

Technology enabled Media &
Marketing Sectors

2014 Global M&A Review



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Prepared by



In partnership with



About Ciesco

Ciesco is a boutique corporate finance advisory firm, specialising in the digital, media, marketing and technology sectors. Ciesco's core services are designed to provide owners and managers of businesses with independent advisory services. We advise clients on mergers & acquisitions, sell-side or buy-side mandates, business strategy and executive search. We also advise on corporate divestments, MBOs/MBIs, and work with private equity firms on their portfolio businesses.

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About Experian

Experian MarketIQ is the essential business market platform for any organisation or professional involved in mergers and acquisitions (M&A), or requiring direct access to comprehensive and high quality business and financial data. Experian MarketIQ reveals new layers of market insight by combining Corpfins global M&A database with comprehensive Companies House data and our market leading business, financial and risk databases – all on a single platform. This enables you to be even better informed, even more confident in your decisions, and ready to make the most of all opportunities the moment they arise.

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I. Executive summary

As a corporate finance advisory firm, **Ciesco** specialises in advising on mergers & acquisitions in the media, marketing, digital and related technology sectors – our analysts track relevant global deals in this space. This report focuses on the 2014 global M&A transactions in the **technology enabled media and marketing sectors**. This includes all the sub-niches at the complex intersections of where these worlds meet.

This year we are pleased to be working in collaboration with **Experian**, the data services provider, and their specialist M&A analysts at **MarketIQ**, to co-publish the findings of our review of the **global M&A transactions** that took place in **2014** in the technology enabled media and marketing sectors. This report provides an overview of deal activity, 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 buyer landscape, along with our **outlook** for the sector.

Deals statistics

2014 was a phenomenal year for mergers & acquisitions in the **technology enabled media and marketing sectors**, with global deal activity at record highs. Our analysts have tracked **1,028 transactions** in **2014**, an increase of **24%** on the previous year. The total disclosed value of transactions was **\$116bn**, which includes two mega-deals – Comcast’s \$46.2bn acquisition of Time Warner Cable and Facebook’s \$22bn acquisition of WhatsApp. Excluding these two mega-deals, the adjusted disclosed value of all deals in 2014 totals **\$52bn**, compared to **\$25bn** for 2013.

Buyer landscape

WPP was once again, by far, the most prolific acquirer with a total of **52** deals in 2014 (compared to 54 in 2013). **Publicis** held second place with **23** deals (18 in 2013), followed by **Dentsu Aegis**, which tallied **18** deals (16 in 2013).

In terms of buyers from the technology and digital media sectors, **Google** ranked the highest with **8*** deals, followed by **Facebook** and **Yahoo**, who both made **7*** deals each.

Note:

**With regards to deals by the technology and digital media companies, the report only tracked those transactions that are relevant and related to the technology enabled media & marketing sectors.*

Private equity

In 2014 we witnessed an increase of **80%** in the number transactions involving private equity investors in the sector, totalling **126**, up from **70** in 2013. The total disclosed deal value of private equity in the sector in 2014 was **\$21.7bn** – excluding the value of the two mega-deals by Comcast and Facebook (totalling \$68bn) this accounts for over 40% of the adjusted total disclosed deal value for 2014. The largest private equity transaction in the **Marketing Services** segment (see below) in 2014 was the **\$4.3bn** acquisition of **Advantage Sales & Marketing (ASM)**, by **CVC Capital Partner** and **Leonard Green & Partners**.

GTCR, a Chicago-based firm, was the most active private equity investor in the sector; they acquired five businesses across the PR Software, Media Monitoring, Social Media Analytics and Data sectors. GTCR invested **\$1.7bn** in 5 acquisitions in 2014, over **40%** of the **£3.85bn** buy-out fund they raised in January 2014. GTCR's strategy is to acquire and build market-leading companies through transformational acquisitions and organic growth. Their stated focus is on three growth sectors of the economy: Financial Services & Technology, Healthcare, and Information Services & Technology. The five deals they completed in the sector in 2014 clearly signals their move into the technology enabled media and marketing sectors.

Market segments & sectors

Technology has impacted and reshaped the rules of the game. For the purposes of this report, transactions have been grouped into 3 main market segments: **Technology**, **Marketing Services** and **Media**. The number of transactions in the **Technology** segment totalled **493**, almost half of the overall deals that took place in 2014. The **Marketing Services** segment accounted for **383** deals and the **Media** segment tallied **152**. Historically, the majority of transactions fell into the **Marketing Services** segment, however, over the last few years we have witnessed the volume of deals in the **Technology** segment rapidly increase. The key driver behind this shift is the continued trend of marketers moving their budgets (advertising expenditure/AdSpend) towards more digital and technology-based approaches, led by the rise of **Video**, **Mobile** and **Data**, as marketers look for greater and more measurable ROI for their marketing and advertising budgets – with the **Mobile** sector registering the most activity in 2014, with **114** deals.

Geographic overview

Geographically, the number of deals increased in every region. The **US** continued to command the most deal activity, with **482** deals recorded (**47%**) – almost half of the overall transactions for 2014. The **UK** retained second place with **151** deals (**15%**) and Western European markets overtook APAC

with 147 deals (14%), compared to 136 deals (13%) in the APAC region. Western Europe was led by strong activity in Germany with 39 deals (4% of the global deal volume) and France with 31 deals (3%). In the APAC region, China witnessed strong activity with 38 deals (4% of the global deal volume), followed by Australia with 28 deals (3%), India with 26 deals (3%), and Japan with 13 deals (1%).

There was also an increase in the volume of cross-border deal activity; in particular with Asian companies making a significant impact on the M&A landscape as they continue to acquire targets in Western markets with ever increasing deal values. These Asian buyers are looking to acquire skills, knowledge-base and experience. This is partly due to the globalisation of Asian brands that have grown large enough to start looking at expanding beyond their own borders.

Changing market landscape & new market entrants

Global brands such as Microsoft, Unilever and P&G continue their drive towards a more centralised global marketing strategy, leading them to concentrate creative work into core hubs, as the trend of decoupling the production and creative elements continues, in an effort to separate the execution and delivery of marketing campaigns globally. This is a major shift from historical industry practices, where global brands required their marketing and advertising agencies to have a physical presence in each local market that they service. As a result of this shift, we expect to see some of the large global advertising holding companies (WPP, Omnicom, Interpublic, Publicis) in future divesting businesses in non-core markets and sectors.

Also, with the continual emergence of new technology entrants, start-ups, and new technology products, along with the fragmentation of media and new media channels – the industry has continued to witness the convergence of technology with media and marketing at an unprecedented speed. The fusion of technology with new media and marketing has continued to blur the lines and disrupt the traditional marketing and advertising landscape.

Additionally, the once dominating big hitters of the marketing and advertising world (WPP, Omnicom, Interpublic, Publicis) are now also being forced to compete with a whole spectrum of emerging buyers from a wide variety of industries – particularly as new market entrants are moving into the sector from the worlds of IT & Software, Telecoms, Consultancies and Data services and Financial services, by acquiring targets in the Marketing Services segment.

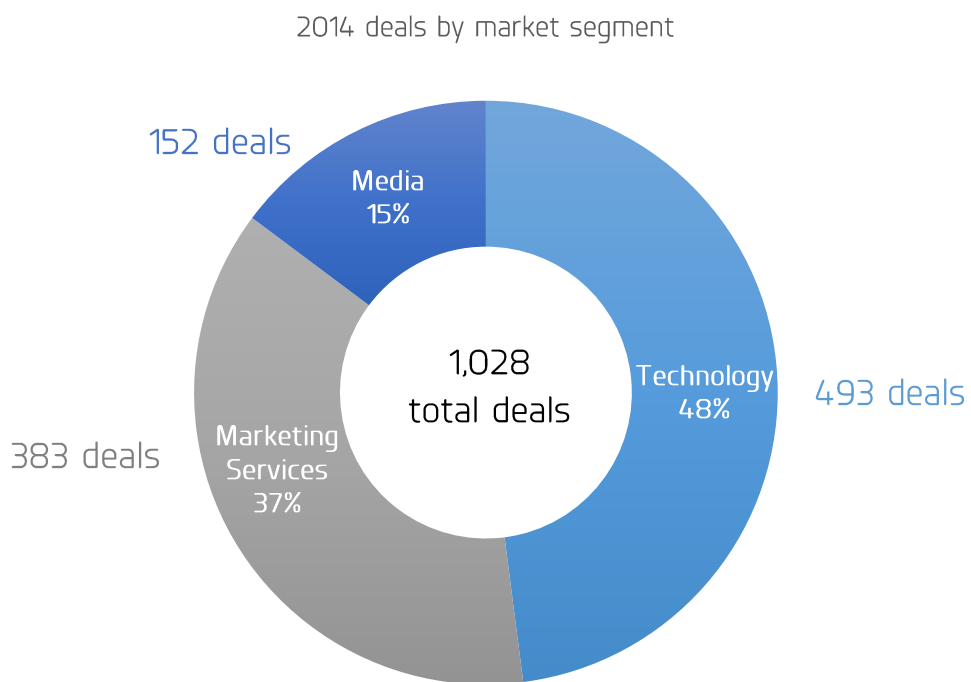
II. Market segments

This report focuses on the 2014 global M&A transactions within the digital, media, marketing and related technology sectors. These are grouped into 3 main market segments: **Technology**, **Marketing Services** and **Media**.

