

# DISTRESSED?

**2023** IS LOOMING  
LARGE AND PRESENTS THE  
PERFECT TIME TO MAKE  
AN HONEST APPRAISAL OF  
THE FUTURE.



**VERSUS**

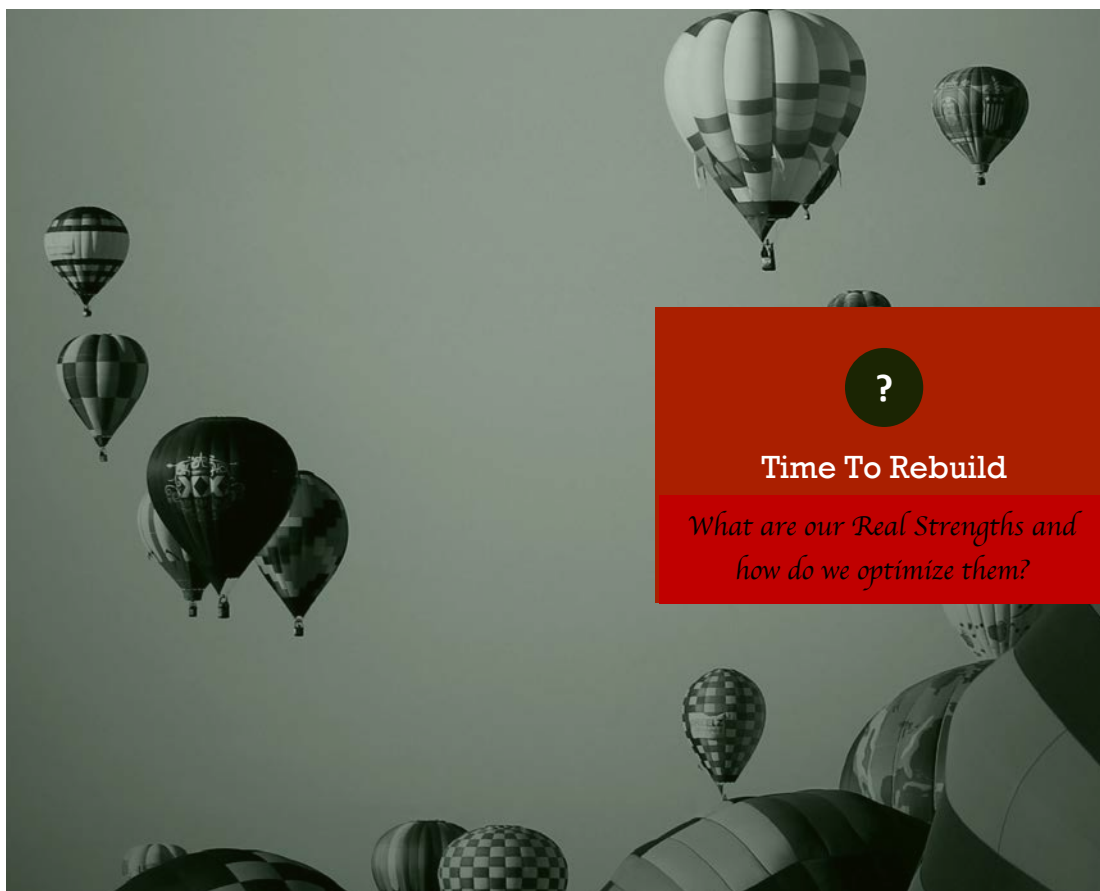
# OBSESSED?

Knowing when the time is right  
takes **FOCUS** and **EXPERIENCE**



## UNCERTAINTY?

WITH GOVERNMENT FUNDING  
AND SUBSIDIES NO LONGER  
AVAILABLE, ITS TIME FOR  
INDUSTRY PROFESSIONALS TO  
REFLECT ON WHAT THAT FUTURE  
SHOULD LOOK LIKE.



?

## Time To Rethink

*Do I really need  
so many Customers?*

?

## Time To Rebuild

*What are our Real Strengths and  
how do we optimize them?*

?

## Time To Restructure

*Are our Resources, Talent and  
Management all they need to be?*

Over the last 2-3 months, I have had conversations with some very qualified Agency Buyers, looking to take full advantage of the recessionary fears that appear to have cowed our industry into a state of somnolent caution as we look ahead to what 2023 might bring.

