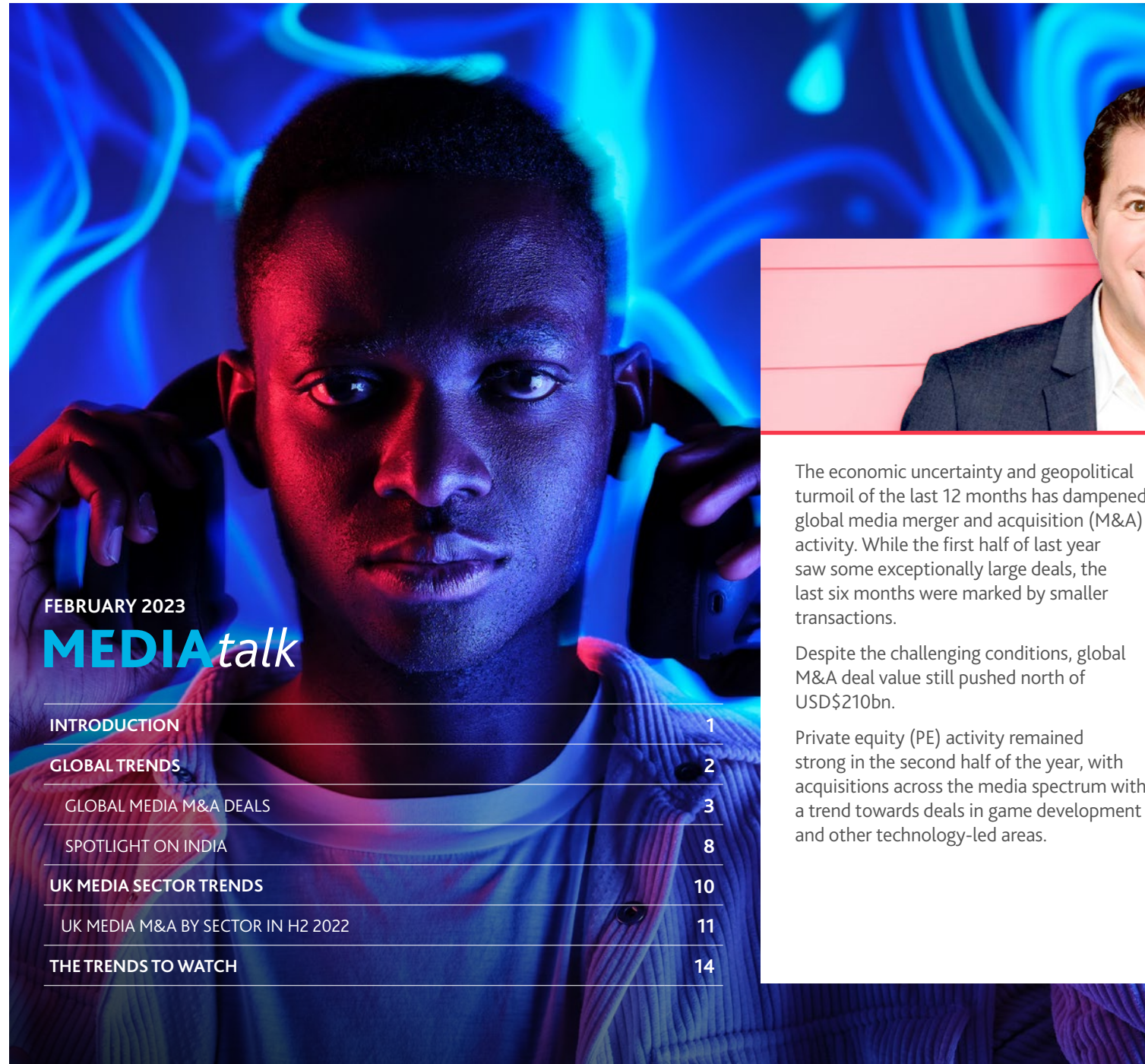




FEBRUARY 2023
MEDIA*talk*

ILLUMINATING OPPORTUNITY IN AN ERA OF VOLATILITY



A WORD FROM ANDY VINER

GLOBAL HEAD OF MEDIA AND ENTERTAINMENT



THE GLOBAL ECONOMY FACES BIG CHALLENGES. INFLATION HAS BEEN RISING AND CENTRAL BANKS ARE HIKING INTEREST RATES. MEANWHILE MEDIA COMPANIES FACE A LINGERING SKILLS SHORTAGE.

The economic uncertainty and geopolitical turmoil of the last 12 months has dampened global media merger and acquisition (M&A) activity. While the first half of last year saw some exceptionally large deals, the last six months were marked by smaller transactions.

Despite the challenging conditions, global M&A deal value still pushed north of USD\$210bn.

Private equity (PE) activity remained strong in the second half of the year, with acquisitions across the media spectrum with a trend towards deals in game development and other technology-led areas.

Global volatility also seems to have slowed cross-border transactions, with almost two-thirds of deals now happening at home.

Cross-border investment is focussed on relatively stable investment regions such as the US, Western Europe, the UK and Asia-Pacific – including India, which we spotlight in this edition.

Where there are challenges there are also opportunities and going forward the rising cost of living may lead to greater competition for content and brand differentiation in streaming services.

Changes in the way we work and communicate could also force media players to further explore the full potential of data analytics, advertising and the metaverse.

While 2023 may be another turbulent year, opportunities for investment will continue adding spice to global media M&A, I believe particularly in the mid-market. Read on to see how the sector has fared in recent months – and what lies ahead for it this year.

I hope you enjoy reading this edition!

Andy

ANDY VINER

PARTNER, GLOBAL HEAD OF MEDIA & ENTERTAINMENT

andrew.viner@bdo.co.uk

GLOBAL TRENDS

IF COVID-19 LED TO PEOPLE EXPERIENCING THE WORLD FROM HOME, MUCH OF 2022'S GLOBAL MEDIA M&A ACTIVITY WAS FOCUSED ON OPTIMISING THAT EXPERIENCE.

This trend was underscored by the two deals that dominated M&A within the sector: Elon Musk's USD\$44bn acquisition of Twitter and Microsoft's proposed USD\$69bn acquisition of Activision-Blizzard.

The deals reflected continued appetite for tech-infused media in 2022, and a growing move towards interactive media.

Furthermore, both acquisitions had development, insight and analysis components reflecting a need to measure and predict consumer behaviour and tailor experiences to the customer.

As in previous years, advertising and publishing were the most active sectors for media M&A in 2022. Here, 2022 witnessed two intriguing themes: the sustained acquisition of traditional media and the influence of global events on M&A activity.

