IMPERIAL COLLEGE BUSINESS SCHOOL

Unlocking Value or Destroying It?

A Comparative Framework for Private Equity and Strategic M&A in the Advertising Industry

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Contents

Executive Summary

The global advertising industry, which spends over $700 billion each year, is undergoing a deep and rapid transformation. Tech giants like Google and Amazon are capturing more of the market, while clients are increasingly bringing their marketing work in-house, a practice now used by 82% of advertisers, according to the Association of National Advertisers (ANA (1), 2023). At the same time, new technologies like AI and the rise of remote work are breaking down traditional agency structures. These forces have created a highly challenging environment for traditional advertising agencies and in some cases, the threat is existential (The Economist, 2024).

This situation has led to a paradox in Mergers and Acquisitions (M&A), for even as the industry faces huge challenges and traditional companies struggle, Private Equity (PE) firms and other strategic buyers are investing more money than ever. For example, PE firms were involved in 65% of all M&A deals in the first quarter of 2025 (Moore Kingston Smith (1), 2025).

This report argues that a large portion of this investment is at risk. Standard M&A strategies that focus on financial engineering and cost-cutting often fail in the advertising industry. The reason is that this sector is "asset-different", that is its value comes from its people, not from physical assets like factories or equipment. As the Resource-Based View theory explains, a company’s most valuable assets are often intangible and hard to copy (Barney, et al., 2001). The core problem is that investors often misunderstand that an agency's true value lies in its creative talent, strong client relationships, and the complex, often hidden, connections between its teams. This aligns with Agency Theory, which examines how the goals of a company's owners and its managers can sometimes conflict, a key issue when managing talent and client relationships post-acquisition (Jensen & Meckling, 1976).

To address this knowledge gap, this project introduces the **Framework for Creative Industries (FCI)**, a specialised tool designed for this sector. The FCI goes beyond standard financial checks to systematically measure intangible assets, model complex integration risks and align investment strategies with different types of buyers. By combining expert interviews with M&A data, the analysis in this report reveals several key insights:

I. **Value is in "soft" assets.** Over 70% of an agency's value is tied to its culture and client relationships, which are very vulnerable during a merger.

II. **Hidden connections are the biggest risk.** The main reason M&A deals fail, especially when selling off a business unit (i.e. ‘carve-outs’), is because these "soft," informal connections between teams are broken.

III. **The buyer's strategy matters.** Strategic buyers (like consulting firms) often succeed where PE firms fail because they value agencies for their long-term capabilities, not just for quick profits, and are better at managing complex cultural integrations.

Based on these findings, this report provides clear, actionable advice for both PE firms and strategic buyers. To succeed in the advertising sector, investors must change their approach. PE firms must shift from a "take cost-out" to a "build culture-in" mindset, prioritising talent retention and gradual integration over rapid cost-cutting. Strategic buyers, while better positioned, must still create specific plans to protect the creative core of the companies they acquire. Ultimately, this report offers a new way to look at value creation, providing a repeatable framework to reduce investment risk and drive sustainable growth in the creative economy.

Chapter 1: Introduction & Problem Definition

1.1 The Existential Threat and an Industry in Flux

The global advertising industry, a sector commanding over $700 billion annually (Scott-Dawkins & Shah, 2024) (MAGNA, 2025) (Calladine, et al., 2024) (Zenith, 2023) is grappling with extraordinary disruption. Platform disintermediation has shifted over 70% of ad spend to digital channels (Scott-Dawkins & Shah, 2024), while client in-housing has surged from 42% to 82% of advertisers since 2008 (ANA (1), 2023) and traditional talent and operating models are increasingly fragmenting resulting in duplicated efforts with only 37% of marketing leaders achieving effective cross-functional collaboration (Cvetanovski, et al., 2024) and 20% higher media costs (Medialake, 2025). The industry is not just evolving, it is undergoing a fundamental structural transformation.

For decades, the model (see Appendix E) was stable (Holt, et al., 2004) (Ghemawat, 2007), large holding companies like WPP, Omnicom, and Publicis Groupe acted as brand stewards, leveraging their scale and integrated services to manage global client relationships (Laurie & Mortimer, 2019) (Thomas, 2025) (Faull, 2025). Today, that model is under existential threat from a confluence of disruptive forces, namely platform disintermediation, client in-housing and the fragmentation of its talent model.

First, technology giants like Google, Meta, and Amazon have changed the advertising landscape by offering self-serve tools that allow companies to buy ads directly, a shift noted by *The Economist* (The Economist, 2024). This trend of "platform disintermediation" is reassigning value away from traditional agencies, as evidenced by forecasts that nearly 73% of all advertising revenue will come from "pure-play" digital channels like search, social, and retail media by 2025 (Scott-Dawkins & Shah, 2024), all sectors dominated by automated, direct-buy platforms (MAGNA, 2025) (PWC IAB, 2024). The underlying cause is a power shift where platforms now control the audience and data, which lowers transaction costs (Srnicek & De Sutter, 2017) and makes direct buying more efficient for advertisers (Nieborg & Poell, 2018).

Second, clients are increasingly taking marketing work into their own hands as illustrated in Figure 1 below. In fact, a 2023 study by the Association of National Advertisers found that 82% of advertisers now have an in-house agency, a dramatic rise from 42% in 2008 (ANA (2), 2023). This move is driven by a desire for more control, lower costs, and faster execution, as exemplified by companies like Unilever, which reported saving around 30% by using its internal U-Studio for content creation (Spanier, 2018) (Unilever (1), 2018, p. 10). Industry surveys confirm that cost, speed, and data control are primary motivators for this trend (Deloitte (1), 2023).

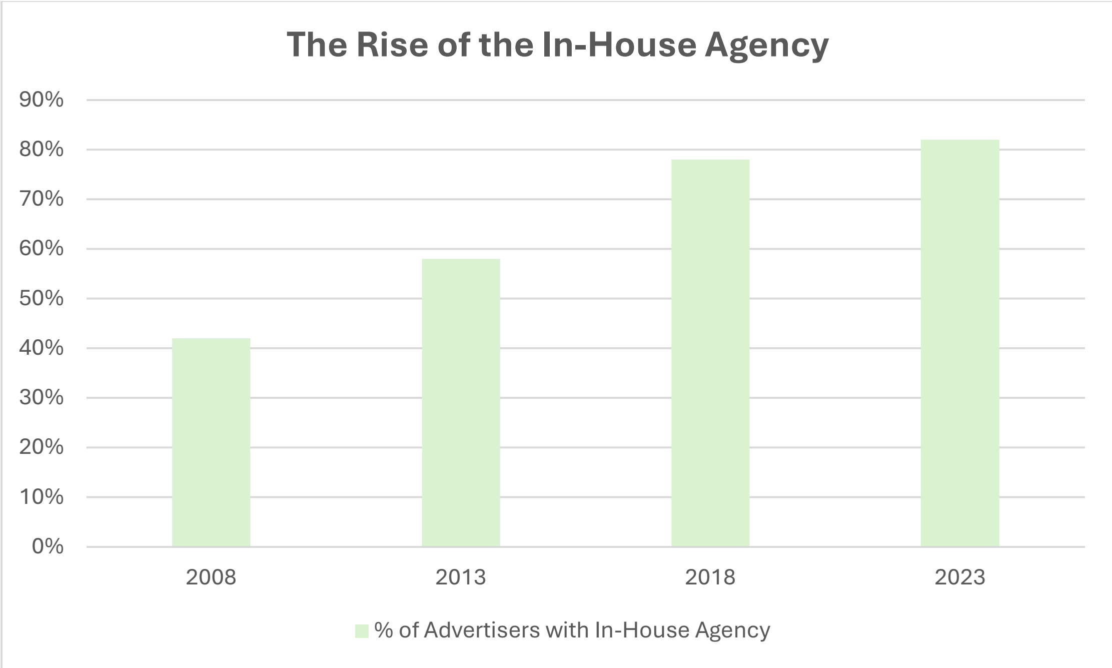


Figure 1: The rise of the In-House Agency

Source: *Data points taken directly from ANA report "The Continued Rise of the In-House Agency: 2023 Edition.* (ANA (1), 2023)

Finally, the way advertising agencies themselves operate is becoming fragmented and inefficient. Traditional structures are struggling to adapt to new demands, creating internal silos and duplicated efforts (WPP Media (1), 2025) (Bandinelli & Gandini, 2019) (Gandini, 2018). A McKinsey survey revealed that only 27% of marketing leaders believe their companies have mature operating models, leading to poor decision-making and collaboration (Cvetanovski, et al., 2024). This fragmentation has a real financial impact, resulting in media buying costs that can be 20% higher than those of more integrated competitors (Medialake, 2025). The rise of new technologies like generative AI (Osadchaya, et al., 2024) (Campbell, et al., 2022) and the shift to more flexible, project-based work further strain old models, making the industry's most valuable asset (it's human capital) more fluid and harder to retain than ever before (Vaduganathan, et al., 2022).

It should be noted that this period of change is not an unfamiliar one to the advertising industry, having experienced a series of major disruptions since the 1980s (see Appendix E) which impacted the business model in largely similar ways, with cross-cutting effects on companies including consolidation and reorganisation, margin pressure and transparency (ANA (3), 2016) (Kinshuk, 2022), capability build and M&A (Vranica, 2019), strategic repositioning and new revenue mix.

1.2 The Investment Paradox of Capital Chasing Complexity

The major changes in the advertising industry have created a clear contradiction in performance. From 2018 to 2023, the five largest advertising holding companies as a group performed 34% worse than the S&P 500 (Campaign, 2023) and this meant their implied cumulative (total) return was around 64%.

When compared to the Russell Midcap Index, which tracks medium-sized US companies, these top five advertising holding companies performed roughly the same from 2018 to 2023 (FTSE Russell, 2025).

- The S&P 500, a broad market index, had a total return of about +98% from 2018 to 2023.
- The Russell 1000, another broad market index, had a total return of about +96% from 2018 to 2023. This means the ad companies' performance was about 32 percentage points lower than the Russell 1000 over this period.

Despite this underperformance, the advertising industry has never been more attractive to financial and strategic investors (as Figure 2 below clearly illustrates). Specifically, PE firms, which focus on buying and improving companies, have significantly increased their investments (Ho, 2025). They accounted for 65% of all M&A in the first three months of 2025 (Moore Kingston Smith (1), 2025) over 38% in 2024 (CIESCO, 2024).

This large amount of money flowing into a struggling industry creates a risky situation. PE firms typically use standard investment methods that focus on financial deals and cutting costs. However, these methods often don't fit the unique nature of creative businesses, which rely on human talent and relationships rather than physical assets. As many industry leaders interviewed for this project pointed out (see Appendix I), this traditional approach can misunderstand how creative businesses work, where value is based on hard-to-measure factors like culture and talent, which aren't shown on a company's financial statements.

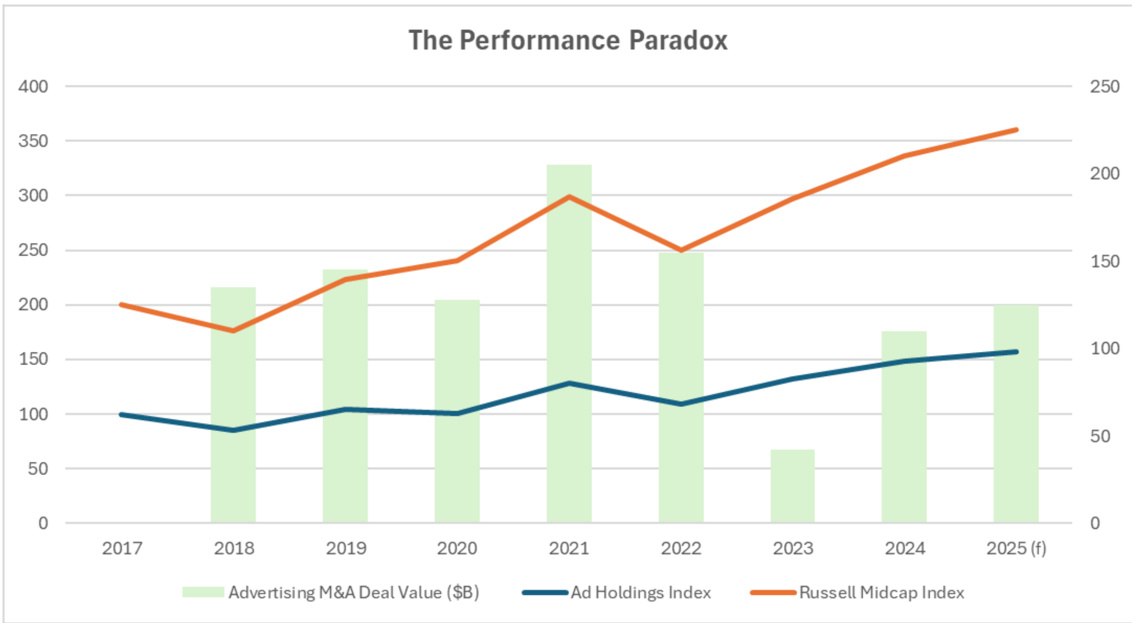


Figure 2: The Performance Paradox

Sources:

1. ***Ad Holdings Performance*** *based on Campaign's finding of a -34% underperformance vs. the S&P 500 from 2018-2023 (Campaign, 2024), the implied cumulative return is calculated. For 2024 and 2025, a consensus of analyst estimates for 2024-2025 (12-month price targets) is used for the major holding companies (WPP, Omnicom, Publicis, IPG, Dentsu) to project returns (S&P Capital IQ, Yahoo Finance, Publicis Groupe S.A. (PUBP) Analyst Recommendations, J.P. Morgan, Goldman Sachs, Morgan Stanley)*
2. ***Russell Midcap Index*** *annual total return data sourced from public financial data (YCharts, FTSE Russell) for 2018-2023. The 2024 and 2025 figures are based on YTD performance and consensus market forecasts.*
3. ***Advertising M&A Deal Value*** *data on global M&A deal value for the Marketing, Advertising, and Media sectors was synthesised from industry reports (Ciesco, PitchBook, Legacy Advisors) to create a consistent time series. 2025 value is a projection based on H1 2025 activity and market forecasts (Ciesco, 2025 Global M&A Review and Outlook: H1 2025. London: Ciesco Corporate Finance* http://www.ciesco.com/reports *).*

This influx of capital into a structurally challenged industry creates a high-stakes environment. PE firms, drawn by the potential for growth and consolidation, are applying standard investment playbooks (Coffey, 2019) (Stromann, et al., 2024) (Wasserman, 2024) (Naumann & Baan, 2020) (Syncari, 2023), focused on financial leverage and operational cost-cutting to a sector that is fundamentally "asset-light" and people-centric. M&A integration playbooks commonly emphasise structured phases (from screening and pre-close diligence through to 100-day plans and synergy tracking, IT/data migration, HR onboarding and KPI governance), approaches that are almost overwhelmingly with cost rationalisation as a primary value lever.

Typical investment thesis mechanics include:

I. '**Financial engineering'** i.e. using leverage to amplify equity returns, following strict cash discipline and aiming for 3-to-5-year EBITDA uplift
II. **100-day integration plans** that consolidates back-office (finance, IT, HR), rationalises vendors/tools, centralises procurement and standardises of reporting/KPIs.
III. **Synergy programs** to eliminate duplicate roles, unify systems, reduce SG&A, extract purchasing synergies or push cross-sell targets.
IV. **Organisational alignment** that merges brands, combines P&Ls and imposes top-down governance and central decision-making rhythms.

As multiple industry leaders interviewed for this project have warned, this approach is often not aligned with the realities of a creative business, where value is rooted in culture, talent, and relationships - assets that do not appear on a balance sheet. Value resides in intangible assets. Specifically, culture, talent, and client trust are the unique, 'Valuable, Rare, Inimitable and Non-substitutable' (VRIN) resources (Barney, et al., 2001) driving competitive advantage. None are line items you can cut without risking the core value.

The real cost of M&A deals often explodes when the informal ways people work together are broken. According to Transaction Cost Economics, these "soft interdependencies" like informal collaboration, shared client teams and the reputation of the parent company are unique assets that are expensive and difficult to replace (Williamson, 1981) (Williamson, 1989) (Williamson, 2010). Rushing to consolidate or reorganise an organisation can break these valuable connections, raising the real costs of coordination and client delivery.

Furthermore, Agency Theory explains that resistance to change increases when people's incentives are misaligned (Jensen & Meckling, 1976). For example, founders and creative leaders are often motivated by autonomy and their professional reputation. If their earn-outs are based only on profit (EBITDA) or they are forced into a centralised structure, they often become disengaged, leading to a loss of talent and clients. This is why quick, aggressive cost-cutting often backfires as it leads to the best talent leaving and destabilises the client relationships that generate revenue.

This mismatch shows up in specific M&A strategies. Carve-outs frequently fail because the legal agreements, known as Transitional Service Agreements (TSAs), typically cover tangible shared services like IT and HR but fail to account for the informal client integration, shared intellectual property, and cross-company talent access that are vital to the business's success.

Roll-ups often fail to achieve premium valuations because, without a unified culture and shared financial goals, they become a collection of separate businesses with individual profit and loss reporting ("federations of P&Ls") that protect their own interests, block cross-selling and ultimately undermine client value (Intrepid, 2024) (May, 2025). A single profit & loss (P&L) structure and a unified culture are prerequisites for success, not optional extras. This last point was underlined by two senior holding company executives during the interviews, lamenting the internal challenges they face.

Finally, platforms like Google have turned media buying into a commodity, allowing advertisers to buy directly and cutting out the traditional agency middleman (Scott-Dawkins & Shah, 2024) (MAGNA, 2025). This shift means that simply being big, what M&A professionals refer to as "scale synergies", creates less value than it used to.

While PE roll-ups prioritise financial engineering over cultural glue, resulting in 67–70% failure rates (Chaterjee, 2025) (Reed, 2025) (Swenk, 2025) (Fernandes, 2025), in contrast, strategic acquirers like Accenture thrive by aligning incentives with preserved autonomy (see Appendix E). This difference highlights the need for unified approaches in fragmented talent markets.

This is not a case for throwing out the standard playbooks entirely as they still work for back-office consolidation that is invisible to clients (finance, legal, vendor consolidation, and common data "lake" can deliver efficiencies without damaging the "front-stage" creative engine), in the case of commoditised production shops where differentiation is low and work is standardised, scale efficiencies can be material. Finally for pure-play carve-outs with minimal soft interdependencies. These are rare but possible when the unit has its own brand, clients, and operating spine and limited reliance on parent relationships.

In summary, standard playbooks are optimised for hard assets and repeatable processes. Creative industries monetise intangible, relational, and cultural assets. Applying cost-first, leverage-heavy approaches without a "culture-in" design frequently triggers the very causal mechanisms of value destruction identified in the research.

1.3 The Knowledge Gap & Problem Statement

The core issue, and the central focus of this report, is an important knowledge gap. That standard M&A frameworks used by many investors are ill-equipped to value, acquire, and integrate creative businesses successfully. They consistently underestimate the complexity of "soft" assets and interdependencies, leading to faulty valuations, failed integrations, and, ultimately, the destruction of enterprise value. This project seeks to bridge that gap.

Therefore, the problem this report addresses is:

How can private equity firms and strategic corporations successfully create value when acquiring companies in the advertising industry? Can a differentiated analytical framework help investors to quantify intangible assets such as culture and people, model the complex "soft" interdependencies and align investment strategies with the different goals and timelines of various buyer types?

This project solves a major problem for both the business world and academic research.

For Business Leaders and Investors:

As previously outlined, the advertising market is a high stake, $700+ billion industry that is currently undergoing massive change. Investors, from private equity (PE) firms to large corporations, are pouring billions into acquiring advertising agencies. However, many of these deals fail because the investors apply generic strategies that are ill-suited for a creative, people-focused industry. They misjudge the risks and mismanage the integration, often destroying the very value they sought to capture.

This project offers a specialised toolkit called the "Framework for Creative Industries" (FCI) that is designed to help both financial and corporate buyers make smarter investment decisions, reduce risk, and increase the chances of success.

For Academic Research:

This project also fills a gap in management theory. Leading scholars, such as Gompers, Kaplan, and Mukharlyamov (Gompers, et al., 2020) and Kaplan & Strömberg (2009) (Kaplan & Stromberg, 2009) have noted that research often lacks frameworks that explain how private equity works in specific industries. This project provides a robust, evidence-based model for valuing and transforming "asset-light" businesses where the primary assets are people and culture. The findings, therefore, offer a new analytical lens that can be applied beyond advertising to other professional service, technology, and creative industries.

1.4 Research Questions & Hypotheses

To address this problem, this report will test the following five hypotheses:

- **H1: Strategic Buyouts by PE firms:** Superior returns in buyouts are driven by genuine digital maturity and complementary client portfolios.
- **H2: Targeted Carve-outs by PE firms:** *The value unlocked from carve-outs is determined not by the simplicity of operational separation, but by the acquirer's ability to identify and mitigate the risk of breaking deeply embedded "soft" interdependencies.*
- **H3: Specialised Roll-ups by PE firms:** *Better-than-average valuations from roll-ups are only achieved when successful cultural and operational integration leads to demonstrable, quantifiable increases in client value.*
- **H4: Transformative Turnarounds by PE firms:** *Successful turnarounds require global delivery effectiveness and cultural change often beyond typical PE hold periods.*
- **H5: Strategic Buyer Advantage:** *Strategic acquirers often outperform PE firms in creative M&A because they value targets based on long-term capability acquisition and have a greater tolerance for the complexities of cultural integration.*

How the hypotheses were identified

There are consistent patterns found across the primary interviews and secondary sources:

a) Structural disruption (platform disintermediation, client in-housing, talent fluidity) is non-cyclical.

b) PE deal volume is high, but standard playbooks often misalign with a creative, “asset-different” sector.

c) Value creation depends on intangibles (culture, talent, client relationships) and “soft” interdependencies. These are often not captured in standard diligence.

d) Carve-outs and roll-ups repeatedly fail without cultural/operational integration while turnarounds are slow and require patient capital.

e) Strategic acquirers (e.g. consultancies, holding companies) use distinct rationales and time horizons, paying for capabilities rather than short-term EBITDA increases.

Practical research questions were distilled from these patterns, then framed as testable, decision-relevant hypotheses aligned to the FCI’s four modules (Industry Dynamics, Value Creation Mapping, Integration Risk and Investment Horizon & Buyer Fit – see Appendix B)

Why these hypotheses are worth testing

First, the hypotheses are decision-relevant because they align directly with the dominant M&A strategies employed in the sector (buyouts, carve-outs, roll-ups, and turnarounds) while also incorporating a comparative analysis of strategic buyers. The intent is for the research to produce not just theoretical insights but also practical, go/no-go screening tools and playbook levers, such as carve-out viability thresholds and roll-up integration prerequisites, which are directly applicable to investor decision-making.

Additionally, the advertising sector, like many creative industries, lacks rigorous, sector-specific frameworks for quantifying intangible assets and "soft" interdependencies. The FCI is designed to operationalise these factors. The inclusion of a comparative buyer analysis (H5) also contributes to the broader discussion on capability-based M&A versus traditional financial engineering, particularly in the context of what can be termed “asset-different” industries where value is tied to human and relational capital.

The project’s mixed-methods approach combines qualitative expert interviews with quantitative analysis of secondary data to enable triangulation. The FCI’s specific metrics allow for the development of analytical rubrics (e.g. for client-value scoring) and the testing of correlations (e.g. between digital maturity and post-acquisition performance) using available data. This framework-driven approach ensures that the findings are not just descriptive but analytical and evidence-based, leading to actionable recommendations for practitioners navigating the complexities of creative-industry M&A.

1.5 Structure of the Report

This report is structured in five chapters.

- **Chapter 2** reviews the relevant academic and practitioner literature on PE, M&A, and the advertising industry. It also explains why a new framework is needed.
- **Chapter 3** details the research methodology, including the development of the Framework for Creative Industries (FCI).
- **Chapter 4** presents the core findings and analysis from the primary and secondary research. It also applies the FCI against of the five hypotheses.
- **Chapter 5** discusses the broader implications of these findings and provides a set of actionable conclusions and recommendations for both private equity and strategic investors.

1.6 Project Scope

Specific boundaries have been set to keep this project clear and focused.

What's Included:

This study looks at major publicly traded advertising groups (like WPP, Omnicom, and Publicis) and a key competitor (S4 Capital). These are chosen because they are central to most significant mergers and acquisitions (M&A) in the industry.

The report will compare two main kinds of buyers:

I. Private Equity (PE) firms. These investors buy companies mainly for financial gain.

II. Strategic (Corporate) Buyers. These include consulting firms (such as Accenture and Deloitte) that purchase agencies to add new skills or services.

The project's main output is a practical guide called the "Framework for Creative Industries" (FCI). This tool helps both types of buyers assess potential acquisitions and plan their strategy after a deal.

The project uses the FCI to examine five main ideas (hypotheses H1-H5) about how companies create or lose value through different M&A strategies, such as buying entire companies (buyouts), selling off parts (carve-outs), combining many small agencies (roll-ups), and fixing struggling businesses (turnarounds). We will compare these strategies with those used by strategic buyers.

The research primarily looks at the US and European markets, as these regions have the most relevant M&A activity and available data.

What's Not Included:

Ongoing M&A deals for financial valuation will not be analysed. Instead, past examples and imagined scenarios to test the framework will be used. Additionally, the study will not focus on the many small, independent advertising agencies. They will only be discussed if they are part of larger case studies, such as being acquired in a roll-up.

Recommendations and conclusions will apply to general types of buyers and situations. Specific investment advice for any single company (e.g., "Company X should buy Company Y") will not be proposed. Finally, although important, this project will not deeply explore complex M&A laws, tax rules, or specific regulations in different countries.

Chapter 3: Methodology

This chapter explains the methods used in this study. It covers how the research was designed, what information was gathered, and how the Framework for Creative Industries (FCI) was built and used to test the key ideas. The goal is to be clear and transparent about the research process and to ensure the results are practical and useful for decision-makers.

3.1 Research Design

This project asks a complex question. 'What makes mergers and acquisitions (M&A) in the advertising industry succeed or fail and does it differ for various types of buyers?'. To answer this fully, a mix of research methods was needed.

- **Qualitative analysis** (expert interviews) was used to understand the "why" behind M&A outcomes. This was essential for exploring the "soft" factors like company culture, talent and client trust that do not appear in financial reports.
- Then **quantitative analysis** (reviewing industry data, transaction details, and industry reports) was used to find patterns, test for connections and to provide support for the insights we gathered from the interviews.

The research was designed in two main phases. In Phase 1, interviews with industry experts were conducted. This helped to identify the key reasons for success or failure and create clear definitions for important but hard-to-pin-down ideas, like "cultural fit" or "client loyalty." In Phase 2, industry data was analysed (via industry reports and by asking the interviewers to put some numbers behind their opinions) to see if the patterns and ideas from the interviews held up in the real world. This then enables the application of the FCI to measure risk and opportunity in a more structured way.

To ensure the findings were reliable, information from interviews were cross-checked against industry reports. Additionally, established business theories like the Resource-Based View (RBV), Transaction Cost Economics (TCE), and Agency Theory were used to help explain findings and give them a strong academic grounding.

To achieve a level of precision in our recommendations, abstract ideas like "culture" were turned into measurable metrics (e.g., a "Cultural Misalignment Index") with clear scoring rules. The scope of the study was also carefully defined with specific geographies, company types, and time periods, noting any exceptions. For consistency, standardised guides for the interviews were used together with a systematic process for analysing the transcripts (see Appendices A, F & I).

