Media Acquisition Report

M&A Outlook 2022-24

In partnership with Plural Strategy Group

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Executive Summary:
Market, Strategy, and Business Models

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Executive Summary

The purpose of the Media Acquisition Report is to uncover the macro M&A trends among Trade buyers and private equity (PE) firms in the Media sector. The outputs give potential sellers a set of guidelines and benchmarks, and an accurate benchmarking tool and sense check on acquisition criteria and valuation ranges. The report is presented in partnership with Plural Strategy Group, who have led the section on integration strategies and best practice.

M&A Market

- USA ranked top region for investment
- Corporate development budgets increasing, but bar is higher
- PE houses continuing to deploy capital, and moving downstream
- Resilience through Covid, and historic trading of increased importance

Acquisition Strategy

- Growing core market share is main focus for corporate development
- Buyers are seeking bolt-on acquisitions to win share of wallet and diversify revenues
- Integration is seen as value creation tool, but divergence on best practice
- Data strategy and capabilities are a strategic priority

Business Models and Sectors

- Digitally native marketing services increasingly desirable
- Trade show multiples reduced, unless of platform scale
- High growth sought from tech-enabled and tech-disrupted sectors
- A content led, year-round media proposition, is seen as central to value creation

"If you have been able to adapt your business and grow in the past year, then there is something inherently valuable in the business. Resilience is key."

Dan Adler, Partner, Apiary Capital

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Named Participants

Dan Adler,
Partner,
Apiary Capital

Sam Jennings,
Head of Commercial Development,
Clarion

Andrew Himsley,
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Graphite Capital

Rajesh Sharma,
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Gartner

Sean Griffey,
CEO,
Industry Dive

Geordie Pearson,
Partner,
Falfurrias Capital Partners

Driss Tazi,
Head of M&A,
Comexposium

Matthew Altham,
Head of Corporate Development,
Wilmington plc

Mark Williams,
Partner,
Inflexion

Paul Miller,
CEO,
Questex

David Barbour,
Joint Managing Partner,
FPE Capital

Note: Other leading buyers contributed to the Media Acquisition Report, but on an anonymised basis

Market Conditions

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Market Conditions 1/3

Activity, and Availability of Capital

The majority of Trade buyers significantly reduced corporate development budgets in 2020, with some companies ceasing M&A activity for the year. All of the respondents surveyed plan an increase in corporate development budgets over the next 12 months, showing a growing appetite for acquisitions. For PE-backed Trade buyers, and for primary PE investors, there is capital to deploy on acquisitions.

For PE buyers, fund composition and fund cycles also play a part in overall appetite and primary deal* strategy. Most of the respondents to this report are midway through their existing funds, and will seek to make 2-3 acquisitions annually. There has been little change in appetite from Primary PE buyers over the last year.

Respondents to the Media Acquisition Report are a mix of large scale and mid market players, with the former now increasingly focused on larger scale businesses with a minimum EBITDA of £3m+. Many mid market players see an opportunity to acquire smaller assets (sub £1m EBITDA), seeking higher growth rates.

**Primary deals: when a PE fund invests directly into a platform, for example through an MBO or MBI.*

"We're actively hiring to grow our Corporate Development team as a means to expedite M&A activity."

"Our advice to an entrepreneur is to be clear about what support you need from your investor, and diligence carefully the capabilities that your potential partner say they can offer, against their track record for delivering on this."
Mark Williams, Partner, Inflexion

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Market Conditions 2/3

Digital disruption, digital transformation

Across all respondents, there is a shift away from pure play events as a primary business model. However, buyers expect events to continue to play an important role in the overall media proposition, and are still positive on businesses with events as part of their long term revenue mix.

Highly engaged communities, and developing a 365 media proposition, are viewed as providing long term value and resilience. Respondents cite the ideal revenue mix as being more heavily weighted to digital marketing services (in ad-funded markets), or memberships/subscriptions (in user-pays niches). Buyers are seeking acquisition targets which can increase digital products as a proportion of revenues. Data and insights rank highly, together with other opportunities to leverage first party data.

