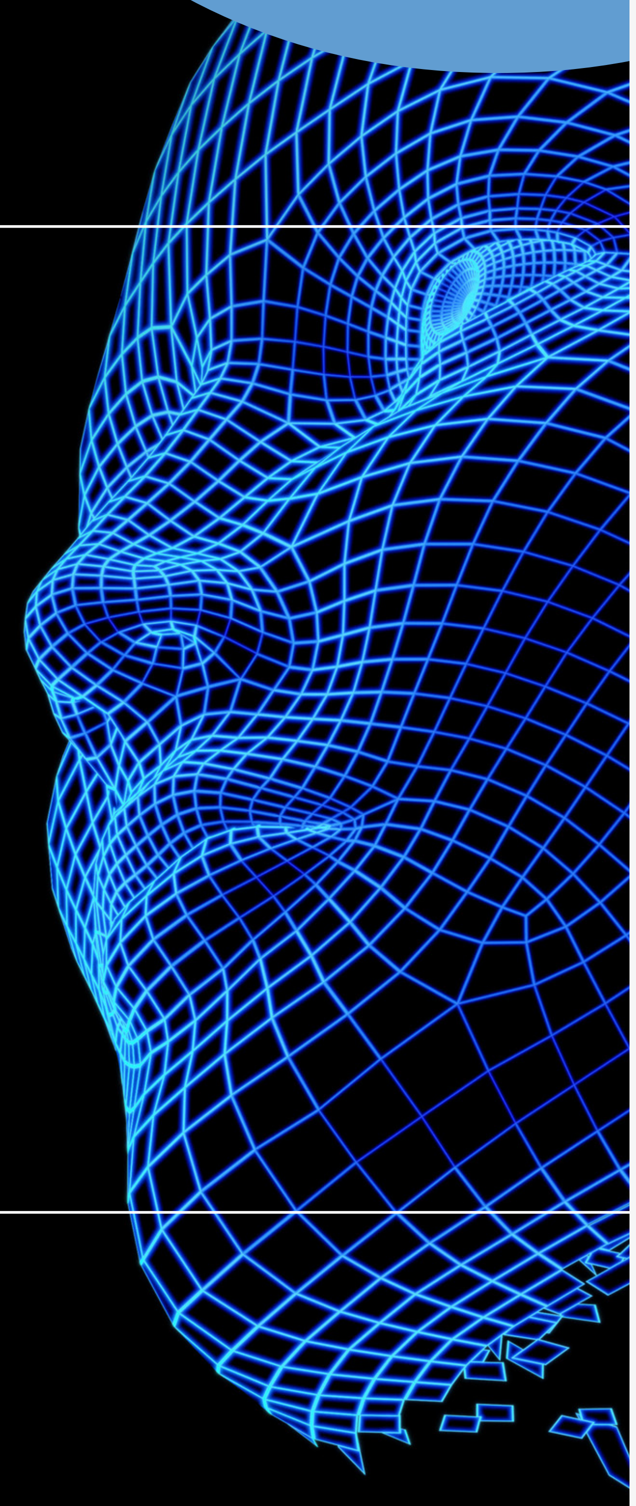
DEAL
$5bn
NPD Group aquires Information Resources

FIGURE 5
NOTABLE DEALS IN 2022

Bidder	Target	Month	Target Description	Buyer Description	Deal Value	EV/ Revenue	EV/EBITDA
Elon Musk		Oct 22	Social Media Platform	Individual Investor	$44bn	8.1x	72.3x
EVERGREEN	Nielsen	Mar 22	Research & Intelligence	Private Equity	$16bn	4.5x	11.5x
PERMIRA	zendesk	June 22	CRM	Private Equity	$10.2bn	6.4x	-60x
npd	IRi Growth delivered.	Apr 22	Data & Analytics	Research & Intelligence (Private Equity backed)	$8bn	n/a	n/a
Unity	ironSource	Aug 22	MarTech Platform	Gaming Software	$4.4bn	7.3x	35.4x
VERITAS CAPITAL	HMH	Feb 22	EdTech	Private Equity	$2.8bn	2.2x	16.5x
CHATHAM ASSET MANAGEMENT	rrd	Feb 22	PR & Communications	Private Equity	$2bn	0.4x	6.6x

04

Buyers



Buyer Landscape

Technology & IT Services

- Constellation Software Inc.
- Globant
- open
- Unity
- RealPage
- Penn Entertainment
- majorel
- NielsenIQ
- Nintendo
- T2
- ticketmaster
- CI&T
- urban immersive
- AppLovin
- CentralNic Group PLC
- salesforce
- TELUS International
- yahoo!
- prodege
- ROBLOX
- Thanx
- Microsoft
- CommerceIQ
- shopify
- Cloudbeds
- wishpond
- REDBRICK
- banyan software

Private Equity

- Harvest Partners
- Advent International
- Great Hill Partners
- Vista
- One Equity Partners
- Gryphon
- Apiary Capital
- Ardian
- 424 Capital
- KKR
- PSG
- Blackstone
- Apax
- GIC
- Bridgepoint
- BainCapital
- gcp
- Waterland
- Clearview Capital
- Clayton Dubilier & Rice
- Clearlake
- Insight Partners
- TA Associates
- Oaktree
- Aquiline Capital Partners LLC
- CVC
- Providence Equity Partners
- Carlyle
- HIG Capital
- HarbourVest
- LDC
- Eagletree Capital
- novo holdings
- Shamrock Capital
- Horizon Capital
- GI Partners
- Livingbridge
- Sovereign Capital Partners
- STG
- Antin Infrastructure Partners
- Platinum Equity
- Thomabravo
- Vespa Capital
- Nordic Capital
- IK Partners
- Centricus
- Ufenau
- Intermedia
- Summit Partners
- Hellman & Friedman
- Stone Point Capital

Digital Media & Marketing

- horizon media
- FIREFLY
- MERKLE
- IO
- we are social
- gravity global
- Yes&
- azerion
- Cadastra
- wirtualna polska
- Tremor International
- eagleeye
- Incubeta
- Criteo

Mid-Market Groups

- Serviceplan
- the brandtech group
- S4 Capital
- NEXT15
- Innocean Worldwide
- Hakuhodo DY holdings
- Stagwell
- BlueFocus
- DEPT
- Cox Enterprises

Consultancies

Asian Buyers

Media Owners & Publishing

Social Media & Influencer marketing

Telecommunications

Holding Networks

Most Active Buyers

In 2022, the list of Top 10 most active acquirers has PE firms (including PE-backed trade buyers), Media companies, Consultancies and Advertising networks, with PE firms dominating the list.

With a combined 80 deals in total, the Top 10 Most Active Buyers make up 3.8% of total transactions in the sector – almost the same proportion of transactions the Top 10 buyers led in the full year 2021. It is also worth noting that 6 out of the Top 10 Most Active are Private Equity.

The list has changed considerably from what we saw at the end of 2021, with many previously active buyers such as Fremantle, S4 Capital, Accenture, Oaktree, and Pocket Outdoor Media dropping off the list.

The buyers that are maintaining their activity in the sector are Stagwell, with 10 transactions completed in 2022 and Blackstone, with 7 transactions completed.

Carlyle-backed acquisitions

Half of the Carlyle-backed acquisitions in the space were bolt-on acquisitions to their existing platform business, predominantly led by DEPT, the global digital agency originally built via a buy & build strategy backed by Waterland, and subsequently acquired by Carlyle in 2020. Currently, DEPT has a team of c. 3,000 people, manages more than $3bn in digital media spending and delivers more than $300m in revenue annually.

The geographic focus for DEPT's acquisitions in 2022 was the USA where the company completed/announced 4 deals: Raybeam (IT consulting and engineering firm), Hello Monday (a 50-people creative media agency), 3Q Digital (500-people digital marketing agency), and Melon (100-person digital agency). Additionally, DEPT acquired a creative studio in Belgium, Dogstudio, and a strategic and creative agency in the UK, Shoptalk.

In 2021, Carlyle invested in Inova, a provider of cloud-based solutions for pharmaceutical companies. In 2022, Inova acquired Labiotech, an independent news media covering European biotech innovation.

Carlyle also formed Two Six Technologies in 2021 by combining IST Research and Two Six Labs. In 2022 Two Six Technologies acquired Thresher Ventures, a software company with unique products that detect, analyse, and predict media manipulation by foreign governments.

Stagwell Inc

Stagwell launched in 2021 as the challenger network built to transform marketing and has grown significantly in the last two years. Consistently an active acquirer in the space, Stagwell has built a group with a high-growth mix of digital services including digital transformation, global performance media, connected commerce, AR, etc. In 2022, the company strengthened its capabilities across the Brand Performance Network (prev. Stagwell Media Network) with the acquisitions of the UK-based Goodstuff Communications, Poland-based 600-people BNG Holding and a bolt-on for Targeted Victory – TMA Direct, a US-based direct response agency.