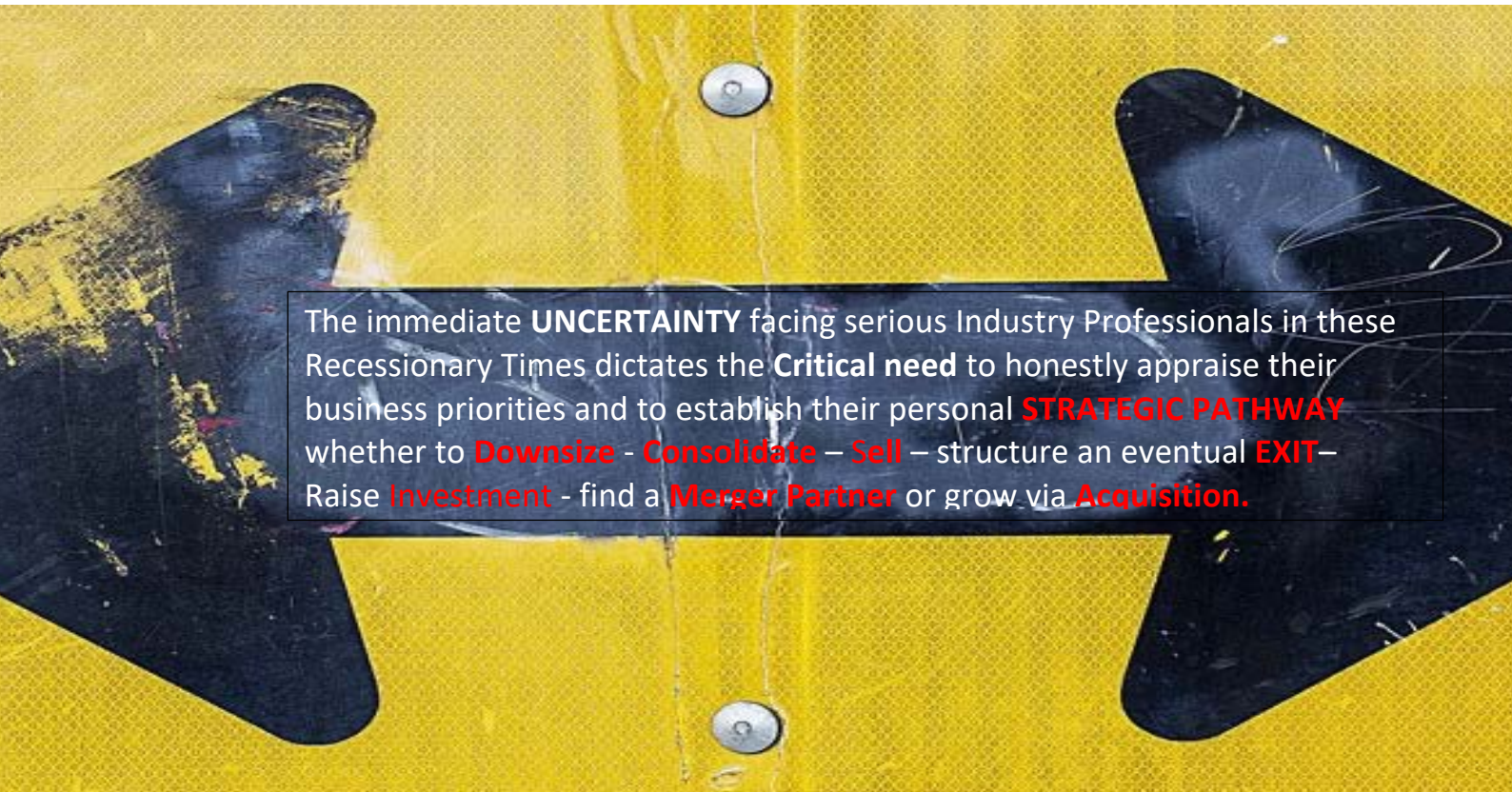
The message being:

*"Find me overwhelmed and distressed companies that can be folded in without risk"*

I fully understand the **THRILL** and operational upside of closing a “**Killer Deal**” and clearly recognise that the gradual reduction and ultimate removal of governmental support funding has left many smaller or younger organisations facing the new and often frightening reality of **Vulnerability**.