Focus on core markets

Buyers are consolidating around core products and going deeper into existing verticals to grow market share, and importantly share of wallet. For many respondents this means either accessing a larger audience, and/or complementary business models which enable them to take a greater share of their customers' media spend.

"Respondents with predominantly tradeshow portfolios were very positive about the 1-2-1 model as a means to deliver increased value to clients at live events."

"We believe in the value of live events and see those as our primary business model, but increasingly we are supplementing our events with other formats (often digital) which help us engage audiences in a more frequent and meaningful way, outside of the few days when our events are being held."

Sam Jennings, Head of Commercial Development, Clarion

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Market Conditions 3/3

Growth Investing Core to Strategy

Most respondents are not actively seeking distressed assets, deciding instead to invest for growth and to back businesses which will support, not hinder their ability to grow the bottom line/margin contribution. With some exceptions, respondents are seeking bolt-on acquisitions as opposed to transformational (scale) deals.

Certain buyers plan to create value by transforming the target's business model post-acquisition, and therefore increasing their EBITDA multiple arbitrage.

- For example, acquiring a pure play conference business which has the potential to transform into a full marketing services model, serving audiences content, and clients lead and demand generation, year round. If acquiring a business on a 6x multiple, the platform may trade at 10x or more.

> *"We're focusing more toward the transformational business models within an existing sector. Like to think in terms of regenerating over time to move where the market does."*

> *"My advice to sellers would be invest the time to understand if your potential partners are the right fit - strategically, culturally, economic alignment, etc. I would also encourage sellers to prepare for a transaction months before you expect to do so with respect to hiring sound advisors and putting the infrastructure and systems in place in order to run a process while still being able to operate the business."*
> **Geordie Pierson, Partner, Falfurrias Capital Partners**

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Integration:
Buyer and Seller Perspectives

Maximising Value Creation

Integration as a value creation tool

- Individual buyers' approach to delivering value is very diverse, and always tailored to each specific deal
- Integration strategies vary from "hands off" to a 100 day plan, agreed pre-deal
- Integrating "hard synergies" such as cost and back office is one aspect with a more standardised approach and timeline
- For commercial synergies - such as product launches and cross-sell - the approach, timeline and success levels are much more varied

Measuring integration success

- The majority of businesses don't have a standardised way of measuring integration success
- A minority of respondents report against goals set in the acquisition plan
- For others, success factors include:
  - Hitting financial targets and delivery of commercial synergies
  - Retention of key employees
  - Acquisition of new skills/capability to enhance customer value (NPS/UX)
  - Cultural alignment
  - Brand identity

Who is responsible

- For 1/3 of respondents, the corporate development team are responsible for the delivery of the integration plan
- 1/4 of respondents split the integration responsibilities between multiple individuals, either at C-suite level or functional heads
- Often the individual responsible is one step removed from the business. This can create a disconnect between seller and buyer
- For large scale acquisitions, the approach differed, with respondents more likely to dedicate a separate resource, internal or external

"Cross promotion and cross pollination are key. To effectively maximise on new value creation, we have a hyper focus on core verticals. 1 + 1 = 3. "

Buy side respondent

Common Challenges

Culture

On the buy side, the majority of companies we spoke to (64%) cited culture as the most critical challenge. Sell side companies also talked of the importance of cultural challenges, but they were a major priority much earlier in the exit process, compared with the buy side. Cultural due diligence is key to uncovering core values, operating styles and establishes what is important to sellers, buyers and their teams. Trust and transparency between buyer and seller is essential to the success of a deal. Communication is key and needs to be consistent.

Data and technology

Data compliance and governance is increasingly seen as a challenge for both buyers and sellers. Navigating data regulation changes and understanding how data can be used, particularly in acquisitions that span different countries, or when synergies involve geo-clones or cross-selling globally, is a growing concern.