Stagwell's multilingual content agency Locaria acquired PEP Group based in Ukraine and Stagwell-owned Doner acquired Canada-based Dyversity Communications and US-based Wolfgang. In Q4 2022, Stagwell focused on building out its Stagwell Marketing Cloud, a suite of proprietary SaaS and DaaS tools for in-house marketing teams, with the acquisition of US-based AI-Powered SaaS Platform Apollo Programme, UK-based Maru Group and US-based Epicenter Experience.

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FIGURE 6
MOST ACTIVE BUYERS BY DEAL VOLUME, 2022

Buyer group/ Backer	Portfolio buyer	2022
CARLYLE	DEPT, twosix technologies, inova, disguise	13
STAGWELL Transforming Marketing	Stagwell Marketing Cloud, Doner, TargetedVictory, Allison+Partners, Locaria	10
havas	havas media group, havas CX, edge performance network, amo strategic advisors	8
KKR	rb media, LEONINE, Mediawan, =exact, ERM	8
PROVIDENCE EQUITY PARTNERS	TAIT, NODE4	8
PSG Providence Strategic Growth	copysmith, TIUGO Technologies, SchoolStatus, KENECT, BACKLIGHT	8
Blackstone	candle, IDG, International Market Centers, Simplifi, Merlin Entertainments	7
azerion		7
WPP	Ogilvy, VMLY&R, Hill+Knowlton Strategies, Wunderman Thompson	7
ENDEAVOR BUSINESS MEDIA		6

Buyer Activity

Consulting and Technology buyers

accenture: THE STABLE, fiftyfive5, inspirage, romp, BEACON Part of Accenture, tenbu

Deloitte.: Venntifact, NEW REPUBLIQUE, blended DIGITAL, PRGATE, NUBIK, NTC National TeleConsultants

2022 saw a significant increase in M&A activity from buyers, especially within the consulting groups, where the strengthening of digital transformation capabilities and customer-centricity has been a recurring theme.

Despite showing a reduced level of activity in 2022, **Accenture** remains active in the sector with 6 deals announced in 2022. The acquisitions are part of its strategy to acquire specific capabilities and skills to enhance its clients' digital transformation, data & analytics, and strategy development. The acquisition of Fiftyfive5 would enhance Accenture's shopper-centric analysis enabling demand-led growth strategies.

Deloitte also completed 6 transactions in 2022 – a significant increase in activity compared to its one deal in 2021. Notably, 3 acquisitions out of 6 were led by **Deloitte Digital in Australia** with the simultaneous acquisition of three digital experience consultancies – Blended Digital, New Republique and Venntifact – adding a team of 70 professionals to the Australian headcount. Currently, Deloitte Digital in Australia has over 1,100 consultants and technologists, making them one of the largest players in the digital transformation space. Deloitte Consulting acquired 2 businesses; one is a media and broadcast engineering firm in California, National TeleConsultants, and the second is Canada-based Nubik, a Salesforce digital transformation consultancy.

In 2022 **EY** also made it to the active buyers' list with 5 acquisitions, compared to none in 2021. EY bought Key Project, FreshWork Studios, Fabernovel, Bridge Business Consulting and Digital Detox. These acquisitions are deploying data & analytics and digital engineering to support digital transformation offering EY's clients transformative solutions for enterprise-wide adaptation.

Capgemini made 4 acquisitions in the creative, design, and digital services space in 2022. The French consulting giant acquired Rufus Leonard – a London-based award-winning brand design and experience agency and 23red, a UK-based purpose-driven creative agency, enhancing the group's customer-first services in the UK. They also acquired Aodigy – a Singaporean customer engagement services provider; and Knowledge Expert, a provider of lean-agile techniques and digital strategies.

PwC made 3 acquisitions in 2022. The group acquired Stratus360, a leading Canadian Salesforce Consulting Partner (Platinum Partner), Pollen8, a UK-based innovation consultancy and Sagence, a US-based data management and analytics consultancy. The acquisitions support PwC's global strategy, The New Equation, which is rooted in investing in a human-led and tech-powered future.

Across the Tech buyer category, **Salesforce** is normally a top buyer, but 2022 was the year of focusing on the integration of past acquisitions. There was some activity from the group, including the acquisition of Traction on Demand, the largest dedicated Salesforce consultancy in North America with 1.200 people – the deal signals an increasing focus of tech solutions companies on moving deeper into professional services; Phennecs, a provider of privacy, compliance and data management solutions; and Troops (a developer of revenue communications platform) - to be folded into Slack.

Banyan Software, a US-based long-term software investor group and leading global operator is an emerging active buyer in the space. Banyan acquired several companies in 2022 including its first acquisitions across the UK and Europe. Banyan acquired Switzerland-based Element34, a provider of SBOX, a leading automated testing solution for global enterprises. The group's other acquisitions include US-based Innovatum and Aequitas Solutions, a K-12 student information systems provider.

Banyan is one of North America's fastest-growing private companies and ranked 10th in Deloitte's 2021 Technology Fast 500.

"Currently, Deloitte Digital in Australia has over 1,100 consultants and technologists, making them one of the largest players in the digital transformation space"

Buyer Activity

Large-Cap and Mid-Market Networks

The advertising networks have also been active in M&A in the sector with acquisitions across Digital Agency, Production, PR, Strategy, Research and Agency Services sectors. The core themes have been digital services and CX.

Havas and WPP – most active among the Networks

The six largest advertising holding networks made 30 acquisitions in total - up 100% compared to 2021 (15). **Havas** led the activity and completed 8 deals in 2022. The UK Group's Havas CX acquired a digital experience agency Inviqa, and Havas Media Group acquired Search Laboratory and Additive+, both leading data-driven marketing agencies. In Europe, /amo group acquired Tinkle Communications, a PR and comms agency in Spain and Portugal. In Australia, Edge Performance Network acquired Frontier Australia, a leading performance marketing agency. Also acquired was Expert Edge, a UK-based end-to-end e-commerce consultancy; Bastion Brands, a leading Australian Healthcare agency; and Front Networks, a Chinese creative services agency with social and digital capabilities.

WPP completed 7 deals in 2022. Wunderman Thompson network was strengthened with the addition of Village Marketing, a 150-people influencer marketing agency, NewCraft Group, and Diff, the latter two being e-commerce agencies and consultancies. VMLY&R saw the addition of CoreBiz in Brazil and Passport Brand Design in the US. In Australia, Ogilvy acquired Bower House Digital, a MarTech agency.

Healthcare Strategy & Communications

There is a growing appetite for companies in the healthcare strategy & communications space. Havas Health & You acquired Bastion Brands, Australia's leading health communications agency. Publicis Health acquired BBK Worldwide, a US-based full-service R&D marketing firm and a global leader in clinical trials. Dentsu acquired Antibody Healthcare Communications in Canada and Omnicom acquired Propeller Communications, a healthcare-focused digital omnichannel engagement marketing agency.

Experience, experience, experience

Among other notable deals by the networks are – Profitero, a global SaaS eCommerce intelligence platform acquired by Publicis; Ignition Point – a Japanese startup studio and consulting firm, and Extentia – a UX tech-driven digital strategy firm - both acquired by **Dentsu**.; TA Digital, a leading global digital experience consultancy & Adobe Platinum

Partner, acquired by Omnicom; and The Famous Group, a fan experience tech company based in LA, acquired by IPG.

The mid-market groups

Stagwell led several significant transactions in the sector in a bid to rival the legacy holding companies. The overview of the group's acquisitions is on page 38. S4 Capital's Media.Monks also continued its active buying spree with three acquisitions in the US: 4 Mile, a data & analytics platform, TheoremOne, a software and tech consulting firm with 370 employees and XX Artists, a 125-people social media marketing agency headquartered in Los Angeles.

BC Partners-backed **Valtech** made 7 acquisitions in 2022 - with a strong focus on expansion in North America where 5 of the deals took place. The M&A strategy is aimed at bolstering the group's ability to provide end-to-end technology and marketing services with measurable impact. The acquisitions include the US-based Union, an award-winning data-driven creative agency; two Salesforce-specialist agencies - Mexico-based CloudCo and Dutch Appsolutely; and digital transformation agencies The Berndt Group (health-focused, US) and Evident (B2B focused, Netherlands).

S4 Capital's Media.Monks also continued its buying spree, albeit at a slower speed, with acquisitions in the US: 4 Mile, a data & analytics platform, and TheoremOne, a software and tech consulting firm with 370 employees.

Next15 has acquired the UK business of Engine Group (600 people) for $100m. The move is aimed at accelerating Next15's business transformation ambitions, adding significant scale and bringing new capabilities to the public sector, as well as an experienced management team. In September, Next15's Savanta acquired Motif, a MarTech agency focused on loyalty insights.