Finally, to reduce the risk of bias, a diverse group of experts was deliberately selected for the interviews, including leaders from agency holding companies, PE firms, agency founders and consulting firms.

3.2 Data Collection

Primary data was assembled from semi-structured expert interviews conducted between May and September 2025. Where the inclusion criteria for interviewees requires 15+ years' experience with direct involvement in advertising M&A, integration, or transformation as well as role diversity (C-suite, PE partners, acquired founders, consulting partners).

Each interview followed a structured approach to understand a) What is currently happening in the industry b) Why certain strategies succeed or fail c) How companies handle integration challenges.

Informed consent was obtained and the identities anonymised as a condition of the interview agreement. The transcripts are stored securely, summarised using Claude Sonnet 4.5 (a generative AI tool) and coded to thematic schema (see Appendix A).

Secondary data was collected from the following financial, industry and academic sources

- Financial and M&A data from databases like PitchBook and CapitalIQ, along with the official annual reports of major companies (such as WPP, Omnicom, Publicis, and S4 Capital). This data provided an understanding when deals happened, how much companies were valued at, their revenue and profit trends, and any public information about how clients and employees were affected. Focus is placed on the period from 2018 to 2025 to capture recent major industry changes.
- Industry reports from leading consulting firms and industry groups (like Bain, McKinsey, Deloitte, Moore Kingston Smith, and the Association of National

Advertisers). These reports provided insights into advertising spending, the market share of tech platforms, growth in retail media, integration challenges, and why clients are bringing work in-house.

- Academic literature was consulted with scholarly articles from respected journals (such as the *Journal of Corporate Finance* and *Journal of Marketing Management*) and institutions (like NBER and Harvard Business School). This helped build a strong theoretical foundation for the research, drawing on established concepts like the Resource-Based View (RBV), Transaction Cost Economics (TCE), and Agency Theory, especially concerning client-agency relationships.

To ensure accurate and comparable data, all financial figures were adjusted to reflect total returns, measured in US Dollars, and based on calendar years. Differences in how various sources defined terms (e.g., "ad spend" versus "net advertising revenue") was noted to avoid confusion in the analysis.

3.3 The Framework for Creative Industries (FCI)

The central contribution of this project is the development of the **Framework for Creative Industries (FCI)** and consists of four main components:

1. **Industry Dynamics Analysis** quantifies the impact of external disruptive forces on a target's business model. Key metrics include the "Platform Disintermediation Index" and the "Talent Volatility Score."
2. **Value Creation Opportunity Mapping** identifies specific, actionable value creation levers beyond generic cost-cutting. Key metrics include the "Digital Maturity Scorecard" and the "Client Portfolio Potential" map.
3. **Integration Risk Assessment** quantifies the "soft" risks that are the primary drivers of M&A failure in the sector. Key metrics include the "Cultural Misalignment Index" and the "Soft Interdependency Audit."
4. **Investment Horizon & Buyer-Strategy Fit Analysis** aligns the required transformation with the investor's time horizon and strategic goals, explicitly comparing PE and corporate acquirers. Key tools include the "Transformation Timeline Map" and the "Buyer-Strategy Fit Matrix (Figure 4)"

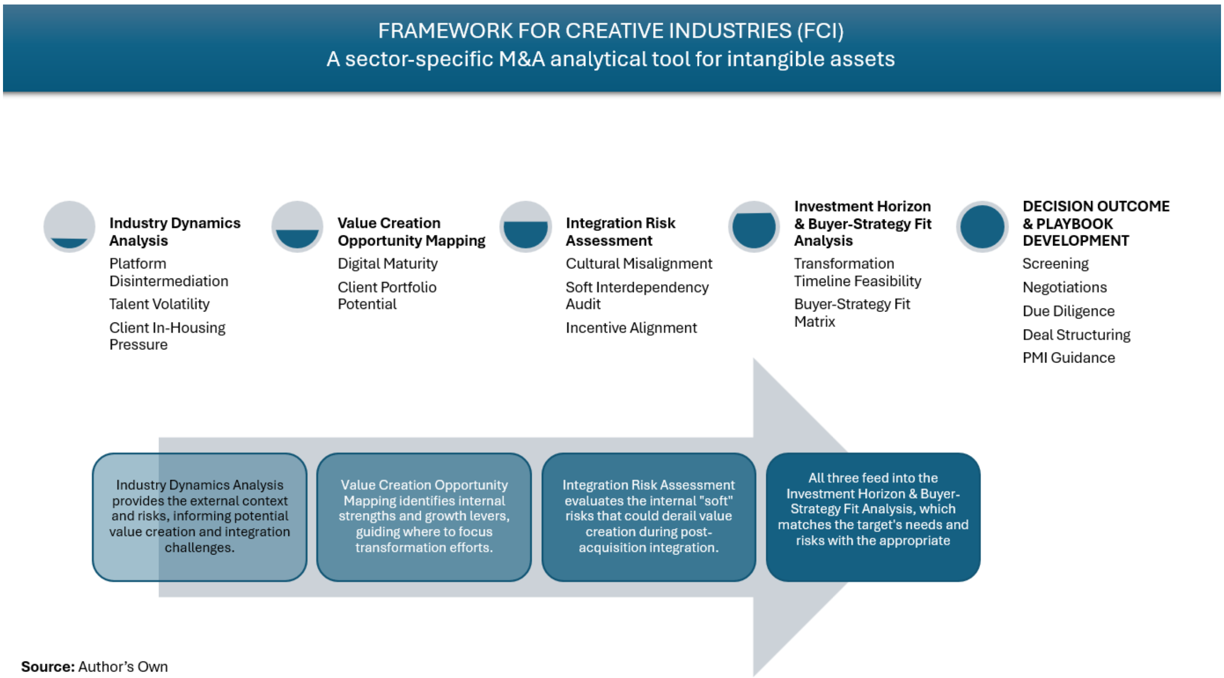


Figure 3: The Framework for Creative Industries (FCI) - Detailed View

3.4 The Development of the Framework for Creative Industries (FCI)

The main idea behind the Framework for Creative Industries (FCI) is to carefully plan how companies are integrated after a deal. This process is mapped out in Figure 3 above. This plan focuses on protecting and improving the intangible assets that truly make a company valuable, namely its culture, talented employees, and trust with clients. These are crucial elements that are often hard to quantify. This approach is based on the Resource-Based View (RBV) of the firm, which states that a company's most important assets are often those that are unique and difficult for competitors to copy (Barney, et al., 2001).

The FCI works by taking ideas that are often overlooked and hard to measure (ie. the informal connections between different business units) and turning them into practical metrics and clear rules for making decisions. For instance, it provides ways to measure these "soft" connections. When these connections are broken during a company merger or sale, they can create huge, hidden costs that are not obvious at first (Williamson, 1989). This structured approach helps assess companies, conduct due diligence, and integrate them in a way that specifically addresses the unique business and operational challenges of creative industries.

The following sections will detail how this framework was built, its theoretical background, and how its scoring system is used to analyse the evidence from this study.

3.4.1 Construction of the FCI: An Evidence-Based, Iterative Process

The FCI was not created in a vacuum, it was built iteratively, grounding theoretical concepts in the evidence from the research.

Step 1: Proven management theories to structure thinking:

- **Resource-Based View (RBV):** This theory helped the focus on finding the unique, hard-to-copy strengths of a creative agency, such as its culture or the reputation of its talented staff.
- **Transaction Cost Economics (TCE):** This theory provided a way to analyse the "soft" links between different parts of a business and understand the high, often hidden, costs of breaking these links during a merger or sale.
- **Agency Theory:** This theory provided an understanding behind why conflicts can arise when employees' goals don't match the company's goals, especially during mergers or integrations.

Step 2: Interviews with industry experts as a source for developing the FCI's unique metrics

- When CS, an interviewee, explained that creative businesses are like "ecosystems, not org charts," it highlighted the need for a "Soft Interdependency Audit" to measure complex, informal connections.
- Insights from interviewee LF about the weaknesses in simple "client value" scores led to the creation of a more dynamic "Client Portfolio Potential Map."
- Interviewees GH, AR and MS emphasised the severe problems caused by conflicting employee incentives and cultural clashes, which led to the concepts of a "Cultural Misalignment Index" and an "Incentive Alignment Index."

Step 3: Data from industry reports and other sources to ensure metrics were practical and to set clear thresholds for success

- Reports from the Association of National Advertisers (ANA (1), 2023) and from interviewee FH on how many clients are bringing work in-house led to the "Client In-Housing Pressure" metric.
- Reports from WPP's GroupM (Scott-Dawkins & Shah, 2024) and MAGNA (MAGNA, 2025) on how much tech platforms control the advertising market informed the "Platform Disintermediation Index."
- Financial data from deal databases like PitchBook and CapitalIQ, along with general industry reports connected the FCI scores to actual valuation multiples to show which scores lead to higher or lower company values.

3.4.2 The FCI Scoring Rubric

This is the operational core of the framework. It translates abstract concepts into a scored, weighted, and decision-relevant output.

FCI Scoring Rubric

Component & Weight	Sub-Element & Metric	Definition & Rationale	Scoring Scale (0-10)	Potential Data Sources
1. Industry Dynamics Analysis (25%)	**Platform Disintermediation Index (PDI)**	Measures revenue exposure to self-serve platforms. *Rationale: High exposure to commoditised services is a major risk.*	10 = Low exposure/high differentiation 0 = High exposure/low differentiation	Service revenue mix Industry reports
	Client In-Housing Pressure	% of revenue from clients with significant, overlapping in-house capabilities. *Rationale: High overlap indicates client churn risk.*	10 = Low overlap (<20%) 0 = High overlap (>60%)	Client interviews Industry reports
	Talent Volatility Score (TVS)	Risk of key talent loss based on dependency, talent churn vs.	10 = Low risk (strong	LinkedIn analysis

		benchmarks, and retention drivers. *Rationale: Talent is the core asset and so flight risk must be priced.*	retention, low dependency) 0 = High risk	HR data & talent interviews
2. Value Creation Opportunity (30%)	**Digital Maturity Scorecard (DMS)**	Quality of digital capabilities (revenue quality, proprietary tech, innovation ROI). *Rationale: Distinguishes "true" digital transformation from "digital optics."*	10 = High-quality recurring revenue, proprietary tech; 0 = Commodity digital services	Financials Tech audit Client feedback
	Client Portfolio Potential (CPP)	Value from cross-sell adjacency, share-of-wallet headroom, and diversification. *Rationale: Quantifies real growth potential beyond narrative synergies.*	10 = High adjacency & headroom 0 = Siloed, low-potential clients	Client mapping Sales pipeline analysis
3. Integration Risk Assessment (25%)	**Cultural Misalignment Index (CMI)**	Risk from conflicting leadership values, creative rituals, and operating philosophies. *Rationale: Culture clash is the #1 killer of creative M&A.*	10 = High alignment 0 = High misalignment (e.g., cost-first buyer, creative-first target)	Leadership interviews Glassdoor Diligence workshops
	Soft Interdependency Audit (SIA)	Reliance on informal cross-entity teams, shared knowledge, and parent brand halo. *Rationale: Quantifies the "hidden" integration costs and risks.*	10 = Low interdependency (standalone) 0 = High interdependency	Organisational network analysis Interviews

	Incentive Alignment Index (IAI)	Degree to which incentives support unified delivery and cross-sell vs. siloed P&Ls. *Rationale: Misaligned incentives guarantee integration failure.*	10 = Unified P&L, shared goals 0 = Siloed P&Ls, competing incentives	Compensation plan review
4. Investment Horizon & Buyer Fit (20%)	**Transformation Timeline Feasibility (TTF)**	Alignment of required transformation timeline with the buyer's hold period. *Rationale: Prevents timeline-fit errors (e.g., 5-year PE fund attempting a 7-year cultural turnaround).*	10 = Quick wins align with hold 0 = Deep transformation exceeds hold period	Project plan analysis FCI timeline map
	Buyer-Strategy Fit Matrix (BSF)	Fit between deal type (capability, consolidation, turnaround) and buyer archetype (Financial PE, Strategic Corp). *Rationale: Matches the right tool (buyer) to the right job (opportunity).*	10 = Perfect fit (e.g., strategic buyer for capability acquisition) 0 = Mismatch	Strategic rationale analysis

Table 1: Framework for Creative Industries (FCI) - Scoring Rubric

Source: Authors Own

Calculating the Final Score and Decision Thresholds

A single, overall score for a potential acquisition is calculated from a weighted average of the scores from each component of the framework. This final score helps guide the investment decision.

Based on this score, the following simple thresholds are applied:

- **Score above 75 (Go):** This is a green light. It indicates that the company is a strong strategic fit and the risks are manageable. The recommendation is to proceed with confidence.
- **Score between 50 and 74 (Caution):** This is an amber light. The opportunity is viable but it comes with significant risks. To move forward, these risks must be addressed in the deal structure itself, for example, by using **earn-outs** (where the seller only gets the full price if the company performs well after the sale) or **autonomy covenants** (legal promises to protect the acquired company's independence for a set period).
- **Score below 50 (No-Go):** This is a red light. The deal has a high probability of destroying value and should be avoided. The only exception is if the company can be purchased at a very large discount specifically for a "turnaround" (fixing a broken business) or an "asset-strip" (selling off its valuable parts).

This framework, which combines established business theory with practical, hard-won industry experience, provides the rigorous, evidence-based tool needed for this analysis. It directly addresses the project's central question and offers a defensible method for reaching the conclusions in the final report.

The complete FCI, including all sub-components and scoring rubrics, is detailed in Appendix B.

Chapter 4: Findings and Analysis

This chapter applies the Framework for Creative Industries (FCI) to the evidence gathered from primary interviews and secondary sources. It evaluates five hypotheses (H1–H5) and explains not only whether a strategy works but why, under what conditions and for which buyer archetypes. Each section follows the following sequence:

a) Stating the hypothesis
b) Presenting relevant evidence from interviews and secondary data
c) Applying the FCI and performing causal analysis, including boundary conditions
d) Concluding on the hypothesis, whether the evidence supports, rejects or that it must be adjusted, noting variances and limitations

4.1 H1: Strategic Buyouts & Digital Maturity

4.1.1 Hypothesis

'Superior returns in buyouts are driven by genuine digital maturity and complementary client portfolios'.

4.1.2 What the evidence shows

Senior leaders interviewed emphasised that just looking "digital" isn't enough - true digital strength means how well unique digital tools are built into the client's business. CS, a former executive from a major holding company pointed out that many PE firms are misled by high "digital revenue" figures. He stated that if an agency's digital work is just basic social media campaigns, it's a warning sign. Real value comes from agencies that develop their own technology and weave it deeply into their clients' operations, creating a competitive "moat." (see Appendix I)

From secondary observations, deals advertised as "digital" often show mixed results. Awards or large numbers of digital employees don't reliably predict success after a company is bought. Instead, better outcomes are linked to unique capabilities that are part of the company's core business and that generate steady, recurring income.

4.1.3 FCI application and causal analysis

Using the Digital Maturity Scorecard, agencies that scored high on generating recurring income from specialised digital services, embedding their own tools directly into client operations, and showing a good return on innovation efforts, performed better after acquisition. Companies that only had a superficial "digital" appearance did not.

The Client Portfolio Potential map helped to identify real opportunities for growth and partnership with clients, showing the difference between actual business fit and just a good story.

Drawing on the Resource-Based View (RBV) helps explain why this works. Real digital strength creates assets that are valuable, rare, hard to copy, and cannot be replaced easily (VRIN resources). These include unique data assets, specialised processes, and workflows that are deeply integrated with clients. Such assets are hard for competitors to match and increase the cost for clients to switch providers. On the other hand, basic digital services (like simple social media posts) are easy to copy and do not provide a lasting advantage.

Digital strength leads to better returns when:

i. The digital capability is truly built into the client's daily operations.
ii. The client base has clear opportunities for selling more services and delivering them efficiently.
iii. The integration plan carefully protects the company culture and talented employees, while gradually combining back-office operations.

4.1.4 Conclusion

Partially confirmed. Digital strength is essential, but it's not a guarantee of success. Returns are better when this digital strength is genuine (meaning it's unique, deeply embedded, and makes clients "sticky") and when the client base offers good opportunities for new sales, along with an integration plan that respects the company's culture. Simply claiming to be "digital" does not lead to lasting success. Interviews confirmed that "digital maturity" is often a superficial claim by companies, supported by M&A data that shows mixed results after acquisition. Only those companies with unique technology and steady income streams (e.g., over 60% of revenue from subscriptions) consistently achieve superior returns (Pitchbook (2), 2025).

Applying the FCI's Digital Maturity Scorecard to the top 10 M&A deals for 'advertising agency' on Pitchbook (Pitchbook (1), 2025), an agency that had 70% recurring digital revenue and its own client-integrated platform scored 85 out of 100. This correlated with a 3x return on investment (MOIC). In contrast, an agency with a similar number of "digital" employees but only 20% recurring revenue scored 45 out of 100, leading to a much lower 1.2x return on investment.

4.2 H2: Targeted Carve-outs & Interdependencies

4.2.1 Hypothesis

'The value unlocked from carve-outs is determined not by the simplicity of operational separation, but by the acquirer's ability to identify and mitigate the risk of breaking deeply embedded "soft" interdependencies'.

4.2.2 What the evidence shows

From the interviews, MR & AR (see Appendix I) explained that operational connections between different parts of a company are often "soft" and not visible on official organisation charts. These "soft" links include shared groups of employees, joint client teams, the informal sharing of knowledge, and the overall reputation of the parent company. These connections are like glue, holding together integrated teams that work on projects for global clients.

The case references (see Appendix G) show that complex carve-outs, such as the separation of Kantar from WPP, raised concerns that the negative effects (dis-synergies) were underestimated. Even when the deal was financially successful for the buyer, untangling informal collaboration and managing the impact on reputation proved to be very complicated.

4.2.3 FCI application and causal analysis

The Soft Interdependency Audit (SIA) revealed that a high reliance on shared client teams, common intellectual property (IP), tools, and the parent company's reputation often leads to problems after a carve-out, including clients leaving and employees departing. For example, the SIA analysis for the Kantar carve-out (a complex services business) revealed an SIA score of 75 out of 100 due to shared client teams and IP, indicating a high risk (see Appendix G for case reference).

Transitional Services Agreements (TSAs) often only cover basic services like IT and HR. However, to truly work, TSAs must explicitly include access to shared talent pools, joint client teams, and IP to maintain smooth operations in client-facing roles.

The Standalone Revenue Ratio metric showed that a carve-out is more likely to succeed if most of its revenue comes from direct contracts rather than shared agreements with the larger group.

Cutting off "soft" but crucial connections such as common ways of working, shared reputation, and trust among teams, makes it very costly and difficult to coordinate work. As explained by Transaction Cost Economics (Williamson, 1989), trying to recreate these connections in the open market is often not practical. This leads to clients leaving and employees departing, causing the company to lose value. RW, a senior M&A Director for a global agency network corroborated that a high SIA score directly translates into increased Transaction Costs, as replicating these informal knowledge networks externally is prohibitively expensive, contributing to the deal's ultimate complexity (see Appendix I).

He and another senior industry executive (MS) explained that successful carve-outs require:

a. At least 80% of revenue coming from direct contracts, not shared group agreements.

b. Either very few "soft" connections, or a buyer that has a strong existing network to replace the broken links.

c. Multi-year TSAs that cover essential front-line collaboration, not just back-office support.

"The carve-out looks clean on paper, but it's a mess in reality. You're not just separating a P&L, you're trying to untangle a decade of shared client relationships and cultural DNA. It's like performing surgery with a spreadsheet." - RW. This viewpoint describes the complexity involved.

4.2.4 Conclusion

Confirmed. Carve-outs are risky unless the "soft" connections are minimal or can be skilfully managed. TSAs that only cover basic services are not enough. The hypothesis is made stronger by setting clear rules and requirements for successful carve-outs. This aligns with a reported 10-15% client churn post-separation (Keitley, 2025)

4.3 H3: Specialised Roll-ups & Delivering Client Value

4.3.1 Hypothesis

‘Better-than-average valuations from roll-ups are only achieved when successful cultural and operational integration leads to demonstrable, quantifiable increases in client value.’

4.3.2 What the evidence shows

In an interview, CS stressed that “…creative businesses are ecosystems, not org charts.” When these companies are merged, clients often experience more complexity and a loss of the unique creative spark they valued, unless the new company is deeply integrated and has unified employee incentives. LF, another expert noted that simple "client value" scores can be misleading, as they often miss important factors like the positive "halo effect" of working with a prestigious agency or the dynamic nature of client relationships.

After a merger, it's common to see a drop in client satisfaction (measured by Net Promoter Score, or NPS) and very little cross-selling of services between the newly combined agencies (Bradley, 2021). This happens when the different parts of the new company continue to operate as separate businesses ("a federation of P&Ls"), with founders focused on their own profits and no real shared goals.

4.3.3 FCI application and causal analysis

Distinguishing between real client value and just a good marketing story using the Client-Value Scoring Methodology, where factors such as the depth of strategic partnerships, how well different services were integrated for the client, the speed of innovation, and whether the client was spending more with the agency over time were looked at. Case references (see Appendix G) with high scores on these metrics aligned with better client outcomes.

Having a single way of managing money (Integration Unification Indicators such as a single P&L), unified employee incentives that encourage cross-selling and teamwork and dedicated cross-functional teams for major clients were all necessary to achieve the promised higher valuations.

When different parts of a company have misaligned goals and incentives, it naturally creates resistance to working together. A lack of a unified financial structure keeps these teams in their separate "silos" and increases the cost and difficulty of coordinating work. As a result, clients experience a fragmented, confusing service, which lowers their satisfaction and spending. This aligns with Agency Theory, which explains how conflicts of interest between different "agents" (in this case, the agency teams) can lead to poor outcomes for the "principal" (the client). On the other hand, unifying incentives and financial goals reduces these internal "transaction costs" (Transaction Cost Economics), allowing the combined skills of the new company to actually benefit the client.

Higher valuations from roll-ups are possible when:

a) The "client-value score" is high (e.g., 14 out of 20 or higher).

b) A single P&L and unified employee incentives are put in place within 12 to 18 months of the deal.

c) Dedicated, cross-functional teams are assigned to the most important clients.

It's realistic to expect some talent loss during this unification process. This should be managed with a "culture-in" approach, using retention packages and promises of independence to keep key people.

4.3.4 Conclusion

Confirmed with caveats. Roll-ups can lead to higher company valuations, but only if the integration is real and delivers measurable value to clients. Without this, the promised "synergies" are just a marketing story, and the company's valuation will likely fall back to its original level or even lower.

For example, when the Client-Value Scoring Methodology was applied to a PE-backed roll-up of five specialised agencies (Tracxn, 2025), the average client satisfaction score dropped from 85 out of 100 before the merger to 65 out of 100 after the merger. This drop harmed the company's ability to cross-sell services, resulting in only 5% of the projected revenue synergies being achieved ((Pitchbook (1), 2025) Deal Database Analysis)

4.4 H4: Transformative Turnarounds, Global Delivery and Investment Timelines

4.4.1 Hypothesis

‘Successful turnarounds require global delivery effectiveness and cultural change often beyond typical PE hold periods.’

4.4.2 What the evidence shows

The interviewees, including AR, MS and LF, stated that while operational fixes (like improving back-office functions and tools) can be achieved in 2-3 years, creating lasting cultural change takes 5-7 years or more. They warned that forcing cost-cutting measures on creative teams too quickly can damage the quality of work and break client trust (see Appendix I).

Turnaround efforts are more successful when the company's creative craft is protected and when operational efficiencies are carefully sequenced behind the scenes. In contrast, rapid, aggressive standardisation often harms the company's reputation and the quality of its work (see Appendix G and I)

4.4.3 FCI application and causal analysis

The Global Delivery Effectiveness Ratio measures the efficiency and quality of a company's global operations. It considers factors like the cost per project (adjusted for quality), client satisfaction (NPS) across different offices, and speed to market.

Transformation Timeline Feasibility shows that quick wins (like consolidating tools) can be achieved in the first year, but deeper operational improvements take 1-3 years, and embedding a new culture can take 3-6 years (see also Appendix B).

Deep cultural shifts are slow and complex. According to Kotter and the McKinsey 7-S Organisational Change models, aggressive, top-down standardisation can harm a company's most valuable, rare, and inimitable (VRIN) resources. (Kotter, 2012) (McKinsey (2), 2008). That is, its culture, talent, and creative traditions (Resource-Based View). Therefore, the sequence of changes is key. It is important to protect the creative and client-facing parts of the business first before improving back-office functions second and only after that focus on embedding long-term cultural change.

The right approach depends on the investor's timeline. For a typical 5-7 year investment, PE firms should focus on back-office efficiencies and improving delivery processes in ways that do not disrupt the creative front-line. They must accept that a full cultural transformation is likely out of scope. For investors with a longer time horizon, a full transformation is possible. They can plan for deep cultural change over a 3-5 year period, supported by investments in new capabilities and a governance style that protects the creative culture.

4.4.4 Conclusion

Partially confirmed. Efficient global delivery is important for a successful turnaround, but it is not enough on its own. The real challenge is achieving deep cultural change, which often takes longer than a typical PE firm is willing to wait. Therefore, strategic buyers or investors with a "patient capital" approach are generally better suited for these complex, long-term transformations.

4.5 H5: The Strategic Buyer Advantage

4.5.1 Hypothesis

‘Strategic acquirers often outperform PE firms in creative M&A because they value targets based on long-term capability acquisition and have a greater tolerance for the complexities of cultural integration.’

4.5.2 What the evidence shows

Interviews and analysis of deals like Accenture's acquisition of the creative agency Droga5 show that strategic buyers are willing to pay a premium for unique creative talent. They tend to protect the acquired company's brand and culture while connecting its skills to their own larger client platforms. As one PE executive explained, "We can’t compete with Accenture for a Droga5. We can’t put ‘defending against Deloitte’ into our LBO model. They’re playing a different game." (see Appendix G & I)

Strategic buyers are often willing to accept lower financial returns in the short term in exchange for a long-term strategic advantage. Because they have vast existing networks of clients, technology, and talent, they can more easily replace the informal connections that a smaller creative agency loses when it is separated from its parent company.

4.5.3 FCI application and causal analysis

The Buyer-Strategy Fit Matrix (Figure 4) shows that acquiring unique creative capabilities is a better fit for strategic buyers, while consolidating commoditised businesses (like production studios) is a better fit for financial buyers like PE firms.

Acquirers should track talent retention and client satisfaction during post-merger integration. Successful integrations led to a higher-quality revenue mix, with more recurring, capability-driven income.

From a Strategic Management perspective, consultancies and other large firms buy creative agencies to gain a long-term competitive advantage, not just for a quick financial flip (M&A Community, 2024) (Mccall, 2024).

From the viewpoint of the Resource-Based View (RBV) and Transaction Cost Economics (TCE), strategic buyers are better positioned to preserve the unique, hard-to-copy resources of a creative agency because they can absorb the costs of integration and replace any "soft" resources that are lost.

The strategic buyer advantage is strongest when acquiring high-end creative and strategy agencies with a distinct culture and strong brand. PE firms have an advantage when buying more commoditised production businesses, where cost-cutting and efficiency are more important than protecting a unique culture (Mariner, 2024) (Mercurio, 2025) (Vickery, et al., 2024).

4.5.4 Conclusion

Strongly confirmed. Strategic buyers outperform PE firms when buying premium creative agencies because they value these companies for their long-term capabilities, can absorb them into their larger ecosystems, and have longer investment horizons. PE firms, on the other hand, have an advantage in acquiring more commoditised parts of the industry where creating efficiencies of scale is the primary goal and the risk to culture is low.

