

# M&A rising: The case for cautious optimism

Presentation: Dustin Engel,  
US Director, WY Partners  
at Affiliate Summit East 2023



REGULATORY

# FTC floats changes to merger review process that could slow down deal-approval timelines

By **Dave Muoio** • Jun 28, 2023 05:00pm

FTC

mergers and acquisitions

antitrust

Antitrust Laws



2023 US Venture Capital Outlook: H1 Follow-Up

**Outlook: Series C and D rounds will see the most down rounds, as these companies are currently the most starved for capital.**

The capital landscape during H1 has not seen significant improvement for late-stage and venture-growth companies. The capital supply and demand dynamic is still skewed, with late-stage companies experiencing a particularly pronounced imbalance. Demand for capital in the late-stage sector is about 2.84x more than the available supply—a stark difference compared to the 1.29x overextension observed in the venture-growth stage. Our VC Dealmaking Indicator suggests that both stages are decidedly in investor-friendly territory. However, the venture-growth stage has seen a greater increase in down rounds than the late stage.



Investment Banking + Add to myFT

## Bankers' fees plunge to near-decade low owing to deal drought

Industry suffers from wave of job cuts as prolonged M&A slowdown takes its toll

Ivan Levingston in London and Ortenca Aliaj in New York YESTERDAY

160



# The big questions?



A full-page background image of a stormy ocean. The water is dark and turbulent, with white foam from breaking waves visible in the foreground and middle ground. The horizon is hazy and distant, and the sky is a uniform, overcast grey, contributing to a somber and intense atmosphere.

How stormy is the  
market?



Have valuations  
gone off a cliff?

When will the  
timing be right to  
transact?



A young girl with dark hair and a floral-patterned shirt is looking towards a white humanoid robot. The robot is holding a tablet and has a garland of pink cherry blossoms around its neck. They are in a crowded market with blurred lights and people in the background.

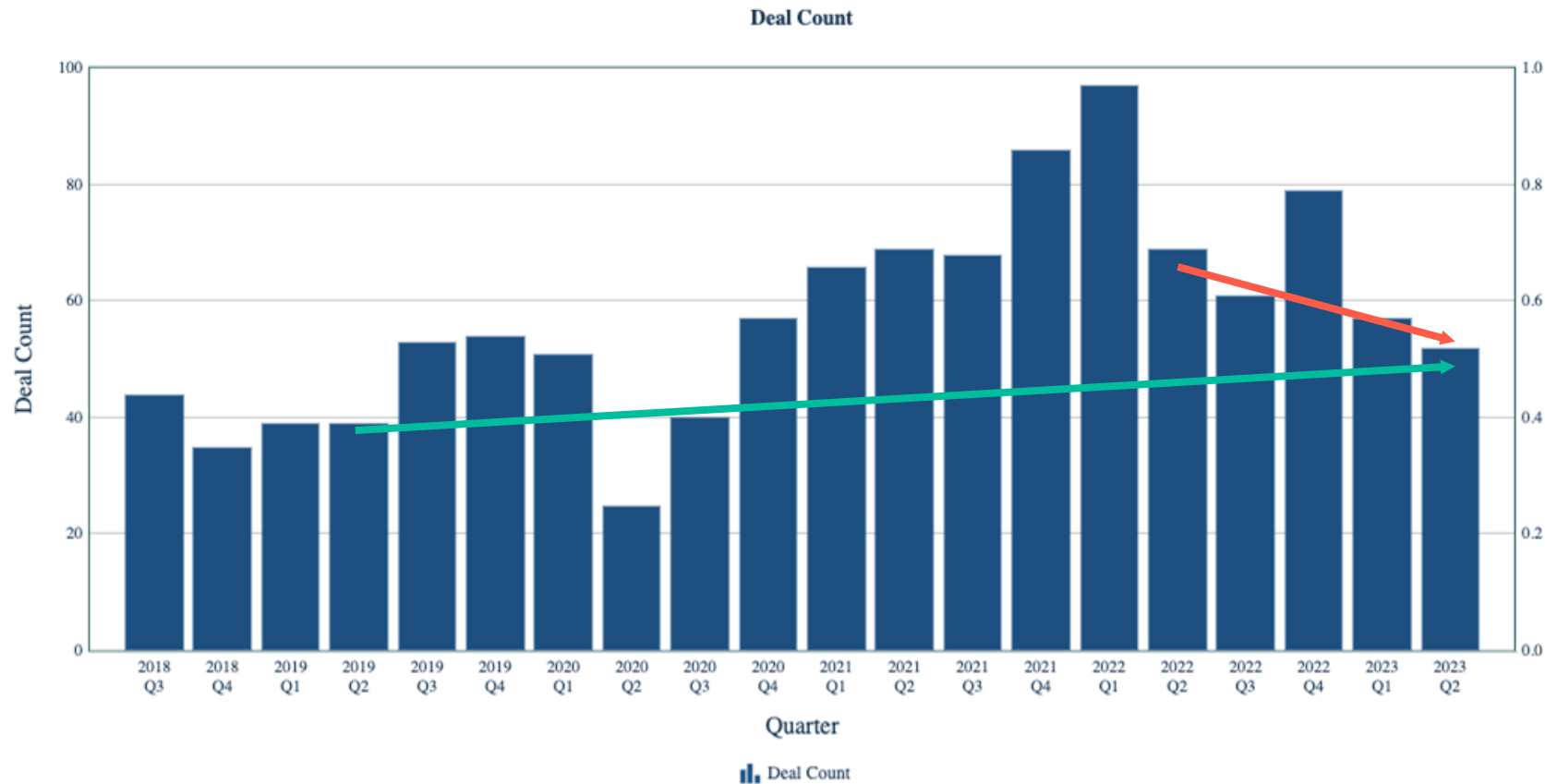
How should I think  
about AI as a buyer  
or seller?