Asia-based networks

Hakuhodo, an integrated marketing network based in Japan, made 3 acquisitions in 2022. The group acquired Malaysian digital agency **Kingdom Digital Solutions** and Hakuhodo's **kyu** acquired a strategic communications consultancy **Lexington Limited** in the UK. Also, in December, Hakuhodo's **D.A. Consortium** acquired digital marketing platform **Info Cubic Japan**.

Innocean, a South Korean group, acquired a US-based agency Canvas Worldwide, which originally was a JV between Innocean and Horizon media, and in 2021 was the second largest standalone media agency in the US.

Buyer Activity

Other active strategic acquirer groups

The Strategic Buyers have also been active in M&A in the sector with acquisitions across Traditional Media, Digital Agency and Agency Services sectors. The underlying rationale has been the expansion of products and services, pointing to a clear consolidation life cycle that is all about building scale.

Endeavor Business Media - leading the Strategic Buyers

Most of the acquisitions focused on expanding **Endeavor's** market reach. 10 Missions Media specialises in the transportation market, Construction Business Media in the lighting buildings and construction markets, and Practical Communications in the fixed and mobile network space. Moreover, Putman Media and Stamats Communications complement Endeavor's manufacturing, processing and design engineering practice, whilst Microgrid Knowledge is aligned with Endeavor energy's brand proposition.

ReWorld Media (PAR: ALREW) – a foray into the world of gaming and wellbeing

ReWorld Media, the French leader in thematic media, acquired 5 companies in 2022. The acquisitions of 2 premium sites, Eclypsia, a website devoted to major e-sport competitions and multiplayer video games, and Jeaux Video Live, a video game news site, will strengthen ReWorld Media's content and audience base in the gaming sector, a new area of activity for the group since the acquisition of Meltygroup at the end of 2021.

With the acquisitions of Psychologies and Sofeminine, ReWorld Media can now boast of the broadest audience on the market for topics related to health, well-being, fashion & beauty and personal development - a flagship theme for the company; these media assets strengthen the group's presence on these themes in terms of audience, content, products and services. Moreover, ReWorld Media announced the acquisition from the TF1 Group (PAR: TFI) of the media assets and digital activities of UNIFY's Publishers division deployed in France and England. UNIFY Publishers are recognised for their expertise in content production and audience monetisation. UNIFY brings a skilled team of more than 300 employees and know-how in content production, monetisation, and "content to commerce".

Valnet – expanding digital publishing capabilities

Valnet is a Canadian leading digital content investment company that owns and operates a diversified portfolio of premier digital publishing assets across multiple verticals. The company made 5 acquisitions in 2022. The acquisition of **DualShockers** - an authoritative source for the gaming community - is highly complementary to Valnet's gaming portfolio.

At the same time, **Busy Pixel Media** and **Pocket-lint**, who are trusted brands with high authority that have been a go-to reference for the online tech community, further solidifies Valnet's presence in the tech vertical. With the purchase of **Topspeed.com** - a generational brand for car enthusiasts – Valnet has additional scale of highly authoritative coverage in this premier vertical. Finally, **Snack Media** who specialises in building, growing and monetising communities of sports fans.

Together Group – building a diverse luxury-lifestyle agency group

Together Group, the UK-based global collection of agencies focused on the luxury and lifestyle sectors, acquired 4 founder-led companies in the first half of 2022.

Purple is a comms agency specialising in fashion, beauty, and luxury. New York-based **King & Partners** provides strategy, branding, creative, marketing and e-commerce services for fashion, hospitality and lifestyle brands. **Noë & Associates** is a brand strategy, design, content, and production agency focusing on architecture, design and the built environment. Finally, female-led creative consultancy and agency **Construct London** specialises in branding, art-directed campaigns, graphic design and content creation.

"The underlying rationale has been the expansion of products and services, pointing to a clear consolidation life cycle that is all about building scale."

Private Equity

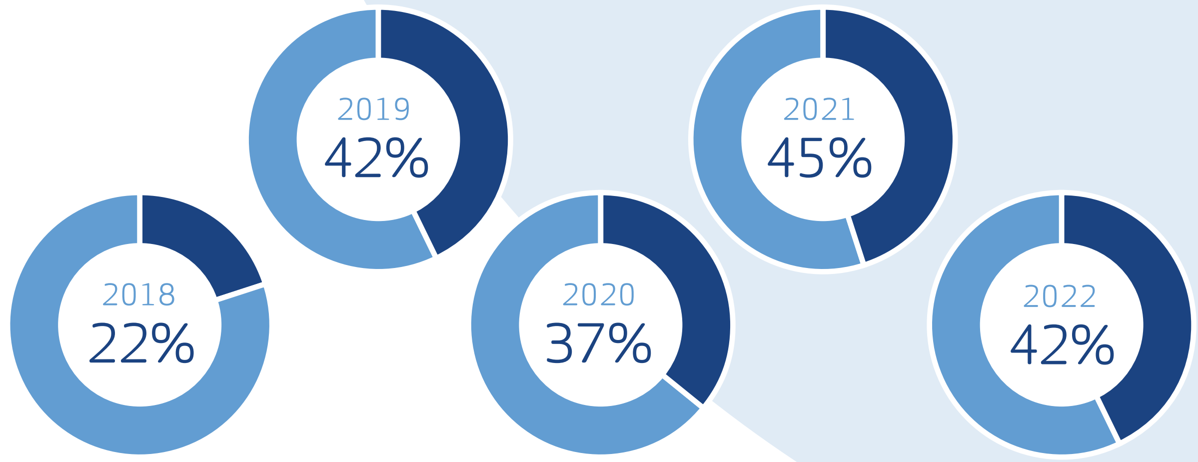
The year of 2022 has seen a dramatic negative shift in macro conditions and outlook, but a clear constant in M&A has been the major presence of Private Equity buyers – across the waterfront and specifically in our sector universe comprising technology, digital, media and marketing. The number of Private Equity backed deals we recorded globally, consisting of both new platform investments and bolt-on acquisitions for existing portfolio companies, showed an increase of 11% in deal activity over the comparative period. PE buyers collectively maintained a high level of penetration accounting for 42% of deals in FY 2022 compared to 45% for FY 2021 – and to just 13% five years ago (2017). With an upward trend in funds raised, PE buyers are likely to remain highly active, with an estimated $2.0tn in unspent firepower in the sector, despite existential challenges at the macro level.

Not all transactions reveal the value of the deal, however, our deal tracker shows that the total value of PE-backed deals (including mega deals: over $10bn) recorded in FY22 was $93.4bn versus $31.8bn in FY21.

The number of transactions recorded was 874 compared to 784 and notably, the rate did not slow in Q2 which might have been expected, given the growing impact of military conflict and inflation that kicked in from February onwards. Indeed, April and October have been the strongest months in the year.

This level of activity took place over the same period that saw a huge movement in all key economic metrics – inflation in main economies rising to 10%, several increases in global central bank lending rates from circa 0.5% to a current level nearer 3% and a commensurate knock-on effect on commercial lending rates; a collapse of 20%+ in stock markets and an uncertain outlook on GDP growth rates – being re-assessed across the board for the next 12 to 18 months.

FIGURE 7
PERCENTAGE OF DEALS BY PE BUYERS, 2018-2022



PE funding is therefore not without challenges and a more difficult economic environment will certainly test the strength of the business models in which investments have been made. In our sectors, the PE focus has been heavily on digital transformation with business models that have high levels of repeat and scalable revenues, sticky client retention, good cash flows and are based on technology-enabled or data-driven activities. The robustness of these business models will be key. Many PE deals introduce high levels of debt, so rising interest rates will have an impact.