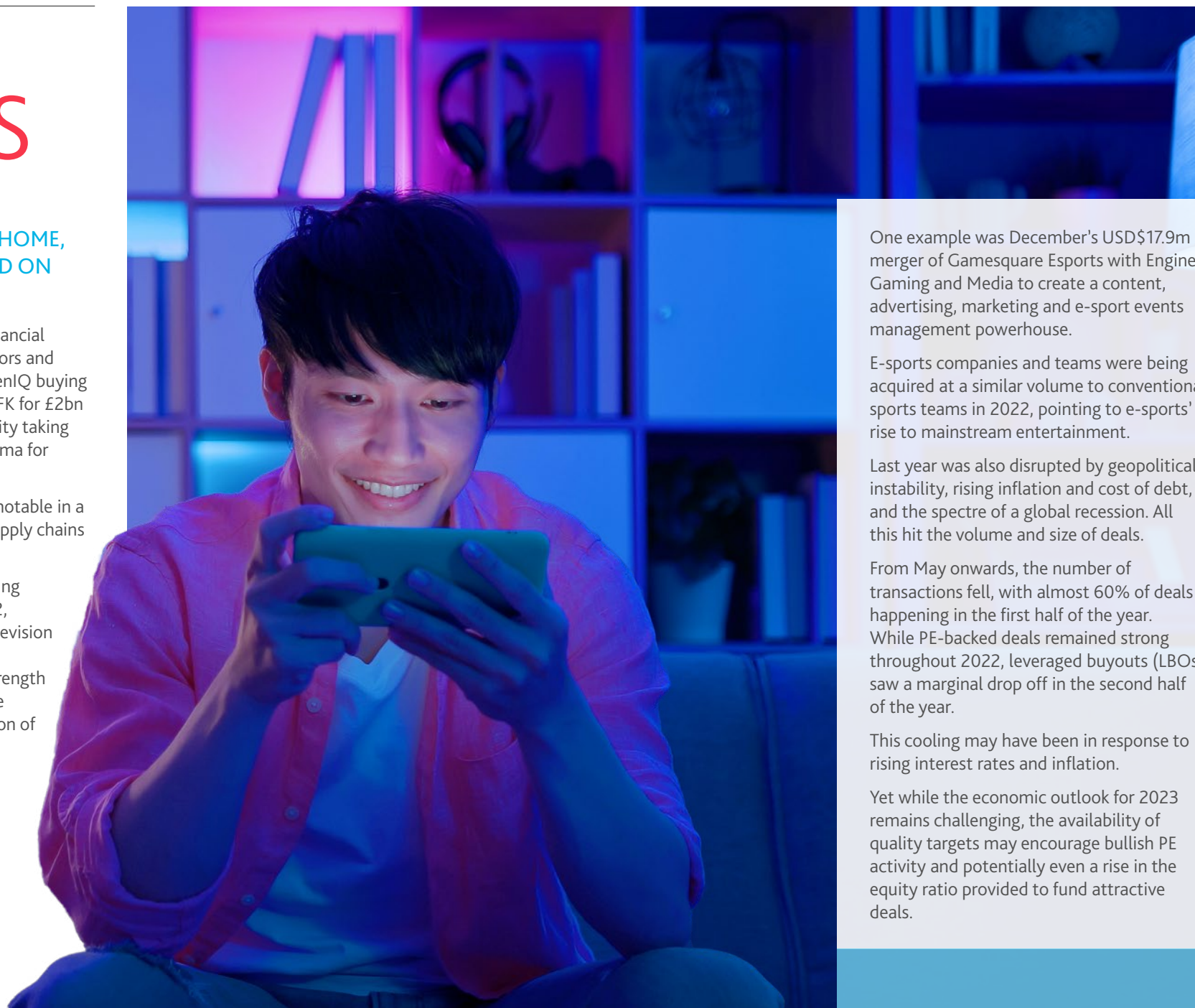
Alongside acquisitions of regional news and radio companies, acquirers pounced on industry-specific content publishers, with Shutterstock snapping up Splash News from Rcapital for an undisclosed sum.

There was also a buzz around financial and e-commerce news aggregators and databases, with US-based NielsenIQ buying German market research firm GfK for £2bn in July and Montagu Private Equity taking Maritime Intelligence from Informa for £385m in August.

The latter deal was particularly notable in a year marked by a constrained supply chains and high shipping costs.

Streaming and online broadcasting services remained active in 2022, extending beyond traditional television and film content to sports and particularly e-sports – adding strength to an advertising opportunity we highlighted in the H1 2022 edition of **MEDIAtalk**.

Last year saw the acquisition of several companies focussed on the monetisation of games and the social and community side of e-sports.



One example was December's USD\$17.9m merger of Gamesquare Esports with Engine Gaming and Media to create a content, advertising, marketing and e-sport events management powerhouse.

E-sports companies and teams were being acquired at a similar volume to conventional sports teams in 2022, pointing to e-sports' rise to mainstream entertainment.

Last year was also disrupted by geopolitical instability, rising inflation and cost of debt, and the spectre of a global recession. All this hit the volume and size of deals.

From May onwards, the number of transactions fell, with almost 60% of deals happening in the first half of the year. While PE-backed deals remained strong throughout 2022, leveraged buyouts (LBOs) saw a marginal drop off in the second half of the year.

This cooling may have been in response to rising interest rates and inflation.

Yet while the economic outlook for 2023 remains challenging, the availability of quality targets may encourage bullish PE activity and potentially even a rise in the equity ratio provided to fund attractive deals.

GLOBAL TRENDS

FIGURE 1
H2 2022 GLOBAL MEDIA M&A DEALS BY TOP TARGET REGIONS

The US remained most active target region in 2022. 43% of all deals targeted a US-based entity (up from 31% in 2021), followed by Western Europe (20%, up from 16% in 2021), the UK (11%, down from 13% in 2021) and Asia Pacific (11%, down from 23% in 2021).