# Hidden tailwinds



# M&A deal volume – US & Western Europe

Marketing services / MarTech / AdTech

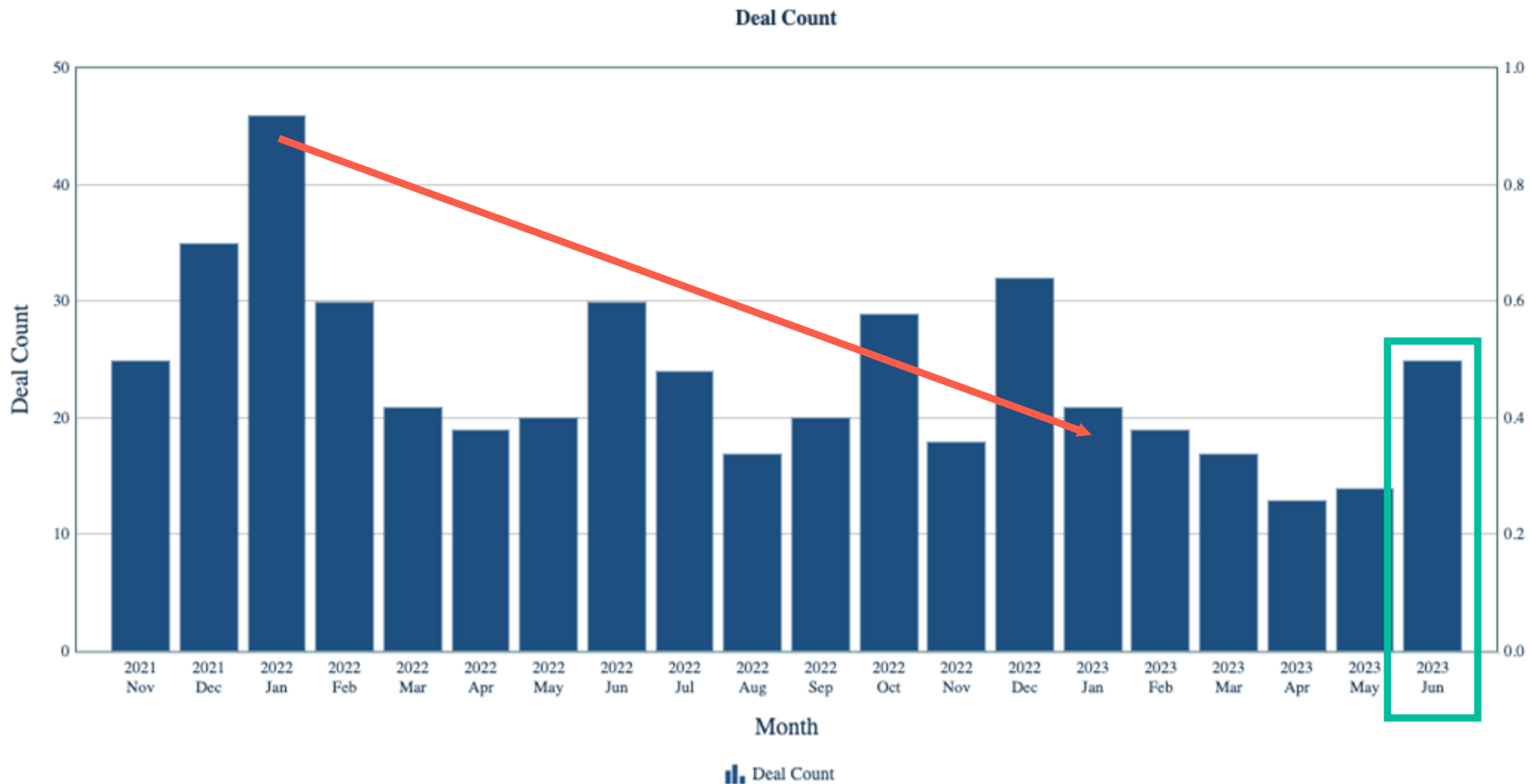


## KEY TAKEAWAYS

- Overall deal volume is down YoY but on trend from pre-pandemic levels
- 25% decrease in Q2 deal volume YoY**
- 30% increase from pre-pandemic levels in Q2**

# Why does it feel so bad out there?

M&A is fueled by optimism and diligence is more scrutinizing



## KEY TAKEAWAYS

- Interest rates, inflation, geopolitics are having an impact
- Deals are taking longer, and they are harder to close