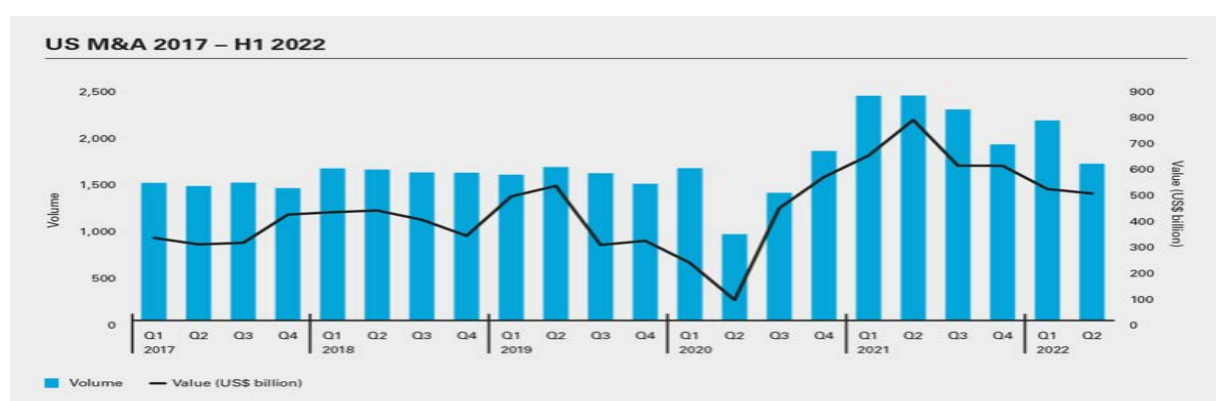
However, **Experience** has taught me that truly successful deal-making is more often about establishing real **FIT** and identifying **Shared Ambitions** and not simply the Strong gobbling up the Weak!!

This premise is particularly true for the strong, entrepreneurially led **INDEPENDENTS**, who have for the most part, met the pandemic crisis ‘head-on’ with well-structured cut-backs and total support for the **real talent** that has driven the businesses over time. For them the notion of distressed fold-ins makes much less sense versus filling operational or service gaps via acquisitions or merger partnerships with equally “**OBSESSED**” and **Impassioned Sector Specialists** or **Regional Partners**.

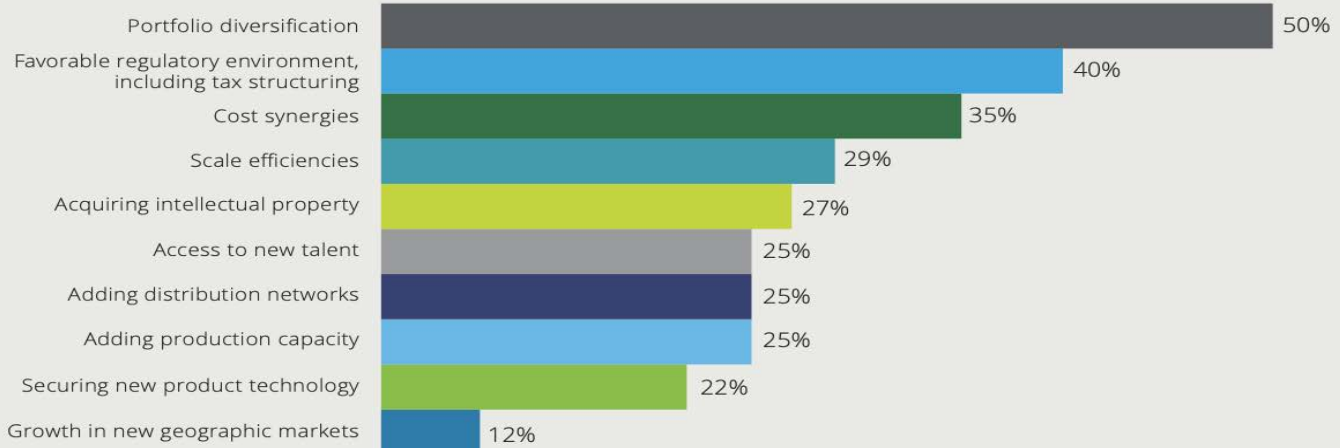


The immediate **UNCERTAINTY** facing serious Industry Professionals in these Recessionary Times dictates the **Critical need** to honestly appraise their business priorities and to establish their personal **STRATEGIC PATHWAY** whether to **Downsize - Consolidate – Sell** – structure an eventual **EXIT** – Raise **Investment** - find a **Merger Partner** or grow via **Acquisition**.

**From a broader Industry perspective 2021 was a banner year for deal-making at scale.** Companies like Accenture closed over 40 deals and ambitious valuation multiples (x8 to x12) abounded, as Private Equity groups dipped into their latent “**Dry Powder**”.



## Strategic Deal Drivers - 2021



The 2022 numbers match healthy, pre-pandemic levels and are especially notable in what has lately been a time of great **UNCERTAINTY**.