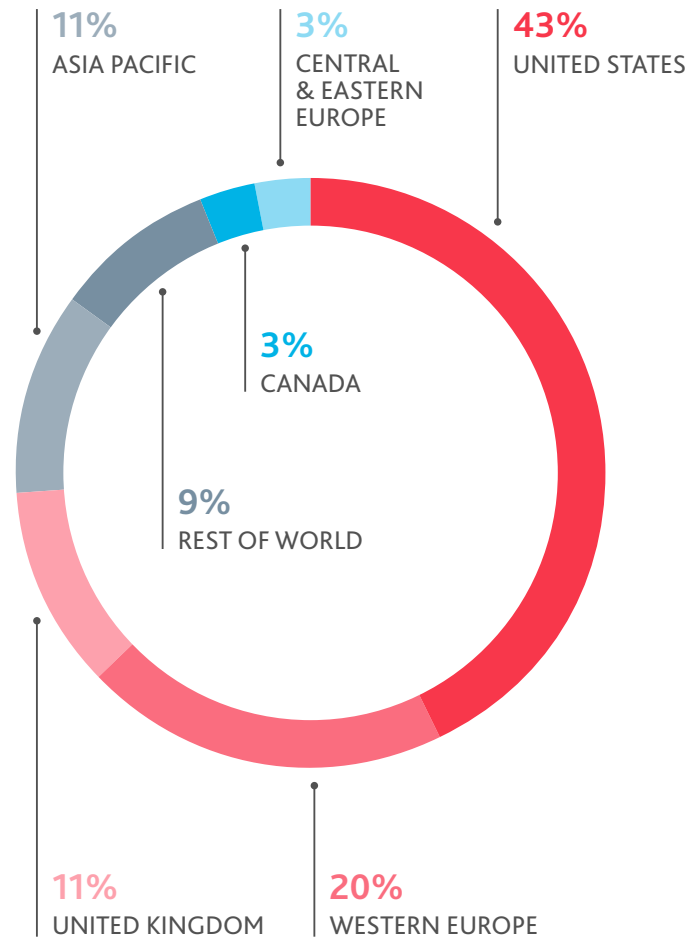
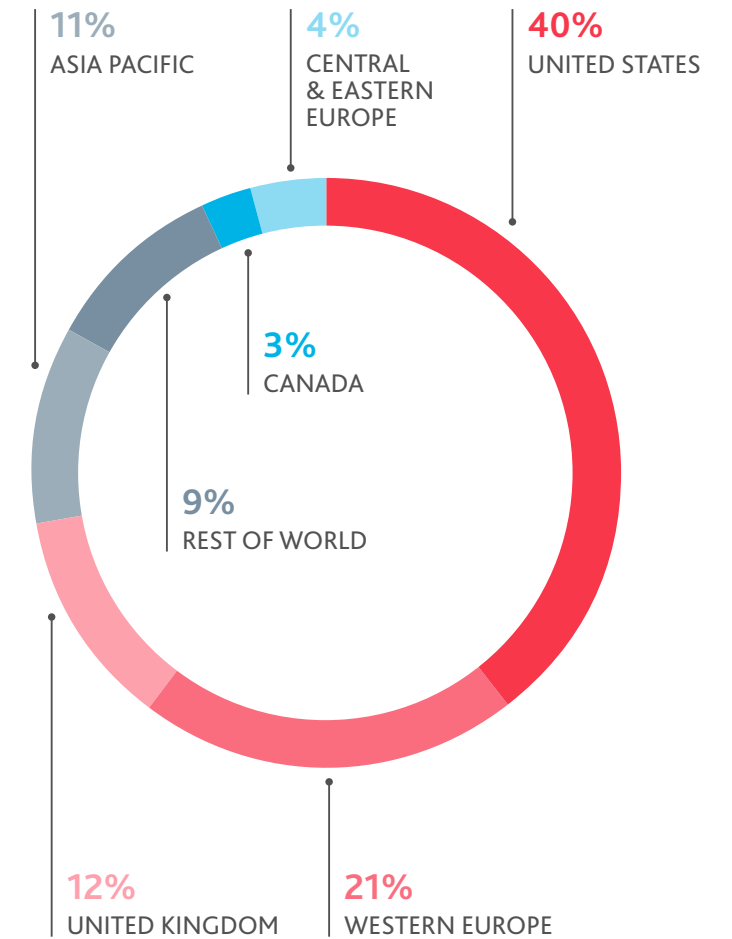


FIGURE 2
H2 2022 GLOBAL MEDIA M&A DEALS BY TOP ACQUIROR REGIONS

The United States was similarly dominant as an acquirer region, accounting for 40% of all global media deals in 2022 up from 34% in 2021. Western Europe and the UK held significant market share at 21% and 12% respectively. In 2021, Western Europe accounted for 17% of acquirer activity and the UK 10%.



GLOBAL TRENDS

UNITED STATES

The world's largest media and entertainment market, the US continued to be the dominant source of global M&A activity, equally active as a buyer and as a target region for acquisitions. The US accounted for 43% of acquisition targets in 2022, and 40% of deals involved a US-based acquirer. The US was most active as a domestic buyer; 88% of US-based target companies were acquired by US-based firms. Western European and UK-based companies were the secondary focus of US media acquisitions in 2022.

Streaming and digital broadcasting deals remained significant in 2022, despite it being a year dominated by H1's Twitter and Activision-Blizzard mega-deals. November saw The Walt Disney Company acquire BAMTech, an e-gaming, live sports and sport data developer and distributor from Major League Baseball Enterprises for USD\$900m.



WESTERN EUROPE

Accounting for 21% of all acquisitions and the target of 20% of deals, Western Europe was the second largest actor in the global media M&A environment in 2022. France was the most active country within the region, with France-based companies acting as the acquirer in 27% of deals, and 29% of companies targeted within Western Europe being based in France. Whether as a target or as a buyer, advertising was the dominant sector for Western European deals.

Advertising remained an active area of investment in H2. In August, Aonic acquired German advertising and marketing agency exmox for USD\$101m. Aonic's focus is on mobile games, and this acquisition follows on the heels of Aonic's acquisition in February of British mobile entertainment company TutoToons. In July, international private equity firm Advent International acquired an undisclosed stake in Spanish online contextual advertising firm Seedtag Advertising for EUR€250m. Seedtag uses machine learning and AI to gain a better understanding of advertising reach and interest.

H2 saw another large interactive media deal, with Atari CEO Wade Rosen's Irata acquiring Atari for an undisclosed consideration in a management buyout. While Atari's primary focus is computer game development, it is increasing moving towards the monetisation of video games and the development of NFTs through the subsidiary Atari Blockchain.

UNITED KINGDOM

The UK continues to punch above its weight in the media sector, and this is demonstrated in the country's continued competitive performance in 2022. The UK acted as an acquirer in 12% of global media M&A deals, and 11% of all deals targeted a UK company. Much of the activity in the UK was domestic: 64% of deals involving a UK-based acquirer targeted UK businesses, while 55% of all UK-based targets were snapped-up by UK buyers.

In 2022, media M&A activity in the UK region focussed on acquisitions in the Marketing Services (25%) and Broadcasting and Content (23%) sub-sectors. Although Advertising accounted for only 16% of deals, it did see some of the most interesting deals. In July, US-based Xerox acquired Go Inspire Group (formerly the GI Solutions Group) for USD\$40m. The Go Inspire Group provides print and digital marketing and communication services to customers throughout Europe, the Middle East, and Africa. Another deal of note was Swedish video game development and distribution company Thunderful Group's acquisition in November of Jumpship an initial consideration of GBP£6m with a maximum additional earn-out component of GBP£24m. This deal is the company's second acquisition of a British game developer and sixth overall since August 2021.

ASIA PACIFIC

The Asia Pacific (APAC) region accounted for 11% of global media deals as an acquirer and 11% as a target region, denoting a cooling off in deal volumes. Japan remains the dominant regional power, acting as the acquirer region in 39% of APAC bidder deals, and the target in 40% of the region's transactions. South Korea was the acquirer in 19% of APAC deals and the target of 16% of deals. China was just behind acting as the acquirer or target in 17% and 14% of APAC deals respectively.

Advertising and publishing were the most active sectors for APAC in 2022 accounting for 68% of all APAC bidder deals. 32% of companies targeted were in advertising, and 33% were in publishing. While the region's biggest deals emerged from China (principally involving mobile media and game development), a standout deal was PE firm Bain Capital's acquisition in August of Tokyo-based advertising and media services consultancy Net Marketing for USD\$90m. In November, Bain sold a majority stake in Net Marketing to Japan based With for an undisclosed consideration.