CHRISTIE'S

We've seen this  
before

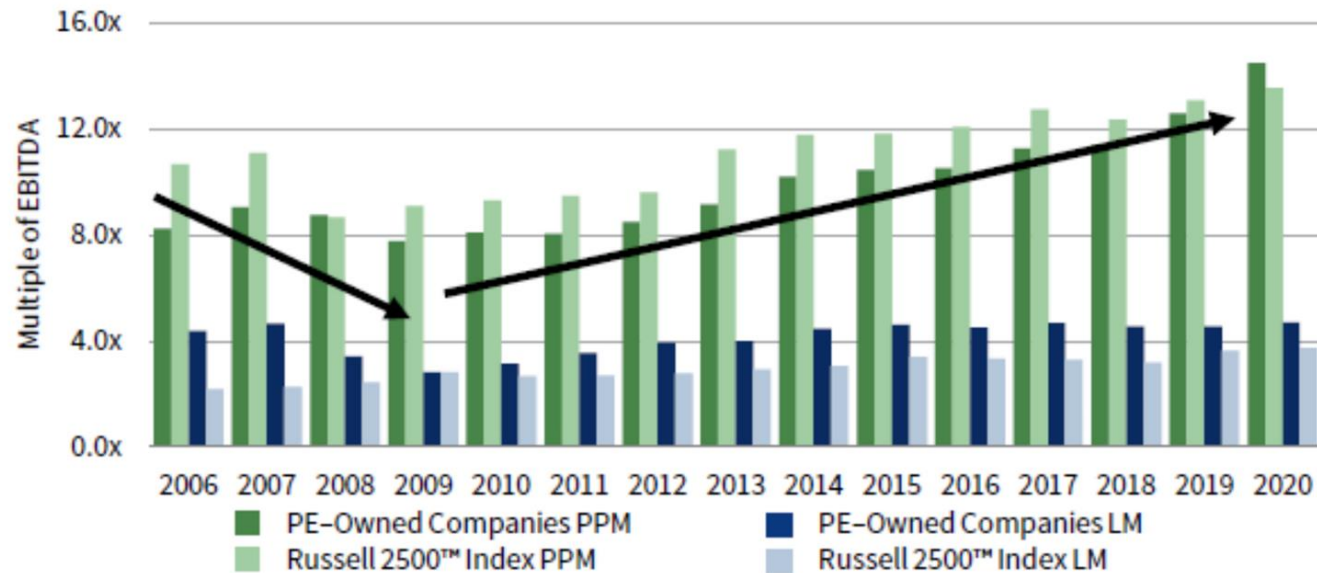
LEHMAN BROTHERS



# Financial crisis as a model

The recovery is a period of increasing return on investment (ROI)

US private equity: Average EBITDA purchase price and leverage multiples at acquisition (As of December 31, 2020)



Sources: Cambridge Associates LLC Private Investments Database (as reported by investment managers), FactSet Research Systems, and Frank Russell Company.