Market segments definitions

- **Technology** – software & IP based platforms and solutions; technology as an enabler for driving sales; technology related and relevant to marketing and advertising activities
- **Marketing Services** – people based agencies, consultancies and service businesses
- **Media** – digital media (new media) and traditional media; distribution channels

Figure 1



Source: Ciesco Market Intelligence

We tracked 1,028 transactions in 2014 – **Technology** was the most active market segment with 493 deals, almost half of the overall deals that took place in 2014. The **Marketing Services** segment accounted for 383 deals, while the total number of **Media** transactions tallied 152 deals.

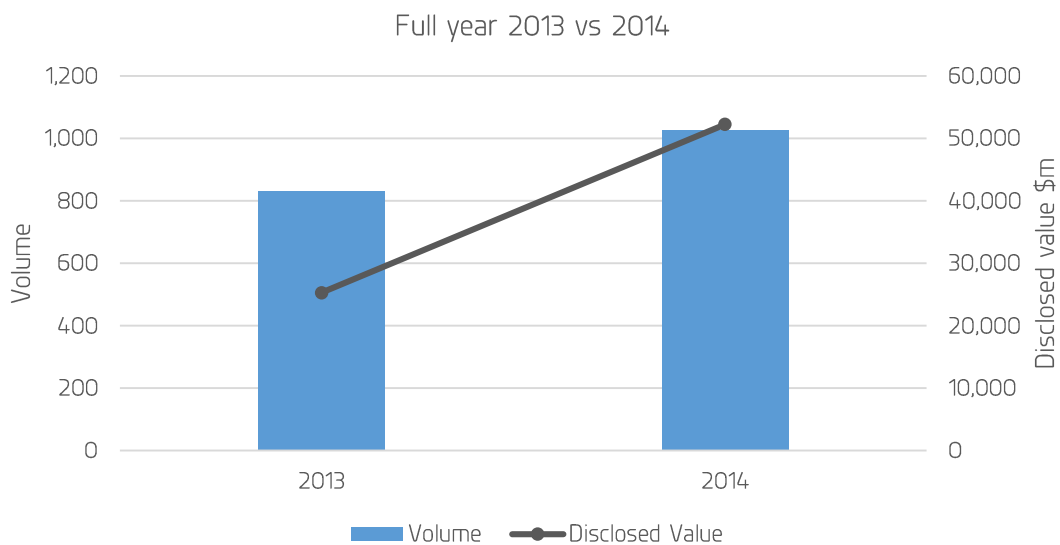
III. Deal statistics

In 2014, our analysts tracked 1,028 transactions in the digital, media, marketing and related technology sectors, an increase of 24% on the 831 deals recorded in 2013. The total disclosed value of transactions in 2014 was \$116bn, this includes the two mega-deals – Comcast’s \$46.2bn acquisition of Time Warner Cable and Facebook’s \$22bn acquisition of WhatsApp. As not all M&A transactions have disclosed deal values, the true total value of deals would be significantly higher.

For the purpose of comparable analysis to the previous year, the following charts (figures 2., 3., 4., and 5.) illustrate the total volumes and disclosed values of deals in 2014 against 2013. This is displayed on a full year, half yearly, quarterly and monthly basis, with adjusted figures that exclude the two mega-deals, as the value of Comcast’s acquisition of Time Warner Cable, would alone, exceed the combined total disclosed transaction value of all deals tracked in 2013.

The adjusted disclosed value of all deals in 2014 totals \$52.2bn, compared to \$25.3bn for 2013.

Figure 2.



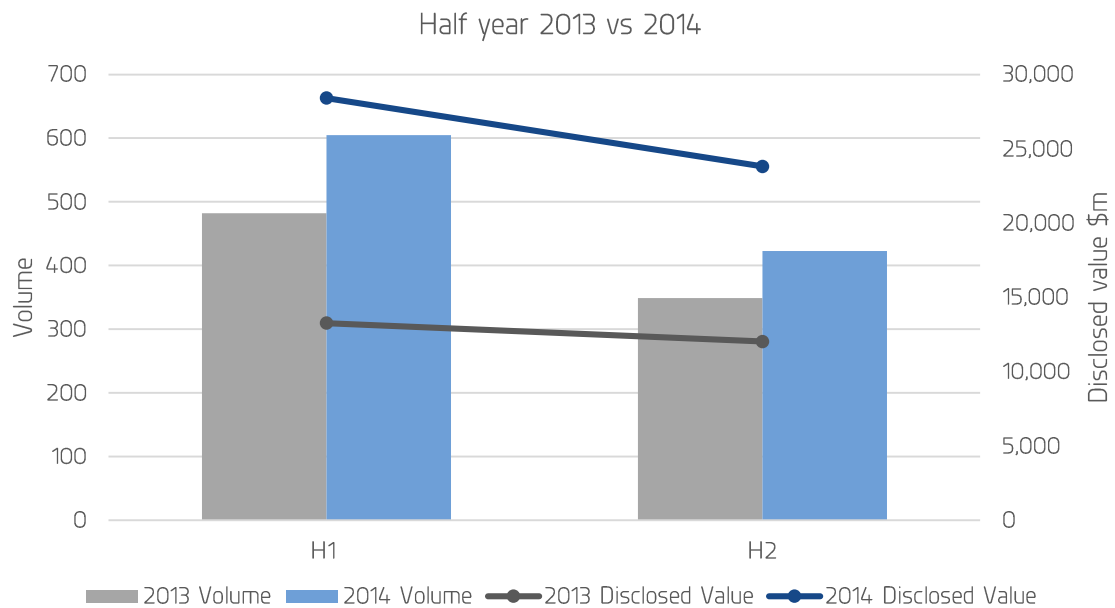
Source: Cisco Market Intelligence

NB:

1. Average exchange rates; 2013 GBP £1 = US \$156 | 2014 GBP £1 = US \$165

2. The above chart excludes the two mega-deals by Comcast and Facebook

Figure 3.



Source: Cisco Market Intelligence

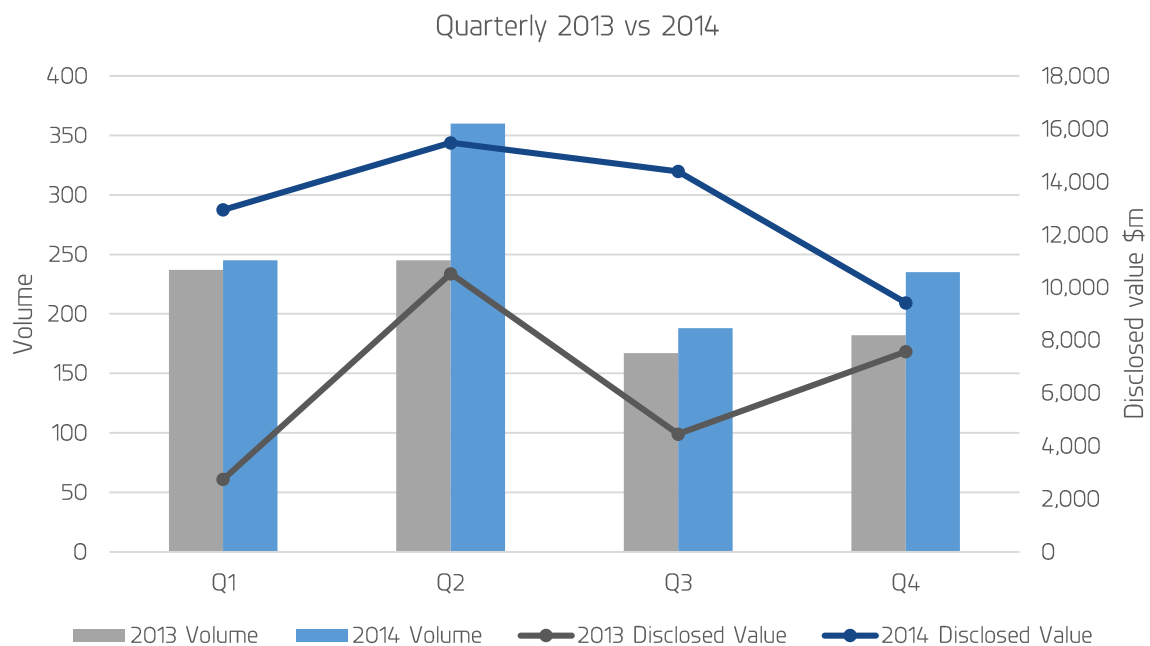
NB:

1. Average exchange rates; 2013 GBP £1 = US \$156 | 2014 GBP £1 = US \$165

2. The above chart excludes the two mega-deals by Comcast and Facebook

As in 2013, H1 continued to be the strongest half of the year in 2014, both in terms of deal volume and disclosed value. This is due to strong Q2 activity in both 2013 and 2014, as illustrated by the quarterly analysis in figure 4. below.

Figure 4.



Source: Cisco Market Intelligence

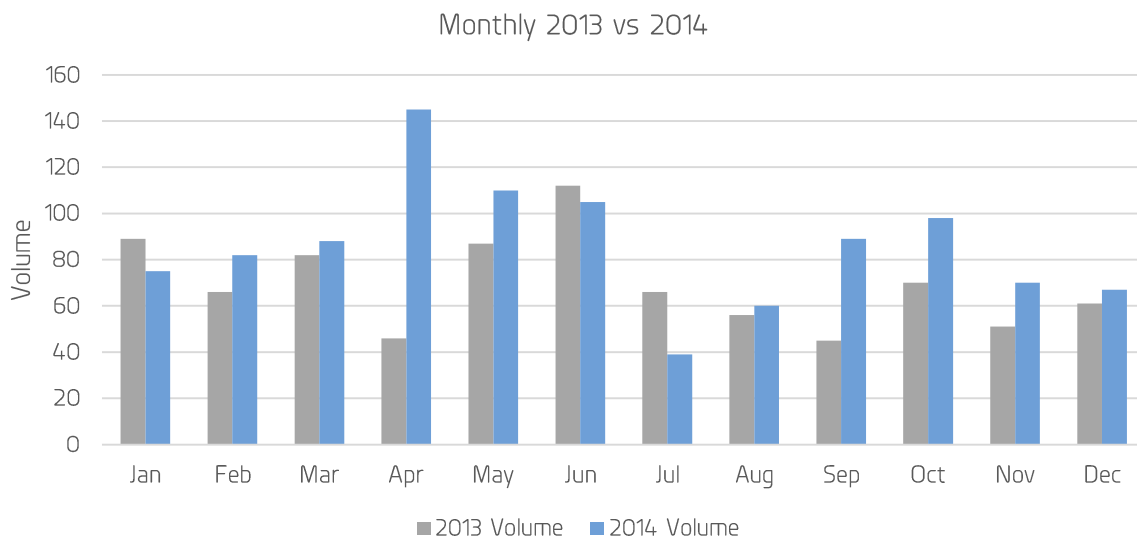
NB:

1. Average exchange rates; 2013 GBP £1 = US \$156 | 2014 GBP £1 = US \$165

2. The above chart excludes the two mega-deals by Comcast and Facebook

Strong Q2 activity is often largely driven by US companies, who having completed their financial year end in December, set about implementing their growth strategies, aiming to complete acquisitions early on in the year so as they can benefit from such acquisitions during the rest of the year. With the exceptions of January, June and July, each of the months in 2014 registered more deals than in 2013.

Figure 5.



Source: Cisco Market Intelligence

IV. Top 20 deals

The number of transactions with disclosed consideration values of over \$1 billion in 2014 was almost double the previous year, with 13 deals in 2014, totalling \$93.5bn, compared to 7 in 2013, which totalled \$11.4bn. The 20 largest deals of 2014, by disclosed value, are highlighted in *figure 6*. below. The total value of these 20 deals is \$99.5bn. This includes the two mega-deals of 2014 - Comcast's \$46.2bn acquisition of Time Warner Cable and Facebook's \$22bn acquisition of WhatsApp, which collectively account for \$68.2bn (68.5%) of the total value of these top 20 deals.

Figure 6. The 20 largest deals of 2014

Bidder	Target	Target country	Deal value (as reported)	Market segment	Sector
Comcast	Time Warner Cable	US	\$46.2bn	Media	Media Services
Facebook	WhatsApp	US	\$22bn	Technology	Mobile
Vista Equity Partners	TIBCO Software	US	\$4.3bn	Technology	Business Intelligence Software
CVC Capital Partners / Leonard Green & Partners	Advantage Sales & Marketing (ASM)	US	\$4.3bn	Marketing Services	Shopper Marketing
Publicis Groupe	Sapient	US	\$3.7bn	Marketing Services	Digital/Tech Marketing
Priceline.com	OpenTable	US	\$2.6bn	Technology	eCommerce
Alliance Data Systems	Conversant	US	\$2.3bn	Technology	Marketing Technology
Facebook	Oculus VR	US	\$2bn	Technology	Gaming
Alibaba	AutoNavi	China	\$1.5bn	Technology	eCommerce
Mail.ru	VKontakte	Russia	\$1.5bn	Media	Social Media
Kohlberg Kravis Roberts & Co.	Internet Brands	US	\$1.1bn	Technology	eCommerce
UBM	Advanstar Communications	US	\$1bn	Marketing Services	Events
Rakuten	Ebates	US	\$1bn	Media	eCommerce
Amazon	Twitch Interactive	US	\$970m	Technology	Gaming
News Corp	Move	US	\$950m	Media	Property Advertising
Rakuten	Viber Media	Israel	\$920m	Technology	Mobile
Siris Capital Group	Digital River	US	\$840m	Technology	eCommerce
Convergys	Stream Global Services	US	\$820m	Marketing Services	Lead Generation
GTCR	Callcredit Information Group	UK	\$816m	Marketing Services	Data
CBS Outdoor Americas	Van Wagner Communications	US	\$690m	Media	Out of Home

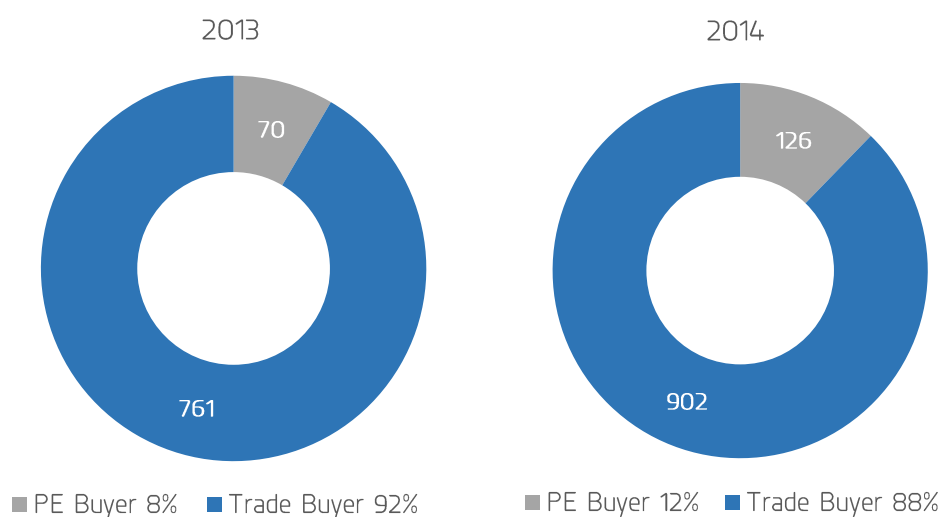
Source: Ciesco Market Intelligence

V. Private equity activity

In 2014, of the 1,028 transactions tracked, 126 deals involved private equity investors. This is up 80% from 2013's 70 deals. The disclosed deal value of private equity transactions totalled \$21.7bn in 2014. Transactions involving private equity accounted for 12% of all deals in 2014; up from 8% in the previous year.