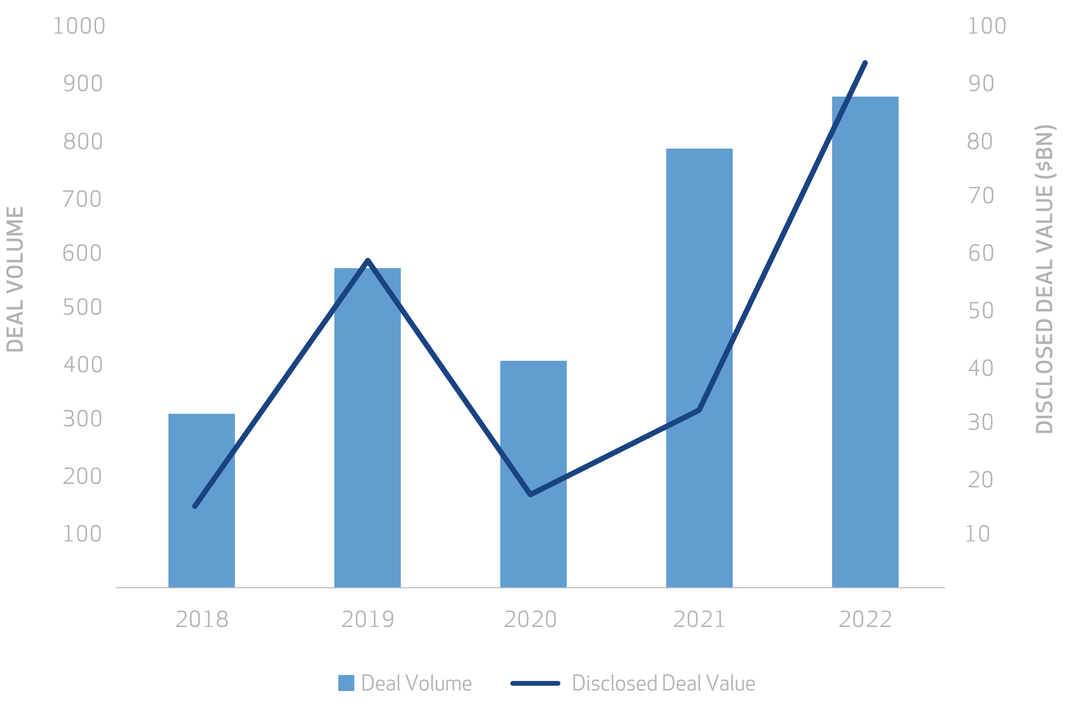
However, as many commentators have noted, some of the best portfolio returns from PE deals have occurred when investment has continued through challenging environments (e.g. the 2008 financial crisis). With the massive firepower in place, a high level of PE activity can be expected to continue, especially with IPO markets essentially 'shut'.

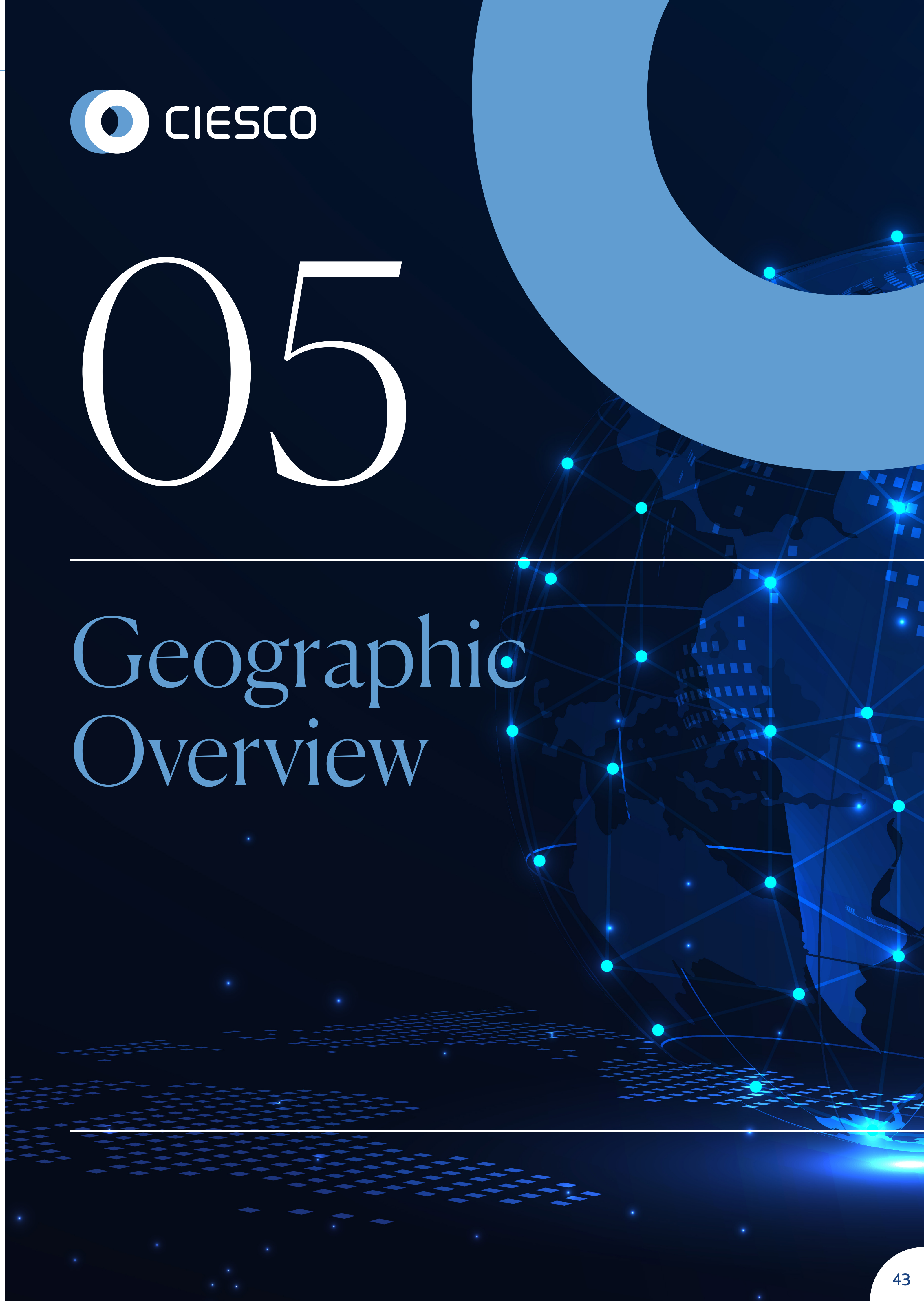
The PE activity will involve additional backing of existing portfolio companies to bolster their position – a compelling strategy especially when economic conditions are volatile – as well as identifying new platform opportunities.

In terms of the sub-sectors we track, Digital Media, Martech, Digital Agencies and Content/Production are the main categories of investment by PE buyers, representing 56% of deals done (2021: 58%). Tracking deals globally, our data shows that the geographic split of PE funding remains similar year on year with the USA accounting for 47% of deals, the UK 14% and mainland Europe 21%. The most active PE buyers in our sectors were The Carlyle Group and Providence Equity Partners.

There have been three mega deals that were PE-backed – the acquisition of **Nielsen** by **Evergreen Coast Capital** (and syndicate) for $16bn and that of **Zendesk** by **Permira** for $10bn. **Elon Musk's** (reluctant) acquisition of **Twitter** in October was the most well-documented mega deal, a $44bn deal value involving 19 investors and 24 advisors.

FIGURE 8
PE DEALS VOLUME AND
DISCLOSED VALUE, 2018-2022





05

Geographic Overview

Geographic Overview

The USA and the UK kept their status as the most active M&A markets in 2022, making up 56% of all global deal activity in the sector – with 888 and 293 deals respectively, followed by France, Germany, Australia and Canada; all these countries combined represent 73% of global deal activity in the sector, whilst APAC saw the greatest year-on-year increase, up 92% from 2021.

2022 was anticipated to be an impressive year, following the record-breaking year of 2021. However, with ongoing military conflicts, including the invasion of Ukraine, along with rising interest rates, M&A markets have become more volatile and fragile. Despite this, we recorded a 20% increase in global deal volume over the course of 2022 in our sector, although it is predicted that Q1 2023 deal volume will be comparable to the latter half of 2019. Whilst this may be so for M&A as a whole, we expect the technology, digital, media and marketing to resist this trend, as it has throughout 2022.