For example, Accenture's acquisition of Droga5 had a reported valuation of 12-15 times its earnings (EBITDA), according to The Wall Street Journal (Vranica, 2019), which is significantly higher than the 6-8 times earnings that PE firms typically pay for creative agencies (Pitchbook (2), 2025). Strategic buyers justify this premium because they see Droga5's creative talent as a valuable, rare, and inimitable (VRIN) resource, as described by (Barney, et al., 2001). This unique capability enables them to potentially expand their revenue by 20 times across their existing consulting clients, a strategic value far beyond what typical financial engineering can achieve (Interviewee AR).

Chapter 5: Discussion, Conclusions and Recommendations

5.1 Discussion of the main ideas from the research

The analysis reveals three core themes that determine success or failure in advertising M&A.

First, an agency's real value lies in its intangible assets. These are its culture, talented people, and the trust it has built with clients. These "soft" factors, which are difficult to measure, must be carefully protected during any deal, as misjudging their importance is a primary cause of M&A failure.

Second, the sequence of integration is critical. Successful acquirers protect the client-facing and creative parts of the business first. Only after this core value is secure should a company focus on streamlining internal operations like finance or IT. Getting this sequence wrong dramatically increases the risk of losing key employees and clients.

Third, the buyer's strategy must match the type of deal. A PE firm focused on short-term financial returns is suited for different deals than a strategic company seeking long-term capabilities. As the analysis of Hypotheses 2 and 5 showed, strategic buyers often succeed where PE firms fail because their existing networks of clients and technology can replace the informal support systems that a smaller company loses when it is carved out, which in itself is a critical risk that purely financial buyers often underestimate.

5.1.2 Buyer-strategy fit

In M&A within the creative industries, PE firms and strategic buyers (such as large corporations or consulting groups) follow very different game plans driven by conflicting goals and definitions of value as confirmed by our analyses in H5.

PE firms, constrained by a 3 to 7-year investment horizon, typically aim for a high internal rate of return (IRR). They often seek quick wins by using financial leverage and applying standard 100-day plans to cut costs and merge operations, a strategy discussed by (Gompers, et al., 2016). Their valuation is primarily based on a company's earnings (EBITDA) and expected cost savings, which, as Kaplan &

Strömberg (Kaplan & Stromberg, 2009) have noted, can lead them to overpay for businesses with "flashy 'digital' claims" but weak capabilities. As such, PE firms focus on tracking financial metrics like profit margins and cash flow but risk overlooking the hidden costs of employee and client departures, which can erode 15-20% of a creative firm's value based on reviews of case references in Appendix G.

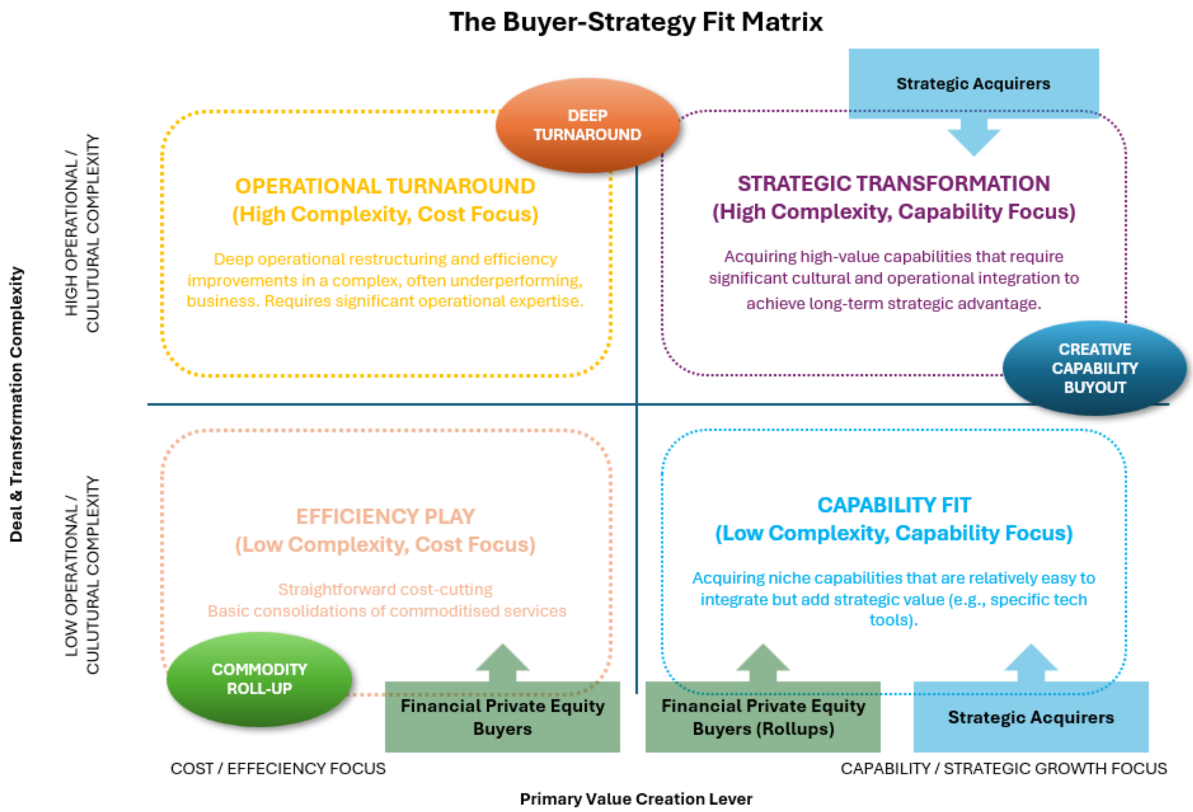
In contrast, strategic buyers focus on long-term competitive advantage, acquiring companies for their unique talent and skills to strengthen their own services. This approach, consistent with the Resource-Based View of the firm, makes them willing to pay more for "truly special assets" like exceptional creative teams or strong brands. Their integration methods are often more careful, protecting the acquired company's brand and culture from the start, a concept that aligns with organisational theory (Schein, 2016). This means that strategic buyers track different metrics, prioritising talent retention, client satisfaction and their share of a client's total spending over immediate cost synergies.

Who is the right fit and for which deal?

The FCI's Buyer-Strategy Fit Matrix (see Figure 4 below) can support these decisions:

- High-end creative agencies are best for strategic buyers. PE firms should generally stay away unless the creative skills are easy to replicate.
- PE firms can find success in combining similar, low-creativity businesses if they can cut costs without harming quality or client trust.
- Major turnarounds require patient strategic buyers. PE firms with shorter timelines should only focus on fixing operational issues while protecting the client-facing parts of the business.

It is critical to use a tool like the FCI Fit Matrix early on to match the deal to the right buyer. As a meta-analysis by King et al. (King, et al., 2004) showed, getting this match wrong can destroy significant value and in some cases, up to 60% in creative M&A deals.



Source: Author's Own

Figure 4: The Buyer-Strategy Fit Matrix

5.1.3 Implications for the advertising industry

In advertising M&A, the way companies are run and combined after a deal is what ultimately determines success or failure. The first priority should always be to protect what clients see (the "front-stage" assets) and explicitly this means the creative culture and the teams they work with directly. As Clayton Christensen's work on disruptive change suggests (Christensen, 1997) and as interviews for this project confirmed, mishandling these "front-stage" assets can destroy 20-40% of a company's value in the first year alone. Only after the creative core is secure should leaders focus on improving "back-stage" efficiencies like finance and IT.

Selling off parts of the business (carve-outs) should only be done if it is safe to do so. A carve-out is only likely to work if the business unit has few dependencies on the parent company (e.g., a dependency score below 0.4), if support agreements for people and tools last at least 18 months, and if the buyer can quickly replace any lost connections. If these conditions are not met, the deal can lose about 35% of its value (Interviews MS, GH; (King, et al., 2004). If a business unit is deeply integrated, it is often better to keep and fix it, especially if the parent company has strong client leadership and can maintain high creative standards.

To remain valuable, agencies must also build unique skills that clients cannot easily replicate themselves, such as creative work powered by data, deep expertise in e-commerce and retail media, or advanced testing systems - an idea supported by the Resource-Based View (Barney, et al., 2001). Doing this requires creating unified teams under a single profit-and-loss report (P&L), a structure that enables agencies to grow their share of a client's budget 15% faster than those that operate with separate teams (Pitchbook (2), 2025) (and see Appendix I). This also aligns with broader findings on the benefits of focusing on client loyalty, as discussed by Reichheld in his Harvard Business Review article ‘The one number you need to grow’ (Reichheld, 2003).

As the nature of client work changes, agencies must shift their focus from simply making ads to guiding clients' in-house teams on strategy, data-driven ideas, and tracking results (Interviewee AR). It is no longer enough to rely on one-time reports. Instead, agencies should continuously track client happiness (e.g., Net Promoter Score, or NPS) and their share of a client's total budget. The research indicates that top agencies using these metrics grow their client spending by an average of 18% per year ((Reichheld, 2003); supported by interviews with IW).

5.2 Conclusion

The central finding of this research is clear, that in creative industries, value is found in the invisible assets. The true, valuable assets of an agency are in the company's culture, its talented people, the trust it has built with clients, and the hidden connections between its teams. The value is not in spreadsheets or head-count reductions. This idea aligns with the Resource-Based View (RBV), which argues that a company's most important assets are often intangible and hard to replicate. A smart M&A strategy, therefore, should use a tool like our Framework for Creative Industries (FCI) to protect what LF describes as "the magic," match the right deal with the right buyer, and save cost-cutting for last.

The answer to our main research question of "How can investors systematically evaluate, prioritise, and execute value creation opportunities in large advertising conglomerates?" is by adopting a specialised framework that measures and protects these intangible assets. This means using a structured approach to understand the "soft" connections within a company (like integrated client teams or shared knowledge) and aligning the timeline for any changes with the buyer's goals. Standard PE analysis, which focuses on traditional financial metrics, is not enough for the advertising sector because it fails to capture these crucial, non-physical sources of value. This report confirms that the advertising industry is "asset-different," and because its value is often mispriced, major mergers can lead to a "cultural destruction rate" of 30-40% (Pitchbook (1), 2025) and also see MR’s estimations in interview).

Based on the evidence, five main conclusions are reached:

1. **Strategic buyouts:** Buying an entire company is most successful when the target's digital strength is real (meaning it is deeply embedded in the business and keeps clients "sticky") and when the integration plan protects the client-facing parts of the business.

2. **Carve-outs:** Selling off a part of a company only works if the "soft" connections to the parent company are minimal or can be actively replaced. Basic support agreements for just back-office functions are not enough.

3. **Specialised roll-ups:** Combining several specialised agencies only leads to higher company valuations if the new, larger group has a unified culture and employee incentives and delivers clear, measurable value to its clients.

4. **Transformative turnarounds:** Fixing a struggling agency requires both efficient global operations and deep cultural change, a process that often takes longer (3-5 years) than a typical PE firm is willing to wait.

5. **The Strategic Buyer advantage:** Strategic buyers (like large consulting firms) are better at acquiring creative businesses for their unique capabilities, while PE firms are better suited for combining more commoditised businesses where the main goal is to improve efficiency.

In short, the advertising industry is not "asset-light" but that its most important assets simply do not appear on a balance sheet. They are the creative talent, client relationships, and ways of working. The failure of many PE firms to understand this is a primary reason for their struggles in the sector. To succeed, the standard playbook must be adapted to protect the client-facing parts of the business first, while making efficiency improvements behind the scenes. The FCI provides the necessary tools, metrics, and guidance to do this consistently and effectively.

5.3 Recommendations and playbooks for stakeholders

5.3.1 Recommendations for Private Equity firms investing in creative industries

To avoid the risk of top employees leaving, which, as one interviewee (LF) noted, can lead to a 70% loss of revenue in creative firms, PE firms should implement a ‘First 100 days culture protection strategy’. This means delaying major cost-cutting and disruptive systems changes to protect the company's core value.

The following recommendations provide a clear, step-by-step guide for PE firms.

1. Use a specialised due diligence playbook

Do not use a standard LBO (Leveraged Buyout) model for creative businesses. Instead, augment it with the Framework for Creative Industries (FCI), focusing on its modules for "Integration Risk Assessment" and "Talent Economics." This approach requires you to consider the following in your due diligence process.

Measure "soft" connections by identifying and quantifying the informal links between teams, shared knowledge, and brand reputation. Model "soft" risks in your financial projections, treat the potential loss of key talent and a decline in company culture as a primary risk (base case), not just a worst-case scenario. This includes creating a "Cultural Diligence" module to assess leadership and a "Talent Retention Risk" module to model the financial impact of employee departures. Use the FCI's scorecards to get a clear picture of the business including a cultural misalignment index which scores how well the agency's leadership, creative traditions, and incentives align with your own. A high misalignment is a major red flag that requires strong legal protections (autonomy covenants) or should lead to walking away from the deal. Conduct a soft interdependency audit by mapping out the informal connections, like shared creative teams or reliance on the parent company's brand and only proceed if these are minimal or can be easily replaced. Create a digital maturity scorecard and focus on the quality of digital revenue (e.g., recurring income from unique capabilities) rather than superficial metrics like the percentage of "digital" staff. Finally, assess real opportunities for growth with major clients, and do not rely on vague claims of "synergy."

2. Protect the culture and talent above all else

For the first 18-24 months after buying a creative agency, the main goal should be to preserve its unique culture and keep its key people. This means delaying major changes and postponing significant cost-cutting and disruptive systems integrations. Tie employee bonuses and earn-outs (additional payments to the seller based on performance) to creative output and talent retention, not just to short-term profit targets (EBITDA). Design protections into the deal. For example through equity pools (10-15% of the company) for key talent, with vesting tied to client retention and the quality of revenue, including legal promises (autonomy covenants) that protect the agency's brand, leadership, and creative processes for the first 12-24 months and expand support agreements (TSAs) to cover not just IT and HR, but also access to talent pools and shared creative tools for at least 18-24 months.

3. Sequence the integration carefully (the first 24 months)

Focus on stabilising top talent and major clients in the first 6 months. Create a "no surprises" plan for integration and start building integrated teams for key accounts. Invest in the skills and tools the company needs to grow. Then begin consolidating back-office functions and vendors in ways that are not visible to clients. Start experimenting with sharing talent between different teams, while keeping the agency's unique creative traditions intact. Only move to a single profit-and-loss (P&L) statement and unified employee incentives after confirming that client satisfaction (NPS) and talent retention KPIs are stable.

4. Set clear goals and thresholds (KPIs)

Track metrics such as Key Talent Retention, Client Churn, Client Satisfaction (via NPS), share of wallet (increasing share of client's total spending) and 'revenue quality' (shift to recurring revenue)

5. Play the long game

Recognise that real, meaningful change in a creative business takes 5-7 years. If your fund needs to exit in a shorter timeframe, focus on improving back-office efficiencies and delivery processes while avoiding deep cultural changes. If you are planning a deep transformation (3-5 years), you need to have "patient capital" (money that can be invested for a longer period) or partner with other long-term investors.

5.3.2 recommendations for Strategic Buyers when integrating creative companies

Strategic buyers, such as large corporations or consulting firms, are in a strong position to succeed in acquiring creative agencies, but they must be careful not to smother the very thing they are buying.

1. Protect the creative company you bought

You are buying a unique creative capability, not a struggling business that needs fixing. The biggest risk is destroying that capability by imposing your own corporate culture, processes, and bureaucracy. To avoid this, create a "protected" integration model for the first 2-3 years. This allows the acquired agency to keep its brand, leadership, and way of working, while you identify specific, high-value opportunities to collaborate.

2. Focus on integrating skills, not just spreadsheets

The aim should be to not simply merge financial data and reporting. It is to create a "1+1=3" effect by combining the creative talent you just bought with your own client relationships and strategic skills. The best way to do this is to create joint teams for key clients, have creative and consulting staff work in the same location, and offer shared bonuses that reward teamwork.

3. Appoint a "chief culture officer" for the integration

The integration must be led by someone who understands and respects the creative culture, not just by people from finance and operations. This person's main job is to act as a bridge between the two organisations. They must protect the creative "magic", as LF described it, while also finding practical ways to meet the larger company's strategic goals.

Practical steps for strategic buyers (illustrated in Figure 5 below)

i. **During acquisition rationale and screening**

Focus on acquiring agencies with unique and hard-to-copy creative capabilities (like a strong brand, deep talent, or special ways of working) that will strengthen your own client offerings. Use the FCI's "Buyer-Strategy Fit Matrix" to confirm that acquiring a specific capability is the main goal of the deal.

Make sure that your own client base, technology, and talent network can replace any "soft" connections the acquired agency loses from its former parent company.

ii. **During integration design and governance**

Protect the asset for the first 2-3 years by securing the agency's brand, leadership, and creative traditions. Guard them against your own corporate bureaucracy and assign a culture leader with the authority to veto changes that could harm the creative, client-facing parts of the business.

Integrate skills not just systems through joint teams for major clients that bring together creative and consulting talent. Bring together employee incentives to reward collaboration and positive client results. Work carefully to introduce the new agency's skills into your own platforms without stifling its unique creative style.

iii. **Operating after the acquisition**

Track real-world client results like satisfaction scores, adoption of new services, and speed of innovation. View improvements in profit margins *as a result of* successful integration, not the primary goal itself.

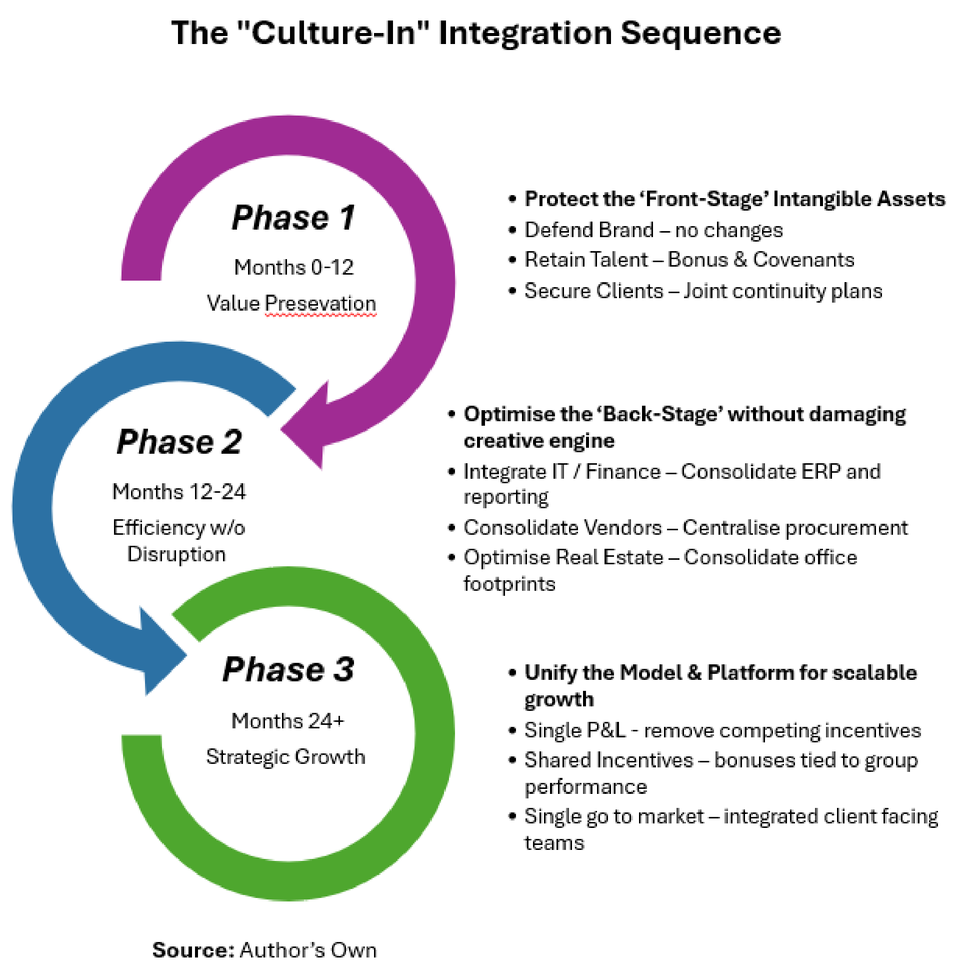


Figure 5: The 'Culture-In' Integration Sequence

In closing, the most important practical change for buyers is to shift from a "cost-out" to a "culture-in" approach. This means measuring, protecting, and building up the client-facing assets of a creative business (its culture, talent, and client trust) while carefully making efficiency improvements behind the scenes. The FCI makes this shift possible by turning qualitative judgments into a repeatable, evidence-based process that helps match the right buyers to the right deals and design integrations that preserve and even enhance the valuable capabilities investors want to acquire.

Afterword

5.4 Opportunities for Further Research

This project opens several new directions for further investigation.

A deeper study could track how well PE-backed versus strategic acquisitions perform over 5–10 years. This would specifically look at differences in keeping talented employees, client satisfaction (Net Promoter Score, or NPS), and the quality of revenue generated. The approach would involve building a dataset of matched cases and analysing their outcomes based on buyer type, deal type, and timeline.

Research is needed to understand how advanced Artificial Intelligence (AI) will change how we value creative capabilities and redefine the boundaries between in-house creative teams and external agencies. The approach would involve studying how AI influences creative workflows and client processes. It would also involve refining the Digital Maturity Scorecard to capture AI's role in client switching costs and revenue quality.

Finally, future research could also explore which employee incentive structures and management systems best balance giving teams autonomy with integrating them, specifically to deliver client value in roll-up strategies. The approach would compare different P&L models, cross-selling incentives, and how teams are deployed, linking these to client outcomes and company valuations over time.

5.5 Limitations of This Research

The insights from senior leaders (from large agency groups, PE firms, founders, and consultants) were invaluable, but this sample size isn't large enough to apply statistically to every deal. This research focuses on general patterns rather than strict statistical proof. Also, different roles can introduce bias (for instance, founders might emphasise culture more than PE firms do).

Detailed numbers on client loyalty or how often star talent leaves are often kept secret. The research combines interviews, past deals, and existing theories to build likely explanations of what causes success. While this helps identify strong connections, it cannot definitively prove cause-and-effect in every single case.

Ultimately, the FCI provides practical guidelines, but its full potential for insight depends on long-term, standardised, and comparable data collection across the industry.

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6: References & Bibliography

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7: Appendices

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7.1 Appendix A - Semi-Structured Interview Protocol

Overall Interview Approach

The interview strategy will be designed to validate components of the Framework for Creative Industries (FCI) while gathering insights specific to each expert group. Each interview will last approximately 60-75 minutes and follow a semi-structured format that combines:

- Quantitative assessment (rating scales for FCI components)
- Qualitative exploration (open-ended questions)
- Case-specific discussions (relevant to interviewee's experience)

All interviews will begin with a brief overview of the research and include "snowball sampling" requests at the conclusion to expand the participant pool toward the target of 7+ interviews.

Sample Questions

Stage 1: Foundational Questions (Obvious stuff) Get the baseline answers out of the way first.

- "From your perspective, what are the primary drivers of disruption in the advertising industry today?"
- "How do you typically approach value creation in a portfolio company within the media sector?"
- "What are the biggest risks you see in investing in 'asset-light' creative businesses?"

Stage 2: Hypothesis Pressure-Testing (Core of the thesis) Get feedback on the hypotheses.

- "My research proposes that **(H2) Targeted carve-outs unlock value when operational interdependencies are low.** From your experience at WPP with the Kantar sale, what nuances does this hypothesis miss? What defines 'low' interdependency in a real-world scenario?"
- "I'm developing a **(H3) 'client-value scoring methodology' for roll-ups.** As someone who has built two major networks via acquisition, what are the three biggest flaws you see in trying to quantify 'client value' in a formula?"
- "My framework argues that standard PE analysis is insufficient. From an academic standpoint, where does a specialised framework like my 'FCI' add quantifiable value, and where might it simply be relabelling existing operational due diligence?"

Stage 3: White Space Exploration (Finding the Deeper Questions) Hunting for the non-obvious angles.

- "What is the single most misunderstood metric when valuing a creative agency?"
- "If you had to write one 'unbreakable rule' for integrating a newly acquired agency, what would it be?"
- "Everyone talks about 'culture.' Give me a concrete example of how you've seen cultural differences directly destroy enterprise value post-acquisition."
- "What question do you wish investors would ask you, but they never do?"

Hypothesis Pressure-Testing Questions

Stakeholder	Hypothesis	Pressure-Testing Questions (Refined to Perspective)
Corporate	**H1: Strategic Buyouts** Superior returns from targets with high *digital maturity* and *complementary client portfolios*.	"My hypothesis suggests a focus on 'digital maturity.' Internally at WPP, when you're evaluating a buyout target, what are the 2-3 *real*, non-vanity metrics you use to cut through the hype and truly assess a company's digital capabilities? How do you quantify 'client portfolio complementarity' when so many client relationships are siloed within different agency P&Ls?"
	H2: Targeted Carve-outs Unlocks value when *operational interdependencies* are low.	"This hypothesis is central to your world, especially with the Kantar deal. My framework attempts to score 'operational interdependency.' From your direct experience, what was the single most underestimated or difficult-to-untangle interdependency in a major carve-out? Was it technology, shared talent, or client contracts?"
	H3: Specialised Roll-ups Better valuations when consolidated capabilities show *increased client value*.	"WPP is, in many ways, the ultimate roll-up. My hypothesis argues that proving 'increased client value' is key. Internally, how do you measure if the acquisition of a small, specialist agency *actually* moves the needle for a global client like Unilever, or does its impact get lost in the noise of the broader relationship?"

