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MarTech Deals Drives M&A up 144% in 2018 Holding Companies Still only 20% of total Deal Value

NEW YORK – JANUARY 3, 2019 – It was a big year for martech and data acquisitions, according to independent consulting firm, R3, in their analysis of 465 M&A deals in the marketing services industry. The $33bn of M&A activity marked a 144% increase in spend on the previous year, with significant amounts being spent by more diverse buyers and others as they look to create bigger tech and data stacks to build stickier client relationships.

"M&A activity in 2018 signalled that the grand view of MarTech is becoming actualized and 2019 will be about how companies move beyond facilitating the intersection of marketing, technology and management, to real integration into the enterprise," said Greg Paull, Principal at R3.

HOLDING COMPANIES ACTIVE BUT FACING DIVERSE COMPETITION

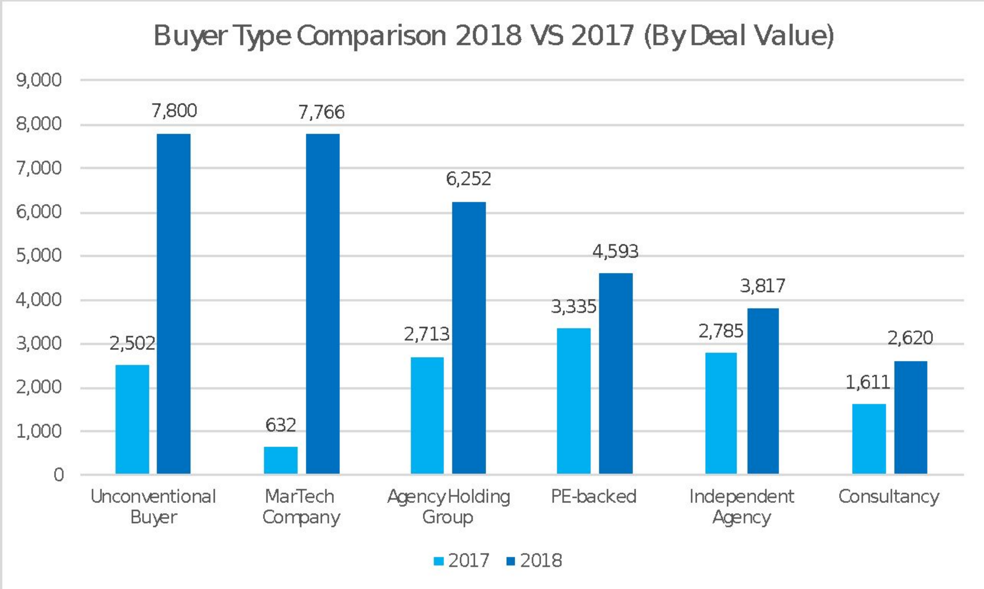
Holding companies completed 86 of the 465 deals monitored, accounting for around 20% of the total activity. "While the IPG/Acxiom and Publicis/Soft Computing deals were transformative, they still only represent a small percentage of overall deal flow" said Mr Paull. "The competition for M&A remains as competitive as ever" he added.

By region, North America led the way in M&A activity for 2018. The number of deals increased by 21% with a 229% increase in value to $22.3bn. This is the highest spend in M&A over the past three years, buoyed by major investments by Adobe, AT&T, and IPG.

MARTECH & UNCONVENTIONAL BUYERS LEAD THE WAY

The big spenders in 2018 were MarTech companies and unconventional buyers, while agency holding companies looked to play wide, spending less on a higher volume of acquisitions across a more diverse portfolio, mixing digital, creative, PR, and media.

"The discipline of marketing has diverged. MarTech is making fringe digital tech more centralized in marketing operations, while agencies are focused on repositioning themselves as operating in both creative and data," said Paull.

