



H2 2023

**MEDIA**talk

**Time for the return  
of Private Equity?**

# A word from Andy Viner

In headline terms Media Mergers and Acquisitions (M&A) activity failed to pick up after a slow first half of 2023, leading to end-of-year figures significantly below that of 2022 both in terms of the number and value of deals.

2023	<b>1,255</b>	deals
	<b>\$79bn</b>	disclosed value
2022	<b>1,500</b>	deals
	<b>\$210bn</b>	disclosed value

## Games-related deals in 2023:

**\$8bn** disclosed value

Dealmaking over the past year has unsurprisingly been dampened by the cost of debt globally, which has remained high as central banks work to curb rising inflation.

While this has been successful, with many countries slowing or pausing base rate increases, lenders and investors are keeping a keen eye on conflicts in the Middle East and Ukraine that may hamper global trade and supply chains and increase commodity prices. This has undoubtedly had an impact on leveraged transactions, as private equity (PE) activity has been relatively light throughout the year. In particular, the volume of PE-backed deals has dropped off in the last six months compared to previous years.



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Indeed, PE-backed activity was light throughout the whole of 2023 compared to 2022, representing just a fraction of total deals and disclosed deal value. This gave corporate buyers an opportunity to step into the breach – but they haven't.

Instead, corporate activity in 2023 highlighted the omnipresent attraction of advertising and marketing assets, but also increased interest in gaming and next-generation software.

Now at least, and following two years of relatively light M&A activity caused in part by the cost of debt, there are signs from the deal flow and pipeline that 2024 might see a minor rebound in activity – but not to 2022 levels.

Our analysis of the marketing services and data analytics-related deals in 2023 suggests that 2024 will see a drive towards more personalised experiences through AI and customer data mining.

Finally, three other key themes we saw in 2023 were:

- ▶ The US remaining the dominant region for targets and acquirors. US-based targets were present in almost two-fifths of all deals and accounted for nearly three quarters of all declared deal value
- ▶ Sovereign wealth funds eyeing the media sector, with Saudi Arabia's Public Investment Fund buying games companies to bolster the nation's Saudi Vision 2030 for economic diversification
- ▶ Activity picking up in Japan, which accounted for a third of all Asia Pacific deals and saw a focus on advertising-related transactions.

Read on for our analysis of the year.

*Andy*

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# The key themes

Deals are down – in value and volume terms. But marketing services companies continue to attract attention, and corporate – led by Omnicom and Accenture – are back making acquisitions.

Within the dominant marketing services sector, which comprises 56% of all media M&A, out-of-home (OOH) advertising, one of the winners in the move to digital, continued to be of interest to investors transitioning from old to new media in 2023.

There were several deals that illustrated how OOH is adapting to new markets and audiences and how business models are responding to changes in technology and customer behaviour.

In contrast, old media industries, such as magazine and newspaper publishing, continue to struggle, with limited M&A activity in 2023.

Another important theme in 2023 was music deals, as vinyl staged a Schwarzenegger-like comeback – ably assisted by a truly intergenerational mix of albums by Taylor Swift and The Rolling Stones. Music-related deals accounted for \$2bn of disclosed deal value.

Music deals covered a range of industry fronts, from recording studios and new artist platforms to video and music streaming services.

The opportunity for new artists to have their music heard is more important than ever, and so are the opportunities, with deals highlighting the value of soundtracks for digital domains such as the music-based multi-platform game Fornite Festival.

Alongside music, 2023 saw more than \$3bn being spent on audiobook and podcast-related companies. While still a niche segment, podcasts are a growing and highly lucrative medium with a remarkably high, cross-generational reach.

With some titles attracting more than 50 million downloads per month, podcasts constitute a valuable advertising medium, set to attract more than \$2.2bn from marketing budgets in 2024.

Similarly, audiobooks have enjoyed considerable vogue over the past four years, with Amazon citing them as the fastest-growing arm of publishing in 2023. Publishers sought to capitalise on consumers' desire to 'read' books while multitasking.

Another sector where technology is influencing deals is events management, which like the travel and airline sectors took a hit during the pandemic years. Activity in this sector now includes a focus on technology providers and online platforms.

Last year we also saw ongoing hunger for games and game technology, with some development studios creating mobile and conventional 'home entertainment' computer games.

Finally as we noted above, private equity activity in 2023 has fallen considerably, although we expect a rebound as interest rates continue to fall.



# The global markets

The US remains the principal driving force behind global media M&A activity. America's global reach and appetite for acquisitions appears undiminished despite geopolitical tensions, industrial action and an economy in recovery.