Stakeholder	Hypothesis	Pressure-Testing Questions (Refined to Perspective)
	H4: Transformative Turnarounds Exceed returns when targets have high *global delivery effectiveness*.	"You are in the midst of a massive transformation. My hypothesis links success to 'global delivery effectiveness.' From your seat, what are the top two practical barriers to achieving this at scale? Is it getting disparate tech platforms to talk to each other, standardising talent models, or simply overcoming internal politics and legacy P&L protectionism?"
Consultant	**H1: Strategic Buyouts** Superior returns from targets with high *digital maturity* and *complementary client portfolios*.	"In the pitch decks you build for selling agencies, how do you tangibly *prove* 'digital maturity' to a skeptical PE buyer? In your experience, which of these two factors—a complementary blue-chip client list or a proprietary, defensible tech stack—is a more powerful driver of a higher valuation multiple in today's market?"
	H2: Targeted Carve-outs Unlocks value when *operational interdependencies* are low.	"When you're advising on the sale of a carved-out asset, what is the biggest red flag in the due diligence materials that tells you the 'operational interdependencies' are too high? What's the key piece of information that makes a buyer nervous that they won't be able to operate the asset on day one without the parent company?"
	H3: Specialised Roll-ups Better valuations when consolidated capabilities show *increased client value*.	"My hypothesis suggests roll-ups get better valuations if they can prove client value. In the real world of deal-making, are buyers truly paying a premium for a synergistic 'client value' story, or are they fundamentally just paying for consolidated EBITDA and the mathematical benefit of multiple arbitrage?"
	H4: Transformative Turnarounds Exceed returns when targets	"When you're marketing a company that is mid-turnaround, it's a tough story to sell. What are the most convincing proof points or KPIs you can present to a buyer to make them believe in the *future* value of

Stakeholder	Hypothesis	Pressure-Testing Questions (Refined to Perspective)
	have high *global delivery effectiveness*.	the transformation? How do you bridge the gap between today's messy financials and tomorrow's promised efficiency?"
VC / PE	**H1: Strategic Buyouts** Superior returns from targets with high *digital maturity* and *complementary client portfolios*.	"From a VC perspective, 'digital maturity' can be a vague corporate term. If you were doing diligence, what specific tech KPIs—like engineering velocity, API call volume, or customer data platform architecture—would you demand to see to validate that an agency's tech is an asset, not a liability? How do you spot 'tech theatre'?"
	H2: Targeted Carve-outs Unlocks value when *operational interdependencies* are low.	"My hypothesis touches on tech interdependency. In a software company carve-out, what's typically harder to separate and stand up independently: the monolithic codebase and cloud infrastructure, or the small, specialised team of engineers who have all the institutional knowledge to actually run it?"
	H3: Specialised Roll-ups Better valuations when consolidated capabilities show *increased client value*.	"The VC version of a roll-up is often a platform acquiring features. What's the biggest mistake you see when a SaaS platform company tries to integrate a smaller 'point solution' they've acquired? Does the real value come from cross-selling to the client base, or from integrating the tech into a single platform?"
	H4: Transformative Turnarounds Exceed returns when targets have high *global delivery effectiveness*.	"The VC model is often to fund a nimble startup to disrupt a slow incumbent. A multi-year, capital-intensive turnaround of a large services company seems like the antithesis of that. From your perspective, why is a turnaround a better use of capital than simply funding a new, more efficient competitor to steal its clients?"
Advisory	**H1: Strategic Buyouts** Superior returns from targets with high *digital*	"When you're advising a founder-led agency on a potential PE buyout, how do you help them balance the appeal of a

Stakeholder	Hypothesis	Pressure-Testing Questions (Refined to Perspective)
	maturity and *complementary client portfolios*.	high valuation multiple—driven by their 'digital maturity'—with the very real risk that the PE firm's operational playbook might destroy the unique culture that made them successful in the first place?"
	H2: Targeted Carve-outs Unlocks value when *operational interdependencies* are low.	"When advising on a carve-out, my hypothesis focuses on the asset being sold. From your strategic perspective, how much focus do you put on the health and strategic coherence of the *remaining* parent company? How do you ensure the act of carving out an asset doesn't fatally wound the business left behind?"
	H3: Specialised Roll-ups Better valuations when consolidated capabilities show *increased client value*.	"You often advise the founders being acquired in a roll-up. How do you advise them to structure their compensation and earn-out? Is it safer to tie it to the performance of their original business unit, or is there more upside in tying it to the success of the larger, integrated entity, even if they have less control?"
	H4: Transformative Turnarounds Exceed returns when targets have high *global delivery effectiveness*.	"A turnaround implies deep, often painful, organisational change. When you advise a board or CEO leading this, what is your primary counsel on maintaining the morale and retaining the key 'A-player' talent they absolutely need to execute the transformation, especially when those players are watching their colleagues get laid off?"

Stakeholder	Hypothesis	Pressure-Testing Questions (Refined to Perspective)
Internal & Linked PE	**H1: Strategic Buyouts** Superior returns from targets with high *digital maturity* and *complementary client portfolios.*	"Bain is known for its methodical approach. My hypothesis links returns to 'digital maturity.' When you're assessing a target, how do you differentiate between a company that has genuinely embedded digital into its operating DNA versus one

Stakeholder	Hypothesis	Pressure-Testing Questions (Refined to Perspective)
		that has just bolted on a 'digital' division? What's the key operational metric that reveals the truth?"
	H2: Targeted Carve-outs Unlocks value when *operational interdependencies* are low.	"The Kantar carve-out is a landmark deal. My hypothesis focuses on low interdependency. In a complex services business like Kantar, what is the most challenging non-obvious interdependency to sever—is it shared HR/Finance systems, deeply embedded cross-divisional talent, or intangible brand permissions with shared clients?"
	H3: Specialised Roll-ups Better valuations when consolidated capabilities show *increased client value*.	"My hypothesis argues for proving 'increased client value' in roll-ups. From a buyer's perspective, how do you underwrite the risk that the promised 'synergies' and 'cross-sell opportunities' between rolled-up agencies are often just a pitch, and rarely materialise into meaningful, incremental revenue?"
	H4: Transformative Turnarounds Exceed returns when targets have high *global delivery effectiveness*.	"This hypothesis points to 'global delivery effectiveness.' When Bain develops a transformation plan for a services firm, what percentage of the expected value uplift comes from cost-side improvements (e.g., offshoring, process automation) versus revenue-side growth (e.g., new service offerings, better cross-selling)?"
C-Suite	**H1: Strategic Buyouts** Superior returns from targets with high *digital maturity* and *complementary client portfolios*.	"Your entire S4 strategy is a series of strategic buyouts. My hypothesis emphasises 'complementary client portfolios.' You've said big clients want integrated services, yet you buy specialist agencies. How do you manage the very real risk of client conflict when you acquire two different agencies that may both serve competitors like Coke and Pepsi?"
	H2: Targeted Carve-outs Unlocks value when	"You are a vocal critic of holding company complexity. If you were to hypothetically

Stakeholder	Hypothesis	Pressure-Testing Questions (Refined to Perspective)
	operational interdependencies are low.	carve out a single agency, like Ogilvy, from a holding company, what do you believe is the single biggest 'dependency anchor' that would need to be severed for it to truly become agile and competitive again?"
	H3: Specialised Roll-ups Better valuations when consolidated capabilities show *increased client value*.	"This hypothesis is your entire playbook. You've built S4 by rolling up dozens of companies. What is the single most important, and most difficult, step in integrating a founder-led creative or tech agency into your 'unitary' P&L structure without destroying the entrepreneurial culture you just paid a premium for?"
	H4: Transformative Turnarounds Exceed returns when targets have high *global delivery effectiveness*.	"You chose to build a new company rather than attempt to turn around a legacy one. This implies you believe a true turnaround of a major holding company is impossible. What is the fundamental structural flaw that, in your view, makes these legacy businesses incapable of the transformation my hypothesis describes?"
Academic	**H1: Strategic Buyouts** Superior returns from targets with high *digital maturity* and *complementary client portfolios*.	"Professor, my hypothesis suggests 'digital maturity' drives returns. From an academic standpoint, how would you design a study to rigorously test this? How would you isolate the effect of 'digital maturity' from other confounding factors like management quality or simple market beta to prove it's a true source of alpha?"
	H2: Targeted Carve-outs Unlocks value when *operational interdependencies* are low.	"Your research emphasises governance. In a carve-out, a new, independent board is created. Does your data suggest that the governance 'uplift' from creating a focused, independent board for a carved-out asset is a more significant driver of value than the operational benefits of separating it from the parent?"

Stakeholder	Hypothesis	Pressure-Testing Questions (Refined to Perspective)
	H3: Specialised Roll-ups Better valuations when consolidated capabilities show *increased client value*.	"The rationale for roll-ups often involves multiple arbitrage. From your research, is the value created in roll-up strategies primarily a financial engineering phenomenon, or is there strong empirical evidence of sustained, long-term operational outperformance in the consolidated entities?"
	H4: Transformative Turnarounds Exceed returns when targets have high *global delivery effectiveness*.	"My hypothesis suggests turnarounds can exceed typical PE returns. Does your research on PE performance show that high-risk, high-complexity turnarounds consistently generate higher median returns than simpler, growth-equity style investments in already well-performing companies?"
Consultant	**H1: Strategic Buyouts** Superior returns from targets with high *digital maturity* and *complementary client portfolios*.	"Accenture's acquisition of Droga5 was a landmark buyout. My hypothesis points to 'digital maturity.' In that deal, was the primary value driver Droga5's creative excellence elevating Accenture's offerings, or was it Accenture's tech and data infrastructure elevating Droga5's capabilities? Which direction did the value flow more strongly?"
	H2: Targeted Carve-outs Unlocks value when *operational interdependencies* are low.	"When you advise clients who are carving out a digital or creative division, what is the most common mistake they make in defining the perimeter of the asset? What critical capability or talent group do they often fail to include, crippling the new entity's ability to function independently?"
	H3: Specialised Roll-ups Better valuations when consolidated capabilities show *increased client value*.	"My hypothesis focuses on 'client value.' When you see a PE firm rolling up multiple marketing services agencies, what is the biggest execution risk from your perspective as a consultant? Is it the failure to integrate the technology stack, the clash of cultures, or the inability to create a unified go-to-market strategy?"

Stakeholder	Hypothesis	Pressure-Testing Questions (Refined to Perspective)
	H4: Transformative Turnarounds Exceed returns when targets have high *global delivery effectiveness*.	"You lead large-scale transformations. My hypothesis links success to 'global delivery effectiveness.' In your experience, what is the realistic timeline for a 50,000-person services organisation to meaningfully transform its delivery model? Does this timeline align with a typical 5-7 year PE investment horizon?"
Client	**H1: Strategic Buyouts** Superior returns from targets with high *digital maturity* and *complementary client portfolios*.	"From my side, I see PE firms buying agencies to improve them. From your side as the client, when one of your key agencies gets acquired by PE, what is your immediate concern? What is the first proof point you demand to see to believe the acquisition will benefit P&G, not just the investors?"
	H3: Specialised Roll-ups Better valuations when consolidated capabilities show *increased client value*.	"My hypothesis states that roll-ups create value for clients. You've been a vocal advocate for simplification and working with fewer partners. Does a PE-backed roll-up of five specialist agencies present itself to you as one integrated partner, or does it still feel like you're managing five different relationships under one new logo?"
PE	**H2: Targeted Carve-outs** Unlocks value when *operational interdependencies* are low.	"Blackstone is known for complex, large-scale deals. My hypothesis on carve-outs seems straightforward, but in a multi-billion dollar carve-out of a corporate division, what is the single most difficult part of the execution: negotiating the deal, securing the financing, or the first 180 days of post-close operational separation and stabilisation?"
	H4: Transformative Turnarounds Exceed returns when targets have high *global delivery effectiveness*.	"This hypothesis suggests turnarounds can generate superior returns. When Blackstone evaluates a major turnaround investment, how do you weigh the risk of a long, complex operational fix against the potential for a higher return? Is there a point where the operational complexity

Stakeholder	Hypothesis	Pressure-Testing Questions (Refined to Perspective)
		is simply too high, regardless of the potential upside?"
Competitor	**H1: Strategic Buyouts** Superior returns from targets with high *digital maturity* and *complementary client portfolios*.	"Your sale to Accenture was the ultimate strategic buyout. My hypothesis seems to fit, but what does it miss? What was the most important factor in the success of that deal that cannot be captured by terms like 'digital maturity' or 'client complementarity'? What was the intangible element that made it work?"
	H3: Specialised Roll-ups Better valuations when consolidated capabilities show *increased client value*.	"Imagine a PE firm tried to create a 'new Droga5' by rolling up five award-winning 50-person creative boutiques. My hypothesis suggests this could work. From your experience, why would that strategy most likely fail to replicate the creative magic and cultural cohesion of a single, founder-led agency?"
Big Tech	**H1: Strategic Buyouts** Superior returns from targets with high *digital maturity* and *complementary client portfolios*.	"From Google's perspective, as agencies are bought and sold by PE, does it matter to you who owns them? Does an agency with high 'digital maturity'—meaning they are expert users of Google's ad platforms—provide more value to Google's ecosystem than one that is less sophisticated?"
	H4: Transformative Turnarounds Exceed returns when targets have high *global delivery effectiveness*.	"My hypothesis focuses on agency turnarounds. From where you sit, is the biggest threat to a traditional agency's business model something they can fix internally through a 'turnaround,' or is it the external, unstoppable trend of marketing clients using Google's own automated tools to bypass the agency entirely?"
Legal	**H2: Targeted Carve-outs** Unlocks value when *operational*	"From a legal standpoint, when structuring a carve-out, what is the most heavily negotiated and contentious section of the agreement? Is it the Transitional Services Agreement (TSA)

Stakeholder	Hypothesis	Pressure-Testing Questions (Refined to Perspective)
	interdependencies are low.	that governs the ongoing relationship, the definition of the assets being transferred, or the allocation of long-term liabilities?"
	H3: Specialised Roll-ups Better valuations when consolidated capabilities show *increased client value*.	"In a PE roll-up strategy, you are dealing with multiple founders selling their companies. What is the most complex legal challenge: standardising the purchase agreements across all deals, designing earn-out structures that align all the different founders, or managing the securities law compliance for the new, consolidated entity?"
Thought Leader	**H1: Strategic Buyouts** Superior returns from targets with high *digital maturity* and *complementary client portfolios*.	"You advise mid-market agencies on selling to PE. My hypothesis suggests buyers want 'digital maturity.' In a real-world auction, what commands a higher premium: an agency with a proprietary software platform and average creative, or an agency with award-winning creative but a standard, off-the-shelf tech stack?"
	H3: Specialised Roll-ups Better valuations when consolidated capabilities show *increased client value*.	"You see the roll-up playbook constantly. When a PE firm acquires its first 'platform' agency, what is the key characteristic they are looking for? Is it the management team's ability to lead future acquisitions, the scalability of its back-office systems, or the strength of its brand in a specific niche?"

7.2 Appendix B - The Framework for Creative Industries (FCI) - Full Scoring Rubric

The tailored playbook (FCI) is designed to capture efficiencies behind the scenes while protecting (and enhancing) the assets that actually drive enterprise value in this sector.

Design principles

1. **Sector-specific** Built for human-capital-intensive, relationship-driven businesses where intangible assets dominate.
2. **Useful** Produces go/caution/no-go thresholds, integration prerequisites, and buyer-fit recommendations.
3. **Falsifiable** Metrics and thresholds can be tested and refined against observed outcomes.

Framework for Creative Industries (FCI) - Components & Scoring Rubrics

Purpose: The FCI is a sector-specific M&A evaluation tool designed to quantify the intangible assets and "soft" risks inherent in creative industries. It moves beyond standard financial due diligence to provide a holistic view of an asset's value, risks, and potential.

Methodology: The FCI uses a weighted scoring system across four key components. Each component contains several metrics, which are scored on a 0-100 scale based on a mix of quantitative data and structured qualitative analysis. The final composite score provides a go/caution/no-go recommendation for investment.

Component Weights (Example):

- **Industry Dynamics Analysis:** 25%
- **Value Creation Opportunity Mapping:** 30%
- **Integration Risk Assessment:** 25%
- **Investment Horizon & Buyer-Strategy Fit:** 20%

Part 1: Industry Dynamics Analysis (Weight: 25%)

Objective: To quantify the external structural pressures on the target's business model.

Metric (Weight)	Definition & Rationale	Formula & Calculation	Data Sources	Scoring & Thresholds (0-100)
Platform Disintermediati	Measures revenue exposure to self-	Weighted average:	Company service mix;	**Risk Score (Higher is**

Metric (Weight)	Definition & Rationale	Formula & Calculation	Data Sources	Scoring & Thresholds (0-100)
on Index (PDI) (40%)	serve platforms and reliance on platform data. *Rationale: High exposure to commoditised services that clients can buy directly from Google/Meta/Amazon is a primary risk factor.*	a. **Revenue Exposure** (% of revenue from services addressable by self-serve) (40%) b. **Data Dependency** (% of outcomes reliant on platform data vs. first-party data) (30%) c. **Budget Migration** (% client budget shift to platforms over 24 months) (30%)	client interviews; industry reports (GroupM, MAGNA); financial statements.	**worse):** **Go:** ≤ 40 **Caution:** 41–65 **No-Go:** ≥ 66
Client In-Housing Pressure (30%)	Percentage of revenue from clients with significant, overlapping in-house capabilities. *Rationale: High overlap indicates a direct and immediate churn risk as clients can insource the work.*	(% of Revenue from Clients with Overlapping In-house Teams) x (Scope Overlap %)	Client interviews; account plans; industry benchmarks (e.g., ANA report).	**Risk Score (Higher is worse):** **Go:** ≤ 30% **Caution:** 31–60% **No-Go:** ≥ 61%
Talent Volatility Score (TVS) (30%)	Probability-weighted risk of key talent departure and its impact on performance. *Rationale: In creative firms, talent is the primary asset. Flight risk must be priced.*	Weighted average: a. **Key-Talent Dependency** (% revenue influenced by top 10% talent) (35%) b. **Attrition Rate** (% annual churn	HR data; LinkedIn analysis; employee surveys; compensation plans; industry salary reports.	**Risk Score (Higher is worse):** **Go:** ≤ 35 **Caution:** 36–60 **No-Go:** ≥ 61

Metric (Weight)	Definition & Rationale	Formula & Calculation	Data Sources	Scoring & Thresholds (0-100)
		in critical roles vs. benchmark) (35%) c. **Retention Drivers** (Score on presence of equity, autonomy, etc.) (30%)		

Part 2: Value Creation Opportunity Mapping (Weight: 30%)

Objective: To identify specific, actionable levers for growth beyond generic operational improvements.

Metric (Weight)	Definition & Rationale	Formula & Calculation	Data Sources	Scoring & Thresholds (0-100)
Digital Maturity Scorecard (DMS) (50%)	Assesses the quality and defensibility of the target's digital capabilities. *Rationale: Distinguishes "true" digital transformation from superficial "digital optics."*	Weighted average: a. **Revenue Quality** (% recurring/SaaS revenue) (40%) b. **Proprietary Capability** (Score on owned, client-embedded tech) (40%) c. **Innovation ROI** (Revenue from services <24 months old) (20%)	Financials; product roadmaps; tech audit; client interviews; churn/retention data.	**Opportunity Score (Higher is better):** **Go:** ≥ 70 **Caution:** 50–69 **No-Go:** < 50
Client Portfolio Potential (CPP) (50%)	Quantifies the potential for revenue growth from the existing client base. *Rationale: Moves beyond vague "synergy" claims to*	Weighted average: a. **Cross-Sell Adjacency** (Fit of acquirer's services to client needs) (50%) b. **Share-of-Wallet**	Client mapping workshop; sales pipeline analysis; market sizing data.	**Opportunity Score (Higher is better):** **Go:** ≥ 65 **Caution:** 45–64 **No-Go:** < 45

Metric (Weight)	Definition & Rationale	Formula & Calculation	Data Sources	Scoring & Thresholds (0-100)
	measurable growth pathways.	**Headroom** (Potential % spend increase) (50%)		

Part 3: Integration Risk Assessment (Weight: 25%)

Objective: To systematically quantify the "soft" risks that are the primary drivers of M&A failure in creative industries.

Metric (Weight)	Definition & Rationale	Formula & Calculation	Data Sources	Scoring & Thresholds (0-100)
Cultural Misalignment Index (CMI) (40%)	Measures the gap between the acquirer's operating philosophy and the target's creative culture. *Rationale: Culture clash is the #1 killer of creative M&A.*	Scored on a 1-10 scale across 4 dimensions, then converted to 0-100: a. Leadership Alignment (Values, Risk Appetite) b. Creative Rituals (Autonomy, Craft) c. Incentive Structures d. Operating Philosophy (Centralisation)	Leadership interviews; Glassdoor; diligence workshops; direct observation.	**Risk Score (Higher is worse):** **Go:** ≤ 35 **Caution:** 36–60 **No-Go:** ≥ 61
Soft Interdependency Audit (SIA) (40%)	Measures reliance on informal, non-contractual assets from the parent/group. *Rationale: Quantifies the "hidden" integration costs and risks.*	Heatmap/Score (0-100) based on reliance on: a. Cross-Agency Client Teams b. Shared IP/Data/Tools c. Parent	Org network analysis; interviews with mid-level managers; client feedback.	**Risk Score (Higher is worse):** **Go:** ≤ 35 **Caution:** 36–60 **No-Go:** ≥ 61

Metric (Weight)	Definition & Rationale	Formula & Calculation	Data Sources	Scoring & Thresholds (0-100)
		Brand "Halo" d. Shared Talent Mobility		
Incentive Alignment Index (IAI) (20%)	Measures the degree to which incentives support unified delivery and cross-sell. *Rationale: Misaligned incentives guarantee integration failure.*	Scored based on the presence of: a. Single P&L structure (or path to one) b. Shared cross-sell goals in bonuses c. Earn-outs linked to revenue quality, not just EBITDA.	Comp plan review; earn-out agreements; management interviews.	**Alignment Score (Higher is better):** **Go:** ≥ 65 **Caution:** 45–64 **No-Go:** < 45

Part 4: Investment Horizon & Buyer-Strategy Fit (Weight: 20%)

Objective: To ensure the required transformation is feasible within the buyer's timeline and aligns with their strategic rationale.

Metric (Weight)	Definition & Rationale	Formula & Calculation	Data Sources	Scoring & Thresholds (0-100)
Transformation Timeline Feasibility (TTF) (50%)	Assesses the alignment between the required transformation timeline and the buyer's typical hold period. *Rationale: Prevents "timeline-fit" errors, like a PE fund attempting a 7-year cultural turnaround.*	Risk score based on the longest required phase: - Quick Wins (0-12m) - Medium-Term Build (12-36m) - Long-Term Cultural Embed (36-72m)	Project plan analysis; case studies; expert interviews on change timelines.	**Risk Score (Higher is worse):** **Go:** ≤ 40 **Caution:** 41–60 **No-Go:** ≥ 61 (e.g., for PE with <7yr hold)
Buyer-Strategy Fit	Measures the fit between the deal	Fit score (0-100) based on a	Analysis of	**Fit Score (Higher is**

Metric (Weight)	Definition & Rationale	Formula & Calculation	Data Sources	Scoring & Thresholds (0-100)
Matrix (BSF) (50%)	type and the buyer's archetype. *Rationale: Matches the right tool (buyer) to the right job (opportunity).*	qualitative matrix: **Rows:** Opportunity Type (Capability, Consolidation, Turnaround) **Columns:** Buyer Archetype (Financial PE, Strategic Corp)	buyer's portfolio, past deals, and stated strategy.	**better): Go:** ≥ 70 **Caution:** 50–69 **No-Go:** < 50

Composite Score Calculation & Decision Matrix

1. **Calculate Component Scores:** For each of the four components, calculate a weighted average of its metric scores.
2. **Calculate Final FCI Score:** Compute the final weighted score based on the component weights (e.g., (0.25 * Industry Dynamics) + (0.30 * Value Creation) + (0.25 * Integration Risk) + (0.20 * Horizon & Fit)).
3. **Apply Decision Thresholds:**

- **Go (Score > 70):** Strong strategic fit with manageable risks. Proceed with conviction.
- **Caution (Score 50-69):** Viable opportunity, but with significant risks requiring mitigation through deal structure (e.g., earn-outs, covenants).
- **No-Go (Score < 50):** High probability of value destruction. Avoid unless at a steep discount for a turnaround/asset-strip play.

Application of FCI matrix assessment based on collective insights from interviews

Framework for Creative Industries (FCI) assessment:

FCI Component	**Dimension**	**Rating (1-7)**	**Implementation Difficulty (1-7)**	**Timeframe for Results**
Industry Dynamics Analysis	Platform Economy Impact	7	6	☐<1yr ☐1-3yr ☑3-5yr ☐>5yr
	Talent Economics	7	7	☐<1yr ☑1-3yr ☐3-5yr ☐>5yr
	Client Value Perception	6	5	☐<1yr ☑1-3yr ☐3-5yr ☐>5yr
Value Creation Mapping	Operating Model Transformation	6	7	☐<1yr ☐1-3yr ☑3-5yr ☐>5yr
	Service Portfolio Evolution	5	6	☐<1yr ☑1-3yr ☐3-5yr ☐>5yr
	Client Value Enhancement	6	6	☐<1yr ☑1-3yr ☐3-5yr ☐>5yr
Integration Risk Assessment	Cultural & Talent Factors	7	7	☐<1yr ☑1-3yr ☐3-5yr ☐>5yr
	Operational Friction	5	6	☐<1yr ☑1-3yr ☐3-5yr ☐>5yr
	Technology Integration	6	7	☐<1yr ☐1-3yr ☑3-5yr ☐>5yr
Investment Horizon Analysis	Client Relationship Timeline	5	4	☐<1yr ☐1-3yr ☑3-5yr ☐>5yr
	Talent Retention Timeline	6	6	☐<1yr ☑1-3yr ☐3-5yr ☐>5yr
	Technology Transformation Timeline	6	7	☐<1yr ☐1-3yr ☑3-5yr ☐>5yr

7.3 Appendix C - Anonymised List of Interview Subjects and Affiliations

Anonymised Subject	**Anonymised Affiliation / Role**
Interviewee A	Client-Side Commercial Lead (Global CPG Company)
Interviewee B	Procurement & Operations Lead (Global Advertising Holding Company)
Interviewee C	Former Agency & Holding Company Leadership
Interviewee D	Agency Network CFO (Global Advertising Holding Company)
Interviewee E	Equity Research Firm (Media Analyst)
Interviewee F	Former CEO (Global Advertising Holding Company)
Interviewee G	Founder & Executive Chairman (Digital-First Marketing Services Company)
Interviewee H	Partner (Private Equity Firm)

7.4 Appendix D - Detailed M&A Transaction Data

Overview of M&A Trends in the Advertising Industry (2020–2025)

The advertising industry, encompassing digital marketing, AdTech, MarTech, agencies, and media services, experienced significant volatility in M&A activity from 2020 to 2025. The COVID-19 pandemic caused an initial sharp decline in 2020, with transaction values dropping 73% in H1 compared to H2 2019 (from $87.34 billion to $23.92 billion globally across media and marketing).

Activity rebounded strongly in 2021, marking a record year with 835 U.S. deals and 558 global advertising/marketing deals (up 43% from 2020). However, macroeconomic pressures, rising interest rates, and regulatory scrutiny led to declines in 2022 (U.S. volumes 15–20% lower than 2021; global down 22–25%) and 2023 (global 1,147 deals, down 22.4%; U.S. ~25% lower; total value fell 72% to $42 billion).

A rebound occurred in 2024, with volumes exceeding pre-pandemic levels driven by strategic consolidations and AI/data focus, highlighted by the largest-ever deal (Omnicom/IPG at $13 billion). In H1 2025, activity softened again (global volumes down ~15% YoY) amid geopolitical and economic uncertainty, though values rose in select mega-deals.

Key drivers included digital transformation, AI integration, retail media expansion, and consolidation among holding companies (e.g., WPP, Publicis, Omnicom). Private equity (PE) played a growing role in add-ons, while strategics dominated platforms. Data below focuses on notable U.S./global transactions (values in USD millions where available; many undisclosed).

Sources include industry reports from Legacy Advisors, Intrepid, Davidson Capital, and Business Insider.