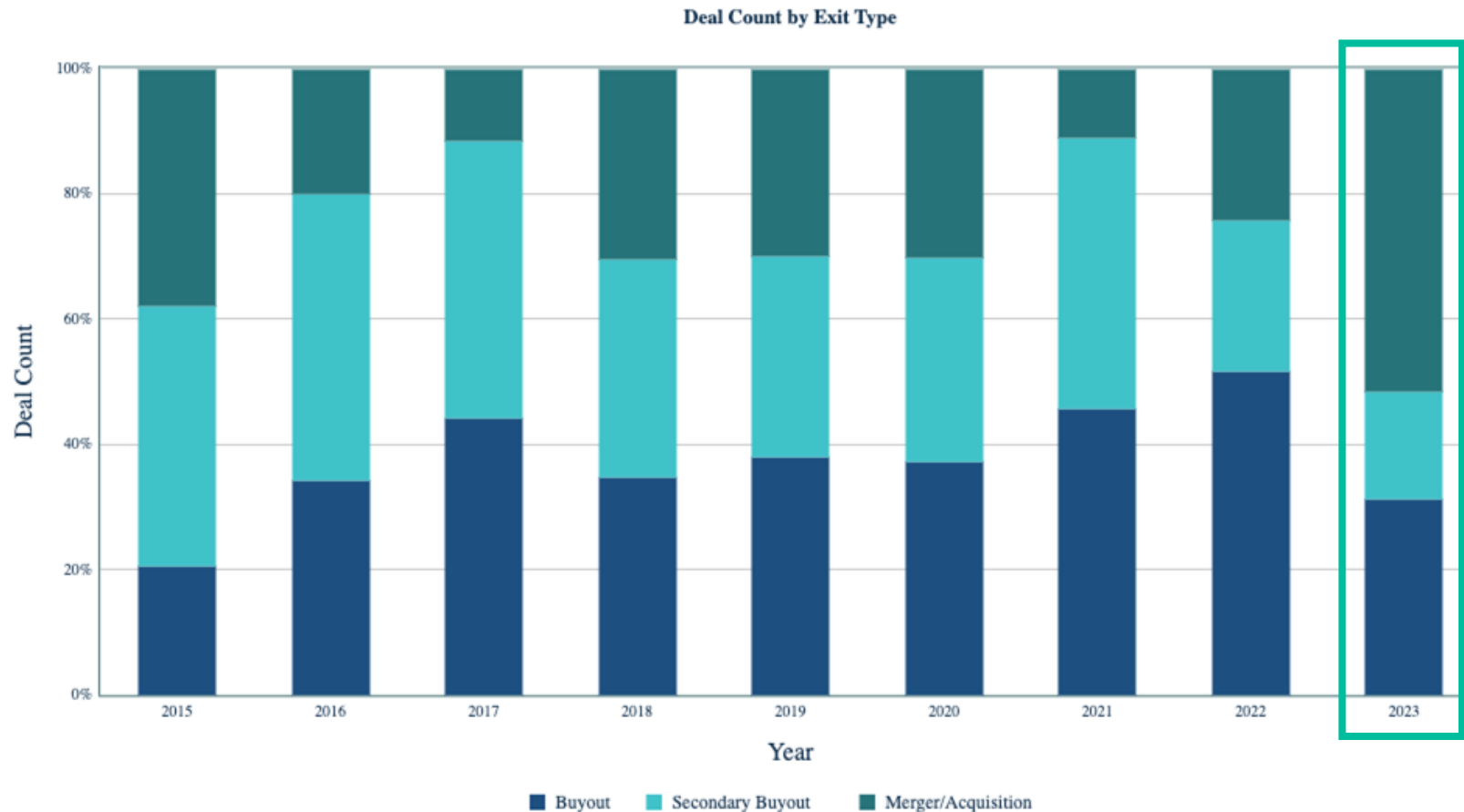
Notes: Analysis includes US-based buyout and growth equity companies acquired in 2006–20. Outliers were identified and excluded from private and public average calculations. EBITDA PPM is defined as enterprise value divided by LTM EBITDA at acquisition. Leverage Multiple is defined as net debt divided by LTM EBITDA at acquisition.