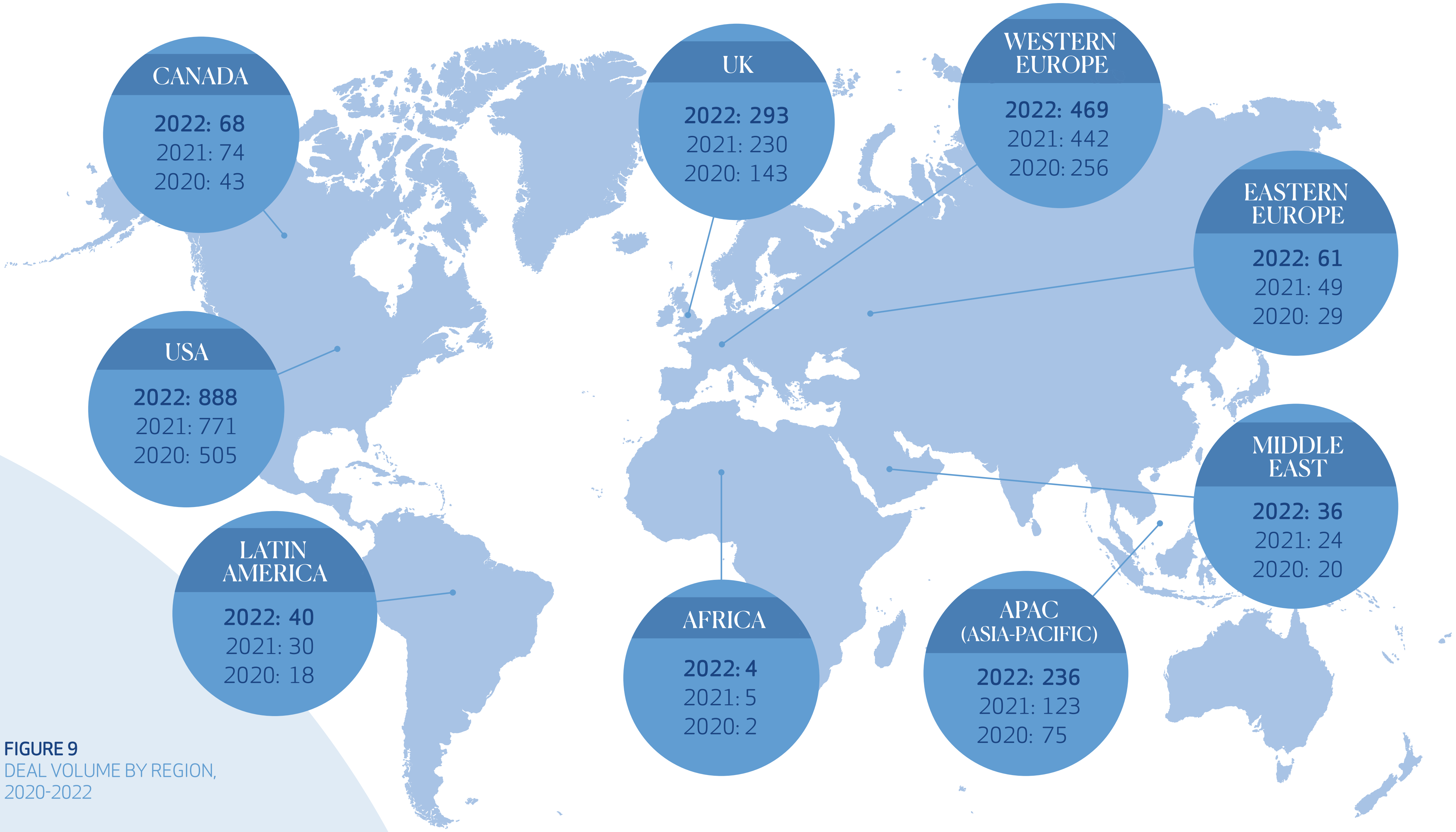


FIGURE 9
DEAL VOLUME BY REGION, 2020-2022

USA

The USA recorded **the highest number of transactions, with 42%** of the worldwide transactions involving a USA-based target - a 15% rise from 2021. Also, USA-based acquisitions made up **86% of the announced global deal value** in 2022, with 70% of those transactions involving a domestic bidder.

The largest deal in the market and sector (a mega-deal) was the $44bn acquisition of **Twitter by Elon Musk & co** in October. This acquisition began on 14th April 2022 and concluded on 27th October 2022 despite Musk's earlier intention to terminate the agreement. With the acquisition, Musk intends to introduce new features to the platform, make its algorithms open-sourced, combat spambot accounts and promote free speech.

The second largest mega deal in the market and sector was the $16bn acquisition of **The Nielsen Company by Evergreen Coast Capital** in March.

The buyer saw the full potential of Nielsen's leadership position in the media industry and the unique value they deliver for clients worldwide; they were also assessed as continuing to be the gold standard for audience measurement and having an ongoing relevance to the global, digital-first media ecosystem. The third largest mega deal of the 3 recorded this year was **Zendesk's** sale to **Permira** for $10.2bn in June – the transaction will help Permira accelerate product innovation and achieve its growth ambitions. Both the euro and the pound have been driven to record lows and hence European and UK assets become attractive to US investors.

UK

The UK saw an **27% increase** in its deal activity, recording 63 more deals in 2022 (293) than the previous year (230). Q4 especially saw a 29% increase on average in levels of M&A activity in the UK market in 2022, despite volatile stock prices, rising interest rates and growing economic uncertainty. Perhaps it was the case that deals were being expedited to be completed before bank rates rose, or the economy worsened.

One significant deal was the £765m acquisition of developer of cloud-based, data visualisation tool company **Krunch (UK)** by leading data intelligence company **Mobile Streams** in March, which allowed the latter to acquire full ownership and control of KrunchData. KrunchData has provided the expertise, systems, software and IP which has enabled the growth of its Streams Data platform to support the growth of Mobile Stream's data insight, intelligence, visualisation services and marketing optimisation tools.

Other significant deals include **Ocean Outdoor UK's** sale to **Atairos** for $580m in May, which will provide support for Ocean as it continues to invest in its people and technology and expand its scope and reach across new and existing markets; and the $250m acquisition of **IPONWEB by Criteo** in August, With the latter acquisition, Criteo accelerates its strategic plans to shape the future of commerce media and deliver the best commerce audiences at scale to both marketers and media owners across the open internet.

Western Europe

Western European countries experienced a small increase in deal activity in 2022, up **6% from 2021**. France led the deal flow, followed by Germany, Italy and Spain with 119, 86, 46 and 44 deals respectively. A notable transaction was the €800m acquisition of Italian content and data management services company **Deltatre by Bain Capital** and **Nextalia** in June. Swedish product information management platform **inRiver** was acquired by **Thomas H. Lee Partners** for an estimated $400m in May, helping support the former in its product innovation and go-to-market expansion in key markets of North America and Europe. Also, Irish search engine optimization agency **eCentres** entered into a definitive agreement to be acquired by **Wise World Holdings** for $425m in September. The services that eCentres delivers complement what WWH offers through their Intelligent Gold Solutions (IGS) business group - eCentres will continue their operations within IGS.

APAC

APAC saw the greatest increase in 2022 by region, and was **up 92% from the previous year**, driven by Australia, which announced 77 deals - 31 more than in 2021. Japan showed the greatest increase not just in APAC but above all markets, completing 31 acquisitions in 2022 compared to just 2 in 2021. Highly acclaimed deals in this region include **Accenture's** $130m acquisition of Australian research and consulting services company **Fiftyfive5**, as well as the acquisition of sports and entertainment business **Endeavor China by Endeavor** for $173m. Another interesting deal was announced in South Korea, where we saw webtoon platform **Toomics** acquired by American entertainment provider **Terapin Studios** for $160m.

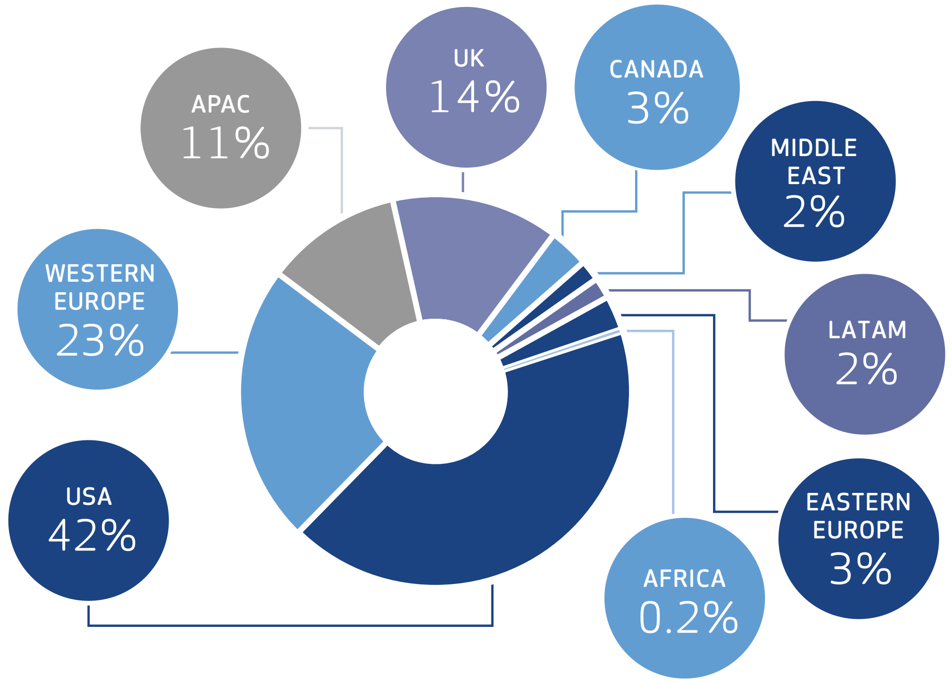
Canada

Canada recorded an **8% decrease in its transaction volume** in 2022 compared to 2021. Notable deals include **Audiobooks.com** being acquired by **Storytel**, a subsidiary of **RBmedia**, for $135m in January. The acquisition will extend Storytel's trajectory of expansion and profitable growth to the largest English-language audio market in the world. Also, **Accessible Accessories**, an automotive SaaS platform, was acquired by **Quorem Information Technologies** for CAD 4.5m in March.