Private equity-backed transactions accounted for 5 of the 20 largest deals in 2014, with a total value of \$11.4bn, which included the \$4.3bn acquisition of Advantage Sales & Marketing (ASM) by CVC Capital Partners and Leonard Green & Partners – this was also the largest deal in the **Marketing Services** segment in 2014.

Figures 7. and 8. Deal volumes by private equity vs trade buyers - 2013 vs 2014



Source: Ciesco Market Intelligence

The total number of exits by private equity firms selling portfolio businesses in 2014 was 60 – this figure includes 16 secondary buy-outs (a transaction where both the buyer and the seller are private equity firms or financial sponsors). Notable private equity secondary buy-outs in 2014 include:

- **Lake Capital's** acquisition of **Engine Group**, a UK-based marketing communications group, in a secondary buy-out for a reported £100m, providing an exit for **HIG Capital**.
- **ECI Partners'** acquisition of **Investis**, a UK-based digital corporate communications and investor relations company, in a secondary buy-out from **Gresham Private Equity**.
- **Searchlight Capital Partners'** acquisition of **Ocean Outdoor** in a secondary buy-out from **LDC**. Ocean Outdoor specialises in digital out-of-home (DooH) advertising; it develops and manages roadside advertising displays.

- **Accel-KKR's acquisition of EPiServer Group**, a Swedish-based global digital marketing and eCommerce software business, in a secondary buy-out from **IK Investments Partners**.

GTCR, a Chicago-based firm, was the most active private equity investor in the sector; making investments of \$1.7 billion across five acquisitions in 2014; over 40% of the £3.85bn buyout fund they raised in January 2014. GTCR's strategy is to acquire and build market-leading companies through transformational acquisitions and organic growth. Their stated focus is on three growth sectors of the economy: Financial Services & Technology, Healthcare, and Information Services & Technology. The five deals highlighted in *figure 9*. below, all of which took place in 2014, clearly signals their move into the technology enabled media and marketing sectors.

Figure 9. GTCR-backed deals in 2014

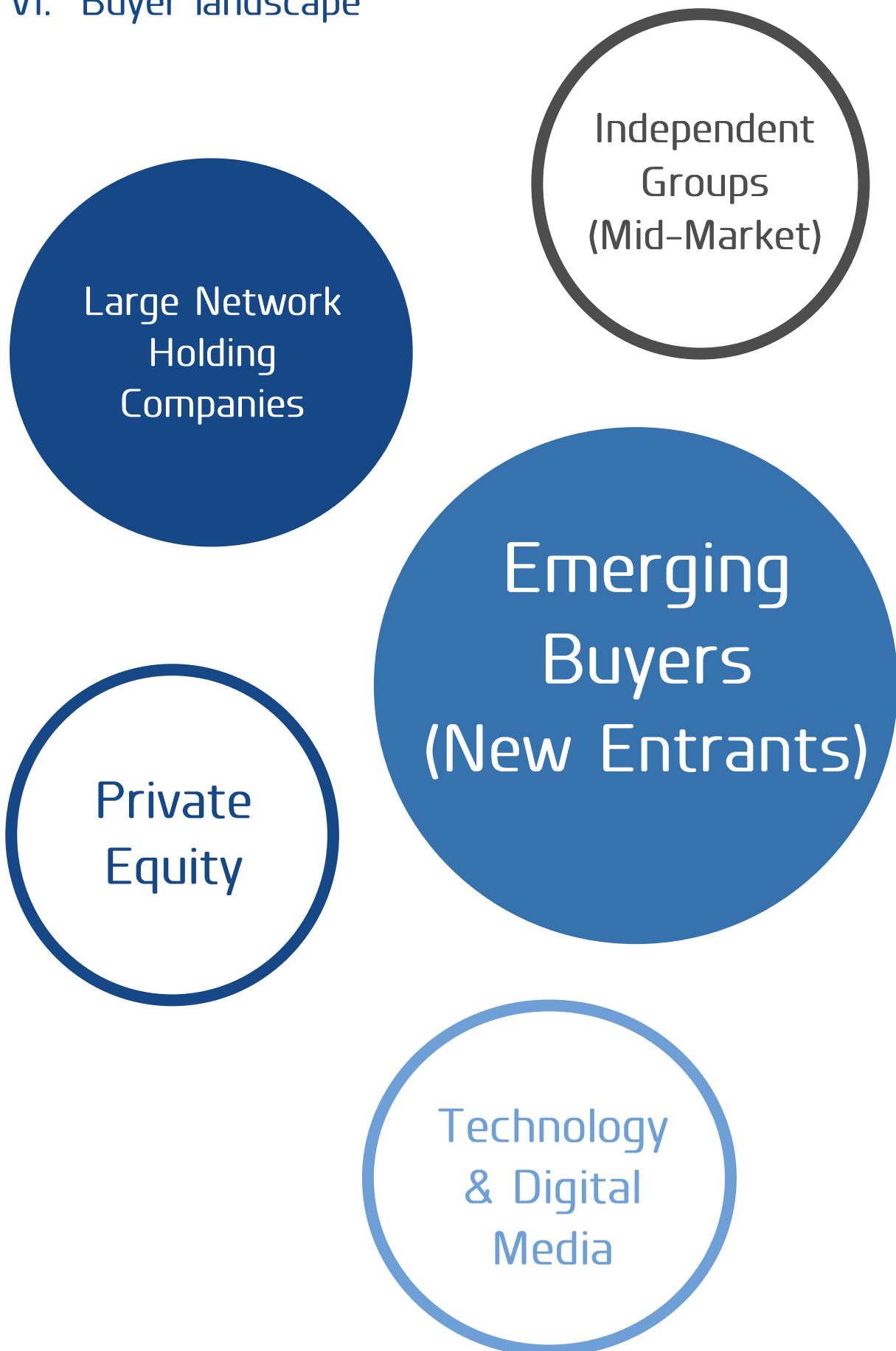
Date	Bidder	Target	Target activity	Target country	Deal value (as reported)	Deal type
February	Blue Canyon Holdings AB / GTCR	Cision AB	PR software	Sweden	\$88.4m	Take private / Public to Private (P2P)
February	GTCR	Callcredit	Consumer credit data provider	UK	\$816m	Secondary Buy-Out
April	GTCR	Vocus Inc.	Cloud-based marketing & public relations software	US	\$446.5m	Secondary Buy-Out
September	Cision/Vocus / backed by GTCR	Visible Technologies	Social Media listening, analytics and insights platform	US	Undisclosed	Acquisition
October	Cision / backed by GTCR	Gorkana	Media monitoring & effectiveness analysis	UK	\$330m	Secondary Buy-Out
Total					\$1.7bn	

Source: Ciesco Market Intelligence

Other notable private equity activity in 2014 involved **Innocean Worldwide, Inc.**, the South Korean-based marketing communication business. **Morgan Stanley Private Equity (MSPE)** and **Standard Chartered Private Equity (SCPE)** collectively invested a reported \$379.6m to acquire a 40% stake; MSPE and SCPE acquired 30% and 10% stakes in Innocean, respectively.








Private equity firms are sophisticated investors, and the volumes and values invested in the sector in 2014 indicates their belief in the industry, and that it has strong future growth potential. Furthermore, with the investment cycles of private equity investors typically ranging between 3 to 5 years, we expect to see further continued private equity involvement in the industry.

VI. Buyer landscape



Large network holding companies

Figure 10.

Company	2014 Deals	2013 Deals
 WPP	52	54
 PUBLICIS	23	18
 dentsu	18	16
 Omnicom	10	9
 IPG	9	8
 MDC Partners <small>Where Great Talent Lives</small>	6	0
 HAVAS	5	2

- As with the previous year, UK-based **WPP** was the most prolific acquirer in 2014 with 52, more than double its next nearest rival.
- **Publicis**, the French holding group, retained second place, with 23 deals, while Japan's **Dentsu** (*Dentsu Aegis Network*) came in as the third most active buyer, with 18 deals.
- **MDC Partners**, based in Canada, was very active compared to 2013, and completed 6 deals including the acquisition of the London-based creative agency **Albion**.

WPP retained its title as the most active acquirer by completing 52 transactions in 2014. They continued with their strategy of buying smaller businesses to strengthen their market share, with acquisitions in every global region. More than half of **WPP's** acquisitions were companies in the BRICS (*Brazil, Russia, India, China and South Africa*) and the next tier of emerging **N-11** countries (*Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, the Philippines, Turkey, South Korea and Vietnam*). **WPP** made acquisitions in each of the following sectors (marketing disciplines); mobile, advertising, content marketing, creative, design, user experience (UX design), search, website design & build, data, integrated communications, social media, research, eCommerce, strategic consulting and marketing technology.