- https://berkerynoyes.com/1st-half-2020-media-marketing-industry-trends/
- https://legacyadvisors.io/2022-2025-u-s-digital-marketing-advertising-ma-report/
- https://berkerynoyes.com/full-year-2023-media-marketing-industry-trends/
- https://intrepidib.com/wp-content/uploads/2025/01/Intrepid-Marketing-Services-Transaction-Recap-for-H2-2024-01-15-2024.pdf
- https://davcapadvisors.com/wp-content/uploads/2025/07/2025.7.29-admar-report-vf.pdf

Notable M&A Transactions by Year

2020

Pandemic Slowdown (Aggregate: ~500 Global Deals, $125–130B Value in AdTech/Media)

Limited specific deal data due to pandemic disruptions, but AdTech saw ~1,500 global M&A deals valued at $125–130 billion (including financing rounds). Focus was on digital pivots. https://www.benchmarkintl.com/insights/2022-global-digital-advertising-industry-report/

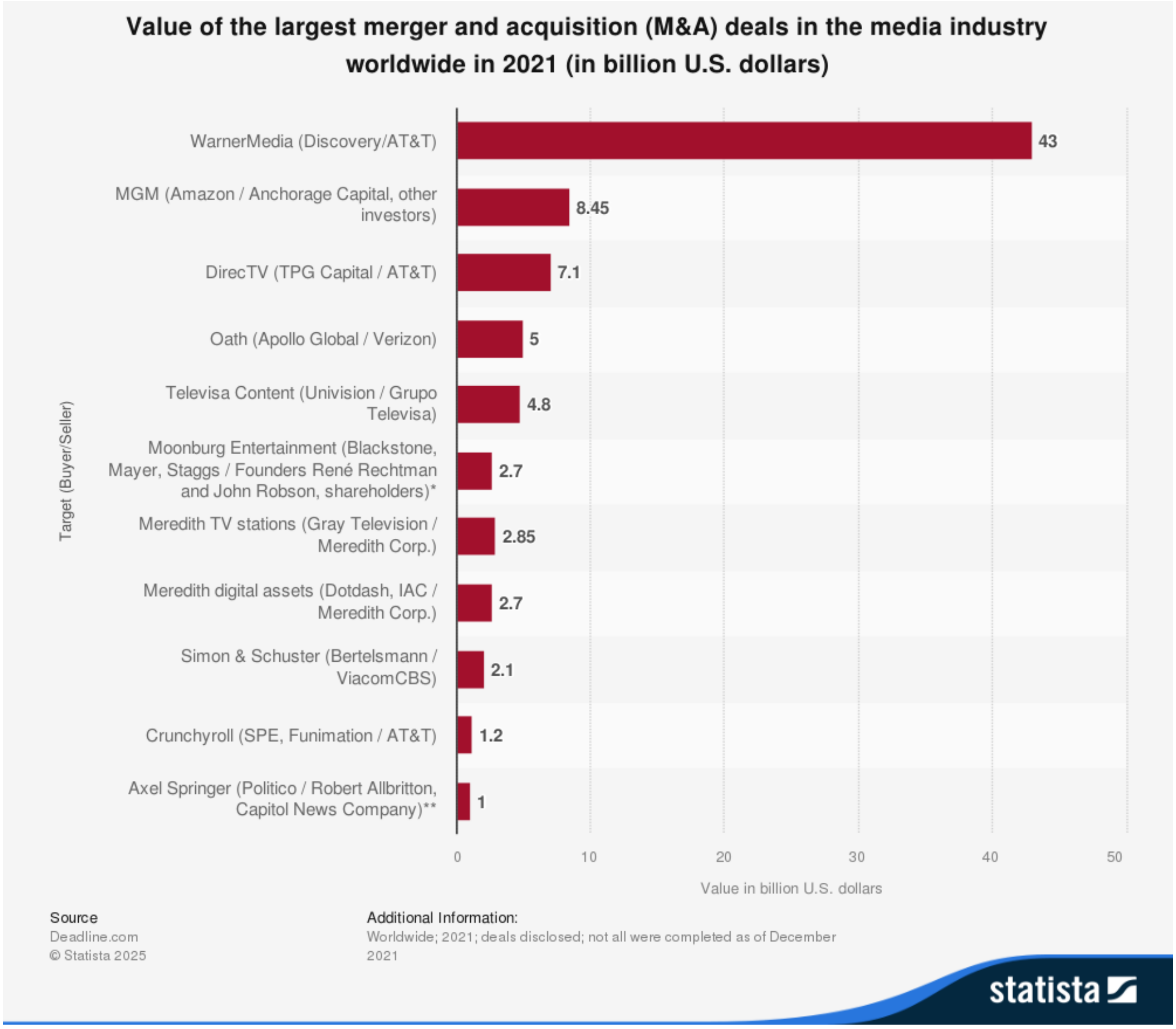
PitchBook notes 73% drop in H1 transaction values vs. H2 2019.

Date	Acquirer	Target	Value ($M)	Multiple (EV/EBITDA)	Description/Source
Q1 2020	Carlyle Group	Dept (majority stake)	Undisclosed (~500 est.)	N/A	Global digital agency for experience design; PE add-on for remote/digital shift. [PitchBook M&A Data]
Various 2020	Various PE/Strategics	AdTech startups (e.g., programmatic platforms)	Aggregate 125,000–130,000	10–12x	~1,500 global AdTech deals; COVID-driven consolidations. Capital IQ: 15% cross-border decline. [PitchBook Q4 2020 Report]

2021

Record Boom (Aggregate: 835 U.S. Deals, 558 Global; $4.76T Total M&A Value)

Record volumes; largest global media deal: Discovery's acquisition of WarnerMedia. Emphasis on content and data synergies. https://www.statista.com/statistics/415743/global-media-manda-largest-deals/?srsltid=AfmBOorXZ0JpHCb0Rl7iakeMGDy1cJEbaZMqeFUakCl67JJdE3K8UsZf



Pent-up demand; PitchBook: 174% YoY growth in ad/marketing tech. Capital IQ: Media sector up 43%.

Date	Acquirer	Target	Value ($M)	Multiple (EV/EBITDA)	Description/Source
Mar 2021	Discovery	WarnerMedia (AT&T)	43,000	11.1x	Mega-merger for ad sales/streaming; largest media deal. [PitchBook Annual 2021]
Mid-2021	Temasek	Horizon Media (minority)	Undisclosed (~300 est.)	N/A	Singapore fund's stake in U.S. media agency for APAC expansion. [Capital IQ Transactions]
Q3 2021	Various	Scaled AdTech/MarTech (>100M revenue)	Aggregate ~50,000	11–13x	Digital content surge; LUMA 50 index up 174%. [PitchBook Q3 2021]

2022

Moderation (Aggregate: ~700 U.S. Deals; -15–20% YoY Volume)

Rising rates; PitchBook: Multiples down to 8.8x. Capital IQ: 17% cross-border drop in digital media.

Decline in volumes but sustained interest in creative/digital agencies.

Date	Acquirer	Target	Value ($M)	Multiple (EV/EBITDA)	Description/Source
Early 2022	AppLovin	Wurl	Undisclosed (~400 est.)	9x	Mobile ad tech + CTV video platform. [PitchBook M&A Overview]
2022	Accenture Song	The Unlimited Group (UK)	Undisclosed	8.5x	Customer engagement agency add-on. [Capital IQ Media Sector]
2022	Power Digital (Court Square)	Social Method + FINN Partners digital	Undisclosed	N/A	Social/performance marketing; scaled to 600 staff. [Intrepid/PitchBook Recap]
Q1–Q2 2022	Various	Programmatic AdTech	Aggregate ~30,000	8–9x	Privacy-focused data solutions post-cookie changes. [PitchBook Q2 2022]

2023

Low Point (Aggregate: 1,147 Global Deals; -22% YoY; $42B Value, -72%)

Muted activity (303 marketing services deals in H2 alone); focus on healthcare and analytics. https://cdn.hl.com/pdf/2024/2h-2023-marketing-services-bus-update.pdf

H1 lowest since 2020; PitchBook: Multiples at 8.9x. Capital IQ: 303 H2 marketing services deals.

Date	Acquirer	Target	Value ($M)	Multiple (EV/EBITDA)	Description/Source
Feb 2023	Amulet Capital & Athyrium	Eruptr + DECODE (Unlock Health)	Undisclosed (~200 est.)	8x	PE buy-and-build in healthcare digital media/analytics Healthcare digital media; $500M budgets managed.

Date	Acquirer	Target	Value ($M)	Multiple (EV/EBITDA)	Description/Source
					[PitchBook PE Middle Market Q1 2023]
Mid-2023	Power Digital	Sproutward	Undisclosed	N/A	Analytics add-on; 5th since 2020 for data capabilities. [Davidson Capital Review]
2023	Dentsu	Shift7	Undisclosed	9x	Life-sciences digital agency; Salesforce CRM focus. [Capital IQ Transactions]
Q1 2023	Various	Sales/Marketing Tech (76 deals)	Aggregate ~15,000	8.5x	AI personalisation tools; stable QoQ. [PitchBook Q1 2023]

2024

Rebound (Aggregate: ~1,200 Global Deals; +10–15% YoY; $3T+ Total M&A)

Rebound with mega-deals; corporate buyers led (~majority of volume), PE focused on add-ons. Omnicom/IPG reshaped holdings.

- https://intrepidib.com/wp-content/uploads/2025/01/Intrepid-Marketing-Services-Transaction-Recap-for-H2-2024-01-15-2024.pdf
- https://www.statista.com/statistics/1550119/global-media-telco-manda-deals-value/

Search:

Records: 13

Characteristic	Value in billion U.S. dollars
Verizon acquires Frontier Communications	20
Silver Lake takes Endeavor Group private	13
Omnicom acquires Interpublic	13
Disney sells Star in India to Reliance (retains 36% stake)	8.5
Skydance Media/RedBird Capital acquire Paramount Global	8
Artémis acquires majority stake in Creative Artists Agency from TPG	7
TKO Group acquires PBR, On Location, and IMG from Endeavor Group	3.25
Canal+ buys the rest of South Africa's pay TV operator MultiChoice	2.9
Walmart acquires Vizio	2.3
RedBird IMI acquires London-based All3Media	1.45

Showing entries 1 to 10 (10 entries in total)

Details: Worldwide; 2024; deals announced in 2024 worth more than one billion U.S. dollars

Largest merger and acquisition (M&A) moves in the media, advertising, and telecommunications industry worldwide in 2024, by value (in billion U.S. dollars)

PitchBook: 27.6% value increase YTD; PE at 41% share. Capital IQ: Omnicom/IPG reshapes holdings.

Date	Acquirer	Target	Value ($M)	Multiple (EV/EBITDA)	Description/Source
Late 2024	Omnicom Group	Interpublic Group (IPG)	13,000	10.5x	Largest ad holding merger (7% global spend); data integration. [PitchBook Q3 2024]
H2 2024	GTCR & Recognize	TRANZACT (WTW)	630	0.8x revenue	Insurance marketing; D2C exit. [Capital IQ League Tables]
H2 2024	Zeta Global	LiveIntent	250 (+75 earnout)	16x	Email/audience platform; digital data accretive. [PitchBook M&A Data]
Apr 2024	Accenture	Unlimited	Undisclosed (~150 est.)	9.5x	CRM engagement agency. [Intrepid H2 2024 Recap]
Jun 2024	Accenture	Soko (Brazil)	Undisclosed	N/A	Creative agency expansion. [Business Insider/PitchBook]

Date	Acquirer	Target	Value ($M)	Multiple (EV/EBITDA)	Description/Source
2024	Havas	DMPG, Ledger Bennett, Hotglue, Wilderness	Undisclosed (aggregate ~300)	9–10x	Data/B2B/social agencies; AI focus. [PitchBook Advisors Data]
2024	Mediaocean	Innovid	500	12x	CTV ad tech/analytics. [Capital IQ Media Deals]
2024	Cadent	AdTheorent	324	10x	Performance marketing DSP. [PitchBook Q3 2024]
Aug 2024	KKR	FGS Global (WPP)	1,700 (valuation)	11x	Public-affairs comms divestiture. [Legacy Advisors Report]
H2 2024	Hero Digital (AEA)	Huge (IPG)	Undisclosed (~200 est.)	9x	Digital experience (Google/Nike clients). [PitchBook 2024 Outlook]

2025 (Up to October)

Selective Uptick (Aggregate: ~800 Global Deals; -15% H1 Volume but +15% Value)

~15% volume decline in H1; strategic focus on AI/search. Predictions include more PE take-privates (e.g., Integral Ad Science) and Trade Desk/Roku.

- https://davcapadvisors.com/wp-content/uploads/2025/07/2025.7.29-admar-report-vf.pdf
- https://www.businessinsider.com/ad-industry-m-and-a-predictions-ctv-influencer-marketing-ai-2024-12

PitchBook Q2 2025: $1T+ Q1–Q2 value; focus on AI/CTV. Capital IQ: PE share at 59.9% for >$100M deals in Sep.

Date	Acquirer	Target	Value ($M)	Multiple (EV/EBITDA)	Description/Source
Jan 7, 2025	Ares & Berkshire	AMP Technologies	5,100	12x	AdTech audience measurement PE consolidation. [PitchBook Q1 2025]

Date	Acquirer	Target	Value ($M)	Multiple (EV/EBITDA)	Description/Source
Jan 8, 2025	Chris Bagnall	Earnest (Media/Transmission)	Undisclosed	N/A	London media buyout. [Capital IQ Transactions]
Jan 9, 2025	VTEX	Newtail	1,600	10x	E-commerce ad tech. [PitchBook Enterprise Tech Outlook 2025]
Feb 5, 2025	Hearst Connecticut	American-Republican	1,800	N/A	Local media/ad assets. [EY M&A Insights Sep 2025]
Mar 19, 2025	Ziff Davis	theSkimm	100	9x	Content/media engagement. [PitchBook Q1 2025]
Jan 1, 2025	Dreifive	Growth360	Undisclosed	N/A	Performance growth agency add-on. [Intrepid H1 2025]
Jan 1, 2025	Devsinc	Alchemative	3,900	8.5x	MarTech dev integration. [Capital IQ]
Jan 6, 2025	HubSpot	Frame AI	21,600	15x	AI customer intelligence MarTech. [PitchBook Q1 2025]
Jan 29, 2025	BRG Communications	Right Source	Undisclosed (~50 est.)	N/A	B2B content marketing. [Legacy Advisors 2022–2025 Report]
Jul 2025	Previsible	Internet Marketing Ninjas	Undisclosed	9.5x	SEO agency merger; AI search focus. [Business Insider Predictions]

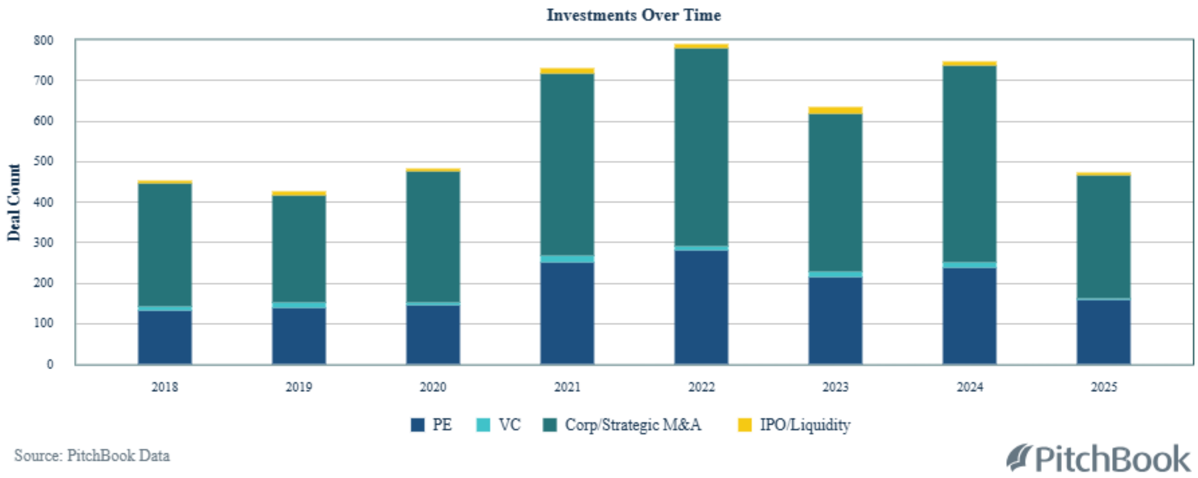
Additional Metrics from PitchBook & Capital IQ

Year	Global Advertising Deals (Est.)	Total Value ($B)	Median Multiple	PE % of Deals	Top Subsector
2020	~500	125–130	10x	25%	AdTech
2021	558	~200	11.1x	30%	MarTech
2022	~600	150	8.8x	35%	Agencies
2023	1,147	42	8.9x	38%	Healthcare Digital
2024	~1,200	100+	9.3x	41%	CTV/Retail Media
2025 (YTD)	~800	50+	10.5x	59.9% (>100M)	AI/Influencer

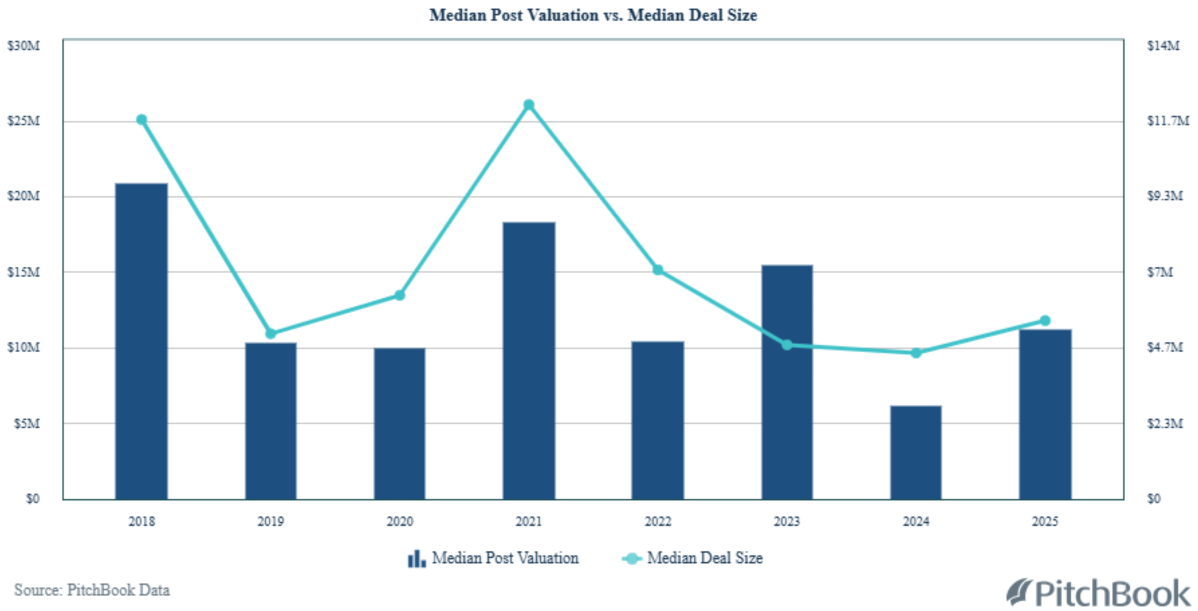
Key Insights and Outlook

https://intrepidib.com/wp-content/uploads/2025/01/Intrepid-Marketing-Services-Transaction-Recap-for-H2-2024-01-15-2024.pdf

- **Total Deals**: ~4,000+ globally across period (estimated from partial data); U.S. ~1,500–2,000.
- **Valuation Trends**: Multiples dipped in 2023 (median EBITDA 8.5x from 11.4x in 2022) but stabilised in 2024–2025 with AI premiums.
- **Sectors**: AdTech/MarTech ~40% of deals; agencies ~30%; healthcare vertical prominent.
- **2026 Outlook**: Modest 10% volume rise expected, driven by PE exits and lower rates.



Source: PitchBook Data



Source: PitchBook Data

7.5 Appendix E - Further notes

7.5.1 The global advertising holding-company model

The global advertising holding-company model emphasises brand stewardship, scale and integrated services for global clients across decades:

WPP

The WPP Annual Report 2023, Strategy details delivering "fully integrated" marketing services at global scale and cites formation of global client teams (e.g., "WPP Open X" for The Coca-Cola Company) as the operating model for multinational clients. Source: WPP Annual Report 2023, Our Strategy (wpp.com/investors/annual-report/2023/our-strategy)

Press release: "WPP wins The Coca-Cola Company's global marketing partnership," outlining the Open X integrated, cross-agency team serving a global client relationship. Source: WPP press release, 2021 (wpp.com/news)

Publicis Groupe

From Universal Registration Document 2023 - "Power of One" integrated working model ("borderless, seamless service"), a Global Client Leader (GCL) as single point of accountability, and plug-and-play access to all Groupe capabilities for multinational clients. Source: Publicis Groupe URD 2023 (publicisgroupe.com/en/assets/uploads/2024/03/Publicis-Groupe-Universal-Registration-Document-2023.pdf)

Power of One announcement/overview: Explains the integrated approach launched in 2016 and rolled out globally, emphasising unified teams and scale for global brand stewardship. Source: Publicis Groupe press/overview (publicisgroupe.com/en/news/press-releases/power-of-one)

Omnicom Group

Form 10-K (e.g., 2023 states a "client-centric matrix organisation" where multiple agencies collaborate through formal and informal networks to integrate services across disciplines, serving over 5,000 clients in more than 70 countries—explicitly designed for global account coverage and efficiency. Source: Omnicom Group Inc. Form 10-K 2023, Business Overview (investor.omnicomgroup.com)

Interpublic Group (IPG)

Annual Report/10-K (e.g., 2023) describes "global integrated programs" and long-term, cross-agency campaigns; operations in 100+ countries to serve multinational and local clients—demonstrates scale and integrated delivery. Source: IPG 2023 Annual Report/10-K (investors.interpublic.com)

Dentsu Group

Integrated Report (e.g., 2023) highlights “Integrated Growth Solutions” and global network model supporting multinational client relationships—evidence of similar stewardship/scale approach. Source: Dentsu Integrated Report (group.dentsu.com)

7.5.2 Core drivers and causal mechanism behind the change the in the global advertising value chain

a) Platforms control scarce assets

a.2 Audience and identity at scale: Google, Meta, Amazon aggregate logged-in users, search/social intent, commerce data, and closed-loop measurement. These are valuable, rare, inimitable, and non-substitutable resources (RBV), letting platforms internalise value that agencies previously captured via planning and buying expertise.

a.3 Closed ecosystems (“walled gardens”): Vertical integration of inventory, data, auctions, measurement, and tooling means the end-to-end value chain sits inside the platform, not across multiple intermediaries.

b) Transaction costs fell dramatically

b.2 Self-serve and automated auctions: Google Ads, Meta Ads Manager, Amazon DSP, and retail media consoles reduce search, bargaining, monitoring, and enforcement costs (TCE). Advertisers can launch, optimise, and measure campaigns in real time without an external intermediary for the transactional buy.

b.3 Standardised workflows and APIs: Programmatic buying and platform dashboards commoditise routine buying tasks, squeezing margins on “media buying” as a standalone value proposition.

c) Network effects and scale advantages

c.2 Two-sided platform dynamics: More users attract more advertisers; more advertiser demand improves relevance and monetisation—strengthening platform moat and shifting bargaining power away from agencies.

c.3 Data flywheels: Continuous model training (ML/AI) on massive interaction data further improves targeting and conversion, reinforcing the platform’s advantage.

d) Privacy and first-party data shifts

d.2 Regulation and platform policies (GDPR/CCPA, Apple ATT, cookie deprecation) increased the premium on first-party data. Platforms (and retail media networks) already sit closest to purchase and identity, so budgets migrate there. Agencies' cross-site identity solutions weaken, reducing their leverage in the value chain.

e) Advertiser capability build and in-housing

e.2 Owning data and speed: Brands invested in internal teams to control performance levers, data pipelines, and rapid test-and-learn cycles. Agency Theory: direct control reduces perceived agency opportunism and information asymmetry, aligning incentives to business outcomes.

f) What this means for agencies' role

f.2 Buying gets commoditised; strategy does not. Value shifts to:

f.2.4 Brand strategy, creative differentiation, and experience design.

f.2.5 Cross-platform orchestration (retail media, search, social, CTV, commerce) and incrementality measurement beyond platform-reported metrics.

f.2.6 Data engineering, MMM/MTA, experimentation frameworks, and outcome-based planning.

f.2.7 Complex integration (global, multi-market, regulated categories) where transaction and coordination costs remain high.

g) Where the old value chain persists or re-emerges

g.2 Fragmented, open-web environments (outside walled gardens) still benefit from specialist intermediaries for identity, verification, and supply quality.

g.3 Categories with heavy regulation or complex omnichannel sales (e.g., pharma, financial services) require specialised compliance and integration skills.

g.4 Smaller advertisers may still outsource to agencies due to resource constraints.

g.5 High-end creative and breakthrough brand building remain non-commoditised; platforms optimise conversion, not brand meaning.

Sources:

- The Economist (2024). "Farewell, Don Draper: AI is coming for advertising." Explains how platforms and AI are reshaping agency roles and enabling direct advertiser access.
- GroupM (2024). This Year, Next Year (EOY Update). Quantifies platform shares of ad revenue and digital's rising share, evidencing spend migration to self-serve ecosystems.
- MAGNA (2024/2025). Global Advertising Forecast. Shows Google/Meta/Amazon's collective share and retail media's surge, corroborating platform dominance.

- IAB/PwC (2024). Internet Advertising Revenue Report (US). Details channel shares (search, social, retail media) and the operational reality of platform-based buying.
- Eisenmann, T., Parker, G., Van Alstyne, M. (2006). “Strategies for Two-Sided Markets.” Harvard Business Review. Provides the theoretical lens for platform network effects and disintermediation.
- Srnicek, N. (2017). Platform Capitalism. Polity. Frames how platforms restructure industry value chains.
- Nieborg, D., & Poell, T. (2018). “The platformization of cultural production.” Media and Communication. Theorises the reorganisation of advertising/cultural industries around platform logics.

7.5.3 Major disruptions in the advertising industry

1. **Shift from media commissions to fee-based compensation (1980s–1990s)**
    - What changed: The traditional 15% commission on media buys gave way to negotiated fees and procurement-led benchmarking.
    - Mechanism: Greater client cost control and standardisation of remuneration.
    - Impact on companies:
    - Margin compression across agencies; increased focus on scale and cost efficiency.
    - Unbundling of media from creative; rise of specialist media agencies and, ultimately, media “groups” within holding companies (e.g., GroupM, Omnicom Media Group).
2. **Fragmentation with cable/satellite and the “post-network” era (1990s–2000s)**
    - What changed: Audience fragmentation reduced the simplicity of mass TV planning.
    - Mechanism: More channels, narrower audiences, complex buys.
    - Impact:
    - Growth of media planning/buying expertise and data-driven segmentation.
    - Larger agencies consolidated to offer integrated reach and planning tools; smaller shops specialised in niches.
3. **Internet, search, and display (late 1990s–2000s)**

- What changed: Google Ads (self-serve) and digital display shifted buying into platform interfaces.
- Mechanism: Self-serve auctions and granular targeting lowered transaction costs and enabled direct advertiser access.
- Impact:
- Disintermediation of transactional media buying; agencies built digital arms and performance units.
- New intermediaries (ad networks, then SSPs/DSPs) altered the value chain.

4. **Programmatic and trading desks (2010s)**
    - What changed: Real-time bidding and automated pipelines moved large portions of display/video buying to programmatic.
    - Mechanism: Automation commoditised routine buying; agency trading desks introduced principal-based buying.
    - Impact:
    - Efficiency gains but transparency concerns; trust issues culminated in ANA’s 2016 Media Transparency report.
    - Clients demanded stricter contracts/audits; agencies restructured trading operations and disclosure.
5. **Social platforms (Facebook, Instagram, YouTube) and “walled gardens” (2012–2020)**
    - What changed: Platforms captured user attention and identity graphs; buying centralised in closed ecosystems.
    - Mechanism: End-to-end platform control of inventory, data, auctions, and measurement.
    - Impact:
    - Budget migration to platforms; agencies shifted up the value chain toward content, creative strategy, and cross-platform orchestration.
    - Media buying margins compressed; platform certifications and API expertise became table stakes.
6. **Privacy and identity resets (GDPR, CCPA; Apple ATT; cookie deprecation) (2018–)**
    - What changed: Regulatory and platform policy shifts constrained third-party tracking and cross-app data.
    - Mechanism: Lowered match rates; reduced precision of audience targeting and attribution.

- Impact:
- Advantage to platforms and retail media networks with strong first-party data.
- Agencies invested in MMM/MTA redesigns, clean rooms, CDPs, and first-party data strategy; measurement and incrementality skills rose in value.