Eastern Europe

Transactions in the Eastern European region **increased by 24%** compared with 2021. Highlight deals include the acquisition of Russian web-based platform company **Avito**, a subsidiary of **Naspers,** by **Russian Kismet Capital Group** through a RUB 148bn LBO; and the acquisition of the Saudi Arabian advertisement and marketing agency **Faden Media by AlArabia** for SAR 1.05bn, both in October. The latter is part of AlArabia's expansion strategy.

FIGURE 10
GLOBAL DEAL VOLUME BY REGION, 2022



LatAm

Latin America deal activity saw **40 acquisitions** in 2022, up 33% from 2021 which saw 30, with 53% of the transactions taking place in Brazil. In Brazil, omnichannel sales intelligence platform **Zipper** was acquired by **CRM&Bonus** for BRL 25m in August. This acquisition allows CRM&Bonus to increase offers to retailers to help them raise sales. Likewise, Colombian information services company **Impacto Tic** was acquired by **Digital360** of Italy for €214,000 in November. This latter acquisition allows Digital360 to go down the path of international expansion intending to replicate the development model already successfully tested by them in Italy.

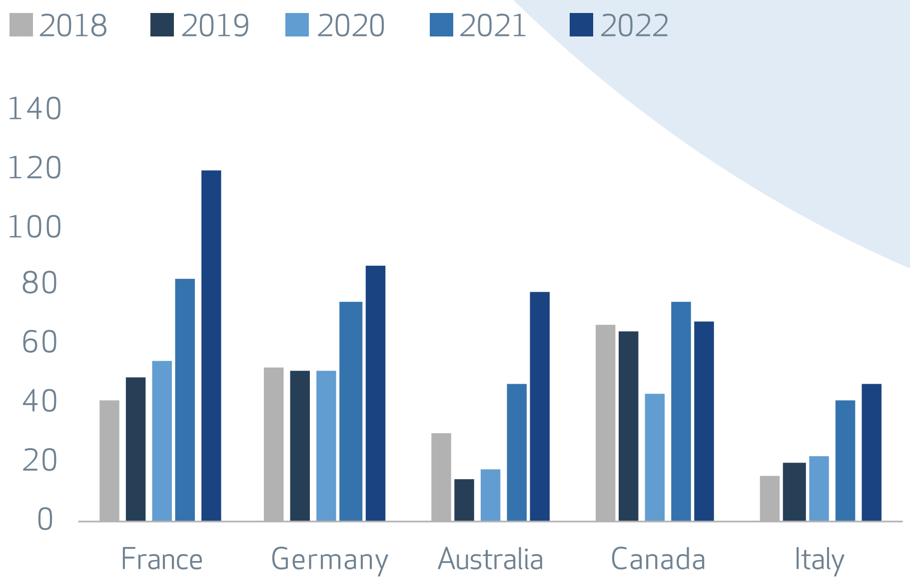
Middle East

In the Middle East, we noted an **increase of 50%**, with 18 out of 36 deals being announced in Israel. **ironSource**, an Israeli business platform that enables mobile content creators to prosper within the app economy, was acquired by **Unity** in August for $4.4bn. The acquisition will bring together the Unity game engine and editor, Unity Ads, and the rest of Unity Gaming Services (USG) with the company's best-in-class mediation and publishing platforms, giving developers a seamless and interoperable way to create, grow and monetise their creations across their lifecycle. **Faraway Road Productions**, an Israeli production house designed to serve global media and entertainment, was acquired by **Candle Media**, portfolio company of **Blackstone**, for $50m in January. Also, Egypt's provider of customer experience technology services company **IST Networks** was acquired by Majorel for an undisclosed amount in March. The latter acquisition enables Majorel to further enhance its partnership network with global CX technology leaders and gain access to sophisticated nearshore delivery hubs that can be leveraged to serve clients across the Middle East and Europe.

Africa

4 acquisitions were made in Africa in 2022, down from 5 in 2021. Some select transactions include Rwanda's operator of subscription video on demand platform **Zacu TV** being acquired by **Canal +** of France for an undisclosed amount in July. The acquisition allows Canal + Group to further strengthen its audio and video processing operations in Rwanda. Also, **CoinAfrique**, Senegalese developer of an application platform intended to create the audience leader in French-speaking Africa, was acquired by Nigerian automotive solution company **Autochek**, also in July. The acquisition will allow Autochek to grow its footprint in Francophone Africa, unlocking value for users across all categories on their platform.

FIGURE 11
MOST ACTIVE MARKETS BY DEAL VOLUME EXCLUDING USA AND UK

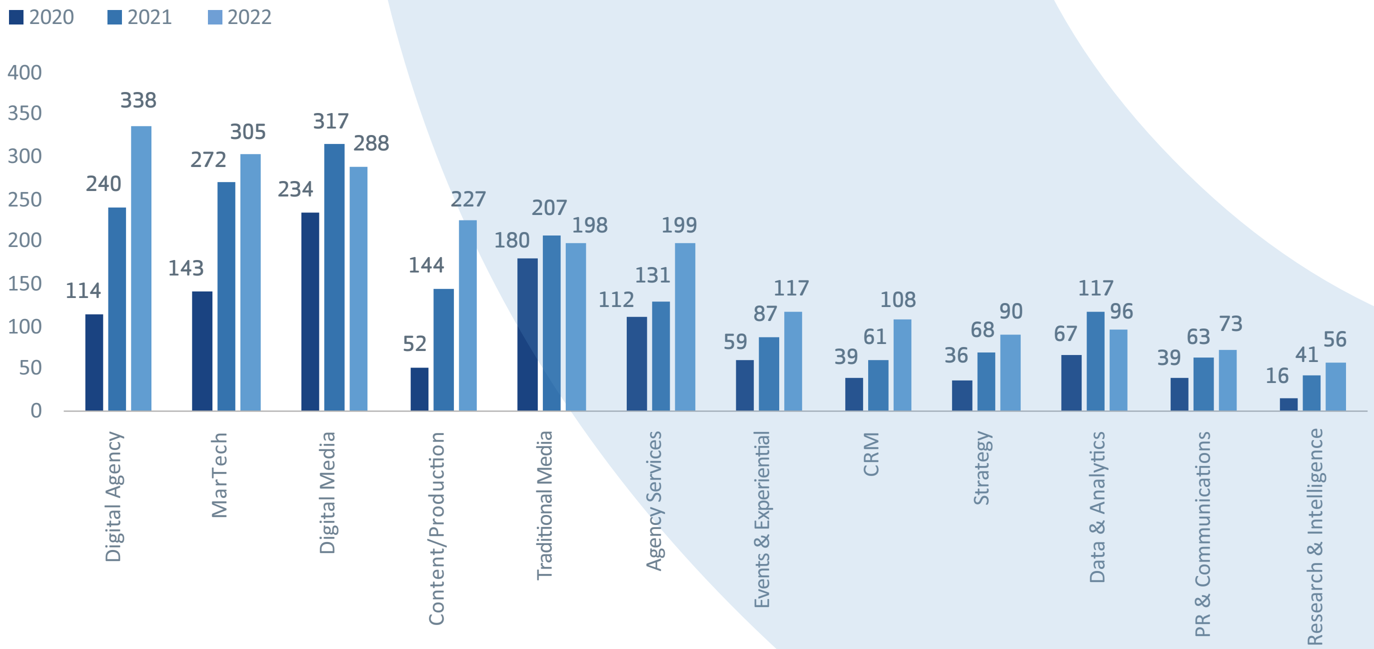


06

Sectors

Sectors

FIGURE 12
DEAL VOLUME BY SECTOR, 2020-2022



The resilient M&A landscape in 2022 saw increased deal activity in nearly all sectors tracked in this report. Notably, businesses with digitally-led propositions continue to attract the strongest level of interest from buyers across all categories - with Digital Agency, MarTech and Digital Media seeing the highest deal volume.

Whilst all sectors in a record M&A year recorded significant M&A activity, it was those with tech and digital-led capabilities and services that created the major focus and attention for acquisition. Digital Media and MarTech had created the highest deal volume across 2021. This has unsurprisingly continued into 2022 as companies continue to seek and strengthen all aspects of digital, acquiring new investments or bolt-ons to their existing assets

The Digital Agency, MarTech and Digital Media sectors showed the highest deal volumes in 2022. Digital Agency saw the most deals in 2022 with a total of 338 deals, a 41% year-on-year increase from 2021. MarTech experienced the second most with a 12% rise year-on-year, totalling 305 deals. Digital Media saw a total of 288 deals in 2022, the third highest volume of the year and a -9% decrease year-on-year. The combined number of transactions in these three sectors amounted to 44% of the deal activity in the sector. The same three sectors showed the highest deal volumes in 2021.