Publicis announced 23 deals in 2014, an increase in the number of deals they completed in the previous year; ranking them as the second most active acquirer, as in 2013. For **Publicis**, it was the year that the much hyped **POG** (**Publicis and Omnicom Group**) merger never materialised, with the announcement in May 2014 that the deal had collapsed. Had the deal (announced in July 2013) gone through, it would have created the world's largest marketing communications group, with collective revenues of nearly \$23bn, which would have dwarfed current market leader **WPP** (with reported revenues of \$17bn in FY 2013). Recovering from the **POG** 'merger of equals' drama, **Publicis** surprised the market in November 2014 with the announcement that it had agreed a \$3.7 billion

all-cash acquisition of **Sapient Corp**, the US-based digital and technology group, which owns **SapientNitro**, a leading technology-based marketing services business. The all-cash transaction, at \$25 per share, completed in February 2015. The **Publicis/Sapient** deal was ranked the 5th largest transaction in 2014. It was the largest deal in the **Marketing Services** segment by a trade buyer. The acquisition of **Sapient** will be viewed by the market as a smart move, given that the business has deep experience in digital transformation. It gives **Publicis** an edge on its competitors in competing for these assignments and also positions them well against consultancies such as **Deloitte Digital**, **Accenture**, **McKinsey** and **Capgemini** – making an in-road into work usually assigned to consultancies. It also demonstrates to **Publicis'** investors that **Maurice Lévy**, CEO of **Publicis**, is on course to implementing the group's stated aim of increasing its percentage of revenues derived from digital.











Independent groups (mid-market)

Figure 11.

Company	2014 Deals	2013 Deals
	5	1
	4	1
	4	1
	3	3
	3	2
	3	1
	3	0
	2	3
	2	2
	2	2

Technology & digital media*

Figure 12.

Company	2014 Deals	2013 Deals
	8	4
	7	20
	7	7
	6	6
	6	3
	4	3
	4	1
	4	1
	3	3
	3	3

- Australian-based **STW Communications Group** was the most active mid-market buyer with 5 acquisitions in 2014, a significant increase from the previous year.
- **Next 15** completed 4 deals in 2014. They spent a total cash consideration of \$9.2m on the acquisitions of **Story Worldwide**, a US-based content marketing and advertising agency, and **Morar Consulting**, a UK-based market research consultancy. In its latest trading update (January

2015), Next 15 announced that it had raised \$7m for further acquisitions in 2015. They have also identified a strong pipeline of potential further infill acquisitions and investments, in pursuit of their digital expansion strategy in the UK and the US. This includes three specific smaller investments and acquisition opportunities that are expected to close in 2015.

- **BlueFocus**, which acquired **We Are Social** and a stake in **Huntsworth plc** in 2013, continued to be an active buyer in 2014. In December 2014 it acquired a majority 85% stake in **Vision7 International**, a Canadian marketing and communications services group, for a reported \$210m, providing an exit for the private equity investor **Mill Road Capital**.
- **Google*** made 8 acquisitions in 2014, double the number in 2013. With **Google Glass** being shelved, we expect Google to remain an active buyer in 2015.
- Facebook's \$22bn acquisition of **WhatsApp** will help to strengthen the social media network's market share of mobile social activity.
- In 2013, **Yahoo's** deal volume was high due to a spree of **acqui-hires****. Although **Yahoo** completed less deals 2014, we expect to see more activity in 2015 as a results of cash generated from selling their stake in **Alibaba**.

Notes:

***Acqui-hires have long been a popular method of acquiring high-performing teams within the consultancy world, albeit the terminology is relatively new. 'Acqui-hiring' is the practice of acquiring talent and skill-sets rather than a full equity stake in a business. A trend that began in Silicon Valley with tech start-ups. We have seen **Yahoo** and other technology and digital media companies like **Google, Facebook, Twitter, Apple** and **LinkedIn** all use **acqui-hires** as a defensive move to block competitors. Acqui-hires have also been used to establish in-house digital labs that rapidly test and fail new product ideas – a very entrepreneurial approach and something that would not otherwise be easily possible to do within large organisations. We expect to see the trend of **acqui-hires** continue, and be adopted in the future in the **Marketing Services** space as a means of acquiring tech capabilities.*

**With regards to deals by the technology and digital media companies, we have only tracked those transactions that are relevant and related to the technology enabled media & marketing sectors.*

Emerging buyers

There is a vast number of companies with a strategic focus on moving into, or gaining a greater market share within the technology enabled media and marketing sectors. Some have attempted to do this organically, while others have chosen the M&A route. This second group of companies fall into the category of non-traditional buyers. We refer to them as emerging buyers; new market entrants from other sectors and geographies. For example, we have seen companies from sectors such as IT & Software, Telecoms, Consultancies, Data services, and Financial services - acquiring into various marketing skills and disciplines. We have also witnessed companies from Asian markets continue to acquire targets in order to gain access to knowledge and experience of the sector. Analysts at Ciesco have been tracking such emerging buyers over a number of years - below are a few examples:



IT & Software

IBM acquired **Silverpop Systems**, the US-based provider of email marketing software and marketing automation solutions, for a reported estimate of \$270m, providing exits for a number of private equity firms. **IBM** is set to shake-up the digital advertising landscape having unleashed an aggressive growth strategy. **IBM's** digital agency, **IBM Interactive Experience** has assigned an additional \$100m into expanding its data, digital and design consulting practice, in a move that Matt Candy, CEO of **IBM Interactive Experience**, believes is necessary for it to keep in-step with its clients' increasingly sophisticated digital and data demands. The division pulls together **IBM's** digital marketing agency and its other marketing-related businesses such as data analytics and design, all of which are aimed at helping companies target and market to customers more effectively. **IBM Interactive Experience** was ranked as the largest digital agency worldwide, by the Advertising Age (AdAge) magazine in its Agency Report for 2014.

Opera Software, a listed Norwegian-based company engaged in the development of web browser products for mobile handsets, has been acquiring companies in the mobile advertising space over the last few years. Acquisitions to date include **AdMarvel**, **Mobile Theory** and **4th Screen**. In 2014, **Opera Software** continued with this strategy with 4 further acquisitions, including the acquisition of **AdColony**, a US-based mobile video advertising company, for a reported estimate of \$275m.

ICF International, a US-based provider of consulting services and technology solutions, acquired **Olson**, US-based integrated digital marketing and advertising agency, for \$295 million in cash from private equity firm **KRG Capital Partners** and other minority shareholders, paying a multiple of 2.3x revenues. In 2013, **Olson** acquired **PulsePoint**, a US-based digital consulting firm that essentially advises companies on management challenges around communications and marketing, with a focus on social and digital engagements – **PulsePoint** specialises in consulting with the c-suite rather than marketing departments, later bringing in marketing agencies to execute on digital strategies that it helps set. The acquisition of **Olson** is part of **ICF International's** strategy to expand their service offering to enable them to help clients with the digital transformation of their businesses.

PulsePoint's service offering and positioning is very attractive to brands and there are similar high growth businesses in the UK such as **Stream:20**, which operate a hybrid consultancy / agency model and work with clients like Sky, McAfee, Nokia and Sony, to help them address digital business transformation challenges by digitally transforming their marketing functions.

Telecoms

In 2012, **SingTel**, a Singaporean telecoms company, acquired US-based **Amobee** for \$321m to expand into mobile advertising. In 2013, it announced that it intended to spend \$1.6bn on acquisitions. In 2014 **SingTel**-owned **Amobee** made two acquisitions in a bid to further boost its mobile digital advertising capabilities; the \$235m acquisition of Australian-based **Adconion**, and the \$150m acquisition of US-based **Kontera Technologies**.

Consultancies

Accenture, **McKinsey** and **Capgemini** set the trend a few years ago, making moves into the marketing services space by either developing teams organically or bringing skills in-house by making acquisitions. Amongst the large accounting firms, **PwC** and **Deloitte** also made in-roads into the sector. **Deloitte** made a small number of strategic acquisitions and went on to successfully launch **Deloitte Digital** to compete head-on with the likes of **AQKA** (part of **WPP**), **DigitasLbi** and **SapientNitro** (both are part of **Publicis**). The other consultancies firms have swiftly followed suit.

In 2013, **Accenture** made a statement of intent with its acquisition of **Fjord**, a London-based design agency, followed by the \$319m acquisition of **Acquity**, a US-based eCommerce and digital marketing agency.