## KEY TAKEAWAYS

- Sellers see value on their second bite of the apple and earn-outs
- Buyers leverage lower competition while also seeing higher appreciation on investments

# Strategic M&A is back en vogue

Strategic acquisitions have become the majority



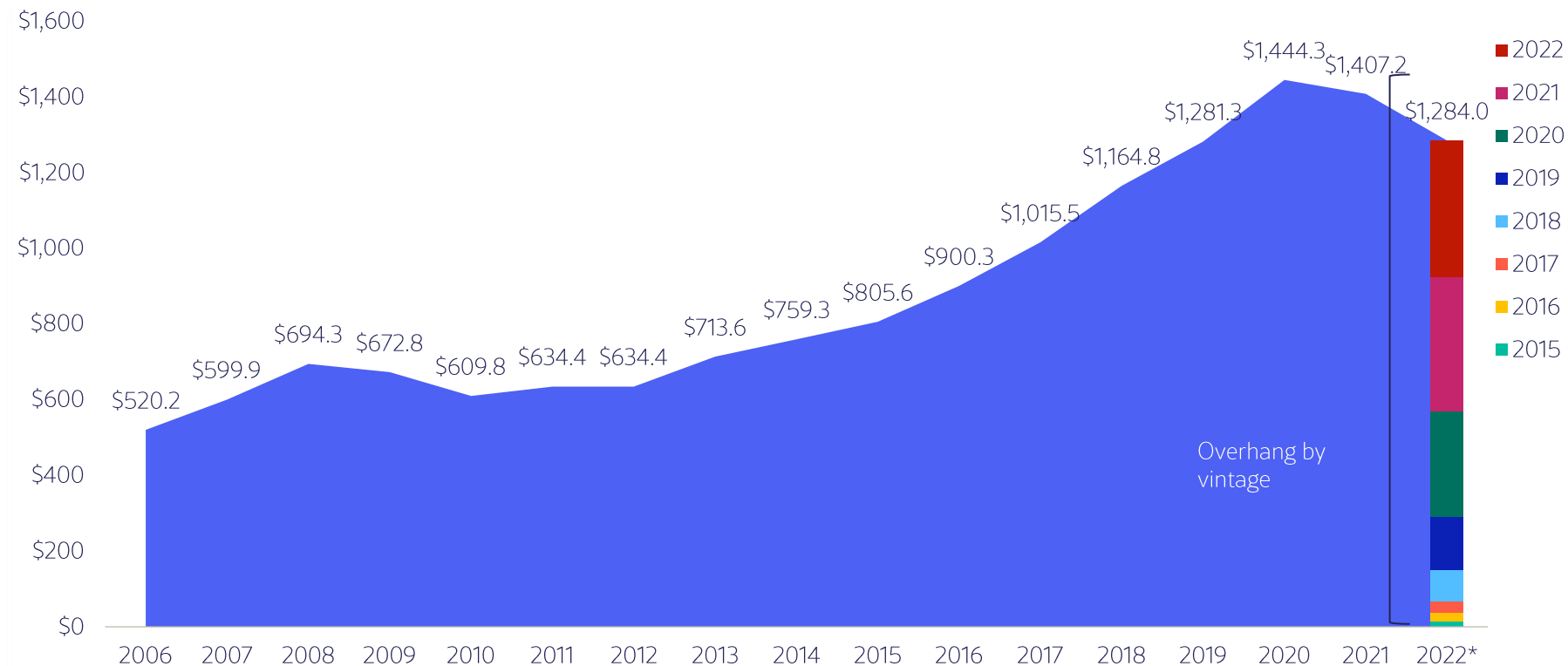
## KEY TAKEAWAYS

- Additionally, Private Equity has been extremely active in our industry but as the market contracts, strategic acquisitions tend to come roaring back.
- Strategics also tend to be very opportunistic in a recovery and the data shows that strategic acquisitions have become the majority for the first time since 2015

# Don't sleep on a healthy PE rebound

Ample undeployment capital in the Private Equity ecosystem

Private equity dry powder (2006 – 2022) - \$bn



## KEY TAKEAWAYS

- \$1.3Tn in dry powder
- \$900Bn of that capital was raised in 2020 or later
- Expect a pressing need to deploy the capital in upcoming years

# New cross-border mandates have emerged

## KEY TAKEAWAYS

- Establish a foothold in the US - European buyers with cash on-hand are seeking to expand into the US market as the US market is the largest Advertising market in the world
- Value of the US Dollar - The US Dollar is exceptionally strong and European buyers want more of it on their balance sheet
- Perceived discounts by US buyers - Going the other direction, US buyers seek to acquire companies at a discount. Not because the valuations have shifted as much as the US dollar carries strength in the purchase