2023

**38%** of deals involved US-based targets

**74%** comprising of the year's reported deal value

**39%** of deals involved a US-based acquiror

**68%** comprising of the year's reported deal value

As in previous years, the US attracted the largest deals. Following Endeavour Group's April acquisition of sports entertainment giant World Wrestling Entertainment for \$9.3bns, the second half of 2023 saw two further large-cap deals.

In August, Colorado-based satellite communication and internet service provider EchoStar Corporation acquired satellite television and over-the-top provider DISH Network for \$26bns.

This merger reunited the two companies, since DISH Network and EchoStar Corporation spun-off into separate companies in 2008.

The deal was followed in November by The Walt Disney Company completing its takeover of subscription television and streaming platform Hulu, acquiring the remaining 33% of stock for \$8.6bn.

Hulu had roughly 43m subscribers in 2023, up from 32m in 2020. This deal illustrated the appetite of the large streaming platforms such as Netflix, Disney+ and Paramount+ for smaller, niche channels to pad out their content stables.

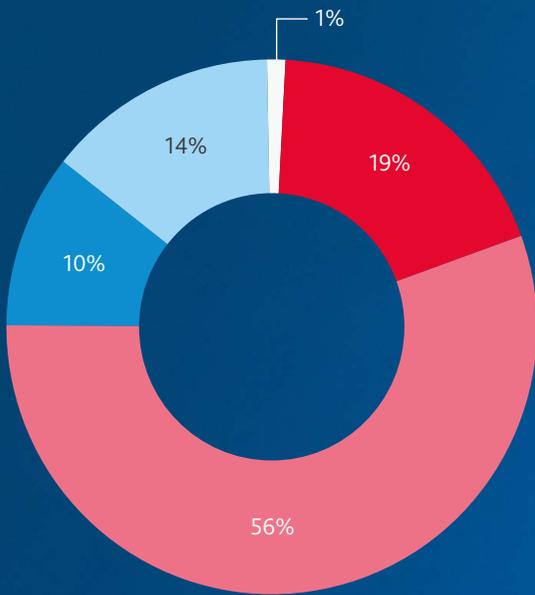
Outside the US, regional hot deal flow differed slightly to that of recent years. Western Europe remained in second place, but Asia Pacific (APAC) overtook the UK to take bronze place overall for 2023 as a target and buyer region.

A fifth of deals targeted Western European businesses, 13% focused on APAC entities and 10% aimed for UK-based companies.



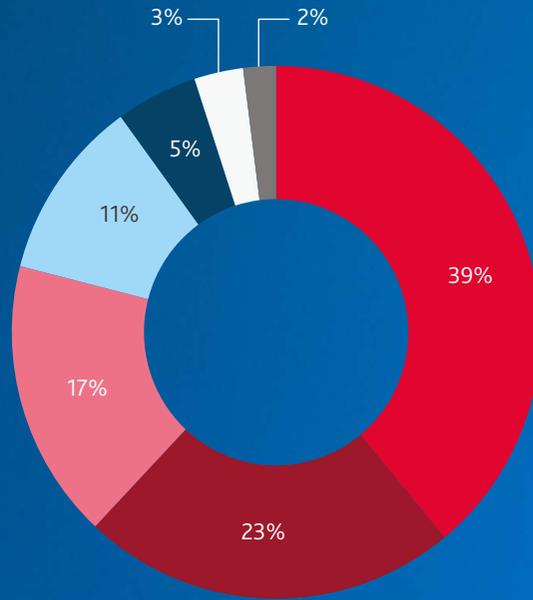
# The global markets

2023 Global Media M&A: Transactions by subsector



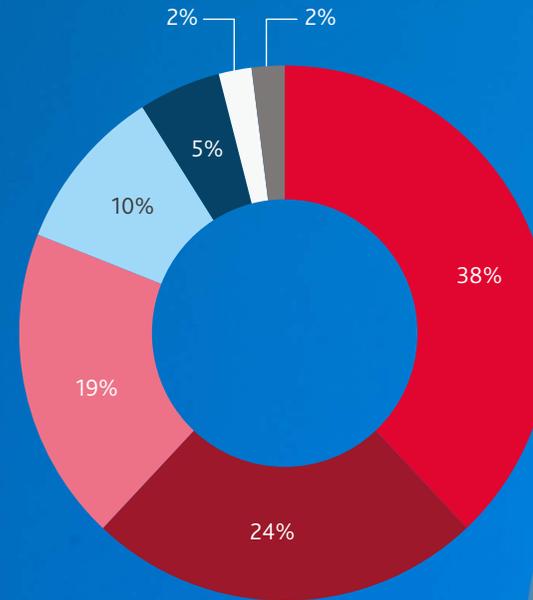
- Broadcasting and content
- Publishing
- Digital media
- Advertising and marketing services
- Event management

2023 Global Media M&A: Top Acquiror Regions



- United States
- Europe
- Asia and Australia
- United Kingdom
- Canada
- Latin America
- Africa and Middle East

2023 Global Media M&A: Top Target Regions



# The global markets

## Western Europe

Outdoor remains an important and attractive asset in Western Europe advertising M&A, as demonstrated by the acquisition of the Italian, Spanish and French assets of US-based outdoor advertiser Clear Channel Outdoor Holdings.