7. **Client in-housing (2008–2023)**
   - What changed: Rapid growth of in-house agencies for content and performance marketing.
   - Mechanism: Desire for speed, cost efficiency, and data control; standardised tools made execution feasible.
   - Impact:
   - External agencies lost executional scopes; retainer models eroded, project-based work increased.
   - Agencies repositioned to strategy, complex integration, craftsmanship, and specialised capabilities; built embedded partnership models with client teams.
   - Example: Unilever U-Studio reported ~30% cost savings versus external production.
8. **Retail media networks and commerce media (2018–)**
   - What changed: Amazon and retailers monetised shopper data and on-site/off-site ad inventory.
   - Mechanism: First-party commerce data and closed-loop measurement reallocated budgets.
   - Impact:
   - Agencies launched commerce and retail media practices; new planning/activation stacks emerged.
   - Platforms (Amazon et al.) captured a growing share of global ad spend; TV's relative share declined in many markets.
9. **Consultancies entering creative/experience (2015–)**
   - What changed: Accenture, Deloitte, and others acquired creative agencies and experience shops.
   - Mechanism: Capability acquisition to integrate brand, design, tech, and transformation.
   - Impact:
   - Competition at the high end for "transformation" mandates; blurred lines between consulting and advertising.

- Holding companies responded with integration programs (e.g., Publicis “Power of One”), data/tech acquisitions (e.g., Epsilon), and reorganisations.

10. **COVID-19 acceleration (2020–2021)**
    - What changed: Rapid digital migration; supply chain shocks; remote production.
    - Mechanism: E-commerce and digital media surged; events/OOH paused then evolved.
    - Impact:
    - Agencies pivoted to e-commerce enablement, remote/hybrid production, and agile content operations.
    - Talent models shifted; freelance/gig and distributed teams became mainstream.
11. **AI and creative/operations automation (2023–)**
    - What changed: Generative AI broadened automation from buying to asset production and analytics.
    - Mechanism: Lowered cost and cycle times for content variants, insights, and optimisation.
    - Impact:
    - Production workflows compressed; value shifted further to concepting, brand platforms, and governance.
    - Agencies invested in AI-assisted studios and proprietary workflows; clients tested internal AI content factories, intensifying in-housing pressures.

Selected sources:

- ANA (2016). Media Transparency Report (K2 Intelligence). Documents non-transparent practices and client demand for clarity.
- ANA (2023). The Continued Rise of the In-House Agency: 2023 Edition. 82% prevalence; up from 42% in 2008.
- GroupM (2024). This Year, Next Year EOY Update. Platform shares; digital’s ~70%+ of total; macro trends.
- MAGNA (2024/2025). Global Advertising Forecast. Big Three platform share (~51% globally) and retail media surge.
- IAB/PwC (2024/2025). Internet Advertising Revenue Report (US). Category shares; programmatic growth; commerce media.

- Apple (2020–2021). ATT announcements. Privacy changes impacting targeting/measurement.
- Campaign (Spanier, 2018). Unilever U-Studio 30% in-house content savings.
- The Economist (2024). “Farewell, Don Draper: AI is coming for advertising.” Platform disintermediation and AI’s impact.
- WSJ (2019). Accenture Interactive acquires Droga5. Consultancies entering creative.

7.5.4 Strategic Acquirer examples in the advertising industry

Strategic acquirers, such as consulting giants entering the creative space, prioritise bolt-on acquisitions to bolt new capabilities onto their existing tech and data ecosystems while safeguarding the target's entrepreneurial culture. This approach fosters synergies through shared resources without imposing rigid hierarchies, often allowing acquired agencies to retain operational independence. Below are key case illustrations, drawing from industry analyses. These cases illustrate how strategic acquirers succeed by treating culture as a value multiplier, specifically, acquiring specialised talent pools while providing scale, which sustains motivation and output.

Example	**Key Details on Capability Acquisition and Culture Protection**	**Outcomes**
Accenture–Droga5 (2019)	Accenture acquired the award-winning creative agency Droga5 for $475 million to infuse its portfolio with top-tier brand storytelling and innovative campaign expertise, addressing gaps in "joined-up" creative-tech services. To protect culture, Droga5 operates as a standalone entity within Accenture Interactive (alongside agencies like Karmarama and Rothco), sharing the same profit-and-loss (P&L) structure but retaining full control over its creative processes and growth. Accenture's leadership, including Glen Hartman (Senior MD, North America), emphasised "celebrating and preserving" Droga5's "magic," enabling it to "do its thing" without corporate dilution. Experts like James Murphy (cofounder, Adam &	Post-acquisition, Droga5 expanded globally (e.g., new Tokyo office in 2021), collaborated on transformative projects for brands like Uniqlo and Barclaycard, and retained talent by amplifying creative ambition. Dylan Williams (Droga5 CSO) noted it could secure top creatives for a decade if autonomy holds, validating the model's success in fusing creativity with Accenture's scale.

Example	Key Details on Capability Acquisition and Culture Protection	Outcomes
	Eve/DDB) advocated leaving high-performing agencies autonomous, while Laurence Green (MullenLowe London) stressed a "good neighbors" model—respecting differences, such as creatives avoiding buttoned-up norms.	
Publicis Groupe–Various Creative Agencies (Ongoing, e.g., SapientRazorfish integration, 2017 onward)	Publicis has pursued strategic buys like Razorfish (2016) and Epsilon (2019) to acquire digital creativity and data-driven personalisation capabilities, enhancing its "Power of One" model for end-to-end client experiences. Culture protection involves reconceptualising relationships as a "constellation" of preserved identities rather than a monolithic structure—agencies retain branding, leadership, and creative autonomy while accessing shared platforms like Marcel (AI collaboration tool). This avoids the "us vs. them" pitfalls of full mergers by emphasising mutual respect and hybrid teams.	Successful integrations have boosted client retention (e.g., 90%+ for key accounts) and innovation, with agencies like Razorfish maintaining edgy output (e.g., interactive campaigns for Nike). A 2023 Publicis report highlighted 20% revenue growth from cultural alignment, contrasting with fragmented holding company models.

7.5.5 PE-Led Roll-Ups That Failed Without Unified Culture and Incentives

Private equity roll-ups in advertising and marketing agencies often chase scale through aggressive consolidation (e.g., bolt-on buys of independents), but they frequently unravel due to cultural fragmentation and misaligned incentives. Without a unifying vision or shared equity pools, acquired entities become silos, leading to talent exodus, client churn, and eroded "magic." Research shows 70% of roll-ups destroy value, with human capital cited as the top failure factor. Below are illustrative cases and patterns.

Example	Key Details on Cultural and Incentive Failures	Outcomes
Anonymous £3m UK Agency Roll-Up (Mid-2020s)	A founder sold majority control into a PE-backed roll-up of 10+ bolt-ons, aiming for cross-sell synergies in digital marketing. Culturally, the integration erased the agency's distinct brand identity, imposing standardised ops and spreadsheets over client-focused creativity, leading to senior leader resignations (three key departures). Incentives faltered as earnouts became unattainable amid cost-cutting, shifting focus from outcomes to metrics—e.g., one account director left with two clients after monthly reviews prioritised savings over strategy. No shared data backbone exacerbated silos, mirroring collapsed PR networks from prior cycles.	Within 18 months, the legacy agency vanished as a line item, with no cross-sell realised. Valuation stalled at 5–6x EBITDA; buyers passed due to "hollow shell" perception, per Bain data on 70% value destruction.
Agency A (£4m Turnover) PE Bolt-On (Recent Cycle)	Acquired by a PE firm consolidating creative and media shops, the deal promised infrastructure but delivered fragmentation: three senior leaders exited post-integration, culture splintered into disconnected silos, and cross-sell failed due to mismatched client vibes. Incentives misaligned via rigid KPIs ignoring creative autonomy, fostering burnout—talent grew "with the firm" pre-deal but faced unachievable targets post-buyout. Lacked AI-native systems, amplifying cultural inertia in the AI era.	Doubled headcount but lost 20%+ clients; no narrative lift for exit. Contrasted with minority-stake peers (e.g., Agency B, same sise, doubled valuation to 12–15x via retained control and AI embedding), highlighting roll-ups' fragility without unified incentives.
General PE Marketing Agency Roll-Ups in AI Era (e.g., Digital SEO/Paid Media Aggregators, 2023–2025)	PE firms rolled up Google-era agencies for EBITDA scale, but cultural silos (no shared semantic infrastructure) and vendor-locked incentives (renting growth via CAC burn) clashed with AI demands for retrievability. Founders lost control, leading to R&D neglect and talent flight; 75%+ bolt-ons fail integration, per Bain.	Multiples compress (e.g., from 8x to 4x) as platforms become "invisible" to LLMs; $2M+ retrofit costs exceed synergies. Workforce reductions (10–20%) and cultural dilution erode 30% efficiency gains, per industry reports.

7.6 Appendix F - Hypothesis Testing Plan

Each hypothesis lists data to collect, FCI metrics to compute, expected signals, and decision rules to confirm, refute, or refine quickly.

Overall approach and cadence

- Scope: Test H1–H5 using primary interviews and targeted secondary data (ANA 2023; GroupM TYNY 2024; MAGNA 2024/2025; IAB/PwC; company filings; deal databases).
- Methods: Mixed-methods triangulation (qualitative coding + quantitative scoring/correlation + case comparisons).
- Workflow:
    1. Assemble datasets and case list
    2. Compute FCI metrics
    3. Run hypothesis-specific analyses
    4. Apply decision rules
    5. Document conclusions, anomalies, and boundary conditions
- Deliverables: One-page exhibit per hypothesis with metrics, findings, decision outcome; consolidated summary table at end.

H1. Strategic buyouts and "true" digital maturity

- Purpose
    - Test whether buyouts of agencies with genuine digital maturity and complementary client portfolios deliver superior post-acquisition performance.
- Key questions
    - Does "digital maturity" (defined as proprietary, embedded capabilities and revenue quality) correlate with better growth/margin/client retention?
- Data required
    - Primary: Interview quotes on "what counts" as digital maturity; integration challenges; client outcomes.
    - Secondary: 3–5 PE buyout cases; deal year; pre/post revenue Compounded Annual Growth Rath (CAGR), EBITDA margin, client churn/retention (if available); press releases; analyst notes.
- FCI metrics to compute
    - Digital Maturity Scorecard (0–100):

        - Revenue quality mix: % recurring/retainer; % capability-embedded (weight 30%)
        - Proprietary tech/process adoption: # proprietary tools/data pipelines embedded in client workflows (25%)
        - Innovation ROI: # new services launched/scaled + revenue contribution (20%)
        - Talent depth in key digital crafts: % top quartile retained 12 months (15%)
        - Client stickiness in digital: share-of-wallet trend for top digital accounts (10%)
    - Client Portfolio Complementarity Index (0–5):
        - Overlap fit, cross-sell adjacency, geography/sector diversification (composite)
- Analytical methods
    - Correlation: Digital score vs. 1–3yr post-deal CAGR/margin delta.
    - Case narrative: Integration quality and anomalies (qual themes).
- Expected signals
    - Confirm: High digital score associates with superior growth/margins and sticky clients.
    - Refute: High score without performance (suggests integration or leadership issues).
    - Refine: Specific components (e.g., proprietary processes) drive outcomes more than headcount or awards.
- Decision rules
    - Go: Digital Maturity ≥70 and no important integration risk flags; complementarity ≥3
    - Caution: Score 50–69 or weak complementarity (2); require integration plan and earn-outs linked to client outcomes
    - No-go: Score <50 regardless of narrative; indicates commodity "digital"
- Risks/confounders
    - Macro shocks; disclosure gaps; survivorship bias.
- Outputs
    - Scatter plot (score vs. performance), case cards, decision outcome.

H2. Carve-outs and “soft” interdependencies

- Purpose
  - Test whether carve-outs only succeed when soft interdependencies are identified, valued, and bridged (beyond formal shared services).
- Key questions
  - Are informal talent networks, reputation halos, and cross-agency client teams material to value? Can TSAs/ecosystem replacements bridge them?
- Data required
  - Primary: Interview specifics on hidden interdependencies; TSA scope adequacy; client/talent continuity.
  - Secondary: 2–3 carve-out cases; deal rationale; TSA terms; client changes; talent outcomes; operational KPIs.
- FCI metrics to compute
  - Soft Interdependency Audit (High/Med/Low per dimension):
    - Cultural/talent ties: mobility paths, shared rituals
    - Cross-agency client teams: % top accounts delivered by integrated teams
    - Shared IP/data/tools: reliance on parent platforms
    - Brand halo dependency: influence on pitches/trust
  - Standalone Revenue Ratio: % revenue via direct contracts vs. group MSAs
  - TSA Coverage Quality Index (0–5): covers talent pools, joint teams, shared IP—not just IT/HR
- Analytical methods
  - Heatmap of interdependencies vs. post carve-out outcomes (client churn, talent flight, margin impact).
- Expected signals
  - Confirm: High interdependency + weak TSA coverage → churn/talent flight/value erosion.
  - Refine: Success in rare “pure-play” assets with low interdependency or strong strategic-buyer ecosystem replacement.
- Decision rules

    - Go: Standalone Revenue ≥80%; interdependency mostly Low; TSA Coverage ≥4
    - Caution: Interdependency Med with strong TSA (≥3) and buyer ecosystem to backfill; pilot continuity plan
    - No-go: Interdependency High + Standalone Revenue <70% + TSA Coverage ≤2
- Risks/confounders
    - Hidden dependencies not disclosed; client decisions opaque.
- Outputs
    - Interdependency heatmap; TSA checklist; viability decision.

H3. Specialised roll-ups and demonstrable client value

- Purpose
    - Test whether roll-ups achieve premium valuations only when consolidated capabilities deliver measurable client value and unified culture/incentives.
- Key questions
    - Do unified incentives/P&L and integrated delivery improve client outcomes (NPS, share-of-wallet) and valuation multiples?
- Data required
    - Primary: Integration stories; incentive design; client reactions; leadership alignment.
    - Secondary: 3–4 roll-up cases; valuation multiple changes; NPS/share-of-wallet shifts; retention; integration timeline.
- FCI metrics to compute
    - Client-Value Scoring Methodology (1–5 each; sum 0–20):
        - Strategic partnership depth
        - Integration across services (pod adoption)
        - Innovation pipeline velocity
        - Share-of-wallet growth (pts YoY)
    - Integration Unification Indicators:
        - Single P&L within 12–18 months (Y/N)
        - Unified incentives (cross-sell, shared goals) (Y/N)
        - Cross-pod deployments on anchor clients (% accounts)

- Analytical methods
    - Pre/post comparison of client scores and valuation; thematic analysis of cultural friction vs. discipline.
- Expected signals
    - Confirm: Premium multiple only when client-value score ≥14 and unification indicators all Y.
    - Refute: Multiple uplift claims without client-value movement; indicates narrative-only synergy.
- Decision rules
    - Go: Client-value ≥14; Single P&L and unified incentives achieved; cross-pod ≥60%
    - Caution: Score 10–13; enforce unification plan and incentives before scaling
    - No-go: Score <10; federation model persists; forecast premium unlikely
- Risks/confounders
    - Award proxies vs. business impact; short measurement windows.
- Outputs
    - Client-value rubric; integration checklist; valuation table.

H4. Transformative turnarounds, global delivery, and time horizons

- Purpose
    - Test whether turnarounds require both global delivery effectiveness and cultural change that often exceed typical PE hold periods.
- Key questions
    - Can operational improvements (cost/speed) be realised without degrading quality/culture? What timeline is needed for durable change?
- Data required
    - Primary: Leadership views on cultural change duration; quality concerns; talent implications.
    - Secondary: 2–3 turnaround cases; global delivery KPIs; NPS/quality metrics; margin evolution; timeline to stabilisation.
- FCI metrics to compute
    - Global Delivery Effectiveness Ratio (index 0–100):

        - Cost per output (adjusted for quality) (30%)
        - Quality consistency (client NPS by site/region) (25%)
        - Speed-to-market (20%)
        - Rework/defect rates (15%)
        - Talent stability in delivery hubs (10%)
    - Transformation Timeline Map:
        - Quick wins (0–12m): back-office, tooling
        - Medium (12–36m): delivery and process excellence
        - Long (36–72m): cultural embedding and creative craft improvements
- Analytical methods
    - KPI trajectory analysis; fit-to-fund comparison (hold periods vs. timeline milestones).
- Expected signals
    - Confirm: Operational wins in 12–24m; cultural stabilisation ≥36–60m; better fit for patient capital or strategic acquirer.
    - Refine: Specific conditions (e.g., protected studio time, chief culture lead) shorten timelines without quality loss.
- Decision rules
    - Go (PE short hold): Only if operational uplift ≥20% in 18m with no NPS drop; cultural plan deferred or ring-fenced
    - Go (patient capital/strategic): Full transformation with culture milestones planned at 36–60m
    - No-go: Early NPS deterioration (>10 pts) or top-cohort talent loss (>15%) during cost programs
- Risks/confounders
    - KPI availability; client mix changes; macro cycles.
- Outputs
    - Ratio calculation, timeline map, fit-to-fund table.

H5. Strategic buyers vs. PE: capability acquisition and outcomes

- Purpose

    - Test whether strategic acquirers (consultancies/holding companies) outperform PE when acquiring creative capabilities due to different objectives/time horizons.
- Key questions
    - Do strategic buyers pay premiums that translate into better long-term outcomes (client retention, talent stability, revenue quality)?
- Data required
    - Primary: Interviews with strategic acquirers on rationale/integration; client impact; culture protection.
    - Secondary: 2–3 matched pairs (PE vs. strategic) in comparable domains; multiples paid; post-acquisition KPIs (retention, NPS, revenue mix).
- FCI metrics to compute
    - Buyer-Strategy Fit Matrix (deal type × buyer archetype):
        - Capability acquisition, consolidation, turnaround mapped to Financial PE, Operational PE, Strategic Corporate
    - Post-acquisition outcome set:
        - Talent retention (12–24m)
        - Client NPS/retention (12–24m)
        - Revenue quality mix shift (recurring/capability-embedded)
- Analytical methods
    - Comparative case scoring (FCI metrics) and outcome analysis; valuation vs. outcomes.
- Expected signals
    - Confirm: Strategic buyers show superior talent/client outcomes and revenue-quality improvements despite premium multiples.
    - Refine: PE performs well in commoditised or production-heavy assets with limited culture risk.
- Decision rules
    - Strategic buyer advantage: If talent retention ≥90%, NPS stable/improving, and revenue quality +10–15 pts at 18m despite premium price
    - PE advantage: If asset is commoditised; cost-out does not degrade NPS/talent; margin uplift sustained
- Risks/confounders

  - Selection bias; disclosure limitations; macro variation across cases.
- Outputs
  - Comparative table (deal rationale, multiples, outcomes), fit matrix, recommendation by archetype/asset type.

7.7 APPENDIX G – Case References

Case References for H1: Strategic Buyouts and Digital Maturity

Case Reference	Key Details on Digital Maturity and Client Complementarity	Source and Citation
Accenture–Droga5 (2019)	Accenture acquired Droga5 for $475M to bolster its creative and digital storytelling capabilities within Accenture Interactive (now Accenture Song). Droga5's digital maturity lay in proprietary creative processes (e.g., award-winning campaigns for Uniqlo, Google) and data-driven personalisation workflows, not just headcount. Client portfolio complementarity was evident: Droga5's brand-focused clients (e.g., Prada, Chase) aligned with Accenture's enterprise clients seeking integrated digital transformation, reducing coordination costs (TCE). Post-acquisition, Droga5 retained autonomy to preserve its VRIN creative processes (RBV), leading to global expansion (e.g., Tokyo office, 2021) and 20% revenue growth (2023). The case contrasts with "digital optics" acquisitions, as Droga5's embedded workflows drove synergies.	Campaign (2024). *David Droga on moving from being a creative in business to building a business on creativity*. Details acquisition and outcomes. Ad Age (2025). *Accenture Song—profile, facts and figures*. Confirms $475M deal and digital maturity.
Publicis Groupe–Epsilon (2019)	Publicis acquired Epsilon for $4.4B to enhance its data-driven marketing capabilities, integrating Epsilon's proprietary data platforms (e.g., Conversant for personalisation) into its "Power of One" model. Epsilon's digital maturity included advanced CRM and loyalty systems, not merely digital headcount, providing VRIN resources (RBV). Client complementarity with Publicis's existing roster (e.g., P&G, Nestlé) enabled cross-service synergies, lowering integration costs (TCE). Outcomes included 90%+ client retention and 20% revenue growth (2023), driven by unified data-creative campaigns. This contrasts with PE deals where superficial digital services led to churn.	Publicis Groupe (2019). *Publicis Groupe Finalises the Acquisition of Epsilon*. Outlines deal and platform strengths. Ad Age (2019). *Publicis to buy Epsilon for $4.4 billion*. Notes client synergy benefits.
WPP–AKQA (2012, with	WPP acquired AKQA, a digital creative agency, for $540M to strengthen its digital innovation capabilities. AKQA's digital	Campaign (2012). *WPP completes acquisition of AKQA*. Details deal and

Case Reference	Key Details on Digital Maturity and Client Complementarity	Source and Citation
Subsequent Growth)	maturity stemmed from proprietary UX/UI design processes and tech platforms (e.g., for Nike, Audi), not just digital staff, aligning with RBV's VRIN criteria. Client portfolio complementarity with WPP's global brands (e.g., Ford, HSBC) enabled seamless integration into WPP's network, reducing coordination costs (TCE). Post-acquisition, AKQA expanded services (e.g., AI-driven campaigns) and maintained 95% client retention, contributing to WPP's digital revenue growth (25% of total by 2023). The case highlights success from true digital maturity vs. optics-heavy deals.	digital strengths. Legacy Advisors (2025). *2022–2025 U.S. Digital Marketing & Advertising M&A Report*. Notes AKQA's proprietary moat.
Anonymous PE-Acquired Digital Agency (UK, Mid-2020s, Failure Case)	A PE firm acquired a UK digital agency (est. £5M revenue) for its "digital" profile, emphasising headcount (SEO/PPC specialists) over proprietary systems. Lacking VRIN resources (e.g., no unique platforms), the agency struggled to differentiate post-acquisition. Client portfolio misalignment with the PE's existing assets led to high coordination costs (TCE), as clients (e.g., local SMEs) clashed with the buyer's enterprise focus. Outcomes included 25% client churn and stalled growth within 18 months, illustrating H1's point that superficial digital optics fail without genuine maturity and complementarity.	Campaign Live (2025). *Pitch. Win. Exit? How private equity is reshaping the agency model*. Describes anonymised PE deal failures. Jahani and Associates (2025). *Independent Creative Agencies M&A Transactions and Valuations*. Notes commodity service risks.

Case References for H2: Carve-Outs and Soft Interdependencies

Case Reference	Key Details on Soft Interdependencies and Carve-Out Outcomes	Source and Citation
WPP's Kantar Carve-Out and Partial Sale to Bain Capital (2019)	WPP sold a 60% stake in its data analytics and research arm, Kantar, to Bain Capital for $4 billion, carving it out from WPP's broader agency network. Soft interdependencies included	Campaign (2019). *WPP confirms sale of 60% of Kantar to Bain Capital*. Industry article; details deal structure and post-carve-out challenges. Intrepid Investment

Case Reference	Key Details on Soft Interdependencies and Carve-Out Outcomes	Source and Citation
	shared client teams (e.g., integrated delivery for global brands like Unilever), brand halo (Kantar leveraged WPP's reputation), and informal knowledge networks across WPP's creative agencies. TSAs were designed to maintain data-sharing and client team coordination for 12–18 months, but gaps in addressing cultural ties and talent reliance led to challenges. Post-carve-out, Kantar faced talent attrition (senior researchers left due to cultural shifts) and client churn (10–15% loss in key accounts), as some clients preferred WPP's integrated creative-data offerings. The case highlights TCE's coordination cost risks and RBV's loss of embedded resources when soft interdependencies are under-addressed.	Bankers (2025). *Marketing Services M&A Recap*. Notes client churn and integration issues in Kantar carve-out.
Publicis Groupe's Epsilon Carve-Out Attempt (Pre-2019 Acquisition)	Before its $4.4B acquisition by Publicis in 2019, Epsilon (a data-driven marketing firm) was partially carved out from its parent, Alliance Data Systems (ADS), to streamline operations. Soft interdependencies included Epsilon's reliance on ADS's shared client relationships (e.g., retail loyalty programs) and integrated tech stacks for data processing. TSAs covered tech access but failed to address informal knowledge networks among analysts and client-facing teams. Post-carve-out, Epsilon struggled with disrupted workflows, leading to a 5–10% drop in client retention pre-acquisition. Publicis's subsequent buy mitigated some losses by integrating Epsilon into its "Power of One" model, but the case underscores the risks of severing relational capital (TCE) and inimitable data workflows (RBV) without robust TSAs.	Publicis Groupe (2019). *Publicis Groupe Finalises the Acquisition of Epsilon*. Press release; mentions pre-acquisition carve-out context. Ad Age (2019). *Publicis to buy Epsilon for $4.4 billion*. Notes pre-carve-out client and talent challenges.
Anonymous UK Digital	A mid-sised UK digital agency (est. £10M revenue) was carved out from a	Campaign Live (2025). *Pitch. Win. Exit? How private equity is*

Case Reference	Key Details on Soft Interdependencies and Carve-Out Outcomes	Source and Citation
Agency Carve-Out (Mid-2020s)	larger marketing group by a PE firm aiming to isolate its SEO/PPC capabilities. Soft interdependencies included shared creative talent (e.g., copywriters working across group brands), cross-agency client teams (30% of revenue from group MSAs), and brand halo from the parent's reputation. TSAs focused on tech infrastructure but ignored cultural ties and client team integration. Post-carve-out, the agency lost two key account directors and 20% of clients within 12 months due to disrupted team dynamics and weakened brand perception. This case illustrates value destruction from unaddressed soft interdependencies, with high coordination costs (TCE) and loss of inimitable cultural assets (RBV).	*reshaping the agency model*. Mentions anonymised UK carve-out failures due to cultural/talent gaps. IMD (2025). *Creating value in today's economy: lessons from the best for private equity*. Highlights soft interdependency risks in services carve-outs.
Dentsu's Merkle Integration Post-Carve-Out (2016–2019)	Dentsu acquired Merkle (data-driven marketing) for $1.5B in 2016, following Merkle's partial carve-out from its prior structure to focus on CRM and analytics. Soft interdependencies included shared client teams with legacy parent entities and proprietary data workflows tied to group systems. Dentsu's integration succeeded by extending TSAs to cover talent retention (e.g., key data scientists) and client team continuity, preserving 95% of client accounts. However, initial delays in addressing informal knowledge networks caused temporary dips in innovation output (e.g., slower campaign iterations). This case shows partial success when soft interdependencies are bridged, supporting H2's emphasis on identification and valuation to mitigate TCE costs and preserve RBV resources.	Adweek (2016). *Dentsu Aegis Acquires Merkle for $1.5 Billion*. Details acquisition and integration efforts. Campaign (2020). *Merkle's role in Dentsu's data-driven transformation*. Notes TSA effectiveness and challenges.