In August 2014, **Boston Consulting Group (BCG)** acquired **Strategic & Creative (S&C)**, a digital design firm based in Sydney, Australia. **KPMG** was also active on the M&A front in 2014, with 2 acquisitions; **Cynergy Systems**, a US-based experience design agency, and **Innovation Factory**, a Dutch-based social media management software business.

In September 2014, **McKinsey** acquired **Agiliti**, a boutique digital-focused management consulting firm based in the US. **Agiliti's** portfolio of services centre on digital marketing operations. Following the acquisition, **Agiliti** was merged into **McKinsey's** global strategy consultancy, forming a new service offering focused on digital marketing operations.

The heads of these consultancies firms have strong ambitions to gain market share in a sector that has in the past been owned by marketing agencies. Their goal is to own more of the digital business transformation space.

Data services

Acxiom, a US-based data services business, acquired **LiveRamp**, which helps marketers use their offline CRM and transactional data on the web, for approximately \$310m in cash. The acquisition was the first for **Acxiom** under the leadership of CEO Scott Howe, who came on board in July 2011.

The trend of data services providers moving to acquire targets in the marketing space first registered on the radar when **Experian** acquired **Techlightenment**, a UK-based social media marketing business, in January 2011. Today, **Experian** has a significant Marketing Services division, with reported revenues of \$881m in 2014, representing a 19% contribution to **Experian's** group revenues.

Financial services

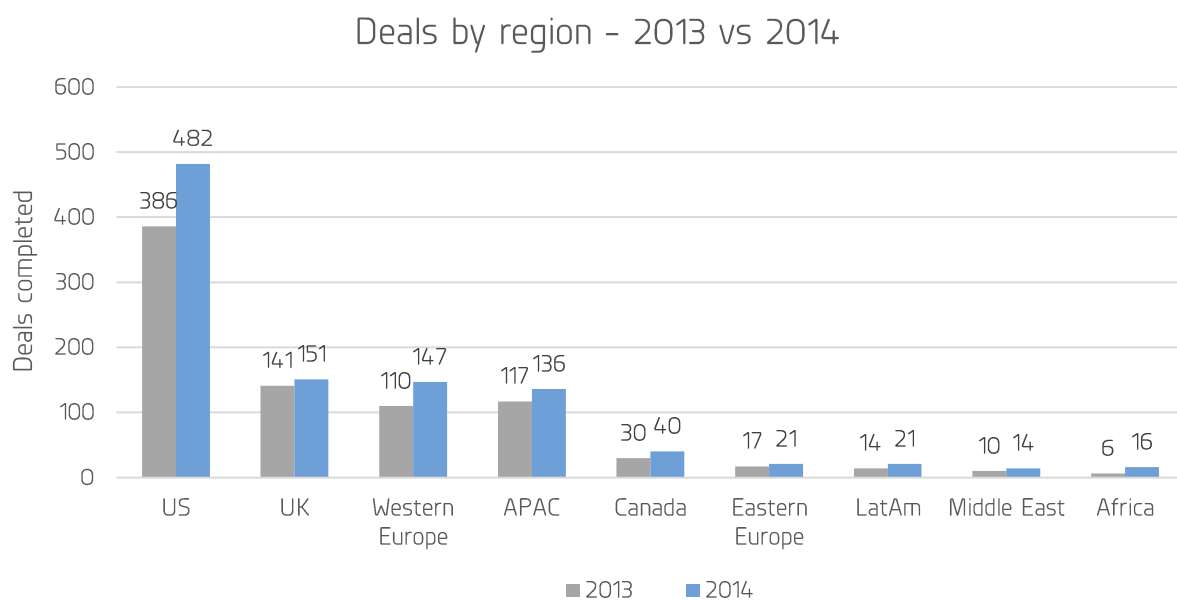
In 2014, **MasterCard** acquired **Pinpoint**, an Australian-based loyalty and rewards marketing services business. **MasterCard** also acquired **Sone Marketing**, a London-based customer insights and retail analytics consultancy.

In October 2014, **Capital One** acquired **Adaptive Path**, a San Francisco-based design and user experience (UX) consultancy. Not the most obvious acquirer, but **Adaptive Path's** co-founder & COO commented that there was a great cultural fit between the two companies, and that **Capital One** shared and valued **Adaptive Path's** intellectual curiosity and design sensibilities. Following the acquisition, **Capital One** launched a new mobile wallet app, which TechCrunch (a leading technology industry blog) described as "surprisingly well-designed for an app coming from a traditional financial institution". This transaction highlights that brands recognise the importance of customer experience (CX) and design-led technology solutions.

VII. Geographic overview

Geographically, each global region has witnessed an increase in the volume of deal activity in 2014 compared to 2013. The US market continued to be the most active, with 482 deals, followed by the UK, with 151 deals. Western Europe takes third place as the APAC region drops to become the fourth most active region. This is partly due to growth rates in the traditional emerging markets slowing down, and partly due to a shift in companies' focus towards looking at consolidating, enhancing and rounding-off their service offering in core markets, ahead of previous strategies of entry into the BRICs (Brazil, Russia, India and China).

Figure 13.



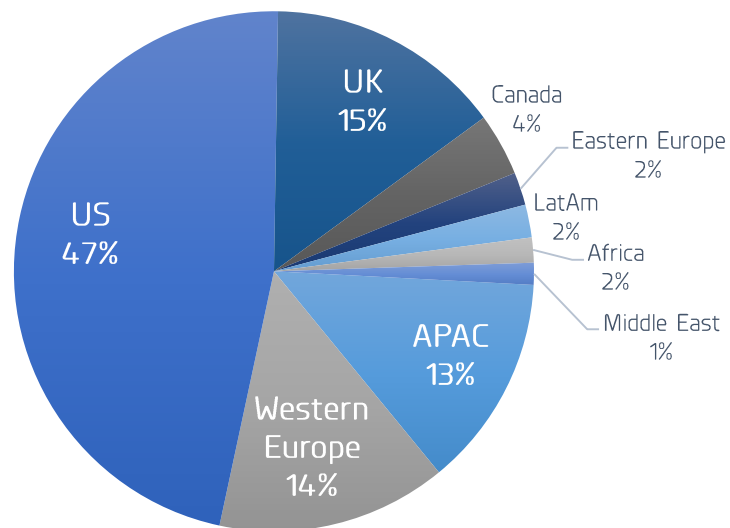
Source: Ciesco Market Intelligence

Europe as a whole had a healthy flow of deal activity, with Western European markets registering more transactions than in the Eastern European markets. The APAC region also performed well, largely led by in-market deal activity. In LatAm, Brazil witnessed a strong surge in deal activity, with 13 of the 17 transaction in LatAm taking place in Brazil, by far the largest market in South America – this was up from 5 deals in Brazil in 2013. South Africa also proved to be an attractive market, with 16 deals in 2014, up from 6 in 2013. WPP and Publicis, both made a number of acquisitions in South Africa in 2014, with 7 and 6 deals, respectively.

The following chart, *figure 14.*, helps to illustrate the fact that in 2014, the US commanded the largest volume of deal activity, accounting for almost half of the global transactions tracked.

Figure 14.

Deal volume by region

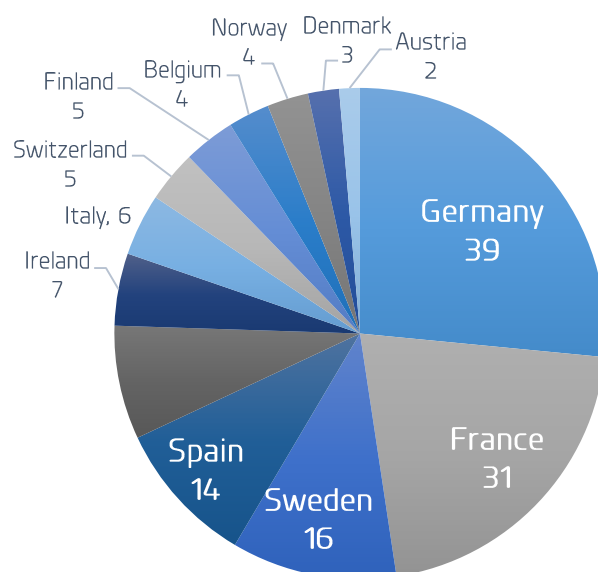


Source: Ciesco Market Intelligence

The chart below, *figure 15.*, provides a breakout of the volume of deals by country in each of the markets across Western Europe (excluding the UK). Germany witnessed the most deal activity with 39 deals, followed by France with 31 deals.