2023

**23%** of deals instigated by Western Europe

**11%** of deals instigated by APAC

**11%** of deals instigated by UK-based companies

**41%** of target deals were related to marketing services

**40%** of buyer deals were related to marketing services

Western Europe attracted several deals exceeding \$100m, representing an interesting cross section of the region's media landscape.

US-based Playtika Holding Corp acquired Netherlands-based mobile phone game developer Youda Games in an earnout deal with a value of up to \$165m.

Yet Western Europe's largest disclosed deal of the year, which took place in July, was the acquisition of Norwegian online game-based learning platform Kahoot! for \$1.6bn by a consortium led by Goldman Sachs Asset Management.

In May, the largest outdoor advertising corporation in the world, France's JCDecaux, acquired the Italian assets of Clear Channel Outdoor Holdings for \$16m and announced its intention to acquire the Spanish assets for \$64m.

A further example of the attraction of traditional advertising media was Danish newspaper publisher North Media's acquisition of Swedish advertising company SDR Svensk Direktreklam in December, for \$35m.

The year ended in healthy fashion with DPG Media Group announcing its intention to acquire Dutch media network RTL for \$1.2bn.



# The global markets

## Asia Pacific

The APAC region was led by advertising-related deals and continues to be dominated by Japan, which accounted for over a third of all deals. More than half of these were in the advertising sector, although China was home to the largest-value deals.

The most notable Japanese deal was the acquisition of a 51% stake in the largest market research company in Japan, Intage Holdings, by Tokyo-based mobile phone operator NTT Docomo.

Among Intage's flagship products is the Nationwide Retail Store Panel Survey, an index of the retail industry surveying 6,000 stores across Japan.

APAC proved to be a fertile region for video game-related deals, with at least 26 transactions in 2023 – led by Japan, but closely followed by South Korea.

First amongst these was the acquisition in July of Swordcanes Studio by Japan's CapCom, the company behind landmark game series such as Monster Hunter, Resident Evil and Street Fighter, for an undisclosed consideration.

The year also saw interest in developers in the wider APAC region, with Orisis LLC acquiring Ho Chi Minh City-based game developer Duelist King in April for an undisclosed amount.



# The global markets

## United Kingdom

The UK's media M&A landscape was dominated by the advertising and publishing sectors, which accounted for 26% and 29% of deals respectively in 2023. Advertising deals made up more than two-thirds of disclosed deal value.

Notable publishing sector deals in 2023 included US PE firm Abry Partners' November acquisition of London-based legal industry rankings publisher Orbach & Chambers, for approximately \$488m.

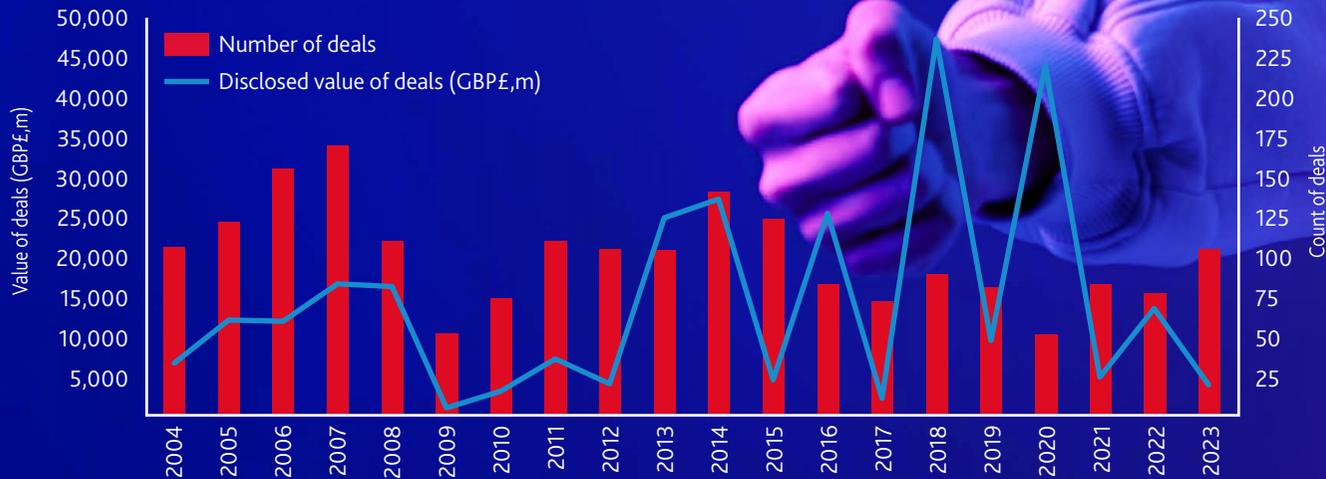
This followed the September acquisition of Harriman House by Macmillan Publishers for an undisclosed consideration. Key advertising sector deals included French advertising company Havas acquiring a 51% majority stake in British multimedia and marketing firm Uncommon Creative Studio for \$104m in July.