The traditional sectors - **Traditional Media and Agency Services** – showed a decrease of -4% with 198 deals announced and an increase of 52% with 199 deals announced, respectively.

All other sectors apart from Data & Analytics (-18%) experienced increases in deal volume over 2021 levels, with CRM (77%) and Content/ Production (58%) leading the surge.

Of the portion of deals that have the value disclosed, **MarTech** had the highest total deal value (excl. mega deals) in 2022, with a total value of $12.01bn. There were three deals that made up over 52% of this total, including, Unity's $4.4bn acquisition of ironSource; AppLovin's acquisition of MoPub for $1.06bn; and the acquisition of Trader Interactive by Carsales.com for $824m. The sector with the second highest total deal value was **Data & Analytics** coming in just under MarTech with a total of $10.16bn. The majority of this total can be credited to The NDP Group's $8bn acquisition of Information Resources, a provider of big data and predictive analytics.

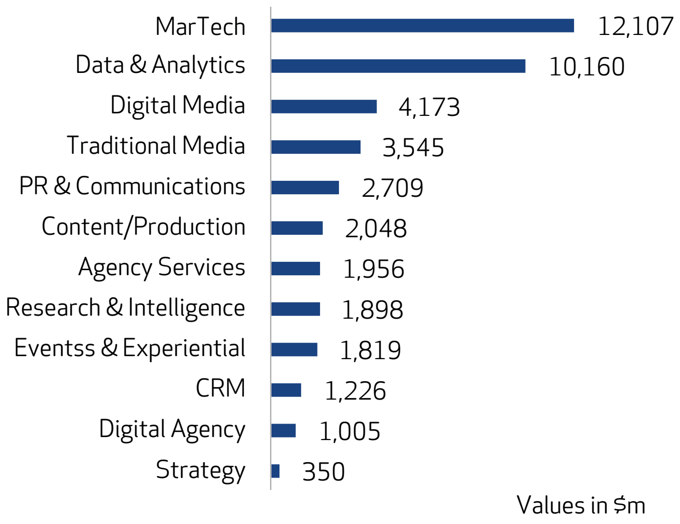
There was then a large drop off to **Digital Media** which had a total deal value of $4.17bn. This, however, excludes the largest deal tracked in 2022, Elon Musk's $44bn acquisition of Twitter.

Of the 338 deals in the Digital Agency sector, 180 (53%) of the target companies were based in the USA (38%) and UK (15%). The remaining majority was spread evenly across France, Germany, Canada, Australia, Japan and India. There was a very similar trend in terms of buyer geographies in the Digital Agency sector. A total of 184 (55%) buyers were based in the USA (40%) and UK (15%).

The CRM sector saw the highest year-on-year growth in the volume of deals in 2022, at 77%. Private Equity was responsible for 64% of all deals in the sector which included one of the three mega deals tracked in this report, Permira's $10.20bn acquisition CRM provider Zendesk.

The M&A landscape saw various headwinds throughout 2022 – the US Federal Reserve elevated interest rates, as did the European Central Bank and the Bank of England. With the aim to collectively tackle inflation, the side-effects have been downward stock valuations as future company earnings are discounted as well as an increased cost of acquisition funding. In our research, we have seen that companies that fall in the tech & digital spectrum have managed to retain interest from buyers.

FIGURE 13
DISCLOSED DEAL VALUE BY SECTOR (EXCL. MEGA DEALS), 2022



Digital is building and shaping quality customer experiences that provide value and meet consumer needs. Those brands and companies that fail to embrace this will be challenged for survival in the economy of the future.

The longstanding trend of digitalisation has stimulated investment in areas such as the development of fibre networks and the increase in data centre capacity, together with an ever-growing spotlight on the metaverse and its associated technologies, including virtual reality, augmented reality, NFTs and digital content.

There will, no doubt, continue to be a strong M&A focus on companies that sit across the digitalisation spectrum.

CIESCO

07

Healthcare

Healthcare

Note: This is a section to specifically focus on Healthcare.
These figures do not form part of the total findings of this review.

The total number of healthcare transactions in 2022 with a disclosed deal value was 765. The total number of transactions including those without a deal value disclosed is approximately 4x greater, demonstrating how active the Healthcare M&A space truly is. Healthcare accounts for approximately 10% of global deal value and count, although we noted that these are the lowest proportions since 2016.

The total deal value from the 765 deals analysed by Ciesco, including megadeals, was just over $231bn. Pharmaceuticals & Biotech is the most active subsector, accounting for 297 (39%) of healthcare deals, followed closely by Healthcare Services with 261 deals (34%). Devices & Supplies and Healthtech account for 27% of Healthcare M&A deals combined, with 133 deals and 74 deals respectively in 2022. Despite Healthtech only accounting for 10% of Healthcare deals, it had by far the highest average deal value by subsector at $745m, with three megadeals occurring in the space.

Smaller healthcare services companies are under significant financial strain due to knock-on effects of COVID-19 and labour force displacement. These challenging times can be seen by the Healthcare Services sub-sector average deal value of $197m, the lowest value averaging subsector in 2022. The story is rather different for pharmaceutical companies. Over half of pharmaceutical company revenue comes from specialty drugs, which are extremely inelastic goods. This means that Big Pharma is well-positioned for a recession, posing a great opportunity for PE, with their unspent dry-powder, and strategic buyers alike. Large pharma has a reported $500bn ready to deploy for M&A, which could be likely as pharmaceutical firms continue to diversify and add cutting-edge therapeutics to their portfolios to stay competitive.

M&A interest in healthtech specifically has garnered high interest in North America, where digital and technological innovation is rife and healthcare is privatised. US companies were unsurprisingly the primary sellers and buyers in the sector. However, interest in the subsector continued to spread in 2022; circa 10% of healthtech deals were based in Europe, and this trend is set to continue.

Pfizer, whose revenue almost doubled from 2020 to 2021 as a result of vaccine sales, has been on a noteworthy buying spree completing four acquisitions in 2022, including three all-cash deals above $5bn. PE firms have accounted for approximately 75% of healthtech M&A deals, demonstrating that they are active in the healthcare space. Indeed, one of the mega deals in 2022 was the $17 billion acquisition of EHR and practice management SaaS **Athenahealth by Bain Capital** and **Hellman & Friedman**.

The public market highs of 2021 through IPOs and publicly listed SPACs in healthcare has changed throughout the past year. Negative market conditions and looming regulation reduced appetite and resulted in the SPAC's demise. As a result, the attention will now turn towards private markets for healthcare to repair the disruption the pandemic caused. Innovative technology solutions are required to revitalise areas within healthcare, both in the short-term to combat the continuing impact of COVID but also for the long-term. Interest from PE remains, and the intersection between technology and healthcare continues to grow. These factors will continue to drive M&A activity in Healthcare, and the sector's future looks positive.