Buyers need to understand how compatible and scalable the technology is before the deal closes. When acquiring a new business model or digital capability, technology becomes an even greater consideration.

Commercial

Respondents stated that commercial synergies are a vital driver of value creation, but are harder to execute on than anticipated. Sellers cite differences in, or a lack of clarity on operating processes, particularly in sales, as barriers to successful integration. Greater focus on these aspects earlier in the relationship was a common learning.

"Synergies, particularly in relation to data issues, are a critical integration focus"
Buy side respondent

"Without understanding our operating processes, the business could not capitalise on the major commercial opportunities"
Sell side respondent

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Impact of Covid-19 and New Business Models

We spoke to buyers and sellers to understand critical challenges faced when integrating an acquired business.

The Impact of Covid-19

For many buyers, Covid-19 highlighted insufficient capability to fully integrate remotely. Culturally, some sellers still feel like a separate business. People issues such as retaining key talent, agility and digital capabilities have become more pressing.

The pandemic also caused larger technology problems for both buy and sell side businesses. Businesses see an increased need to be agile and invest in digital capabilities in order to move to meet changing consumer needs.

The need for a fully mapped out plan, agreed by both parties pre-close, is vital in an era where maintaining business as usual is more challenging.

Integrating New Business Models

Due to the pandemic, many businesses are integrating a different model and/or digital capabilities. Integration becomes more important, and earlier in the deal process, because it's not ‘plug and play’.

When integrating digital-first businesses, it is key to understand the new business model. A greater focus on technology, capabilities and risk is required for integration to be successful. To mitigate this, some buyers are drilling into the operations and workflows in detail, before a deal closes.

“50% of issues were technology related... integrating software was much harder than expected”

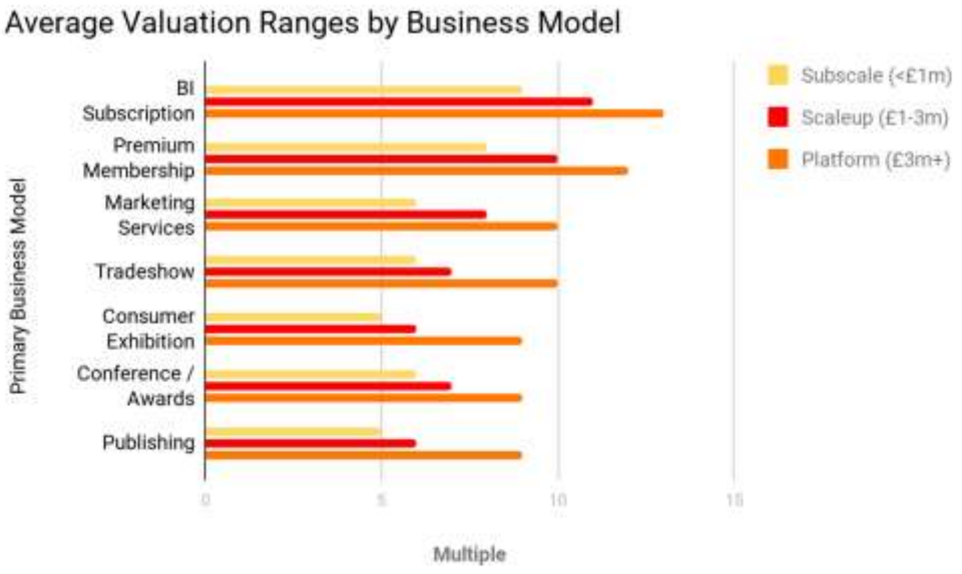
Sell side respondent

“Communication and collaboration are really important and are often lacking when things don't go to plan. The key is to mitigate any challenges on culture.”

Buy side respondent

Valuation Ranges and Scale

Valuation Ranges



Valuation ranges are an average across the respondents. There will be outliers where the multiples paid will be at a premium based on market, model, growth, and strategic value to the specific buyer in question.