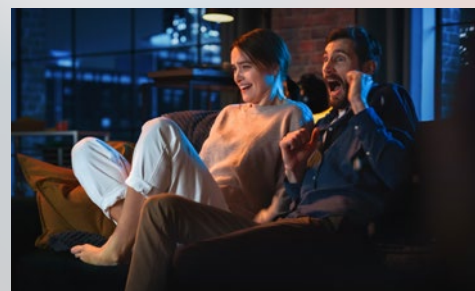
GLOBAL TRENDS

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TRENDBROADCASTING
THE DRIVE FOR NEW AUDIENCES

Video content and broadcasting remained an active focus for media M&A deals in 2022. In addition to film and television libraries which has been a focus in prior years, sports and documentary content proved to be popular targets in H2. The consolidation and diversification of channels and content offered by streaming services suggests the need to build catalogues to attract a wide audience of subscribers, as well as the need to retain subscribers during a period of increased cost-of-living pressures and competition within the media streaming sector.

Several deals illustrate this trend, in addition to large deals such as Disney's USD\$900m acquisition of BAMTech from Major League Baseball Holdings in November. BAMTech, originally a spin-off from Major League Baseball's digital media company MLB Advanced Media, is a video streaming service focussed on Over the Top (OTT) content which now forms part of Disney's direct to consumer service Disney+. August saw NBC Sports Washington's acquisition by Monumental Sports & Entertainment from Comcast and Nexstar Media's acquisition of California's The CW Network, followed in September by Squirrel Media's acquisition of Spain-based Canal Deporte TV, all of which were for undisclosed considerations.

The diversity of these deals highlights the competition for new audiences within the streaming environment. Both Canal Deporte and NBC Sports Washington are sports focussed channels, the former focussed on minority sports and regional soccer teams, while the latter is the official transmission channel for Washington-based sports teams. The CW Network, however, was envisaged as a female focussed streaming channel, combining reality television, music and drama.



This trend also manifested in 2022 PE activity. Particularly active was Providence Equity Partners, which acquired the US-based Wasserman Media Group in November for an undisclosed consideration from California-based Madrone Capital Partners and New York-based RedBird Capital Partners, following the acquisition of US-based The North Road Company for USD\$500m in July. The North Road is formed of three film and television production companies including Peter Chernin's Cherin Entertainment, US assets of Red Arrow Studios and New York-based documentary producer Words+Pictures.

Wasserman Media is primarily a sports and talent management company, which is of particular note, given that Words+Pictures has a portfolio of sports documentaries and includes the subsidiary unscripted series producer "Full Day". Wasserman went on to acquire BSE Media Group in November, boosting its client base of soccer and Olympic athletes. The sale of Wasserman was, notably, the second divestment in H2 of a sports talent agency by New York-based RedBird; in September they sold their 40% stake in US-based OneTeam to HPS Investment Partners for GBP£661m. On completion of the deal OneTeam was valued at USD\$1.9bn.

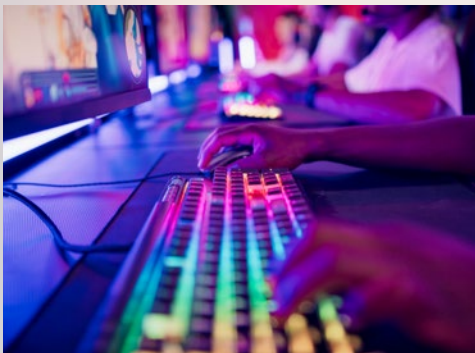
GLOBAL TRENDS



DIGITAL MEDIA & THE METAVERSE



Hastened in part by the pandemic and the movement towards working and experiencing the world remotely, together with the evolution of Web3 and the metaverse, 2022 saw increased interest in gaming technology. Gaming technology has blazed the trail of ever more realistic, virtual environments and can supply building blocks for the Metaverse.



This was most evident in Microsoft's proposed acquisition of Activision-Blizzard announced in January and Irata's acquisition of Atari. Atari's deal was particularly notable, as the company has a particular focus on developing blockchain, non-fungible tokens (NFTs) and Web3 technology. In addition to new technology development, both these deals carry with them considerable video game catalogues which, in the case of Atari, were marketed extensively to celebrate the company's 50 years of computer game development.

There were smaller transactions in 2022 involving the components of the Metaverse. As well as the development of computer games and virtual worlds, these deals involved Blockchain technology and non-fungible tokens (NFTs). South Korea's Naver acquired stakes in three South Korea-based metaverse development companies, continuing the company's run of investment in game developers and metaverse platforms. In H1, Naver invested in game developer Lenged and social media agency MetaSpace, followed in H2 with investment in online news and database site Munipia.

In October RedBird took an 8.9% stake (with KKR) in the US-base film and immersive game production company SkyDance Media, whose virtual reality (VR) games have been nominated for several awards.

Two deals in H2 serve to highlight the anticipation of the metaverse's possibilities. London and Los Angeles-based Pixelynx, co-founded by DJ and music producer Joel Zimmerman (Deadmau5), was acquired by the Hong Kong-backed Australia-based company Animoca Brands in December for an undisclosed consideration.

Pixelmynx is focused on developing an AR music game enabling music artists to launch their own interactive environments that can be monetized using NFTs. Such environments include playable experiences, and virtual performances. In August, Swagga Studio, a fashion entertainment NFT IP creator, was acquired by Blocverse DAO also for an undisclosed sum. Blocverse is a developer of blockchain play-to-earn games and NFTs, signifying the company's movement in to the wider NFT and Metaverse environment.



GLOBAL TRENDS



INFORMATION PUBLISHING



While much of the buzz within media M&A in 2022 was firmly focused on social and game media, there was a healthy appetite for more traditional acquisitions, in the form of news and information publishers. This reflects the consistent public appetite for news, information, analysis and the opportunity and monetary potential of financial and industrial databases. Foremost amongst these was one of the largest deals of H2, the acquisition of GFK by NielsenIQ for GBP£2bn.

The aforementioned Maritime Intelligence deal was one of the largest UK deals of H2 and adds to Montagu's portfolio of knowledge-led and tech-enabled businesses. Larger still, though, was UK-based Permira Advisers acquisition in August of US-based financial and legal intelligence firm Reorg Research for over GBP£1bn from Warburg Pincus. Reorg Research went on to acquire US-based data and document management provider FinDox in November for an undisclosed consideration. Similarly, Cox Enterprises acquired online media site Axios Media for USD\$525m in August. Axios is

known for its rapid-fire editorial style and the acquisition carries with it over 2.4m subscribers. This deal is notable, as it comes just months after Axios launched a premier subscription service focussed on deals in the Fintech, Healthtech and retail sectors.

Two news and intelligence publishing deals highlight the mixture of both old and new investment sectors. In July, the Dubai-headquartered blockchain PR marketing agency Luna PR acquired Cointelegraph, an online platform offering news on blockchain technology, crypto assets, and

emerging fintech trends. In November, Calgary-based technology and consulting firm Stack Technology acquired Canada-based BOE Report for an undisclosed consideration from Grobes Media. BOE Report is one of the world's most visited oil and gas news and data sites. The acquisition adds another energy portal to the Stack Technologies stable, which includes Petro Ninja, which enables public and proprietary petrochemical data to be mapped and shared, while StackDX is a data amalgamation, exchange and AI automation tool aimed at the petrochemical industry.

The post-pandemic move towards agile and co-working was also manifest in 2022 deals, with the California-headquartered real estate intelligence company Yardi Systems purchasing co-working magazine "Coworking Mag" for an undisclosed value in July. This acquisition will integrate with the Yardi Kube and CoWorkingCafé platforms and serves as a marketing and advertising platform for co-working technology and facilities.