Figure 15.

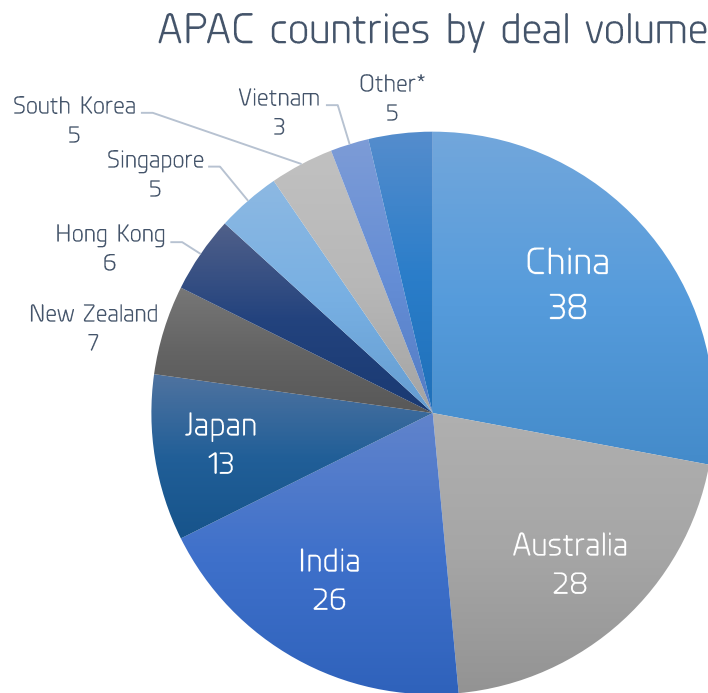
Western European countries by deal volume



Source: Ciesco Market Intelligence

The chart below, in *figure 16*, provides a breakout of the volume of deals by country in each of the markets across the Asia Pacific region. China witnessed the most deal activity, with 38 deals, followed by Australia with 28 deals, India with 26 deals and Japan with 13 deals.

Figure 16.



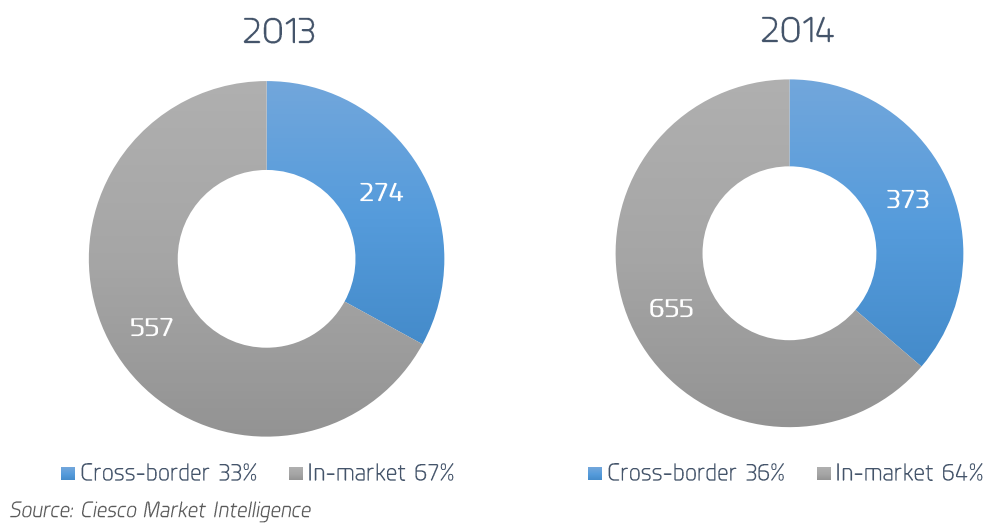
Source: Cisco Market Intelligence

NB: Other* = Indonesia: 2; Mongolia: 1; Taiwan: 1 and Thailand: 1

VIII. Cross-border activity

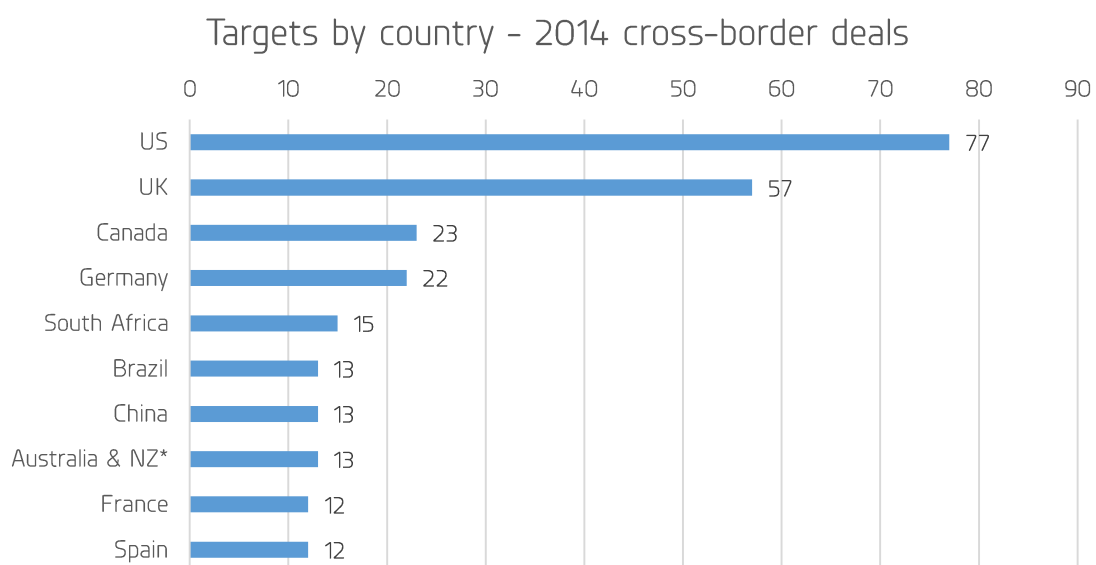
Cross-border deal activity continued to increase in 2014. *Figures 17. and 18.* below illustrate the number of cross-border deals completed in 2014, compared to 2013, registering 373 and 274, respectively – an increase of 36%. Cross-border deals accounted for 36% of all the transactions tracked in 2014, a 3% increase from 2013.

Figures 17. and 18. Volume and % of cross-border deals - 2013 vs 2014



The charts below, *figures 19. and 20.*, illustrate 2014 cross-border deal activity by target countries and buyer countries.

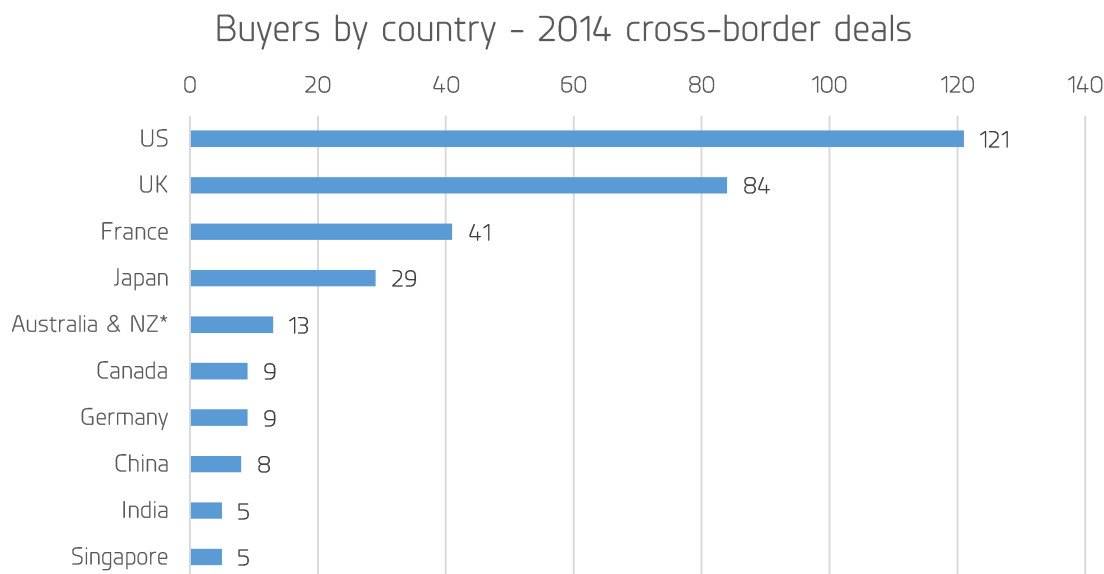
Figure 19.