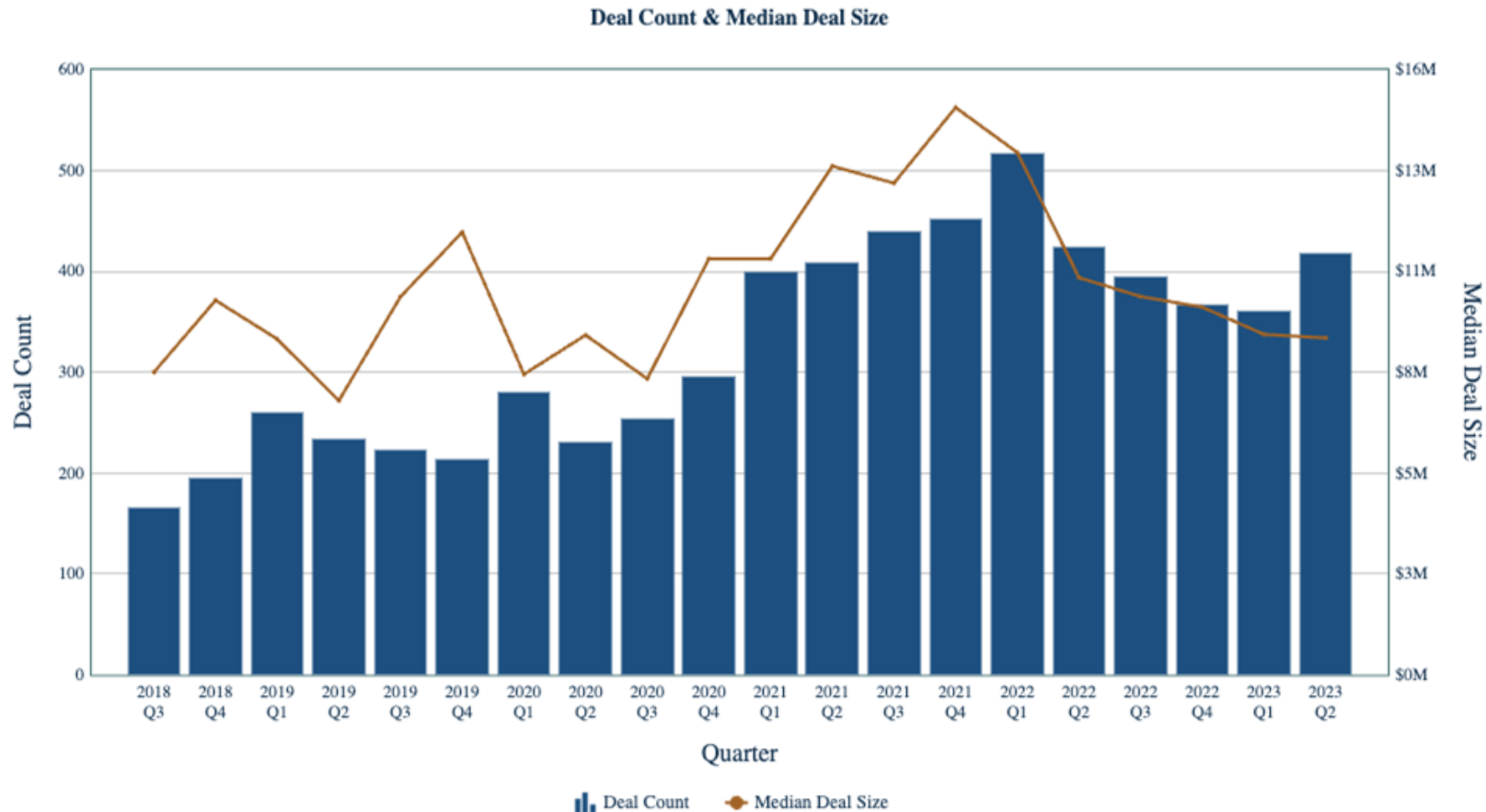


# The Artificial Intelligence (AI) effect



# AI investment on the rise

AI is hoarding attention for early-stage capital, but will soon be central to M&A mandates



## KEY TAKEAWAYS

- AI investment has seen limited slowdown of capital
- Investors know that AI prompt volume and velocity stand to create larger returns
- Buyers and sellers should think about AI as a velocity and impact driver before competition sets in