FIGURE 14
PERCENTAGE OF HEALTHCARE SUB-SECTOR ACTIVITY BY VOLUME, 2022

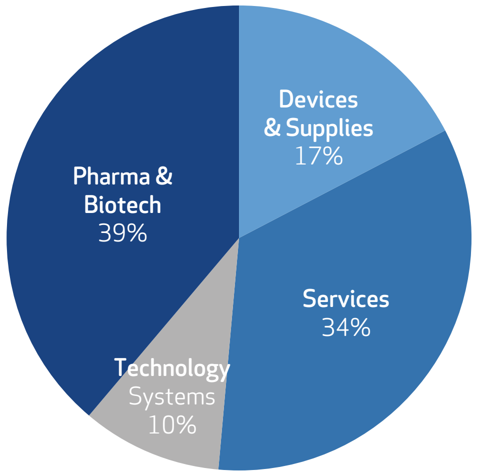


FIGURE 15
DISCLOSED DEAL VOLUME & VALUE BY SECTOR, 2022

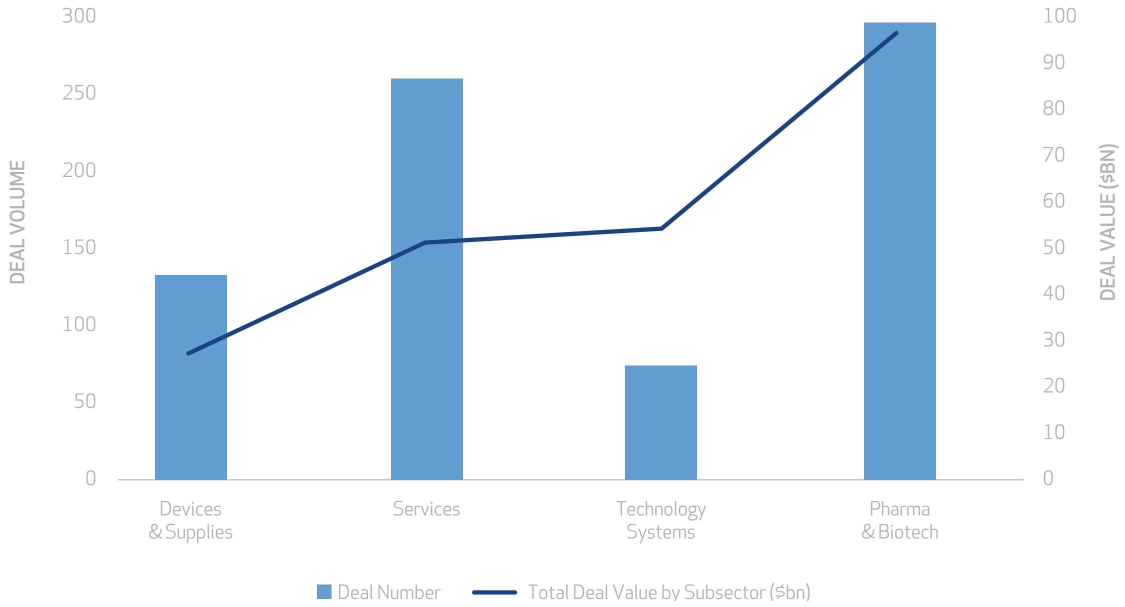


FIGURE 16
NOTABLE HEALTHCARE DEALS, 2022

Target	Country	Acquirer	Country	Deal Value	Target Description
Cerner	USA	Oracle	USA	$28.2bn	Healthcare information technology solutions and tech-enabled services
athenahealth	USA	BainCapital	USA	$17.0bn	Advertising medical practice automation and claims management software
Change Healthcare	USA	Optum	USA	$13.0bn	Administrative and consulting services to assist healthcare providers
Vifor Pharma	CH	CSL	AUS	$12.3bn	Specialty drug manufacturing and licensing company
biohaven	USA	Pfizer	USA	$11.6bn	Clinical-stage biopharmaceutical company

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08

Sustainability

Sustainability

Note: This is a section to specifically focus on Sustainability.
These figures do not form part of the total findings of this review.

FIGURE 17
OUR MARKET MAP

CIRCULAR ECONOMY
- Waste recycling
- Materials
- Smart cities

AGRICULTURE TECHNOLOGY
- Ag biotech, bio, feedstocks
- Food production systems
- Animal Ag
- Indoor Farming
- Precision Ag

SUPPLY CHAIN MANAGEMENT
- Raw material responsible sourcing
- Future proofing climate change supply risks
- Labelling, monitoring the product chain

CLIMATE TECHNOLOGY
- Electric transportation
- Mobility solutions
- Energy Transition
- Land Use
- Carbon reduction technology
- Heavy Industry
- Energy Transition - Clean Energy Generation

WATER
- Water Treatment Services & Technologies
- Water Purification & Supply
- Water Management

ESG
- ESG Consultancy and Communications
- ESG Data, Reporting & Research

THE 'S' IN ESG
- Wellness
- EdTech
- Healthcare

SUSTAINABLE MATERIALS
- Bioplastics, compostable and biodegradable plastic
- Yarns, fabrics, wearables (clothing)
- Built Environment

Consulting

Project Delivery Implementation

Data Collection Analysis, Evaluation & Interpretation

Carbon Offsetting

Sustainability is the phenomena in the world of venture capital fundraising in 2022. VCs are looking to invest in companies that are making a positive impact on the planet. Sustainable startups are attracting major attention from VC firms looking to back effective progress in eco-friendly innovation. Data shows global VC funding across all sectors fell by 40% in 2022, however, VC funding in ClimateTech/Sustainability increased by 80%.

Teysha Technologies, a London-based bioplastics company, has raised £2.1 million in later-stage funding. Teysha's renewable and fully biodegradable plastic substitute is made from waste found in landfills and can be used in hundreds of applications. The funding will be used to develop prototypes and secure contracts. Teysha's bioplastic, which breaks down into organic building blocks at the end of its lifespan, is made from inedible agricultural waste and is the result of decades of research and development.

ESGgo, a company that provides a software suite to help companies measure and track their ESG performance, has raised $7 million in a seed funding round. The company's software helps with data collection, workflow management and analytics, allowing companies to track hundreds of ESG data points and measure their progress against set goals.

Listed markets - companies with sustainability at their core are attracting the attention of investors in the IPO market. As the demand for environmentally conscious businesses grows, so dot he opportunities for companies with a strong commitment to ESG.

Lhyfe is a cutting-edge green hydrogen producer based in Nantes and raised $93m via its IPO on the Euronext. As the world strives towards net zero goals by 2050, the hydrogen sector will be crucial in the fight against climate change. Using innovative water electrolysis technology, Lhyfe creates renewable hydrogen and directly connect its production sites to renewable energy sources, helping decarbonise the transportation industry.

FIGURE 18
VCs – SELECTED FUNDRAISING, 2022

Company	Month	Target Description	Deal Value
TEYSHA TECHNOLOGIES	Aug-22	Bioplastic developer	£2.1m
ESGgo	Mar-22	ESG data, collection, analysis	$7m

The Agriculture technology (AgriTech) industry has garnered increased attention in 2022 as their types of solutions can offer several benefits, including the ability to grow crops efficiently year-round, the potential for higher crop yields, and the ability to produce crops in urban or otherwise challenging environments and replacing harmful fertilisers.

Edible Garden, a Controlled Environment Agriculture (CEA) farming company that grows fresh, organic food combining traditional agricultural techniques with innovative technology to grow fresh, organic food, sustainably and safely whilst improving traceability, raised $11m via its IPO on the Nasdaq. The company intends to use the net proceeds from the offering to fund the construction and/or acquisition of existing greenhouses.

Private Equity firms are increasingly recognising the importance of sustainability in their investments. Overall, PE has the potential to play a significant role in promoting sustainability by providing capital and expertise to companies working to address environmental and social challenges, and by using its influence as a shareholder to drive positive change.

Suez, a company that provides water treatment and waste management services to preserve, optimize, and secure resources for the environment was bought by **Macquarie**.

This transaction will allow Suez to continue to focus on providing essential waste and recycling services for its customers, whilst delivering on their commitment to People and Planet, and moving towards the vision of 'living in a world where there is no more waste'.

In 2022, **BlackRock** acquired **Vanguard Renewables**, a leading US renewable energy company. BlackRock will work with Vanguard Renewables' management to further grow the company, which converts food waste and cow manure into renewable natural gas and liquid low-carbon fertiliser through its Vanguard Organics and Vanguard Ag business lines.

M&A in sustainability: Corporate buyers are taking the lead in prioritising environmental responsibility in their acquisition decisions. By focusing on eco-friendly companies to invest in, these buyers can positively impact the climate change challenge, gain shareholders' approval, and reduce reputational risks all at once.

Shell has acquired **Nature Energy**, the largest producer of Renewable Natural Gas (RNG) in Europe. The acquisition includes Nature Energy's portfolio of operating RNG plants, feedstock supply and infrastructure, and its pipeline of growth projects. The deal will support Shell's ambition to profitably grow its low carbon fuels production and customer offering, and accelerate its transition to net-zero emissions.

JBS, the largest global protein company, acquired **BioTech Foods**, a Spanish company specialising in the production of cultivated protein from animal cells. This acquisition will allow JBS to produce protein in a more sustainable manner, as cultivated protein production uses fewer resources and generates less greenhouse gas emissions compared to traditional livestock farming. Additionally, the expansion of JBS into the cultivated protein market is in line with the company's strategy of innovation and addressing the growing global demand for food security.

FIGURE 19
PE – SELECT DEALS IN SUSTAINABILITY, 2022

Bidder	Target	Month	Target Description	Deal Value
MACQUARIE	suez environnement	Dec-22	Wastewater recycling	€2.4bn
BlackRock	Vanguard RENEWABLES	Jul-22	Renewable fuel	$700m

FIGURE 20
CORPORATE BUYERS – SELECT DEALS IN SUSTAINABILITY, 2022

Bidder	Target	Month	Target Description	Deal Value
Shell	nature energy	Nov-22	Renewable natural gas producer	€2bn
JBS	Bio.Tech. Foods.	May-22	Food technology	€105m

2022 Global M&A Review & 2023 Outlook

The report provides an overview of global M&A deal activity in 2022 within the technology, digital, media and marketing – with statistical analysis of overall global deals by volumes and disclosed values, as well as by geographic region and sectors. The report also provides insights and trend analysis of private equity related activity and an overview of the evolving buyer landscape.

The report has been prepared by analysts at Ciesco's Market Intelligence team using various data points and sources including data that is available via Pitchbook and several other M&A database.

Ciesco is a London-based M&A advisory firm specialising in the technology, digital, media and healthcare sectors, with coverage of Europe, Asia and North America.

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