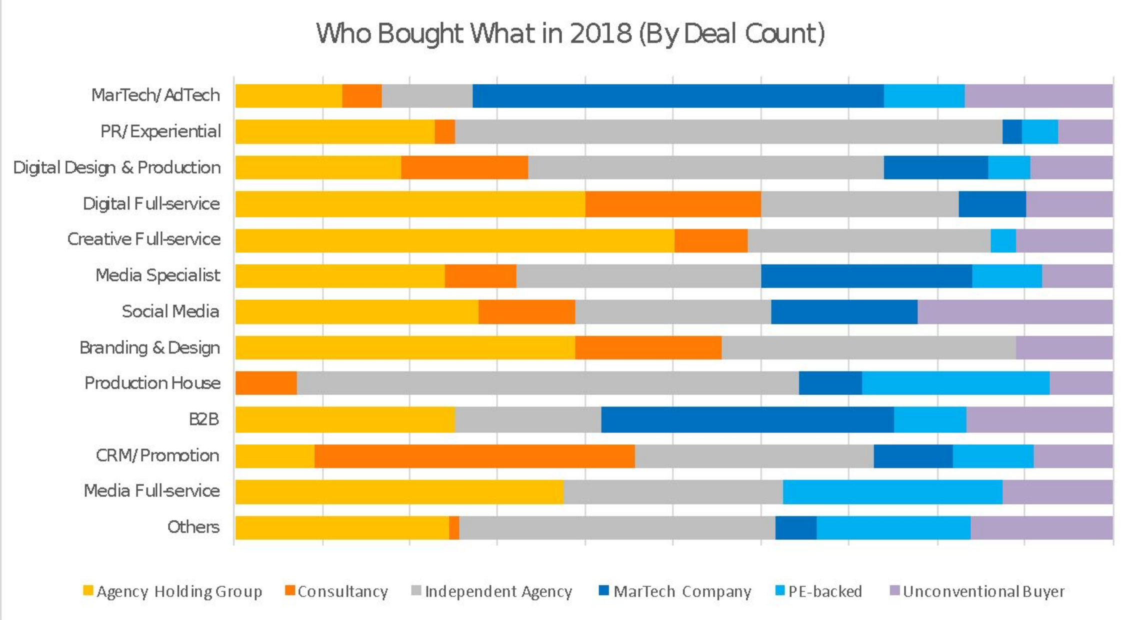


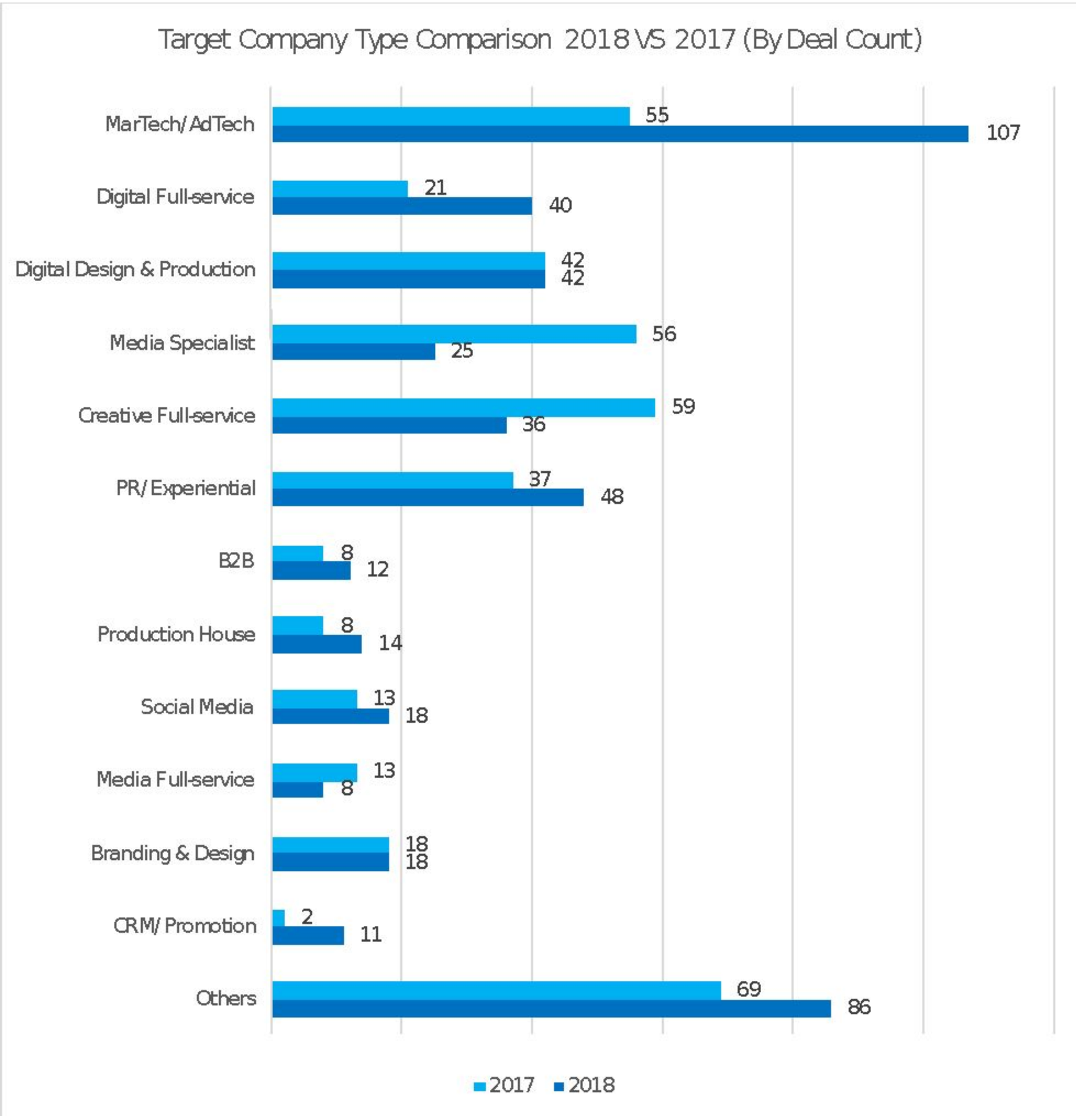
TRANSFORMATIVE ATTEMPTS WITH MORE DIGITAL

The number of MarTech and digital full-service acquired in 2018 increased by 95% and 90% respectively, while M&A deals targeting creative and media full-service agencies decreased by 38% and 39%.