This followed US PE firm Advent International Corp completing a \$648m sale of UK-based marketing agency Tag Worldwide to Japanese marketing giant Dentsu Group in June.

2023

**26%** advertising sector deals

**29%** publishing sector deals



# The global markets

## United Kingdom continued

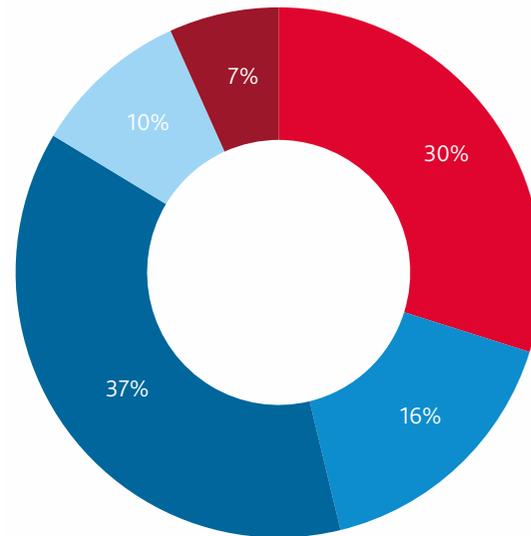
The UK continues to be a major player in games, and in 2023 10% of deals involved the video game or allied tech sectors. In November, Swedish video gaming group Aonic acquired UK-based virtual reality game developer nDreams for \$115m.

This followed Chinese game platform developer Tencent Holdings acquiring Lucid Games, a developer known for its collaboration with PlayStation, for an undisclosed sum through its subsidiary Lightspeed Studios, led by UK video game sector veteran Steve Martin.

While 2023 was a relatively subdued year for PE, PE-backed deals were evident in the UK digital media sector. Digital media accounted for 10% of media deals targeting UK-based companies in 2023, and two-thirds of these transactions were backed by PE houses.

Most notable was mid-market-focused PE house ECI Partners acquiring business messaging company Commify from HgCapital LLP in September, for approximately \$323.8m.

Lastly, the value of expert, independent reviews was reinforced by industry-leading tech gadget assessment provider TrustedReviews.com acquiring Wearable Media Group, a leading smart tech review site, for an undisclosed consideration in August.



- Publishing
- Broadcasting and content
- Advertising, Marketing and PR services
- Digital media
- Event management



# The global markets

## Rest of the world

According to the Global SWF 2024 Annual Report, sovereign wealth spending was down 22% in 2023, to \$124.7bn. While a key theme of sovereign wealth investment was energy transition, media sector deals played a role in the year's activity.

Saudi Arabia's Public Investment Fund (PIF) was particularly active in this sector as the Kingdom continued to pursue its ambitious Saudi Vision 2030 roadmap.

These deals included the July acquisition of US-based mobile games studio Scopely through Savvy Games, an e-sports and video game company.

The deal coincided with a Saudi plan to build the world's first e-sports district in Qiddya, a planned mega-city, and followed news in February that PIF had raised its stake in Nintendo to 8.3%, making it the top outside shareholder in the Japanese video game giant.

It added to a series of investments into the sector by PIF in recent years, including a \$3.3bn stake in Activision Blizzard, a \$2.98bn investment in Electronic Arts and a \$1.36bn share in Take-Two Interactive Software.

Other sovereign wealth funds were also active in the media sector, with the Qatar Investment Authority – in a joint venture with Comcast and INQ Holdings – acquiring Mumbai-based media company Viacom18 for an undisclosed consideration.

Aside from sovereign wealth deals, 2023 highlighted the global nature of software and game development but also the on-going importance of traditional advertising and broadcast companies.

Israeli game developer G.S Innplay Labs was acquired by Israel-based Playtika Ltd in September in an earnout deal of up to \$300m.