Subscriptions = Premium Multiples

Business Intelligence Subscriptions and Premium Memberships were on top and relatively unchanged since 2020 - with expectations that for the right strategic target at platform scale, multiples could exceed 18x.

The Marketing Services Era Dawns

Valuations of Marketing Services are now third behind the user pays models of Subscriptions and Memberships, with the ability to achieve 10x for a platform business.

Exhibitions and Publishing Down

There has been a downward adjustment over the last 18 months is in the Tradeshow space, where multiples are averaging 5-7x for smaller assets. However businesses that are of platform scale can still achieve 10x or more.

Traditional publishing businesses are seen as less valuable than a year ago, now trading at an average of 5-6x compared to 6-7x in 2020, and now sit behind Conferences/Awards. Many buyers see conferences as a route to memberships, leveraging the content-first approach to build up a more engaged audience which can be developed into a year-round membership proposition.

Investment Criteria

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Investment Criteria

Investors' core criteria are unchanged: historic trading, a compelling growth narrative, high quality of earnings, strength and vision of management team. Higher scrutiny is now placed on how well the business traded over the Covid period: resilience and retention.

As well as revenue retention analysis, due diligence programmes now focus on how well a business managed its clients and customers.

Market headroom is as important as historic market growth: how can the business double or triple revenues in its current market, or will it need to diversify to maintain growth.

"It always begins with the same four questions:

1. *Are the fundamentals strong?*
2. *Is it a strategic fit?*
3. *Is there a clear and compelling plan?*
4. *Do the financials add up against our deployment plan?"*

"A question we always ask is, what is the sustainable competitive advantage - why are you better than competitors and why can't they copy you?"

Matthew Altham, Head of Corporate Development, Wilmington plc

Recommendations

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Recommendations

Maximise Market Share
Demonstrate market headroom and organic growth, 20%+ YOY

1. Map your market, and execute penetration plan to break through glass ceiling
2. Undertake in-depth audience and client research
3. Competitor SWOT and attack plan to grow market share

Build High Quality of Earnings
High visibility and predictability of revenues important to buyers

1. Develop a key account strategy to improve renewal rates, and increase AOV
2. Focus on customer engagement, and success
3. Volume Retention benchmark: 80%+ for M/S and events, and 90% for Subscriptions

Succession Planning and Governance
Reduce key person risk and build management capabilities

1. Take a process led approach to scaling your teams
2. Improve governance and decision making, adopting structured meeting rhythm
3. Align KPIs and culture to deliver maximum exit value

Develop Resilient Business Models
Diversify revenue mix whilst creating additional value

1. Focus on barriers to entry: thought leadership, market share, share of wallet
2. Develop content touch points to monetise customers year-round
3. Invest in digital first products which supplement the core

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About Collingwood Advisory

Sector specialists

We are dedicated to media, events and subscription businesses. The Collingwood Advisory approach is to deeply embed ourselves in the company’s strategy, culture, operating model and P&L, helping clients to achieve higher enterprise value. Our detailed understanding of the sector, buyers and your business makes Collingwood uniquely positioned to craft and deliver the sale narrative.

Trusted by buyers

Our team’s deep transaction experience - over 130 transactions in the advisory team - in both buyside and sellside M&A gives our sale processes additional credibility and traction. Buyers trust our knowledge of their needs and processes, reducing transaction risk.

Care, diligence and empathy

Our history as entrepreneurs means that we bring a unique level of care and diligence to your sale process. We know how important this process is to you personally, and how much you want to find the right home for your business. We don’t work for buyers or seek divestments, meaning that we can negotiate professionally but assertively for the best deal - and we care about the terms and conditions, not just the headline numbers.

Collingwood Advisory Corporate Finance Team

Piers Bearne

Founder & CEO

26 years in media including founding CEO of Clarion Conferences. As buyside M&A adviser worked with Clarion Events, Ascential plc and ITE Group plc on off-market deals. Led 16 transactions.