GLOBAL TRENDS

SPOTLIGHT ON INDIA

INDIAN MEDIA AND ENTERTAINMENT ON IMPRESSIVE GROWTH PATH

INDIA'S MEDIA AND ENTERTAINMENT ECOSYSTEM IS A SUNRISE SECTOR THAT IS EXPECTED TO GROW AT A MUCH FASTER RATE THAN THE GLOBAL AVERAGE.



The sector is forecast to grow to up to \$70bn by 2030 (approx. INR570,000), at up to a 12% compound annual growth rate, led by over-the-top (OTT) services, gaming, animation and visual effects. This is thanks to rising incomes, increasing internet penetration and growing digital adoption.

The majority of Indians now have at least a low-cost smartphone, which has increased the penetration of high-speed internet exponentially.

According to March 2022 research, Indians spent 4.7 hours a day on their phones in 2021, aggregating 700 billion hours of consumption – the second-highest amount in the world. Mirroring global trends, Indian consumers have shifted to digital platforms for content consumption.

India has the largest young population in the world, which is driving growth in online consumption of all types of content, from online video, audio and news to subscriptions, social media and digital advertising.

The increasing popularity of digital media requires fast-paced growth in digital infrastructure. Across India, growth in use of smartphones and TV, coupled with increased internet and broadband subscriptions, is expected to be fuelled with the rollout of 5G mobile technology.



DIGITAL ADVERTISING AND STRATEGY

Digital advertising is the largest contributor to ad revenues in India and is growing at a rapid pace with the emergence of multiple e-commerce platforms and the increasing reach of social media, OTT and short video platforms.

An increase in India's small-to-medium enterprise base is helping advertising spend to grow as companies look to expand business in India and on the global market.

In addition, the pandemic spurred the growth of hyper-local entrepreneurs who target audiences in specific localities within cities. Meanwhile, all the top corporates in India have already either developed or are in the process of developing an integrated digital strategy for themselves.

Traditional methods of marketing are no longer seen as sufficient in India and dependence on digital marketing is expected to become even greater in future. TV and print ads cost a lot – but online advertising is something even start-ups can afford.

GLOBAL TRENDS

ONLINE GAMING

Despite people going back to work as the effects of the pandemic have receded, the online gaming segment is growing. India is becoming one of the biggest global markets for this sector, with the bulk of the current market revenue coming from real-money gaming.

However, in-app purchases are anticipated to drive future growth, and the government is keen to capitalise on the sector's expansion.

The Ministry of Information and Broadcasting has established an Animation, Visual Effects, Gaming and Comic Promotion Task Force to recommend ways of generating employment and meeting increasing demand in Indian and global markets.

In a short time span, India has also witnessed a spurt in e-sports, console gaming, mobile gaming and game development, boosted by the pandemic.

The propensity of Indians to pay for games has increased, while large marketing campaigns, celebrity marketing, joining bonuses and customer acquisition mechanisms and a surge in digital payment mechanisms have led to the increase in transaction-based gaming.

The digital and gaming sector is expected to see increased mergers and acquisition deals and capital markets are tipped to play a role in unlocking the valuation of media and entertainment players.

Unicorns in the industry are expected to explore capital markets through listings on exchanges in India or in the US.

At the same time, and with the emergence of new segments within media and entertainment, the industry is expected to see a wave of consolidation where traditional media companies are acquired by new-age rivals.

Private equity and venture capital, meanwhile, continue to show confidence in the segment. The industry saw more than 110 deals valued at INR67,200 crore (approx. \$8bn) in 2021, a huge jump from the 77 deals and INR6,800 crore (approx. \$850m) in 2020.

About a third of the 2021 transactions, by value and volume, were in gaming and almost half in broadcasting – including the marquee merger of Zee Entertainment with Sony Pictures.



DIGITAL INDIA

The Indian government is undertaking various initiatives to achieve its vision of a digital India.

These include a product link incentive scheme to build a strong ecosystem for 5G and the liberalisation of foreign direct investment limits in telecommunication, digital media, cable networks and mobile TV.

The initiatives have played an active role in the growth of the media and entertainment sector, in particular digital media and infrastructure. Yet although digital media is growing in leaps and bounds, there is still a lot of scope for the industry to grow.

The coming together of technology and the media is fundamentally altering business models and consumer expectations. With demography on its side and zeal for entrepreneurship and innovation, India has a bright digital media future.