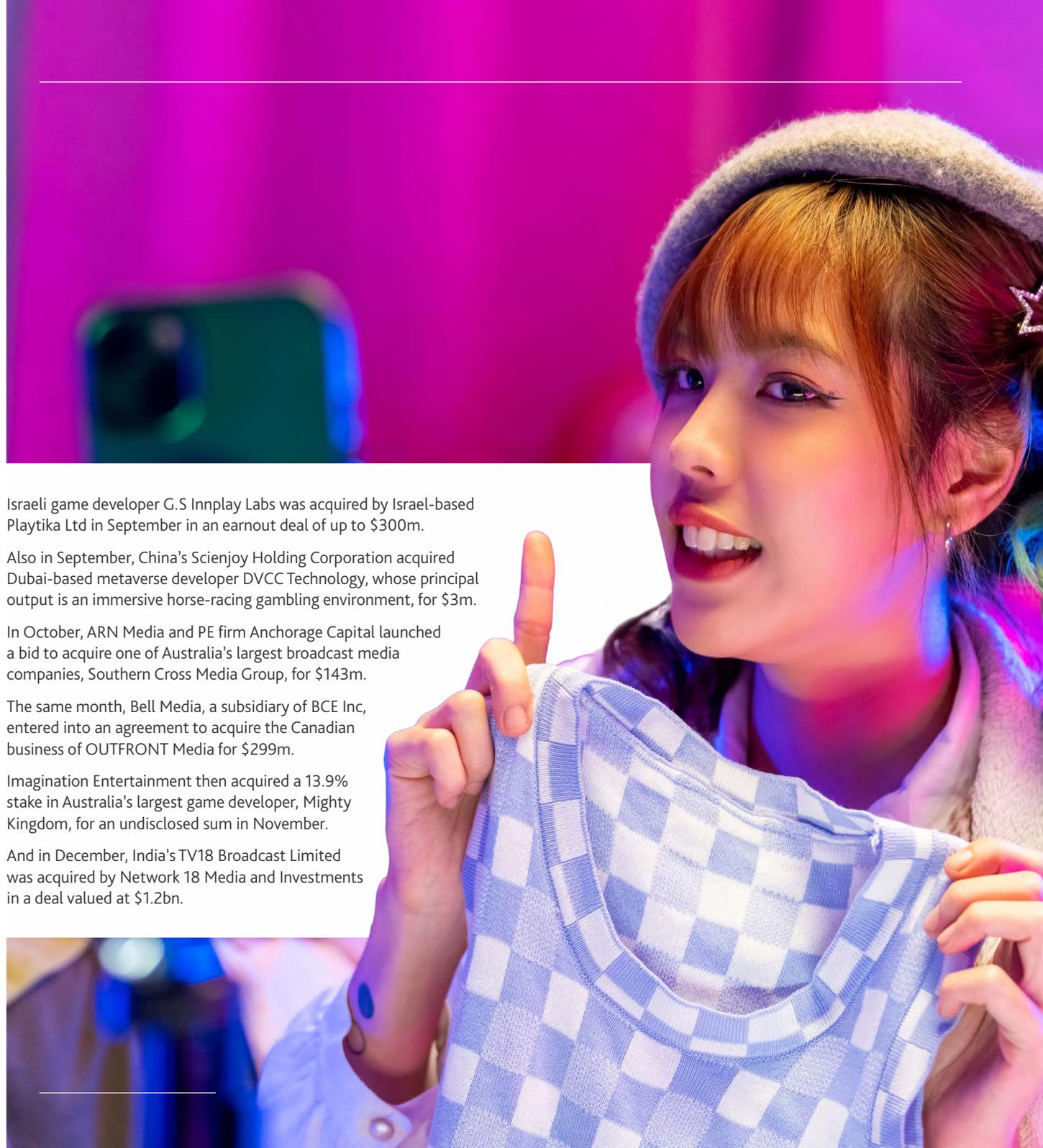
Also in September, China's Scienjoy Holding Corporation acquired Dubai-based metaverse developer DVCC Technology, whose principal output is an immersive horse-racing gambling environment, for \$3m.

In October, ARN Media and PE firm Anchorage Capital launched a bid to acquire one of Australia's largest broadcast media companies, Southern Cross Media Group, for \$143m.

The same month, Bell Media, a subsidiary of BCE Inc, entered into an agreement to acquire the Canadian business of OUTFRONT Media for \$299m.

Imagination Entertainment then acquired a 13.9% stake in Australia's largest game developer, Mighty Kingdom, for an undisclosed sum in November.

And in December, India's TV18 Broadcast Limited was acquired by Network 18 Media and Investments in a deal valued at \$1.2bn.