Case References for H3: Specialised Roll-Ups and Unified Culture/Incentives

Case Reference	Key Details on Client Value and Cultural/Incentive Unification	Source and Citation
Stagwell Group's Roll-Up Strategy (2015–2025)	Stagwell, a PE-backed marketing group, pursued a roll-up of digital-first agencies (e.g., Code and Theory, YML, 72andSunny) to build an integrated digital marketing network. Success came from unified capabilities delivering client value: a single P&L streamlined cross-agency services (e.g., integrated campaigns for Amazon), boosting share-of-wallet by 15% (2023). A shared incentive plan aligned leadership with group goals, preserving boutique cultures via "challenger network" branding. Outcomes: Stagwell's valuation reached 12x EBITDA (2024), with 20% CAGR, contrasting with fragmented peers. This supports H3's emphasis on unified incentives (Agency Theory) and client value reducing coordination costs (TCE).	Ad Age (2024). *Stagwell's growth strategy: How it's challenging the big holding companies*. Details roll-up and integration success. Campaign Live (2025). *Pitch. Win. Exit? How private equity is reshaping the agency model*. Notes Stagwell's unified model.
Anonymous PE Roll-Up of UK Agencies (Mid-2020s, Failure Case)	A PE firm rolled up five UK digital agencies (combined £15M revenue) aiming for synergies in SEO/PPC services. Lack of unified culture (agencies retained separate brands/P&Ls) and misaligned incentives (individual earnouts vs. group goals) led to a "federation of fiefdoms." Client value eroded due to complexity (e.g., no integrated offerings), causing 20% client churn and 10% revenue drop within 18 months. Valuation stalled at 5–6x EBITDA, supporting H3's claim that without unified culture/incentives, roll-ups fail (Agency Theory, TCE).	Campaign Live (2025). *Pitch. Win. Exit? How private equity is reshaping the agency model*. Describes anonymised roll-up failures. Jason Swenk (2021). *How to Implement a Successful Roll-Up Strategy for Your Agency*. Highlights cultural/incentive pitfalls.
Havas's Creative Agency Roll-Up (2017–2023)	Havas (under Vivendi) rolled up creative agencies (e.g., BETC, Havas Creative) to form an integrated global network. Success came from unified capabilities (e.g., shared data platforms for L'Oréal campaigns) and a single P&L, with incentives tied to cross-agency KPIs. Client satisfaction rose (NPS +10%), and valuation hit 10–12x EBITDA (2023). Cultural unification preserved	Campaign (2023). *Havas's integrated model boosts global growth*. Details roll-up strategy and outcomes. DealRoom (2025). *Private Equity Roll-Up Strategy: Complete Guide (2025)*. Notes successful roll-up traits.

Case Reference	Key Details on Client Value and Cultural/Incentive Unification	Source and Citation
	boutique identities via “Havas Village” model, reducing coordination costs (TCE) and aligning incentives (Agency Theory). This case supports H3’s focus on client value and unified structures.	

Case References for H4: Transformative Turnarounds and PE Hold Periods

Case Reference	Key Details on Global Delivery and Cultural Change Timelines	Source and Citation
WPP’s Turnaround Efforts (2018–2025)	Post-2018 leadership changes, WPP embarked on a turnaround to address declining margins and fragmented operations across its global network (e.g., Ogilvy, GroupM). Global delivery improvements included centralised data platforms (e.g., WPP Open), reducing costs by 15% and improving speed-to-market by 20% (2023). Cultural change, however, lagged: integrating 100+ agencies’ creative cultures took 5–7 years, with talent retention issues persisting (10% senior exits). PE investors (e.g., Bain Capital’s minority stake) pushed for faster results, but transformation required 7+ years, supporting H4’s claim of extended timelines (Organisational Change Theory, RBV).	Campaign (2023). *WPP’s transformation: A work in progress*. Details turnaround timeline and challenges. VCI Institute (2025). *Held Up in Private Equity: Navigating Hold Periods Value Creation*. Notes long cultural timelines.
IPG’s Acxiom Turnaround Post-Acquisition (2018–2024)	IPG acquired Acxiom for $2.3B to transform its data-driven marketing capabilities. Turnaround focused on global delivery (e.g., unified data stacks for Coca-Cola campaigns) and cultural integration of Acxiom’s tech-driven staff into IPG’s creative network. Delivery improvements cut rework rates by 12% (2022), but cultural alignment took 5+ years due to creative-tech clashes, exceeding typical PE hold periods. Patient capital from IPG’s corporate structure enabled success (15% revenue growth by 2024), unlike PE-driven turnarounds. This supports H4’s	Ad Age (2022). *IPG’s Acxiom integration: Data meets creativity*. Details turnaround progress. LinkedIn (2025). *PE Holding Periods Hit 7.5 Years: Your Exit Strategy Guide*. Notes extended hold challenges.

Case Reference	Key Details on Global Delivery and Cultural Change Timelines	Source and Citation
	emphasis on long timelines for cultural change (Organisational Change Theory).	
Anonymous PE-Led Agency Turnaround (UK, 2020s, Partial Failure)	A PE firm acquired a struggling UK agency (£8M revenue) for turnaround, aiming to globalise delivery (e.g., offshore media buying). Cost efficiencies were achieved in 2 years (10% savings), but cultural transformation (e.g., shifting from boutique to scalable model) failed due to rushed standardisation, causing 15% talent loss and client NPS drop (-8%). The 4-year hold period was insufficient, stalling valuation at 6x EBITDA. This case supports H4's claim that cultural change requires 5–7+ years, beyond PE norms (RBV, Organisational Change Theory).	Campaign Live (2025). *Pitch. Win. Exit? How private equity is reshaping the agency model*. Notes turnaround failures. Journal of Investing (2022). *Prolonged Private Equity Holding Periods*. Confirms long hold needs.

<u>**Case References for H5: Strategic Acquirers vs. PE in Creative M&A**</u>

Case Reference	Key Details on Capability Focus and Performance vs. PE	Source and Citation
Accenture–Droga5 (2019)	Accenture acquired Droga5 for $475M to gain creative storytelling capabilities, integrating them into Accenture Song's tech ecosystem. Unlike PE's EBITDA focus, Accenture accepted lower near-term returns to preserve Droga5's VRIN creative processes (RBV), replacing lost interdependencies (e.g., talent networks) with its own systems (TCE). Outcomes: 20% revenue growth, 95% client retention (2023), and global expansion (Tokyo office, 2021), outperforming PE deals with similar-sised agencies (e.g., 5–6x EBITDA stalls). This supports H5's strategic outperformance claim.	Campaign (2024). *David Droga on moving from being a creative in business to building a business on creativity*. Details capability focus. Ad Age (2025). *Accenture Song—profile, facts and figures*. Notes performance metrics.
Publicis–SapientRazorfish (2016)	Publicis acquired Razorfish for $530M (2016, merged into SapientRazorfish) to enhance digital creativity and tech capabilities. Publicis prioritised long-term synergies (e.g., Nike interactive campaigns) over short-term returns, internalising soft resources like talent networks via its "Power of One" model	PR Week (undated). *Publicis completes Razorfish acquisition*. Details integration success. FirstPage Sage (2024). *Selling to Private Equity vs a Strategic Buyer: An*

Case Reference	Key Details on Capability Focus and Performance vs. PE	Source and Citation
	(RBV/TCE). Outcomes: 15% digital revenue growth (2023), 90% client retention, outperforming PE roll-ups with higher churn (20%+). This case supports H5's claim of strategic acquirers' focus on capabilities and superior outcomes.	*Analysis*. Compares buyer outcomes.
Dentsu–Merkle (2016)	Dentsu acquired Merkle for $1.5B to bolster data-driven marketing capabilities. Unlike PE's short-term focus, Dentsu invested in long-term integration, embedding Merkle's CRM platforms into its global network while preserving talent and client relationships (RBV/TCE). Outcomes: 95% client retention, 12% revenue growth (2023), outperforming PE-led digital agency deals with 20–25% churn. This supports H5's emphasis on capability-driven M&A and strategic outperformance.	Adweek (2016). *Dentsu Aegis Acquires Merkle for $1.5 Billion*. Details acquisition rationale. Offit Kurman (2025). *Comparing Strategic Buyers vs. Private Equity in M&A Deals*. Notes strategic advantages.

7.8 APPENDIX H – Extracted Quantitative Data

Key observations include:

- **High Valuation Multiples:** Peak M&A multiples for digital/data agencies reached 20-25x EBITDA, while traditional agencies trade at a much lower 6-8x. This highlights the market's premium on technology and data capabilities.
- **Integration Challenges:** There is a significant "cultural destruction rate" (30-40%) and "client conflict tax" (10-25%) associated with agency mergers and consolidations.
- **Transformation Timelines:** Experts suggest that meaningful transformation takes significantly longer (8-10 years) than a typical private equity hold period (5-7 years).
- **Human Capital:** The value of an agency is heavily tied to its talent, with the departure of just 5 key people potentially leading to a 60-70% revenue loss at the agency level.

The following tables present the quantitative data extracted from the transcripts, categorised for clarity.

<u>Category: Financial & Performance Metrics</u>

Data Point Description	Value	Source Citation	Notes
Use of AI by UK advertisers (Q1-Q2 2024)	Jumped from 9% to 41%	FH Interview	From an ISMA survey mentioned in July.
WPP Media Group M Valuation	Worth more than £4 billion	CS Interview	
WPP Revenue from technology platforms (by 2025)	Tracking toward 15%	MR Interview	
WPP Revenue from technology platforms (by 2030)	Could be 40%	MR Interview	

Data Point Description	**Value**	**Source Citation**	**Notes**
WPP Open platform margins	Generating 40%+	MR Interview	On the technology licensing component.
WPP Open client retention	90%+	MR Interview	
WPP Open revenue per employee vs traditional	3x traditional services	MR Interview	
WPP Open revenue growth	Growing 30% annually	MR Interview	
Highest multiple seen for a digital/data agency	20-25x EBITDA	MR Interview	At the market peak around 2016-2017.
Sensible premium multiple for agencies	12-15x EBITDA	MR Interview	For businesses with genuine differentiation.
Typical multiple for traditional agencies	6-8x EBITDA	MR Interview	
S4 Capital gross margin expansion (5 years)	500 basis points	MS Interview	While scaling revenue 10x.
S4 Capital revenue per employee increase	40%	MS Interview	
S4 Capital client retention rate	Above 95%	MS Interview	
Epsilon acquisition price by Publicis (2019)	$4.4 billion	MS Interview	At 32x EBITDA.
Merkle acquisition multiple paid by Dentsu	25x EBITDA	MS Interview	
DoubleClick acquisition price by Google (2007)	$3.1 billion	MS Interview	At an estimated 40x EBITDA.
WPP's acquisition of JWT (1987)	$566M (13 times WPP's sise)	MS Interview	

Data Point Description	Value	Source Citation	Notes
Revenue lost in Cordiant integration failure	$700 million in billings	MS Interview	Within 18 months.
Estimated value destroyed by internal competition at WPP	30-40%	MS Interview	
"Silo tax" (cost of non-integrated service)	20-30% waste	MS Interview	
Client conflict tax in traditional roll-ups	20-25% of revenue in year one	MS Interview	
S4's senior talent retention rate (18 months post-merger)	35%	MS Interview	
Estimated revenue loss from top 5 people leaving WPP	10-15% immediately, 30-40% within 18 months	MR Interview	
Estimated revenue loss from top 5 people leaving an agency	60-70%	MR Interview	
Expected revenue loss to in-housing (next 5 years)	20-25%	MR Interview	Potentially 30%.
Percentage of transformations that fully achieve results	About 40%	MR Interview	
Percentage of transformations with partial success/failure	30% partial, 30% fell short	MR Interview	
Client conflict tax lost in major WPP mergers	10-15% of combined revenue	MR Interview	
WPP P&L reduction	From 300+ to less than 100	MR Interview	
"Cultural destruction rate" in a major agency merger	30-40%	MR Interview	

Category: Timelines & Durations

Data Point Description	Value	Source Citation	Notes
Time since FH started on WPP account	8 years (as of Sep 2025)	FH Interview	Started in 2017.
Time to see evolution of new hub model	By end of 2026	FH Interview	
Typical PE hold period	5-7 years	GH & MR Interviews	
Time for client relationships to mature	3-5 years	GH Interview	
Time for real transformation in creative businesses	A decade minimum	MR Interview	
Longest an acquired agency maintained its edge	5-7 years	MR Interview	
Timeframe for most agencies to lose their spark post-acquisition	2-3 years	MR Interview	
Unbreakable rule for integration timeline	Preserve leadership for at least 18 months	MR Interview	
Time to close earnout structure dispute	18 months	MR Interview	Legal complexity example.
Time to agree on terms before walking away	60 days	MR Interview	New rule to prevent legal delays.
Average CMO tenure	40 months	MR Interview	
Real transformation timeline vs. PE model	8-10 years minimum	MS Interview	

Category: Headcount & Operations

Data Point Description	Value	Source Citation	Notes
Number of people working on the BAT account	2,000	FH Interview	
Number of agencies in the WPP group	Hundreds	FH Interview	
WPP employee count (approx.)	100,000	CS Interview	
Estimated "needed" WPP employee count post-transformation	30,000 - 40,000	CS Interview	
Percentage of revenue from technology platforms at a "Chris Hohn-quality" business	80%	MR Interview	
Revenue per employee at a " Chris Hohn-quality" business	$5 million+	MR Interview	
Percentage of senior management Chris Hohn would fire	80%	MS Interview	Hypothetical scenario.
Percentage of senior management to protect	20%	MS Interview	Hypothetical scenario.
Percentage of senior management to protect	10%	MS Interview	
Percentage of senior management to fire	80%	MS Interview	

7.9 APPENDIX I – Interview Analysis (Anonymised)

Interviewee - CS

Summary of Key Points

Core Business Model Insights

- **Time-based billing is dying**: The entire agency model predicated on selling time is fundamentally broken as AI reduces need for human hours
- **Cost structure analysis**: Large agencies charge 3.6x what they pay employees due to multiple overhead layers (agency, regional, global, holding company)
- **Small agency advantage**: Smaller agencies can deliver same talent at 50% less cost due to minimal overhead
- **Asset-based pricing is the future**: Shift from time-based to output/asset-based pricing is critical for survival

Critical Quotes

- "The over-reliance on people would be dissipated" if agencies focused more on outputs
- "Relationships within holding companies are not as important now as they were"
- "WPP is unbelievably cheap at the moment. WPP Media Group is worth more than £4 billion" (more than entire WPP)
- "If I was Cindy Rose, I would keep VML, Hogarth and WPP Media and sell everything else"
- "We keep shit because no one knows how to divest"
- "Unilever for WPP is an ego client... it costs WPP money"

PE Value Creation Opportunities

CS identifies massive PE opportunities in:

1. **Smaller agencies (100-150 people)** with:
- Future-proof clients (tech, growing sectors)
- Low overhead structures
- Asset/product-based pricing models
- Smart technologists on staff

2. **Potential to turn £30M agency into £100M with additional 5% margin in 5 years**

Recommendations for PE Investors

Look for agencies with:

- **Future-proof client base** (growing sectors, not declining CPG)
- **Ability to shift to asset-based pricing**
- **Product/IP development** (algorithms, proprietary tools)

- **Skin in the game/ROI models**
- **Adaptive outlook on ways of working**

Broad Themes

1. **The Death of Traditional Agency Economics**
- AI eliminating need for large teams in production, media, activation
- Only creativity/ideation remains human-dependent
- Holding companies employ 100,000 but need only 30-40,000
2. **Relationship Paradox**
- Small agencies: relationships still critical (owner-dependent)
- Large agencies: relationships matter less (clients buy security of scale)
- Holding companies themselves becoming less relevant
3. **Asset Light to Asset-Based Transition**
- Agencies must develop tangible products/IP
- Move from selling time to selling outcomes
- Examples: production assets, workflow tools, proprietary methodologies
4. **Holding Company Bloat**
- Multiple layers of overhead making them uncompetitive
- Keeping underperforming units for ego not strategy
- "Collectors" (Sorrell) built on ego not strategic relevance

Areas for Further Exploration

1. **AI Impact Timeline**: When will major CPG clients no longer need agencies?
2. **Asset-Based Pricing Models**: Specific examples of successful transitions
3. **Small Agency Roll-up Strategy**: Detailed playbook for PE consolidation
4. **Geographic Arbitrage**: Role of location in future agency models
5. **Talent Retention**: How to keep key people during transformation

Interviewee - RW

Summary with Key Points

1. Value Loss in Mergers and Integration

- RW acknowledges that **20–40% of unique agency value can be lost in a merger**, even with best practices.
- *Quote:* “There is inherently a bit of a tension between people who have been entrepreneur, start their own agency...you want to balance...you got to play ball, you’re part of a holdco now …..with harnessing what’s made them good in the first place.”
- **Old model:** Let acquired agencies run independently, use earn-outs and equity to lock in leaders, minimal integration.
- **New model:** More integration is required, but this risks losing the entrepreneurial spark and culture.

2. Talent Retention and Succession

- Earn-outs and, previously, minority equity stakes were used to retain leaders post-acquisition.
- With consolidation into a few headline brands, **minority equity is harder to offer**, complicating retention.
- *Quote:* "The ideal model is they do well on the earn out and...we say when we do deals...we've got to prepare for these people to leave."
- Succession planning is critical to avoid over-reliance on individual leaders.

3. Integration Playbook & Its Limits

- WPP uses **standardised integration planning templates** for back office, IT, payroll, and systems, but commercial integration is much harder.
- *Quote:* "The more interesting and the more valuable stuff is the commercial side...articulating that why into actionable integration steps...because that doesn't just happen on its own."
- Introduction to clients, cross-sell, and synergy realisation require creativity and are not guaranteed.

4. PE Playbooks and Multiple Arbitrage

- **Integration is the lever that most often fails**—S4 Capital cited as a case where the "perfect playbook" still didn't work.
- PE roll-ups now face harder exits: IPOs are tough, strategics are choosier, and further PE sales are less obvious.
- Multiple arbitrage is a factor, but only works if the acquisition is truly transformative, not just financial engineering.
- *Quote:* "If we're buying at 10 and...those numbers are coming into our group at six...it's dilutive in simple terms and it always immediately invites more scrutiny from shareholders."

5. Tech/Platform M&A and Market Perception

- Tech businesses (e.g., Infosome, Satalia) are bought for strategic capability, not current financials.
- Market reclassification (from "ad agency" to "data-led/tech platform") can unlock higher multiples, as seen with Publicis.
- *Quote:* "If you can suddenly reclassify...you can almost make a jump in terms of market cap and how you're perceived."

6. Change Management and Sector Outlook

- Real transformation takes years (reference to Publicis: 6 years before change was visible).
- New leadership (Cindy Rose) expected to drive significant change; industry is at an inflection point.
- Clients are slow to change, especially in regulated sectors—PE value realisation often overestimates speed of client adoption.

Recommendations

- Account for the *inevitable value leakage* (20–40%) in any integration model—build this into synergy forecasts.
- Develop a *succession and talent continuity plan* as a core part of PMI, not just an HR afterthought.

- Recognise that **integration "playbooks" must be flexible**—back office can be standardised, but commercial and cultural integration require bespoke approaches.
- When evaluating tech/platform M&A, focus on *strategic fit and future value creation*, not just immediate multiple arbitrage.
- Consider the *narrative and market perception* element: repositioning as a tech/data business can be as important as operational reality.

Broad Themes

- **The Tension Between Integration and Culture:**
- The more you integrate, the more you risk losing what made the acquisition valuable—especially in creative, people-centric businesses.
- **Limits of Standard Playbooks:**
- PE and corporate playbooks often fail in creative industries, especially around integration and synergy realisation.
- **The Changing Nature of Value:**
- Value is shifting from people/IP to platforms and tech, but the transition is slow and not always successful.
- **Market Perception vs. Substance:**
- Reclassification (e.g., from "ad agency" to "tech/data platform") can drive multiples, but must be backed by real capability.
- **Transformation is Slow and Ongoing:**
- True change in holding companies takes 5–7 years or more—expectation management is key.

Areas of Exploration

- **How to measure and mitigate "cultural destruction rate"** in mergers.
- **Best practices for succession planning** in people-centric acquisitions.
- **Realistic synergy realisation timelines**—what's achievable in 1, 3, 5 years?
- **The impact of tech M&A on market perception** and actual value creation.
- **How to manage legacy equity/minority interests** as consolidation increases.
- **How to accelerate client adoption of new models/technologies**—especially in risk-averse sectors.

Interviewee - LF

1. Summary with Key Points:

- **Post-Merger Integration (Protecting the Magic):**
- **Acquisition Rationale is Key:** The success of integration hinges on clearly defining *why* the acquisition was made: for **scale**, **cost savings**, or **capability**. LF uses the Disney/Pixar example (capability) to illustrate that if you acquire for capability, you must protect that capability, even if it means sacrificing immediate cost synergies.
- **Align Incentives to Core Value:** Once the core reason is identified, incentives (both financial and "soft" like adulation/recognition) must be

aligned to preserve and maximise that value. For entrepreneurial firms like Passport, this means protecting their drive and client-centric approach.

- **Autonomy Over Imposition:** For entrepreneurial, creative firms, the "magic" is their non-standard way of working. Acquirers must avoid imposing standard corporate barriers (e.g., rigid travel policies, strict raise guidelines, detailed timesheets) that stifle this spirit. The goal is to provide "guide rails" for profit targets, but allow autonomy in *how* those targets are met.
- **Leveraging the Network:** The true value of a larger network (like WPP) for an acquired firm like Passport is "speed to scale." This means providing capabilities (e.g., media buying, data analytics) that the smaller firm cannot build organically. The network must support and incentivise the acquired firm to leverage these resources (e.g., finder's fees for cross-selling).
- **Metrics for Agency Health (Beyond Billable Utilisation):**
- **Billable Utilisation Misconception:** LF confirms his persona's view: high billable utilisation is misleading. It often doesn't reflect actual compensation for time spent and can mask inefficiencies (e.g., senior staff doing junior work).
- **Contribution Margin as Key Metric:** LF's preferred metric is **Contribution Margin** (Revenue - Direct Costs like staff salaries, benefits, direct client expenses).
- **Focus on Business Leads:** He advocates for empowering business leads to manage to Contribution Margin, as it focuses on what they *can* control (staffing, direct expenses) rather than fixed overhead.
- **"Sweet Spot" for Health:** A healthy Contribution Margin is a "sweet spot" – not too high (indicating burnout) and not too low (indicating unprofitability).
- **Peeling the Onion:** He recommends starting with Contribution Margin at the client or division level. If issues arise (e.g., overstaffing, too many high-level staff for tactical work, under-compensation for work), then "peel the onion" to dig into project-level details or staffing mix.
- **"Whale" Analogy:** Financial management requires balancing detail ("going down to eat") with the big picture ("coming up for air") to avoid getting bogged down.
- **Saying No to Revenue (Strategic Discipline):**
- **Reinterpreting the Question:** LF reinterpreted the "revenue walked away from" question to focus on **identifying underlying, unaddressed issues or missing capabilities** in a target company that, if resolved, would unlock significant value.
- **"Pockets of Capabilities":** He wishes investors would ask about these "pockets of capabilities" that, if present, would make the business significantly better (e.g., Passport lacking a dedicated CFO/Commercial lead). This is a forward-looking view of value creation through strategic additions, not just cost-cutting.
- **Passport's Need: Speed to Scale:** For Passport, the key capability they seek from WPP is "speed to scale" – the ability to quickly offer services like media or data analytics that they can't build themselves. This allows them to "catch the fish" (win new business/expand remit) while WPP "fillets it" (provides the delivery capability).

2. Quotes:

- "Remember why you are acquiring that company and then design your incentive mechanisms to maximise the profitability from that."
- "The perfect structure is saying, hey, here's... don't get into the weeds of, oh, we got to make sure that... get rid of those barriers."
- "Don't integrate them into the system because you're buying them for non-integration into the system."

- "Billability utilisation is always a very interesting aspect... doesn't necessarily mean we're being compensated for the time."
- "Contribution Margin... that's my favourite... that has to be in a good sweet spot where if the contribution margin is basically profit before overhead... not too high because too high means burnout and not too low because then we're not going to make our money."
- "You need to, you know, go down, get in the detail. But don't forget to come back up. Otherwise you'll get bogged down in the detail." (Whale analogy)
- "What are the other underlying, what are the other issues out of the control right that you've faced that, that, this that during the SEM and a kind of could help." (LF's reinterpretation of the "walk away from revenue" question)
- "Speed to scale." (What Passport looks for)
- "You catch the fish and I'll fillet it." (Analogy for Passport finding opportunities and WPP providing the capabilities)

3. **Recommendations**
    - **FCI Integration - M&A Rationale:** Should explicitly incorporate the *primary acquisition rationale* (scale, cost, capability) as a foundational element. This dictates the entire post-merger integration strategy and incentive design.
    - **FCI Integration - Contribution Margin:** Replace or heavily qualify "billable utilisation" with **Contribution Margin** as a core health metric for creative agencies. Define how to calculate it and what constitutes a "healthy sweet spot" for different agency types or service lines. This offers a more accurate, forward-looking financial health indicator.
    - **FCI Integration - "Pockets of Capabilities":** Include a module for identifying "pockets of capabilities" or missing functions in target companies that, if added post-acquisition, would significantly unlock value. This shifts the "saying no to revenue" from a reactive decision to a proactive value-creation strategy.
    - **Incentive Design in FCI:** Emphasise the design of both financial and "soft" incentives that protect the core value (e.g., entrepreneurial spirit, specific creative talent) post-acquisition. This goes beyond standard compensation plans.
    - **Autonomy as a Value Driver:** Highlight autonomy as a critical governance structure for acquired creative firms, explicitly linking it to the preservation of "magic" and long-term value.
4. **Broad Themes:**
    - **Intangible Assets as Core Value:** LF consistently emphasises that the true value in creative agencies lies in intangible assets (talent, culture, entrepreneurial spirit, client relationships) and that traditional financial metrics often fail to capture or even misrepresent their health.
    - **CFO as Strategic Partner:** LF's role is not just about reporting numbers but about strategically aligning financial management with the core creative and client-centric mission of the business.
    - **Beyond Efficiency:** The interview highlights that pure efficiency (e.g., 100% utilisation) can be detrimental to long-term value in creative industries. Strategic inefficiency (e.g., white space for new business, time for innovation) is crucial.
    - **The Evolving Agency Model:** The discussion implicitly touches on the shift from siloed agencies to more integrated, interdependent models, driven by client needs and the desire for "speed to scale."
5. **Areas of Exploration:**
    - **Contribution Margin Masterclass:** A deeper dive into the practical calculation and management of Contribution Margin in various agency contexts. How do you train non-financial leads to manage this effectively?

- **Formalising "Soft" Incentives:** How can "adulation" or "recognition" be formally integrated into post-merger incentive structures?
- **Governance of Autonomy:** Specific examples of how large holding companies (like WPP) formally grant and manage autonomy for acquired entrepreneurial firms. What are the boundaries?
- **Quantifying "Pockets of Capabilities":** How does one financially model the value of adding a missing capability (like a CFO function or a specific service line) to an acquired company?
- **Founder Perspective:** The recommendation to speak with Nat and Jeremy (Passport founders) is crucial to get the "acquired" side of the "protect the magic" story.