ANITA SOMANI

AUDIT AND ASSURANCE PARTNER, BDO INDIA

anitasomani@bdo.in

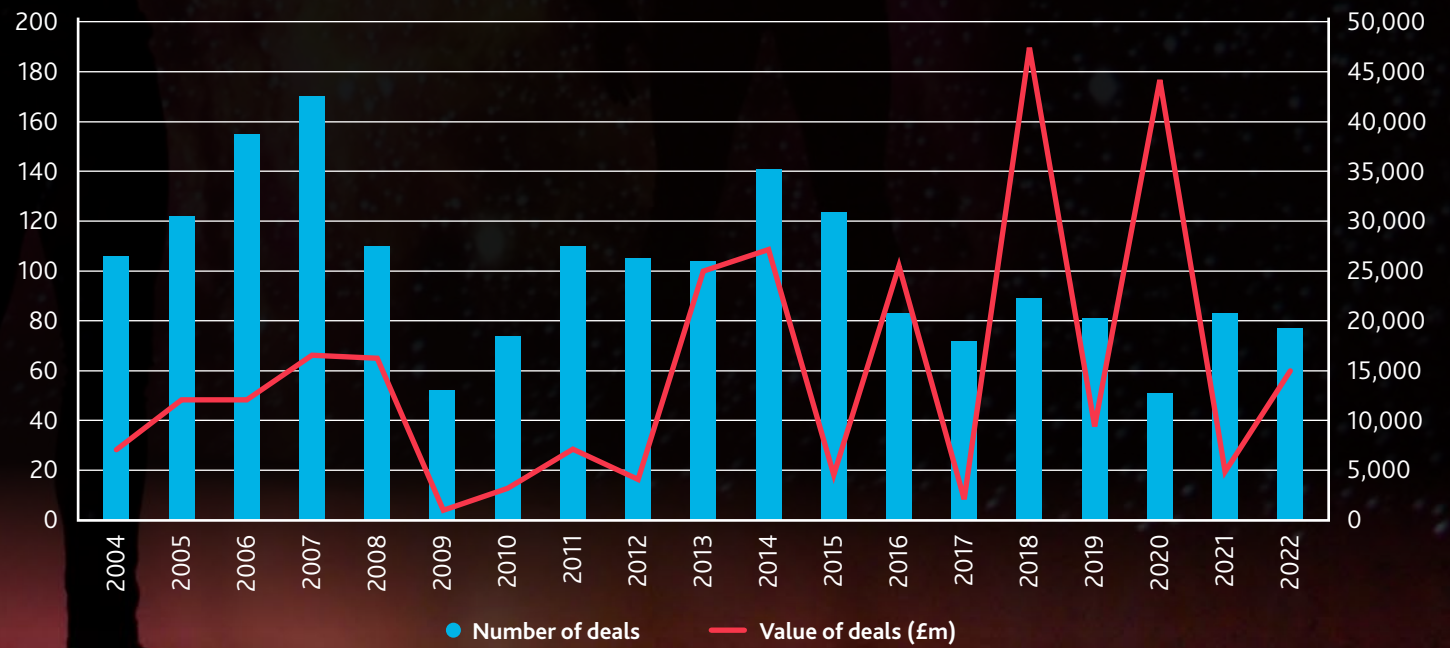
UK MEDIA SECTOR TRENDS

THE NUMBER OF UK MEDIA M&A TRANSACTIONS ANNOUNCED IN 2022 FELL BY 7.3% WHEN COMPARED WITH 2021 BUT REMAINED JUST ABOVE THE FIVE-YEAR AVERAGE NUMBER OF ANNUAL MEDIA M&A DEALS. WHILE THE NUMBER OF DEALS WAS MARGINALLY DOWN YEAR-ON-YEAR, THE TOTAL VALUE OF UK DEALS SURPASSED THAT OF 2021 BY 67%.

That said, year-on-year comparison of media M&A volumes should be understood in context. As has been discussed earlier, the year has been marked by considerable geopolitical and economic disruption and the combination of rising inflation and cost-of-living has contributed to a fall in discretionary spending in the UK which will inevitably have an effect on the public willingness to spend on media products. At a macro-economic level, the increasing cost of debt may have dampened transaction volumes in H2.

Those considerations aside, the UK continues to be a focal region within the media landscape, and the range of deals announced this year have demonstrated that the UK remains an active incubator of attractive and innovative media companies.

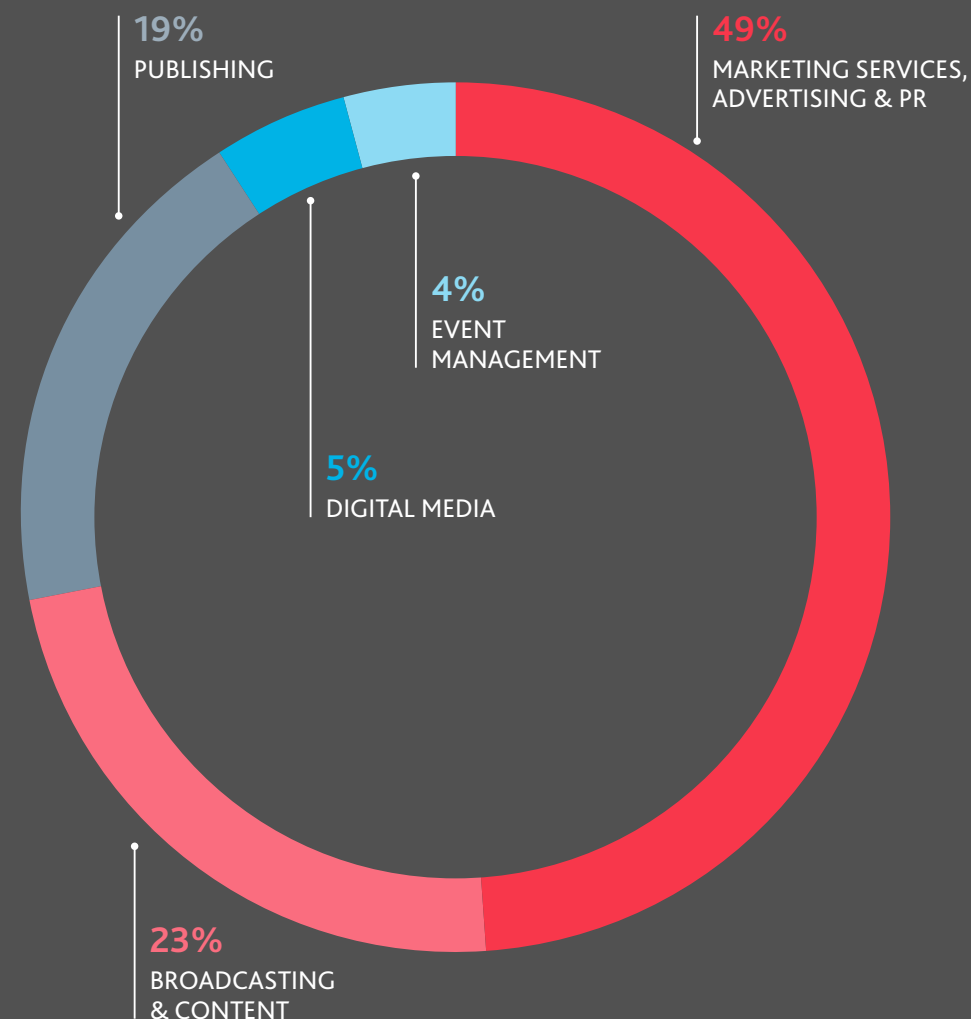
FIGURE 3
UK MEDIA SECTOR: ALL M&A DEAL VOLUMES AND VALUES (2004 - H1 2022)



UK MEDIA SECTOR TRENDS

UK MEDIA M&A BY SECTOR IN 2022

FIGURE 4
UK MEDIA M&A TRANSACTIONS BY
SUBSECTOR 2022

**MARKETING SERVICES, ADVERTISING & PR**

Marketing services and advertising jointly accounted for 49% of all UK media deals in 2022. PE firms continue to be active in this sector, also accounting for 42% of all UK media LBOs recorded in 2022. H2 2022 deals reflect the continued appetite for digital-first branding and data driven models in shaping marketing and advertising campaigns. In August, UK PE firm Horizon Capital's portfolio company STRAT7 acquired London-based market research and insights agency Jigsaw Research for an undisclosed consideration. Jigsaw Research delivers integrated quantitative and qualitative customer research services. In September, UK PE firm Connection Capital completed a GBP£5.1m senior debt plus equity investment in the buyout of UK-based full-service social and public market research agency IFF Research. The deal was aimed at enhancing IFF's expertise in providing private, public and voluntary sector organisations with customer experience data, behavioural insights and public opinion polling services.

The renewed interest in outdoor advertising following the COVID-19 restrictions continued in 2022. In July, London-based advertising agency Talon Outdoor was purchased by Equistone Partners Europe from Mayfair Equity Partners. Talon is focused on technology-led outdoor advertising listing Apple, Diageo, McDonald's and PepsiCo among its clients.

iGaming platforms are increasingly effective channels for data-driven marketing, and as such captured the attention of buyers in the second-half of the year. In October, Canada-based digital sports media company Playmaker Capital acquired Glasgow-based digital marketing and sports betting platform Wedge Traffic for approximately USD\$31m. Shortly afterwards in the same month, Sweden-based global provider of Software as a Service (SaaS) solutions Acroud acquired a 60% stake in UK-based iGaming and digital marketing platform Acroud Media for GBP£5m. This transaction was aimed at supporting Acroud's expansion into the sports betting space.