## Corporate M&A activity

New York-based advertising giant Omnicom was particularly active in the second half of 2023, buying three ad agencies.

The first was German advertising agency Grabarz & Partner, which lists Porsche, Lidl, Ikea and Deutsche Bahn amongst its clients.

This was followed by the acquisition of UK financial services marketing and media company Ptarmigan Media. Omnicom ended July with two further deals, buying Brazilian advertising agencies Global Shopper and Outpromo for undisclosed considerations.

In September, Omnicom went on to acquire FP1 Strategies and leading public affairs firm PLUS Communications, both for undisclosed sums.

One of the headline deals in Marcomms in 2023 was in the digital and performance marketing space which saw the highly acquisitive and fast growing Brandtech group acquire 100% of Jellyfish from French group Fimalac who are now themselves investors in Brandtech group.

The latter half of 2023 saw a scattering of deals by Accenture, starting in July with Signal, a Tokyo-based integrated marketing and PR firm. This was followed in November with the acquisition of Bangkok digital experience agency Rabbit's Tale.

Accenture rounded out the year by buying Munich-based behavioural economics modelling consultancy Vocatus. Each of these deals was for an undisclosed amount and highlighted the importance of analytics and user experience to advertising and e-commerce.

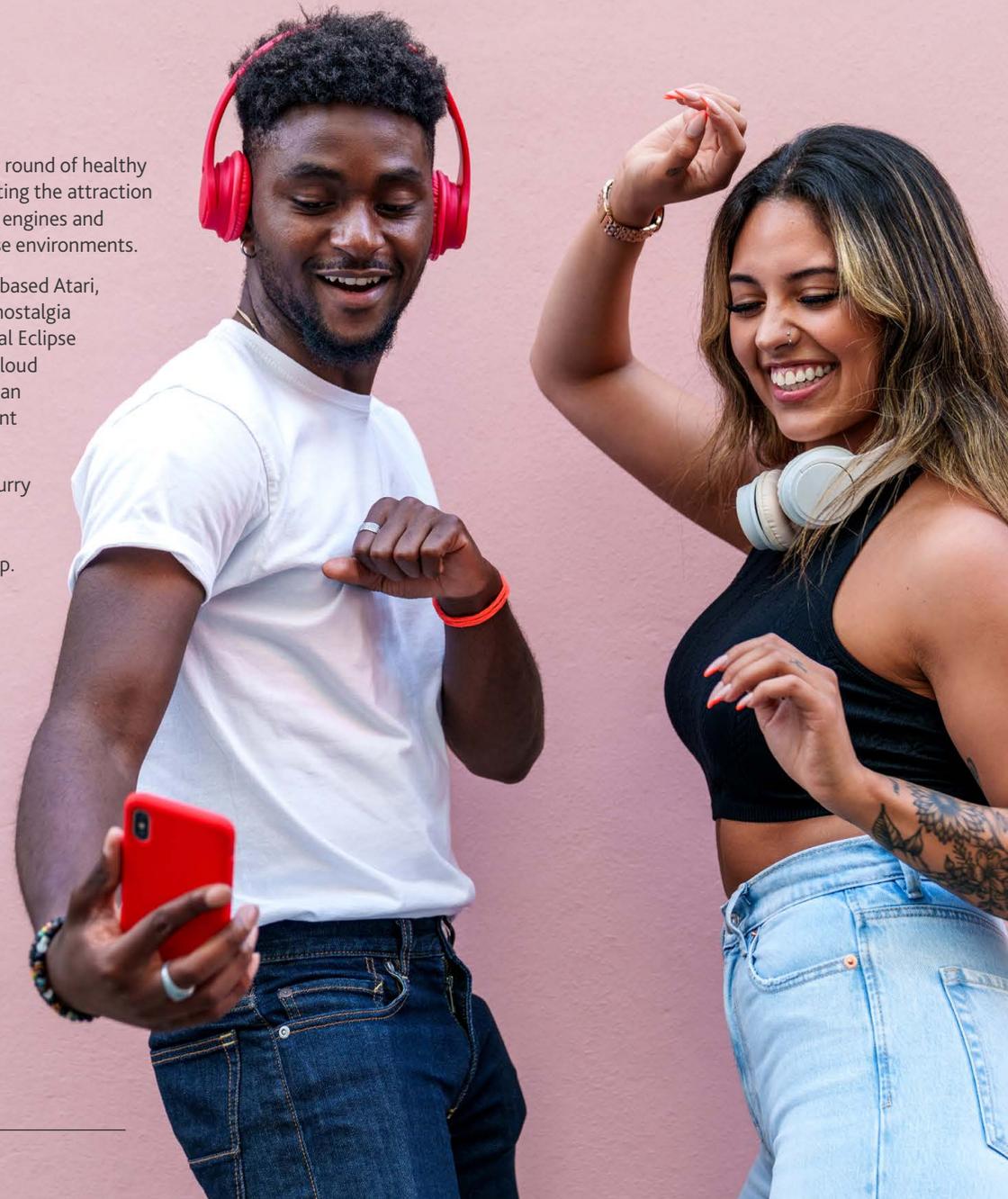
Elsewhere, and following a light first half of the year, Japanese advertising firm Dentsu acquired RCKT, a Berlin-based digital communications and advertising agency, in August for an undisclosed consideration.