In terms of value, creative agencies fared poorly with buyers paying less (-48%) on the previous year. A demand for production houses is reflected in a close to five-fold increase in purchase value, and interest and investment in CRM shot up 450%.

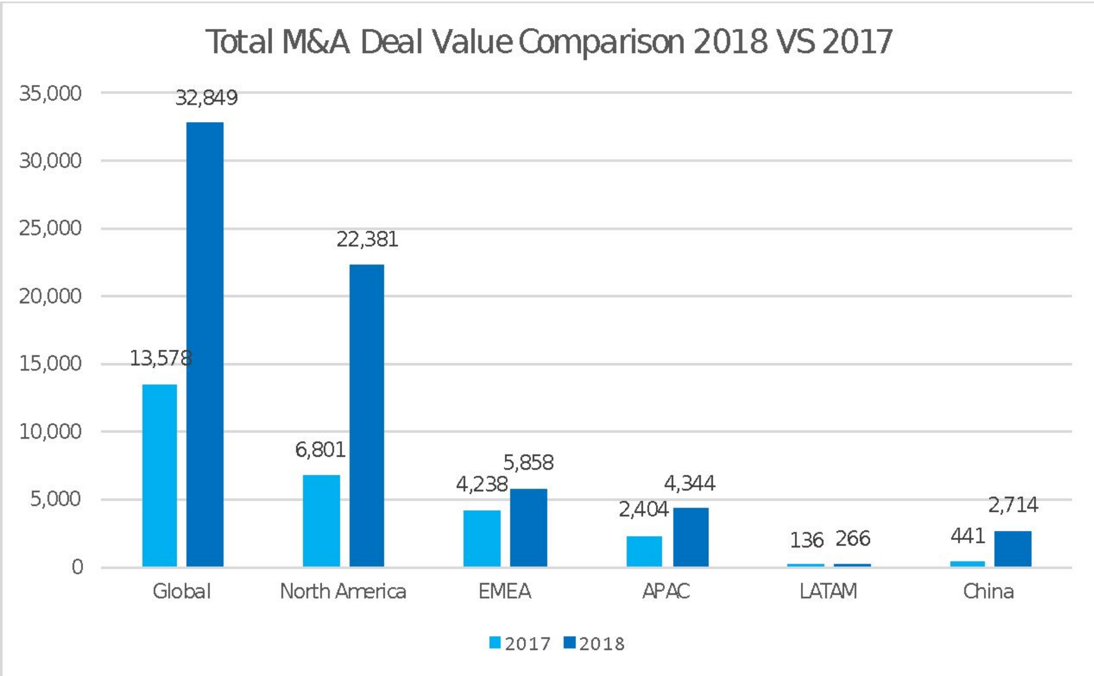
“We’ve noticed a few idiosyncratic acquisitions this year. This indicates a real urgency in which companies are aiming to transform themselves,” said Paull. “The measure of success is whether they will be able to leverage, not only the technology, but also the people who develop and maintain that technology.”


Who Bought What in 2018 (By Deal Count)
MarTech/AdTech
PR/Experiential
Digital Design & Production
Digital Full-service
Creative Full-service
Media Specialist
Social Media
Branding & Design
Production House
B2B
CRM/Promotion
Media Full-service
Others
Agency Holding Group
Consultancy
Independent Agency
MarTech Company
PE-backed
Unconventional Buyer


Target Company Type Comparison 2018 VS 2017 (By Deal Count)
MarTech/AdTech 55 107
Digital Full-service 21 40
Digital Design & Production 42 42
Media Specialist 56 25
Creative Full-service 59 36
PR/Experiential 37 48
B2B 8 12
Production House 8 14
Social Media 13 18
Media Full-service 13 8
Branding & Design 18 18
CRM/Promotion 2 11
Others 69 86
2017
2018

NORTH AMERICA LEADS, WHILE CHINA M&A SLOWS

North America led M&A activity globally on volume and number of deals (259), while EMEA, LATAM and APAC saw marginal growth in the number of deals transacted. China, however, experienced a 19% decline in M&A deals, with overall value held up by Alibaba's $156m investment in the outdoor media company Focus Media.



About R3

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R3 is a leading global, regional and local consultancy group, focused on improving the effectiveness and efficiency of marketers and their agencies. We enable our clients to get the competitive edge and a better return on investment from agencies, media and marketing spend. With over 100 people in the US, Asia, EMEA and LATAM, we work with nine of the world's top twenty marketers including Coca-Cola, Unilever, MasterCard, Mercedes Benz, Colgate-Palmolive, Samsung and Shell