UK MEDIA SECTOR TRENDS

BROADCASTING AND CONTENT

Broadcasting and Content deals made up 23% of media transactions in 2022, driven in part by media companies seeking to increase their catalogue of original content sports and specialist programming. Unscripted and factual content deals were noticeable in the second half of the year. In August, producer [Zinc Media Group](#) (formerly Ten Alps) acquired award-winning UK-based TV production company The Edge Picture for GBP£5m. The deal blends Edge's media expertise with Zinc's corporate film, publishing, and TV and audio businesses.

In November, British TV and distribution company Fremantle acquired a 55% majority stake in independent TV and factual content producer 72 Films for an undisclosed value. The deal reportedly valued 72 Films at GBP£70m. One of the UK's most respected documentary producers, 72 is behind such factual programmes as the sports documentary series *All or Nothing: Arsenal* and the Emmy-award winning *9/11: One Day in America*. The following week, still in November, Fremantle acquired a 51% majority stake in documentary producer Wildstar Films for a reported value of GBP£11m. Wildstar's credits include *Frozen Planet* and *Planet Earth* in addition to content for National Geographic and Disney Studios. Both deals will give Fremantle an opportunity to exploit the growing demand for premium and specialist factual content internationally.

The global demand for sports content is spurring broadcasters and investors to acquire sports media rights. In July, UK-based sports streamer Premier Sports reached agreement to be acquired by Swedish media giant Viaplay Group. The deal valued Premier Sports at GBP£30m. The acquisition gives Viaplay broadcast rights to National Hockey League, La Liga, the Rugby Championship as well as (from 2024) over 800 matches from UEFA competitions. Similarly, London-based sports streaming platform DAZN acquired sports media business ELEVEN Sports Network from Aser Media for an undisclosed amount in a deal announced in July. In addition to the broadcast rights for women's football from six confederations and live broadcast of matches from over 90 FIFA associations the acquisition includes ELEVEN's social media business, Team Whistle. This acquisition is notable, coinciding as it did with the UEFA Women's Euro 2022, the most watched Women's UEFA tournament in history, a tournament that raised the profile of and interest in women's football both at a national and international level.



PUBLISHING

Publishing accounted for 19% of media deals targeting the UK in 2022. In November, two PE firms, Astorg Partners and Epiris completed a GBP£1.6bn acquisition of London's Euromoney Institutional Investor, one of Europe's largest business and financial information publishers. The acquisition resulted in Euromoney's delisting from the London Stock Exchange. It is intended that Euromoney Institutional Investor will separate into two businesses. In another financial publishing transaction, UK-based investment and pensions publisher IPE International Publishers was acquired by Dutch media company FD Mediagroep (FDMG) via its subsidiary FD Business in November for an undisclosed amount.

As has been mentioned earlier, the music publishing sector enjoyed a very active 2022. For example, PE firm Francisco Partners' 90% majority acquisition of Kobalt Music Group in September for a reported value of approximately USD\$750m. October then saw UK-based music distribution agency Above Board Distribution acquired for an undisclosed amount by global music publisher Sony Music through its subsidiary Essential Music and Marketing, the London-based music distributor and label services provider.

DATA & DIGITAL MEDIA

Digital media deals comprised 5% of UK media M&A transactions in 2022 as dealmakers moved to acquire target companies with proprietary data and unique digital tools. In July, Canadian digital content company Valnet acquired Pocket-Lint, a digital media platform offering technology and gadget information and review services based in Manchester for an unknown amount. The deal adds to Valnet's tech portfolio, which includes notable digital tech platforms including [MakeUseOf.com](#), [AndroidPolice.com](#) and [XDA-Developers.com](#). In December, Tag Worldwide acquired film production company The Gate and production studio Foundry Films for an undisclosed consideration. The deal followed Tag Worldwide's purchase of the award-winning Sydney-headquartered L&A Social in July, also for an undisclosed consideration. In a further endorsement of continued interest in the digital and marketing analytics sector, London-based digital marketing and analytics company More2 was acquired in October by UK-based digital media company Sideshow for an undisclosed consideration. This followed Sideshow's acquisition of UK-based user-experience (UX) developer Nomensa, the details of which were not disclosed.

UK-based companies also targeted global digital media and analytics. London based media company S4 Capital was active in acquiring social media and web-marketing companies in 2022. In May, S4 merged its Media.Monks agency with US-based digital consulting firm TheoremOne, followed in July by the merger with California-based influences and talent agency XX Artists. The consideration agreed on both transactions was undisclosed.

EVENTS MANAGEMENT

Event management deals made up 4% of all UK media M&A transactions in 2022. Post-pandemic demand for improved entertainment experiences has not only created significant growth in the entertainment industry, but has brought about new approaches to creativity, venues and spaces. In September, global e-commerce platform for cultural events TodayTix Group acquired Secret Group, the London-based entertainment company that specialises in immersive and 360-degrees film and television events including "Secret Cinema" events. TodayTix acquired Secret from UK PE firm Active Partners Investments for over USD\$100m. The deal aims to fuel Secret's international growth and expansion to the US in 2023, while creating open-ended theatrical show runs to allow more fans to experience the immersive events.



CASE STUDY

CHARTING THE RIGHT ROUTE THROUGH A ROCKY 2023

THERE IS A LATIN AMERICAN SAYING THAT ROUGHLY TRANSLATES AS: 'STORMY WATERS BRING GOOD FISHING.' IT'S A PHRASE INVESTORS AND BUSINESS OWNERS MAY BE WISE TO REMEMBER GOING INTO A TURBULENT 2023 WHERE BUYERS ARE LIKELY TO LOOK FOR THE VALUE BEING CHURNED UP IN THE MARKET.

Rising inflation and macroeconomic concerns have already dampened appetite for media-related mergers and acquisitions, with UK sector buyouts falling 56% in the second half of 2022. It is the largest drop in three years.

Looking forward, the prospect of long-term conflict in Ukraine plus at best a stagnant outlook for the domestic economy mean companies that a year ago might have harboured lofty ambitions of achieving multiples in the mid-to-high teens, driven by froth in the market and interest from US investors, may now have to recalibrate their expectations to single digits.

That is if they can transact at all.

In the current climate, BDO's latest Business Trends analysis warns that 13% of UK mid-market technology, media and telecoms businesses [risk becoming zombies](#): companies that generate just enough cash to continue operating and service their debt, with limited capital available for growth investment. Hence, attention may turn to survival rather than lucrative equity events.

A tightening market means deals are likely to focus on two areas: fire sales at one extreme and resilient, evergreen companies with a winning formula at the other. Guess which will be able to command the best valuations and court the greatest number of suitors.

For leadership teams looking to be in that winning group, the path is clear. First, focus on revenue retention and (where possible) growth, while keeping a firm grip on cash flows.

This may be easier for businesses embracing tech-led business models, such as programmatic advertising. Management teams should be looking at options to harness existing or explore emerging technologies to promote improved connectivity with the end consumer, such as [the Metaverse](#). This provides the added benefit of protecting against some of the challenges facing the market over the last year or so, including the well-documented erosion of [customer data](#) taking place online. It is worth noting that media buyers are going to be heavily focused on ROI, with data analytics supported by technology critical.

Just as important as this top-line view, however, will be a laser-sharp focus on cost control. Leadership teams should be looking now at ways to manage operational costs over the coming months. It is not all about cutting costs, but ensuring your cash is being spent in the right ways, on the right services. With the tech platforms announcing headcount reductions, are there opportunities to recruit highly qualified staff that will support future growth?