The second half-year saw another round of healthy video game M&A activity, illustrating the attraction of games generally and the use of engines and software in wider AI and metaverse environments.

A key example of this was France-based Atari, which capitalised on the wave of nostalgia for retro games by acquiring Digital Eclipse for \$20m. And in July, US-based Cloud Imperium Games acquired Canadian game, web, and digital environment studio Turbulent.

The last half of 2023 also saw a flurry of activity from US-based sports and entertainment management company Wasserman Media Group.

Deals included the acquisition of UK-based CSM in July, followed in September by Brillstein Entertainment Partners, both for an undisclosed consideration.



# Private equity

PE is an adaptive and innovative asset class, used to taking a long-term, pragmatic view when it comes to quality targets.

And in 2023, notable larger-cap deals were still evident, particularly within the publishing and advertising sub-sectors.

One example was the September acquisition of leading European online classifieds advertising platform Adevinta by a consortium of PE houses led by Blackstone and including Permira, General Atlantic and TCMI Inc.

In August, Canada-based Novacap Investments acquired American advertiser Cadent from Lee Equity Partners for approximately \$600m. This was followed in October by UK-based WGSN being acquired by PE house Apax Partners for \$849m.

There were also a number of secondary deals in 2023 in the UK. In September Livingbridge announced the successful sale of digital-first media agency, Brainlabs to Falfurrias Capital Partners. A few months earlier, LDC exited its investment in creative and technology group MSQ to One Equity Partners.

The year ended with Ariel Alternatives of New York taking a 58.5% stake in US-based My Code by for \$235m.

Perhaps reflecting soaring book and audiobook sales, the publishing sector attracted several PE-backed deals in 2023, with H.I.G. Capital and Francisco Partners acquiring award winning US-based audiobook publisher RBmedia for approximately \$975m in July.

This was followed in August with KKR buying Simon & Schuster from Paramount Global for \$1.6bn. The acquisition demonstrated the attraction of non-specialist multi-format publishers, as Simon & Schuster publishes across electronic and print media.



## Mid-market activity

Around a tenth of all 2023 deals with a disclosed value were in the mid-market, defined as having a value of between £10m and £300m (\$13m and \$378m). These deals reflected the trends in the wider global M&A market.

Approximately 25% of all mid-market deals involved games, software development and AI. Three deals were acquisitions of podcast and audiobook-related companies, reflecting ongoing interest in a market valued at around \$23.7bn globally.

Notable deals in the game and software space included the acquisition of Innplay Labs by Playtika, Playtika's second game-related acquisition after a deal in August to acquire YoudaGames.

Also of note was Fragbite Group's acquisition of Stockholm-based Fall Damage Studio in October, for \$38.55m. Fragbite is a digital gaming group focussing on e-sports while Fall Damage develops first-person shooter e-sport games.

Several transactions in 2023 reinforced the trend for companies to offer multiple services and experiences to consumers.

Examples of such transactions included Havas acquiring London-based Uncommon Creative for \$103m in July, and Denmark's Better Collective acquiring Canada's Playmaker Capital in November, following its acquisition of US-based Playmaker HQ in July, for \$188m. Playmaker Capital offers betting in an immersive gambling environment, building on Playmaker HQ's sports entertainment and content.

The two aspects of the Playmaker platform provide subscribers with an opportunity to interact with other members, gamble in an immersive real-time environment and engage via social media.



# The trends to watch



Following two years of relatively light M&A activity, we expect 2024 to pick up driven partly by private equity investors both on the buy-side and sell-side as well as platform deals on existing portfolio businesses both domestically and for the purposes of international expansion.



The 'digital' sector will remain hot and in demand. In particular, the marketing services and data analytics-related deals in 2023 suggest that 2024 will see a drive towards more personalised experiences through AI and customer data mining, the desire for first party data and highly personalised advertising and content.



The M&A pipeline looks set to remain strong relating to quality targets fuelled by fast-paced shifts in audience and consumer demographics and demand, combined with technological enhancement.