Source: Cisco Market Intelligence

NB: *Australia & NZ: Australia = 8 and New Zealand = 5

Figure 20.



Source: Ciesco Market Intelligence

NB: *Australia & NZ: Australia = 12 and New Zealand = 1

Cross-border acquisitions by Asian buyers

The trend of buyers from Asia moving westwards to make acquisitions outside of their home markets continued in 2014. Asian buyers are looking to acquire skills, knowledge-base and experience. The table below in *figure 21* illustrates the appetite of buyers from Asia acquiring businesses in Western markets. This is largely driven by the globalisation of Asian brands that have grown large enough to start looking at expanding beyond their own borders.

Figure 21. Asian buyers acquiring businesses in Western markets

Buyer	Buyer country	Target	Target country	Target sector	Deal value (as reported)
Baidu	China	Peixe Urbano	Brazil	Digital Media	Undisclosed
Cheil	South Korea	Iris	UK	Creative	\$39m
BlueFocus	China	Vision7	Canada	PR	\$210m
Integrated Whale Media Investments	Hong Kong	Forbes Media	US	Printing & Publishing	\$475m
SingTel (via Amobee)	Singapore	Kontera Technologies	US	Marketing Technology	\$150m
Cross Marketing Group	Japan	Kadence International	UK	Research	Undisclosed
Persistent Systems	India	CloudSquads	US	IT & Cloud Services	Undisclosed
Alibaba	China	TangoMe	US	Mobile	\$215m*
Rakuten	Japan	Ebates Inc	US	eCommerce	\$1bn

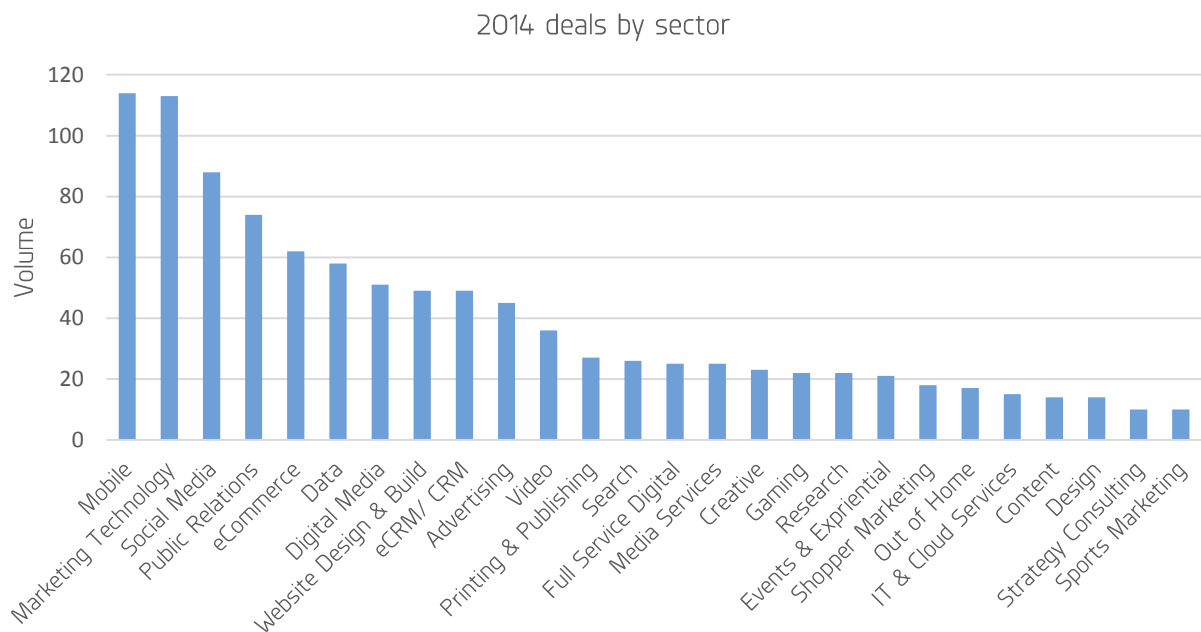
Source: Ciesco Market Intelligence

NB: *The investment into TangoMe was a total of \$280m. Alibaba's investment was \$215m.

IX. Sectors

Mobile was the most active of all the sectors, with **114** targets acquired. This was driven by a high volume of acqui-hires of start-ups by companies and marketing agencies looking to bring skills in-house as **Mobile** has become a strategically important component for engaging with consumers. **Marketing Technology** was a close second, with **113** deals and **Social Media** came in as the third most attractive sector for buyers, with **88** deals, followed by **74** deals in the **Public Relations** sector.

Figure 22.



Source: Cisco Market Intelligence

Select deals

There are a couple of key drivers behind the deal activity seen in the **Mobile**, **Data** and **Video** sectors. Firstly the continued raise of social media and the need to be able to deliver video content on mobile platforms, supported by data analytics in order to gain insights on consumer trends. Secondly, this is due to the continuing trend of marketers moving their budgets (advertising expenditure/AdSpend) towards more digital and technology-based approaches, as they look for greater and more measurable ROI for their marketing and advertising budgets. The following tables, *figures 23, 24, and 25*, highlight some of the notable deals in these sectors in 2014.

Figure 23. Notable deals in the mobile sector

Buyer	Buyer country	Target	Target country	Target activity	Deal value (as reported)
Mobile					
Facebook	US	WhatsApp	US	Mobile messaging app	\$22bn
Alibaba	China	TangoMe	US	Mobile video calling app	\$215m*
Rakuten	Japan	Viber	Israel	Mobile messaging app	\$900m

Source: Cisco Market Intelligence

NB: *The investment into TangoMe was a total of \$280m. Alibaba's investment was \$215m.

Figure 24. Notable deals in the data management platforms (DMP) sector

Buyer	Buyer country	Target	Target country	Target description	Deal value (as reported)
Data Management Platforms (DMP)					
Oracle	US	Blue Kai	US	Data analytics technology	\$375m
RocketFuel	US	[x+1]	US	Data management & ad-buying technology	\$230m
Publicis	France	RUNDMP	US	Cross-device programmatic ad platform	Undisclosed
IgnitionOne	US	Knotice	US	Data Management Platform (DMP)	Undisclosed

Source: Cisco Market Intelligence

Figure 25. Notable deals in the video sector

Buyer	Buyer country	Target	Target country	Target description	Deal value (as reported)
Video					
Yahoo	US	BrightRoll	US	Programmatic video advertising platform	\$640m
Facebook	US	LiveRail	US	Video advertising	\$400-500m
RTL Group	Luxembourg	SpotXchange	US	Programmatic video SSP (Supply-Side Platform)	\$144m 65% majority stake
Telstra	Australia	Ooyala	US	Video streaming & analytics	\$270m 75% majority stake
Comcast	US	Freewheel Media	US	Video advertising	\$360m

Source: Cisco Market Intelligence

X. Outlook

- We expect to see a shift by the large advertising holding networks (**WPP**, **Omnicom**, **Interpublic**, **Publicis**), to focus on rounding-off their service offering in core markets, in order to compete against the technology firms and new emerging market entrants.
- Focus will be on helping brands with the challenges they face by the need to digitally transform their businesses. Their focus is customer experience (CX) and this will become the new key battle ground, with companies in the marketing services, IT services, technology and consultancy industries, all competing against each other.
- Expect the large advertising holding networks to continue making more acquisitions of businesses that fall into the **Technology** segment and conversely the consultancies and technology firms to make further in-roads into the **Marketing Services** segment. Furthermore, we also expect to see more new emerging buyers move into the sector.
- Expect to see more hybrid business models emerging, with a mix of agency, technology and consultancy - as seen with the ICF/Olson & PulsePoint and Publicis/Sapient deals.
- As growth rates in emerging markets slow down and as global brands no longer require their marketing and advertising agencies to have a footprint in every geography, we could also potentially see the large advertising holding networks, which have been aggressively making acquisitions globally, divest operations in some regions.
- Continue to see Asian buyers acquire further businesses in Western market, as local Asian brands get big enough and start to look at expanding beyond the Asian markets, and look for partners that can help them access Western consumers.



Ciesco is a boutique corporate finance advisory firm, specialising in the digital, media, marketing and technology sectors. We advise our clients on mergers & acquisitions, business strategy and executive search.

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