An example: UK and European marketing and media companies have long relied on lower-cost IT and analytics skills and support from highly specialised teams in Poland and Ukraine, but resources in the latter are clearly compromised at present (albeit not completely inaccessible).

However, in line with a comparatively more robust economic outlook in the US, some BDO clients are looking west for expansion – and this opens a whole new market for technically skilled outsourced services from the cost-competitive Latin American region. Investigating more options for such diversification of markets and staff provision in 2023 makes sound business sense, especially given long-running challenges around talent retention and availability.

Evidencing a clear revenue and cost strategy with growth potential is critical to attracting attention from investors, which still hold around \$1.7tr in dry powder globally and remain alert to sound opportunities in the media and marketing sectors.

The drive for value that is set to take place in 2023 will favour companies that can demonstrate resilience and sound financial management. Getting the right advice could be invaluable in the coming months... and a knowledge of Latin American proverbs could be useful, too.



CONOR LAMBERT
TRANSACTION SERVICES PARTNER AT BDO
conor.lambert@bdo.co.uk

2023 THE TRENDS TO WATCH

SEVERAL OF OUR PREDICTIONS FROM HALF A YEAR AGO, SUCH AS QUALITY WEIGHING MORE HEAVILY IN VALUATIONS, HAVE BEEN BORNE OUT IN RECENT MONTHS. OTHERS, SUCH AS CONSULTANCY FIRM SPINOFFS BOLTING ON MARKETING FUNCTIONS, REMAIN IN THE BALANCE. BUT WHAT OF THE OUTLOOK FOR 2023? HERE ARE OUR VIEWS.

CROSS BORDER M&A WILL RETURN AND COMPANIES WILL LOOK WEST FOR EXPANSION

The US remains a hot market, with the capacity to attract growing businesses from the UK and Europe. Latin America, too, could be of interest to investors looking for low-cost, highly skilled media and marketing resource pools.

STREAMING WILL CONSOLIDATE

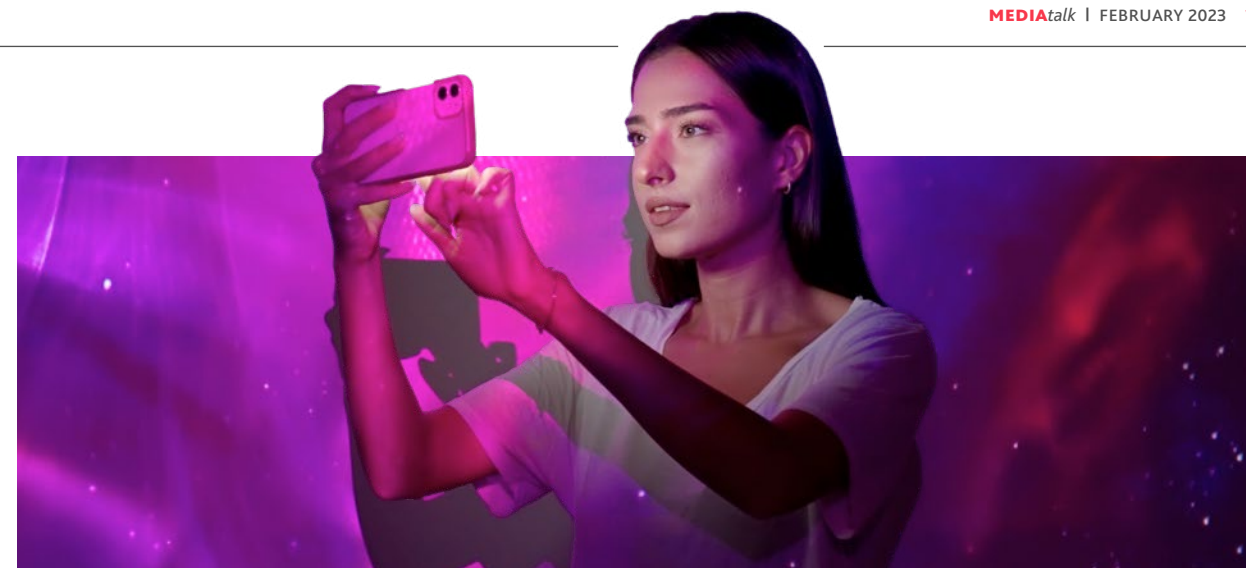
As streaming platforms proliferate and the fight for subscribers intensifies, expect to see greater cross-platform collaboration and increased acquisition of smaller channels, back catalogues and specialist content such as regional sports or factual and documentary content. Alongside this, as Podcast popularity continues to rise and growing consumer interest in audiobooks we see increased advertising and other forms of monetisation and consequently expect increased deals around catalogues and talent in 2023.

SECTOR M&A WILL FOCUS ON THE MID-MARKET

The uncertain macroeconomic outlook in 2023 is unlikely to favour mega deals but the mid-market segment could still see plenty of activity as acquisitive companies snap up fire-sale opportunities or seek strategic growth through carefully targeted purchases. Private Equity in particular will seize the opportunity for lower valuations to create scale ups and lead consolidation.

E-SPORT DEALS WILL RISE

E-sport channels pulled in more than 29 million viewers a month in 2022 and, like real-life sports, the industry is primed for marketing, advertising, sponsorship and gambling. We expect a rise in e-sport-related deals in general and e-sport betting activity particularly in the coming months.



ACCELERATED M&As WILL GROW

With a tighter economy, one final and rather obvious prediction is that we may see more accelerated deals where management teams face a race against time to find a buyer before running out of cash. As a result, we expect to see greater consolidation by well capitalised firms especially in the digital marketing, publishing and events sectors.

TECH ENABLEMENT WILL BE A DIFFERENTIATOR

Owning a technology platform – rather than building a business based on talent that can walk at any time – has always been a strong draw for investors in media and marketing. It will continue to be so in 2023, with demand-side and supply-side platforms likely getting plenty of attention.

THE VALUE OF A SECTOR FOCUS WILL GROW

Access to customer data is getting harder with [cookie degradation](#) and the growth of walled content gardens. To overcome these barriers to personalisation, we expect media and marketing agencies to focus more on niche sectors where segmentation is easy.

METaverse M&A WILL ACCELERATE

The metaverse has so far failed to live up to early hype, yet there is still plenty of opportunity in this space and companies playing the long game may choose 2023 to invest in technologies such as non-fungible token development or gaming, artificial intelligence and virtual reality creation.



FOR MORE INFORMATION CONTACT OUR DIGITAL MEDIA EXPERTS

ANDY VINER

AUDIT PARTNER, GLOBAL HEAD OF
MEDIA & ENTERTAINMENT

andrew.viner@bdo.co.uk

IAN MCBANE

BUSINESS SERVICING &
OUTSOURCING PARTNER,
HEAD OF TECHNOLOGY & MEDIA

ian.mcbane@bdo.co.uk

CONOR LAMBERT

TRANSACTION SERVICES PARTNER

conor.lambert@bdo.co.uk

ANITA SOMANI

PARTNER, BDO INDIA

anitasomani@bdo.in

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