**Geopolitical instability, spiking inflation, supply chain issues, skittish capital markets, regulatory changes**—all these factors, and more, are fueling that uncertainty.

The technology, media, and telecommunications sector (TMT) has outperformed other industries—**accounting for 30 percent of total deal value**.

From a Canadian Independent point of view, it's great to see the sustained profitable growth of the **EVOLVE Agency Group**, proving that the strategic **"Merger of Equals"** that we envisioned, has brought continued **commitment to Growth, new industry News** and **real, positive Momentum**.

Similarly, the **courageous expansion** of **No Fixed Address** into the US and the West Coast continues to disrupt and make **Mischief**. Equally the **successful mid-pandemic launch** of **Broken Heart Love Affair** and the recent **Expansion plans** announced by **Zulu Alpha Kilo** emphasize the fact that entrepreneurial management and passionate and committed **retained talent** delivers abundantly. Meanwhile Quebec's "dark horse" **LG2** continues to flourish – already **Canada's largest "Indie"**- ready to grow nationally?



As far as the **Multinationals** are concerned, the sustained commitment to structured **talent retention and acquisition** are clearly **'front of mind'**. Multi-brand consolidations are slowly paying dividends however, and many took advantage of the post pandemic rebound to make deals count.

*See the deals made by some of the major Industry players below:*



Consultants still leading the way with **92 deals**

Multinational Agencies also picked up the pace – **79 deals** adding **Digital** and **Performance Media** capabilities.

Larger Independents snagged **23 Deals**

Perhaps the most impressive moves were made by **STAGWELL**, who continue to rise from the residue of MDC.

They have steadily built a large scale, multidimensional, international organisation focused on

**PERFORMANCE MARKETING**

– claiming to be **57% digitally-driven** by end 2022.

As we look ahead to 2023, our industry can take some comfort in the following Forecast for **Advertising Expenditures**, as published by Media Post in September 2022:

U.S. ad consensus, effective September 2022					
	2020	2021	2022	2023	2024
Dentsu	-8.0%	+22.2%	+12.8%	+6.1%	+4.2%
GroupM	-0.6%	+22.7%	+12.8%	+2.6%	+9.0%
Magna	+1.0%	+25.0%	+9.8%	+4.8%	NA
Zenith	-0.9%	+18.7%	+11.6%	+4.5%	+9.2%
Consensus	-2.1%	+21.6%	+11.8%	+4.5%	+8.5%

Source: GroupM, Zenith estimates = June 2022. Dentsu = January 2022. Magna = September 2022. Consensus = simple average. NA = not available.

MAJOR BUYERS	2022 Q3 Deals	2022 First Half	2021 DEALS	2020 DEALS
Accenture	6	4	40	19
WPP	3	2	5	5
HAVAS	2	6	3	3
FINN Partners	2	1	9	0
Ernst & Young	2	0	2	0
DENTSU	1	2	2	5
IBM	1	3	5	0
S4	1	2	12	6
OMNICOM	1	2	6	0
Deloitte	0	3	4	3
PUBLICIS	0	3	5	1
ACCELERATION Ptnrs.	0	1	2	0
W20	0	1	2	5
STAGWELL	0	5	4	1
TOTALS (Top 15)	19	35	101	48

**MULTINATIONALS DEAL ACTIVITY BY QUARTER**

My personal belief is that Q1 2023 is the time for Agency Owners across the Americas to focus on the realities of an **over-saturated agency world**, without the government subsidies.

It's time for honest reflection and to begin working with a qualified 'industry-focused' M&A Advisor and together map out a **STRATEGIC PATHWAY** to the future.

Whether the decision is **SELL** now, prepare an eventual **EXIT** strategy, find a **MERGER PARTNER**, or **GROW** by acquiring new, scalable service capabilities or expanded geographic coverage, it is essential to build a definitive and **strategically relevant, Customised Plan**.

In my past life as an Agency Owner, I always felt that leadership of an SME business can be **lonely in the extreme**. It is rarely a short-term affair and more often than not, it requires a **deeply personal and financial commitment** to a **Life Journey**.

If any Owners and Professional Managers are seriously thinking about their future and envisioning **M & A Success** as a key part of that future, I look forward to hearing from you and having an initial candid conversation – **NOW IS THE TIME**.

*Kevin Astle is the Founder and Managing Partner of **Multivisory International** - an M&A Advisory service, focused exclusively on Agencies and Marketers across all marketing channels. Having worked on both sides of the Atlantic and on both sides of the Client/Agency desk across North America, he brings an international perspective and deep, multi-sector knowledge and network to his Clients.*

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