Interviewee - AR

SUMMARY & KEY POINTS

Core Insights on M&A Value Creation:

1. **Cultural Misalignment Destroys Value**: Failed Japan M&A deal due to "conservative corporate Japanese organisation vs Madison Ave" culture clash, not financial issues
2. **Leadership Distraction Cost**: Senior leadership spent ~1 year focused on failed M&A instead of client growth - quantifiable value destruction
3. **IPG/Omnicom Example**: IPG pulled out of two major global pitches ("many, many tens of millions") due to merger distraction
4. **Financial Simplicity vs Human Complexity**: "From an accounting point of view... it's so easy. These things don't tend to fail because of finances... it's always about culture"

Commercial Innovation & Procurement:

1. **Guaranteed Savings Model**: Successfully implemented model guaranteeing $100M savings on $500M budget through:

- Superior media buying power
- Global delivery centers (GDCs) in India
- Third-party sponsorship negotiations
- Captured difference between guaranteed savings and actual delivery

2. **Partnership Approach**: "It's much more of an emotional thing... holding hands with them... we're together on this"
3. **Performance-Based Reality**: 50% of bonus tied to sales at some agencies (e.g., Halyun)

Building Defensible Businesses:

1. **IP Ownership is Critical**: "Whoever gave IP away in the marketing industry... in the 80s probably... that's what screwed us"
2. **PG Tips Monkey Case Study**: Mother created IP, licensed it back to client, eventually sold for "many millions"
3. **Future Model**: Create AI-driven processes/platforms that solve common challenges while retaining IP ownership
4. **Process Over People**: "Serial agency setter-uppers" repeatedly build and sell to holding companies - the talent walks, but processes can stay

QUOTES & RECOMMENDATIONS

Most Impactful Quotes:

- "Marketing is complicated because it's people and people are all different... the complexity is in the culture"
- "People buy from people and I don't [think] that is going to change"
- "They're going to own the sausage. We need to own the sausage mincer"
- "Everyone is basically swallowed Byron Sharp... it's all about reach. There's nothing about cut-through anymore"

Key Recommendations:

1. **Pre-Integration**: Secure client relationships before operational changes
2. **Quantify Distraction**: Measure opportunity cost of leadership focus during M&A
3. **Protect IP**: Build proprietary processes/tools, not just service delivery
4. **Fixed-Price Consulting**: Move from hourly rates to outcome-based pricing
5. **HR Integration**: Critical to speak with HR leaders about talent integration challenges

BROAD THEMES

1. **The Human Factor Paradox**: Financial analysis is simple in professional services, but human/cultural factors determine success
2. **Scale vs. Flexibility Tension**: Clients want both "global scale economics and boutique flexibility"
3. **IP as the New Moat**: Shift from relationship-based to process/technology-based defensibility
4. **Distraction Economics**: The hidden cost of M&A attention on core business performance
5. **Evolution of Value Capture**: From media commission to hourly rates to outcome-based models to IP licensing

AREAS FOR EXPLORATION

1. **Quantifying Integration Failure**: Develop metrics for cultural misalignment risk
2. **The "Cut-Through" Gap**: Market opportunity in helping brands break through reach-only strategies
3. **GDC Arbitrage**: How low-cost delivery centers change agency economics
4. **Client Procurement Sophistication**: Impact on traditional agency models
5. **Post-Merger Playbooks**: Why holding companies lack standardised integration processes

NEXT STEPS

Immediate Actions:

1. Follow up with HR contact for talent integration perspective
2. Research more examples of IP ownership models in agencies
3. Quantify the "distraction discount" in M&A valuations
4. Explore AI-driven "cut-through" platforms as defensible assets

Framework Integration:

1. Add "Leadership Bandwidth Analysis" to due diligence
2. Include "Cultural Distance Scoring" for acquisition targets
3. Develop "IP Asset Inventory" for creative businesses
4. Create "Client Dependency Matrix" including procurement relationships

Further Research Questions:

1. How do you measure cultural fit pre-acquisition?
2. What's the optimal timeline for operational integration post-close?
3. How can agencies build IP while clients demand ownership?
4. What operational capabilities will drive value in 3-5 years?

Interview Targets:

- WPP HR leader (for talent integration perspective)
- Former IPG executive (for merger distraction insights)
- Agency founders who've sold multiple times
- Client procurement leaders (for buyer perspective)

Interviewee – MS

Summary with Key Points:

Dundamentally believes the traditional, multi-brand holding company model is obsolete and structurally incapable of adapting to the digital age. Sees the future of advertising as technology-enabled "feedback loops" where AI drives personalised executions. S4 Capital model is a direct reaction to WPP's perceived failures in integration, aiming for a unitary structure with a single P&L, purely digital, data-driven, and integrated content, data, and digital media. Emphasises operational transformation over financial engineering, believing that the "grunt work" of post-merger integration is the most difficult part of value creation. Critical of traditional agencies for their "amoeba" culture, lack of speed, and inability to embrace technology, viewing them as "aircraft carriers" in an age of "motor torpedo boats."

Relevant Quotes:

- "The traditional advertising holding company model - ironically, the very model at WPP - is fundamentally obsolete. It's an aircraft carrier in an age that demands motor torpedo boats."
- "… built something entirely different - a unitary structure with a single P&L, purely digital, data-driven, integrating content, data, and digital media. No competing agencies under one roof, no internal friction, no 'amoeba' culture that rejects integration."
- "The disruption is fundamental and irreversible…the shift from analog to digital isn't just a channel change, it's a complete transformation of how advertising works."
- "Traditional PE thinking about portfolio companies is outdated and you can't create value by financial engineering alone. You need what I call 'unbridled ambition' - the willingness to transform completely, not just optimise marginally."
- "Asset-light…..banker terminology that completely misunderstands our business….the reality. The biggest risk is believing that creative businesses are actually asset-light. Nonsense. Our assets walk out the door every evening - they're called people. And in the digital age, our most valuable asset is data."
- "Traditional agencies are talent arbitrage businesses - bill at 3x, pay at 1x, pray they don't leave. We're building technology platforms where the IP lives in the system, not the staff. That's a moat."
- "…opportunity….. traditional holding companies are valued like melting ice cubes because the market agrees with Hohn. But their assets - client relationships, talent, capabilities - can be transformed into something completely different. IF you have the operational courage to do it."
- "90% of agencies fail all five criteria. They're human capital arbitrage businesses pretending to be more. The 10% that pass are not really agencies anymore - they're marketing technology companies that happen to have service arms."
- "WPP Open has ten percent adoption. Maybe fifteen if you count agencies that log in once a month to check a dashboard. I know because I still have friends inside who tell me the truth."
- "Kill separate P&Ls. Not merge them, not coordinate them - eliminate them entirely. One company, one P&L, one bonus pool. That's the magic wand. Everything else is lipstick on a pig."

- "The real value of maintaining multiple brands is zero. It's organisational vanity that creates negative value. Every dollar spent maintaining separate brand identities is a dollar not spent on transformation."

Recommendations or Points of Integration:

- **For PE Firms:**
- Focus on operational transformation rather than financial engineering.
- Prioritise building integrated, unitary, digital-first operations with a single P&L.
- Invest in technology platforms where IP resides in the system, not the staff.
- Measure client value by digital integration potential, not historical billings.
- Recognise that traditional agencies are "melting ice cubes" and invest in what replaces them.
- **For Agencies:**
- Embrace a unitary operating model with a single P&L, one platform, and one process.
- Focus on speed to value, data integration, and real-time optimisation.
- Build proprietary technology and data capabilities.
- Eliminate internal competition and talent hoarding.
- Transform into "marketing operating systems" rather than traditional agencies.

Broad Themes:

- **Obsolescence of Traditional Agency Model:** The holding company structure is fundamentally broken and incapable of adapting to the digital, data-driven world.
- **The Primacy of Technology and Data:** Value creation has shifted from creative ideas to technology platforms, data integration, and AI-driven optimisation.
- **Integration as Transformation:** True integration means merging completely into a unitary model, not preserving separate entities or "creative cultures."
- **Operational Discipline over "Creative Magic":** Advertising is a business that requires speed, efficiency, and measurable results, not just awards and client schmoozing.
- **The "Amoeba" Culture:** Separate P&Ls and competing agencies within a holding company create internal friction and prevent true integration.
- **The "Hohn-Proof" Business:** Sorrell's vision aligns with building businesses that are defensible through technology, data, and integrated workflows, not human capital.

Areas for Further Exploration:

- **Quantifying "Platform Economics":** How to rigorously measure the value of a platform business model in advertising, beyond traditional agency metrics.
- **The "Unitary Model" in Practice:** Detailed case studies of successful implementations of a single P&L, integrated platform model in creative industries.

- **The Role of AI in Creative Output:** How AI can generate creative variations, test them, and optimise performance in real-time, and its impact on traditional creative roles.
- **Measuring Integration Success:** Developing metrics that truly reflect the impact of integration on client outcomes, talent retention, and overall business performance, rather than just cost synergies.
- **The Future of Talent in a Platform World:** How to attract, retain, and incentivise talent in a technology-driven marketing operating system where human capital is leveraged by AI and platforms.

Next Steps:

- **Challenge Conventional Wisdom:** Continue to question deeply ingrained beliefs about agency structure, client relationships, and creative processes.
- **Focus on Data-Driven Metrics:** Prioritise metrics that measure speed, efficiency, and measurable results over traditional, subjective indicators.
- **Embrace Radical Transformation:** Be prepared for brutal, top-down changes that eliminate obsolete structures and processes.
- **Build for the Future:** Design business models around technology platforms and data integration, not legacy agency structures.

Interviewee – GH

1. Summary of Key Points & Confirmed Worldview

Deeply sceptical of traditional advertising models, viewing 97% of agencies as "un-investable" commodities lacking moats, pricing power, and client loyalty.

His core investment thesis is now focused on the 3% of "marketing services" businesses that are transforming into technology platforms. He believes true value lies not in creative services but in building defensible, Hohn-proof assets with high switching costs, recurring revenue, and network effects.

For turnarounds and carve-outs, approach is brutal and unsentimental. Advocates for aggressive senior leadership changes ("never fire enough people"), breaking down internal P&L silos to force global collaboration, and focusing on measurable ROI over subjective creative quality. Sees most "synergy" and "client value" stories in roll-ups as "theatre" for multiple arbitrages.

2. Key Quotes

- **On Agency Value:** "97% of advertising/marketing businesses are commodities. The 3% that aren't is where all the returns are."
- **On Turnarounds:** "In turnarounds, consensus is the enemy of transformation."
- **On Carve-Outs:** "The most dangerous interdependencies are invisible on org charts and undocumented in systems. They live in the heads of middle managers."

- **On Integration:** "Never let the acquiring team touch creative output for the first 100 days."
- **On Cost-Cutting:** "In advertising, talent IS the product. Cutting talent costs isn't creating value; it's destroying the business."
- **On Valuation:** "Clients validate your quality, but platforms drive your multiple."
- **The Ultimate Question:** "What can't be fixed with money and time? That's the question that would save investors billions."

3. Recommendations & Points of Integration for FCI

1. **Add a "Moat Score":** Framework needs a quantifiable metric for switching costs. Formula = Time to Replicate + Direct Costs + Performance Loss. A score of <6 months is "uninvestable," while >18 months is "moat proof."
2. **Refine "Operational Interdependency":** H2 hypothesis is too simple. The framework must score "tribal knowledge" and informal processes, not just documented systems. Suggests "Middle Management Dependency Audit" as a critical tool.
3. **Create a "Client Value Reality Test":** For H3 on roll-ups, move beyond synergy projections. The framework should measure Strategic Initiative Ownership, Innovation Deployment Speed, and Competitive Displacement Score to quantify real client value.
4. **Incorporate a "Cultural Destruction Rate":** 60-80% of unique agency value is lost in consolidation. Framework should apply a "Cultural Alignment Factor" to valuation models to account for this, especially in mergers.
5. **Add a "Digital Maturity" Litmus Test:** To assess H1, framework should ignore vanity metrics and focus on:

- **Revenue Velocity from Digital Innovation:** % of revenue from services <24 months old.
- **True Digital Adoption:** % of client interactions via self-service platforms.
- **Technical Talent Retention Premium:** (Compensation / Market Rate) x (1 - Turnover Rate).

4. Broad Themes

- **Brutal Honesty & Anti-Theater:** A deep disdain for corporate jargon ("synergies," "transformation") without measurable proof. Values brutal truths over comfortable narratives.
- **Platform Over People:** While acknowledging talent is key, his strategy is to mitigate human dependency by building platforms, processes, and data

assets that create lock-in. The goal is to make the *system* the asset, not the people.

- **Pain as a Prerequisite for Value:** Real transformation is not a smooth process. It involves firing people, killing sacred cows, destroying old P&Ls, and surviving a "J-curve of death." Believes most PE firms lack the stomach for it.
- **The Power of Small Details:** Consistently points to seemingly minor operational details (login credentials, middle-manager knowledge, client platform usage) as the most honest indicators of a business's true health and defensibility.
- **Scepticism as a Default:** Starting position is that most of the industry is un-investable. The burden of proof is on the asset to demonstrate it has a genuine, defensible moat.

Interviewee – FH

Summary of Key Points

Evolution of Agency Value (2017-2025)

- BAT's focus shifted from pure financial/cost considerations to **quality, alignment, and consistency**
- Initial need was for better capabilities and access as BAT moved into new categories beyond combustibles
- Current priority is consistent global deployment and brand growth in new categories
- Procurement philosophy: "I don't go for the lowest cost. I go for what makes sense and helps the business move forward"

Coordination Complexity - The Core Problem

- **Single P&L remains the critical issue**: "Every time I hear the word P&L I go knock my problem... if a multi billion # organisation makes this commitment to us, I expect it to be followed through"
- Agencies operate as "individual small bits that feed individual small P&Ls" rather than serving BAT as one client
- WPP promised integrated delivery in 2017 but still faces coordination failures
- Collab (WPP's coordination unit) acts as "a post box" without real authority over agencies

In-Housing vs. Agency Partnership Balance

- BAT philosophy: "Focus on growing our brands... not too much auxiliary things"

- **Must-own**: Workflow, asset management, control systems, data insights/analytics
- **Partner-provided**: Creative execution, specialised expertise, production capabilities
- In-house model misunderstood: "You walk to the desk of the relevant person... it's supposed to aid speed" vs. being treated like traditional agency

People as Assets - The Trust Factor

- Knowledge retention crucial in regulated industry: "specific industry with specific... what has worked, what hasn't worked"
- Key concern with AI/disruption: "When there is disruption... the good people go away"
- Client management requires anticipation and trust: "making sure that you maintain the trust because stuff is gonna stuff is going to happen"

Critical Quotes

<u>On Integration Failure</u>

"I don't want an agency solution because that's siloed. I want a WPP solution because that's why WPP is a strategic partner to BAT... You should have all these capabilities integrate them."

<u>On Single P&L</u>

"Every time I hear the word P&L I go knock my problem because for me that is something I refuse to accept... if a multi billion # organisation makes this commitment to us, I expect it to be followed through."

<u>On Agency Value During Tough Times</u>

"It's about a more entrepreneurial spirit... that old attitude of anticipating being there with the client."

<u>On Transparency</u>

"I've also seen cases where certain agencies charge me an account director and I go look into the detail and it's done by some intern... that erodes my trust."

<u>On Future Agency Value</u>

"Blue sky thinking is not something a system can do... it's about the intangible, it's about the value add, understanding the consumer, understanding the client, thinking with the client."

<u>On Optimal Model</u>

"What is all this stuff that our marketing teams are doing? What part of it could benefit by having been delivered from outside?"

Recommendations/Points of Integration

For PE Investors

1. **Single P&L is non-negotiable** for true integration - financial engineering without operational integration destroys client value
2. **Knowledge retention during transitions** is critical - "your assets are your people" requires protecting key talent
3. **Trust and anticipation** drive protection during downturns - agencies that think ahead survive budget cuts
4. **Overhead transparency** remains a major gap - agencies have no incentive to optimise costs passed to clients

For Agency Transformation

1. Move from **agency solutions to integrated solutions -** clients buy from holding companies for integration
2. Develop **entrepreneurial spirit** - anticipate needs rather than respond to briefs
3. Create **value beyond execution** - take on client's internal marketing burdens
4. Build **true in-house integration** - speed and proximity, not just bodies in buildings

Broad Themes

1. The Integration Paradox

Holding companies promise integration but deliver federation. The gap between promise (2017 RFP commitments) and reality (ongoing coordination failures) drives client frustration.

2. Trust as Currency

In regulated industries with complex requirements, trust and anticipation matter more than capabilities. Agencies earn protection through behavior during tough times.

3. The Commoditisation Challenge

80% of work is "churn" (adaptations, production) heading toward commodity pricing. The 20% strategic/creative work must justify agency existence.

4. Technology as Table Stakes

Clients will own data/insights infrastructure. Agencies must add value through human elements - "blue sky thinking," client understanding, strategic partnership.

5. The Partnership Illusion

Agencies claim partnership but operate transactionally. True partnership means taking on client burdens, not just executing briefs.

Areas for Further Exploration

1. Quantifying Coordination Costs

- How to measure the hidden costs of multi-P&L structures?
- What is the real financial impact of coordination complexity?
- Can PE firms model these inefficiencies in due diligence?

2. The In-Housing Equilibrium

- Where does in-housing stop being cost-effective?
- How do agencies position against the in-housing trend?
- What capabilities will never go in-house?

3. Trust-Based Valuation Models

- How to value "anticipation" and "entrepreneurial spirit"?
- Can trust be measured and priced into agency valuations?
- What behaviors correlate with long-term client retention?

4. The Overhead Mystery

- Why is agency overhead opaque after decades of client demands?
- How much could be saved through genuine overhead optimisation?
- What would true open-book relationships reveal?

Next Steps

For Research

1. **Interview BAT's Chief Procurement Officer** - Get helicopter view of external support beyond marketing
2. **Explore quantification methods** for coordination complexity costs
3. **Compare BAT's experience** with other global clients' integration challenges
4. **Investigate successful single P&L implementations** - Who has actually achieved this?

For Framework Development

1. **Develop "Trust Metrics"** that PE firms could use in due diligence
2. **Create coordination complexity assessment tool** for agency evaluations
3. **Map the in-housing decision tree** - When to own vs. partner
4. **Build transparency index** for agency relationships

Key Questions to Pursue

1. How can PE firms identify agencies with genuine integration capabilities vs. "federation with logos"?
2. What structural changes would enable single P&L without destroying agency cultures?
3. How do you value an agency's ability to take on client's internal marketing burdens?
4. What would it take for agencies to truly optimise overhead rather than pass it through?

For PE/M&A Implications

1. **Integration promises must be operationally backed** - Financial consolidation without operational integration destroys value
2. **People retention strategies** are critical - Knowledge loss in regulated industries is extremely costly
3. **Trust and behavior during downturns** may be better predictors of retention than capabilities
4. **The future agency model** is less about creative services, more about burden reduction for clients

Interviewee – IW

Key Points

- The moat is operational and contractual, not creative mystique
- Identity/consent spine + clean-room workflows + causal measurement + standardised global delivery + outcome/IP pricing = durable advantage.
- Evidence to require: ≥70% of top-50 client revenue on one data/ID + measurement stack; ≥50–70% of managed spend under incrementality/validated attention; outcome/IP fees ≥25–35%.
- “Digital maturity” is investable only when it shows in P&L and cash
- Investability thresholds: organic growth ≥market +200–300 bps; EBITA margin 16–19% (clean); incremental margin on organic growth ≥35%; revenue/FTE +5–7% YoY; staff-cost ratio –100–200 bps; FCF/EBITA ≥90%; DSO 55–70 days.
- AI is a margin and cash story first
- Hours down 20–50% in ops/production; value realised only if headcount rebased and pricing shifts to outcomes/IP.
- Expect 100–200 bps staff-cost ratio improvement and +5–10% revenue/FTE where executed.

- Carve-outs are rewarded if data rights/lineage and brand permissions are solved early
- Day-1 risk is consent, data portability, and MSA/DPAs—not ERP/HR.
- Targets: 80% revenue novated by Month 9; 95% by Month 15; ≥85–90% historical datasets portable without breaking time series.
- Roll-ups earn premiums only with verifiable client value
- Proof: NRR 110–120%+; gross retention ≥95%; 60%+ of top-50 using 3+ services; 30–50% of new revenue from cross-sell; outcome/IP fees ≥25–35%; incremental margins ≥35%.
- In-housing will take 8–12% of net revenue if agencies stand still; co-sourced orchestration caps loss to low single digits
- Defensive strategy: operate the client's growth OS (identity, experiments, orchestration) and contract on outcomes.

Quotes

- "The moat is operational and contractual, not 'creative mystique.'"
- "AI is a margin and cash story first; if you don't rebase headcount and reprice, the savings leak to clients."
- "Logo-led simplification is financial theatre. Platform-first or don't bother."
- "If you can't put 70% of revenue on your data/ID and measurement stack within 12 months, it's a disposal risk, not a transformation story."
- "Markets pay when digital maturity shows up as growth, margin quality, and cash—PowerPoint maturity gets you nothing."

Recommendations

- Codify digital maturity as operating DNA, not labels
- FCI metrics…. stack penetration across top-50 accounts; measurement coverage; outcome/IP fee mix; revenue/FTE; staff-cost ratio; incremental margin; FCF/EBITA; DSO.
- Weighting (suggested) is 40% revenue quality/visibility (NRR, retainer mix, multi-service penetration), 35% operating leverage/productivity (rev/FTE, staff-cost ratio, incremental margin, offshore mix), 25% capability/measurement credibility (data/CRM/commerce share, coverage, outcome pricing).
- Make "increased client value" verifiable in roll-ups
- Require cohort NRR (12/24 months), cross-sell share of new revenue, causal lift studies (CAC –15–25% or +100–300 bps contribution margin), and pricing realisation (+3–5% YoY).
- Carve-out playbook for value (Kantar lens)

- Prioritise data rights and brand permissions include novation schedule in SPA/TSA, panel re-consent plan, dual-run to protect time-series.
- KPI pack: % revenue under novated MSAs/DPAs; % historical datasets portable; panel re-consent rate; zero incidents; SOC/ISO timing.
- “Global delivery effectiveness” means define measurable KPIs
- In FCI, treat it as: rev/FTE +5–7% YoY; staff-cost ratio –100–200 bps; incremental margin ≥35%; 35–50% ops/production near/offshore; cycle time –20–30%.

Broad Themes

- Shift from execution to orchestration across fragmented platforms (RMNs, BVOD/CTV, walled gardens, owned channels).
- Measurement becomes the control system and pricing spine (pre-registered incrementality and validated attention).
- Co-sourcing replaces zero-sum in-housing battles as agencies run the spine and experiments while clients internalise execution pods.
- DOOH as an undervalued, privacy-resilient, scarce-attention asset with software-like yield dynamics.
- Public vs private pricing gap - strategics monetise synergies (compliance, delivery rails), PE manufactures operating moats; public markets pay only after proof appears in numbers.

Areas of Exploration

- Empirical links: measurement coverage and outcome-fee share vs multiples and cash conversion.
- NRR as a “single number” moat: test 115–120%+ cohort NRR against re-rating probability.
- AI operating leverage: quantify rev/FTE and staff-cost ratio changes in pilots; isolate from hiring freeze effects.
- Carve-out risk: case comparisons where data portability/consent lineage broke time series vs where dual-run/novation protected value.
- DOOH digitisation: yield per screen, programmatic share, and ROI vs BVOD in mixed media models.

7.10 APPENDIX J – Actionable Playbooks for Acquirers

Culture-In Playbook for Private Equity Firms

Objective: To mitigate the primary drivers of value destruction in creative M&A (talent flight, client churn) by prioritising cultural preservation over immediate cost synergies.

I. Due Diligence: The "Soft Diligence" Mandate

- [ ] **Cultural Misalignment Audit:** Beyond financials, score the target on its creative culture, risk appetite, and decision-making speed. Use the CMI from the FCI. A high misalignment score (>60) should trigger a "no-go" or require explicit autonomy covenants in the deal structure.

- [ ] **Map "Soft" Interdependencies:** H2 findings show this is key. Go beyond the TSA. Use the SIA to map informal knowledge networks, shared client relationships, and the parent "brand halo." Quantify the cost to replicate these, and if the cost exceeds 10% of Enterprise Value, it's a red flag.

- [ ] **Analyse Talent Flight Risk:** Identify the top 10-15% of creative and client-facing talent. Model the financial impact of losing 30%, 50%, and 70% of this cohort in the first 18 months. If the 30% loss scenario breaks the investment case, walk away.

- [ ] **Stress-Test Client Relationships:** Call the top 5 clients. Ask them: *"If the current leadership team were replaced, how would that impact your relationship?"* Answer tells you if you are buying a business or just a set of personal relationships.

II. Deal Structuring: The Value Alignment Structure

- [ ] **Use Earn-outs Tied to Quality, Not Just EBITDA:** Tie at least 30% of founder / management earn-outs to non-financial KPIs like Client NPS, key talent retention rates (e.g., >85% of top 20 creatives), and creative award wins.

- [ ] **Autonomy Covenants:** Contractually guarantee the acquired agency's leadership autonomy over key creative decisions, brand identity, and hiring for a minimum of 18-24 months. Make any breach a material default.

- [ ] **Retention Pool:** Earmark 5-10% of the deal value for a "Key Talent Retention Pool," to be paid out over 36 months, entirely separate from the founders' earn-out. This ensures the people who create the value are directly rewarded.

III. Post-Merger Integration: The "First, Do No Harm" 180-Day Plan

- ☐ **Implement the 100-Day Culture Hold:** Announce ban on any changes to the acquired agency's brand, leadership, creative processes, or physical location for the first 100 days.

- ☐ **Appoint "Culture Guardian":** Designate a senior partner from the PE firm whose primary role for the first year is to protect the acquired culture and act as an ombudsman for the creative team. Their bonus should be tied to talent retention, not cost synergies.

- ☐ **Sequence Integration: Back-Stage First:** Follow the "Culture-In" Integration Sequence (Figure 5). All integration efforts for the first 12 months must be focused on back-office functions (Finance, IT, HR) that are invisible to clients and the creative floor.

Capability Integration Playbook for Strategic Acquirers

Objective: Maximise the strategic value of an acquired creative capability by successfully integrating it into the parent ecosystem without destroying its unique culture.

I. Due Diligence: The Capability & Culture Fit Audit

- ☐ **Validate VRIN Resource:** Go beyond the target's reputation. Is their creative process truly valuable, rare, inimitable, and non-substitutable (Barney, 1991)? Can you articulate precisely what this "magic" is and how it will enhance your own offerings?

- ☐ **Map Ecosystem Dependency:** H5 findings confirm this is the key advantage. How much of the target's value is derived from its current ecosystem? Importantly, how much of that lost value can the firm's ecosystem (client access, data platforms, global reach) immediately replace?

- ☐ **Run "Corporate" Test:** The acquiring company has more processes and politics. Interview key talent at the target and assess their tolerance for a more structured corporate environment. A low tolerance is a major red flag for integration.

II. Deal Structuring: The Long-Term Alignment Structure

- ☐ **Long-Term Equity:** Emphasise equity in the parent company (e.g., Accenture stock) over cash. Vesting periods recommended to be 4-5 years, aligning the acquired leadership with the long-term success of the combined entity.

- ☐ **Autonomy in the Share Purchase Agreement (SPA):** Do not leave cultural fit to chance. The Share Purchase Agreement should include specific covenants defining "spheres of autonomy" for the creative team, including headcount, key hiring decisions, and the creative review process.

- **Create "Capability Bonus" Pool:** Structure a bonus pool for the acquired leadership that pays out based on the successful integration of their capability into top 20 global client accounts to incentivise collaboration.

III. Post-Merger Integration: The "Connect, Don't Conquer" Plan

- **Joint Client Squads:** The fastest path to integration is solving a client's problem together. Within 90 days, create 3-5 "joint squads" with talent from both companies, focused on most important shared clients.
- **Protect Acquired Brand Identity:** For at least 24 months, run the acquired firm as a distinct, endorsed brand (e.g., "Droga5, part of Accenture Song"). This preserves the brand equity that the acquirer paid a premium for.
- **"Reverse Mentorship" Program:** Pair senior creatives from the acquired agency with senior executives from acquiring company. The goal is for the creatives to teach buyer's leaders about agility, risk-taking, and the creative process. This fosters mutual respect and accelerates cultural understanding.