With 2024 dubbed 'the super election year' as more than 60 countries head to the polls, expect an increase in political engagement and politically oriented audience measurement and analysis. Whether this results in a boom in AI-related analysis is less certain.



The games industry will continue to be a source of M&A and will evolve beyond entertainment as a versatile medium for consumer spending and advertising.



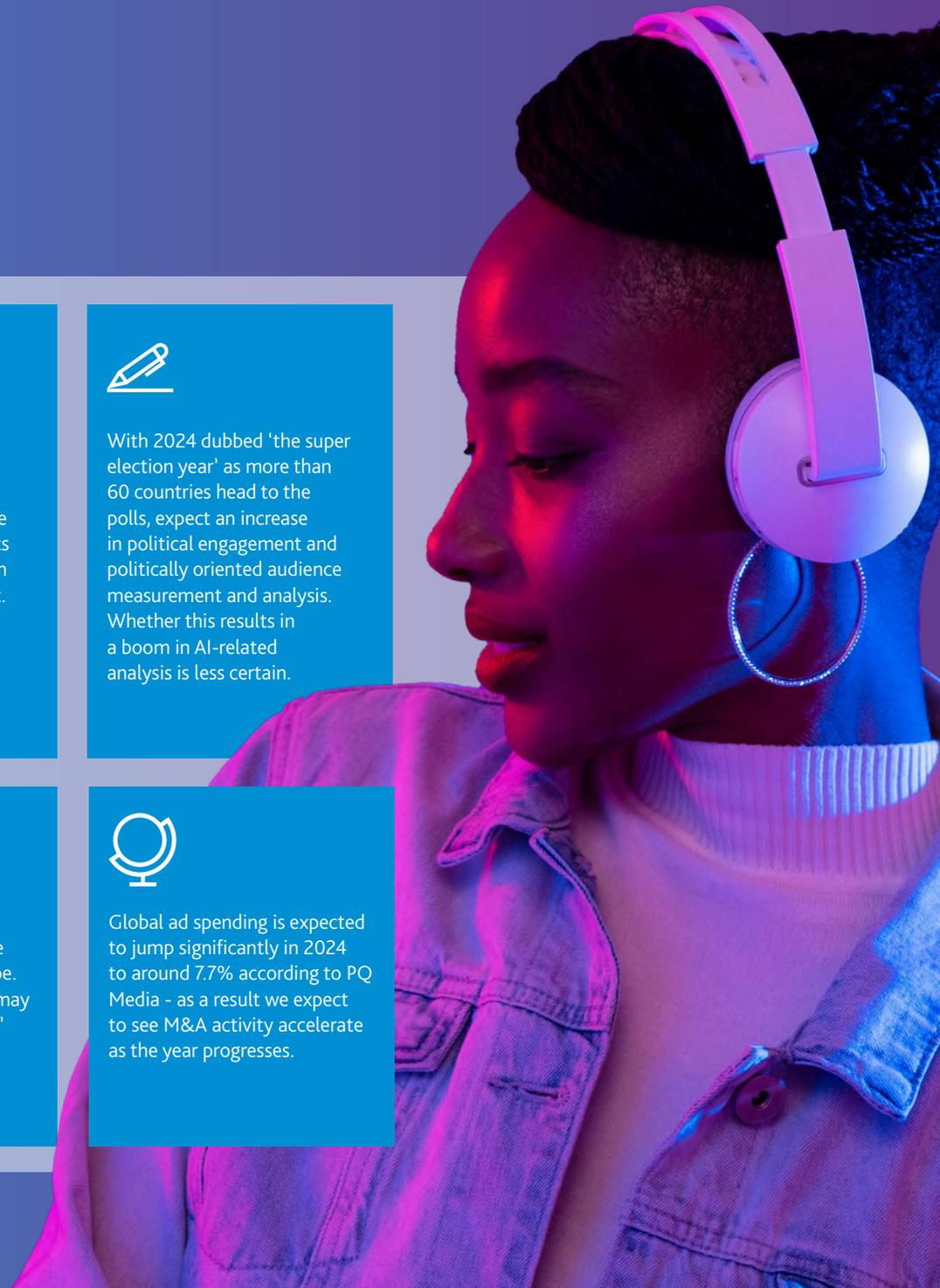
Live sports, events and entertainment such as Esports will continue to be a driver of growth and investment in 2024 and beyond and drive the largest media companies into continuing to invest in sports rights.



Podcasts will continue to grow in 2024 as a feature of the media M&A landscape. However, it is possible we may have reached 'peak podcast' and there will be a greater focus on quality of output.



Global ad spending is expected to jump significantly in 2024 to around 7.7% according to PQ Media - as a result we expect to see M&A activity accelerate as the year progresses.



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