Daniel Pitchford

COO & MD of Corporate Finance

Built and sold Futurum Media. Venture Partner with SuperSeed, leading multiple investments. Works with Collingwood clients on sale preparation and exit and leads Collingwood's buyer engagement and research programmes.

Dominic Bolton
Senior Adviser
Former Partner and Head of Media Corporate Finance at Grant Thornton. Over 75 transactions with a focus on SMEs and the mid-market. History in subscriptions, events and publishing.

Richard Spilsbury
Senior Adviser
Former Corporate Development Director with Future plc, working on over 40 buy and sell side transactions. Chartered accountant.

Julia Borispolets
Senior Adviser
Former Strategy Director with GovNet, advised on 100+ transactions with Plural Strategy and AMR International. B2B media and events specialist, MSc Corporate Finance.

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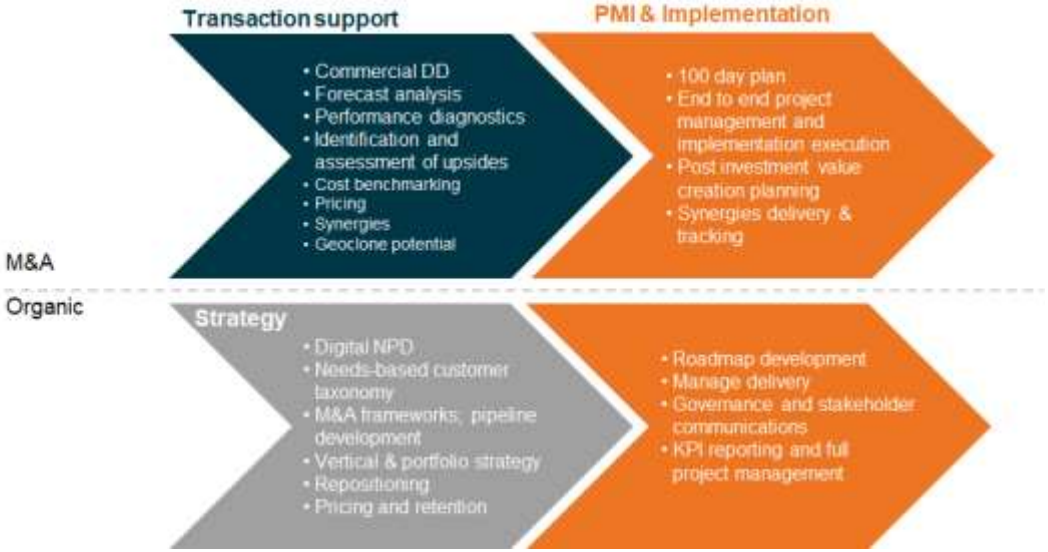
About Plural Strategy Group

A sector-focused strategy consultancy, delivering impact, underpinned by insight

Our approach is underpinned by deep sector expertise, customer-driven insight and an analytical approach. We deliver clarity, value and impact for our clients



Louise Obadia
Partner
Louise leads Plural's post-merger and acquisition integration practice. She delivers complete integration planning and delivery, building synergy strategies to ensure optimised growth. Louise has over 25 years of experience within the media and events sector.

Jim Easton
Chief Executive
Jim advises global players across media, events, information and marketing services. He helps clients with growth strategy, performance improvement, digital transformation and acquisition. Jim has supported private equity clients on some of the pre-eminent deals in the information industries.

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Value Creation Report

This Media Acquisition Report points to a number of areas that help to achieve a greater enterprise value:

- market leadership
- high quality of earnings
- scale and growth rates
- governance and reporting

To help business owners create and crystalise value, Collingwood Advisory has developed the Value Creation Report, a proprietary benchmarking tool. The VCR analyses over 20 predictors of value, generating a clear set of recommendations, and prioritised workstreams.

If you would be interested in speaking with Collingwood Advisory about providing a free Value Creation Report for your company, please contact:

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