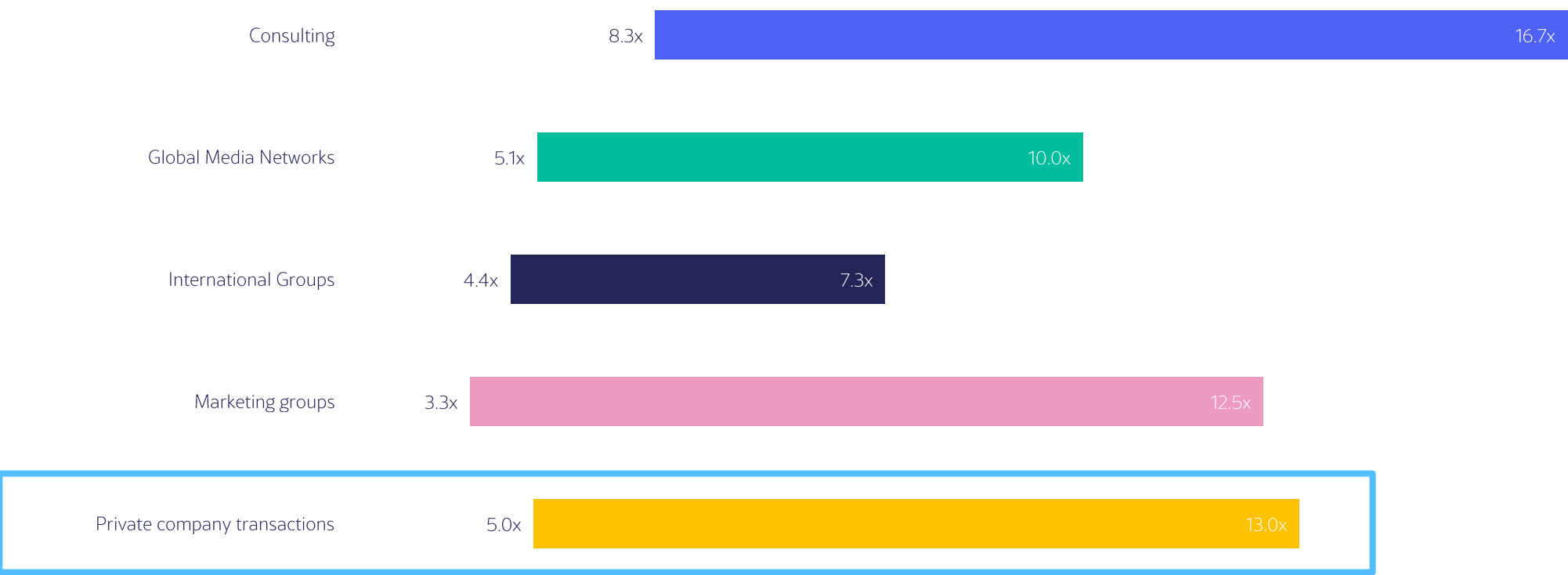
# Valuations



# Service valuations

Multiples have not gone "off the cliff" but be mindful of "headline value" versus cash upfront

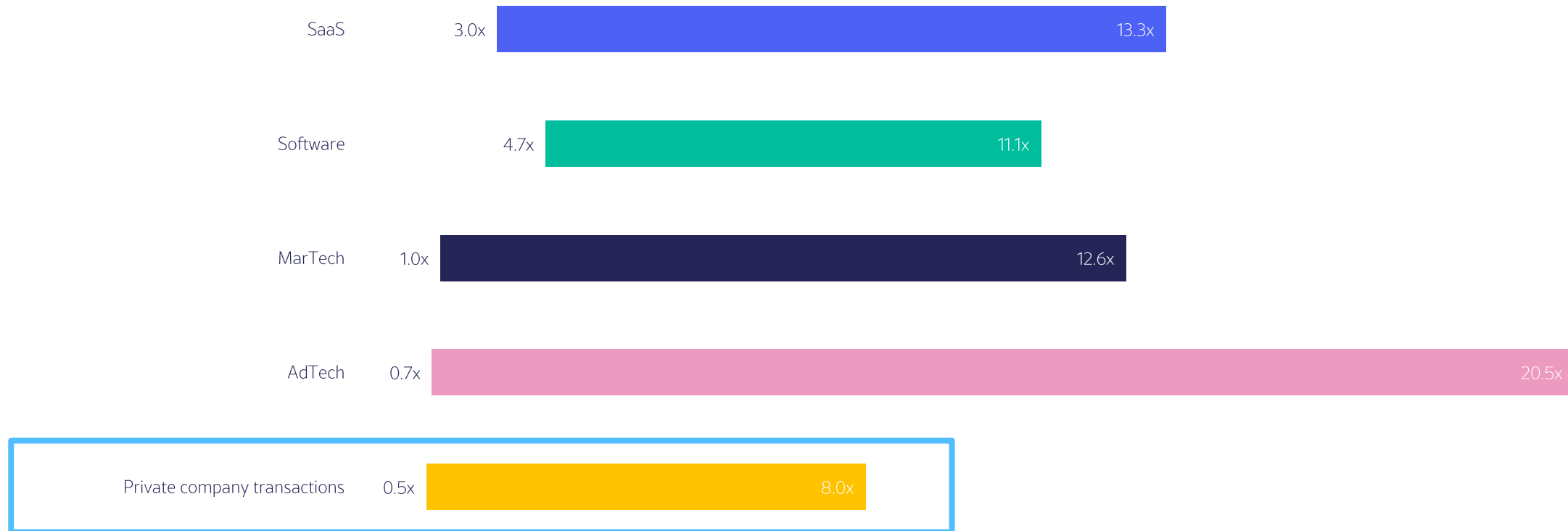
## Selected agency EBITDA valuation multiples



# Technology valuations

As they historically have, tech valuations show a wider range of revenue multiples based on growth rates and scarcity

## Selected tech / software revenue valuation multiples



# Tips for buyers & sellers



# Tips for buyers & sellers

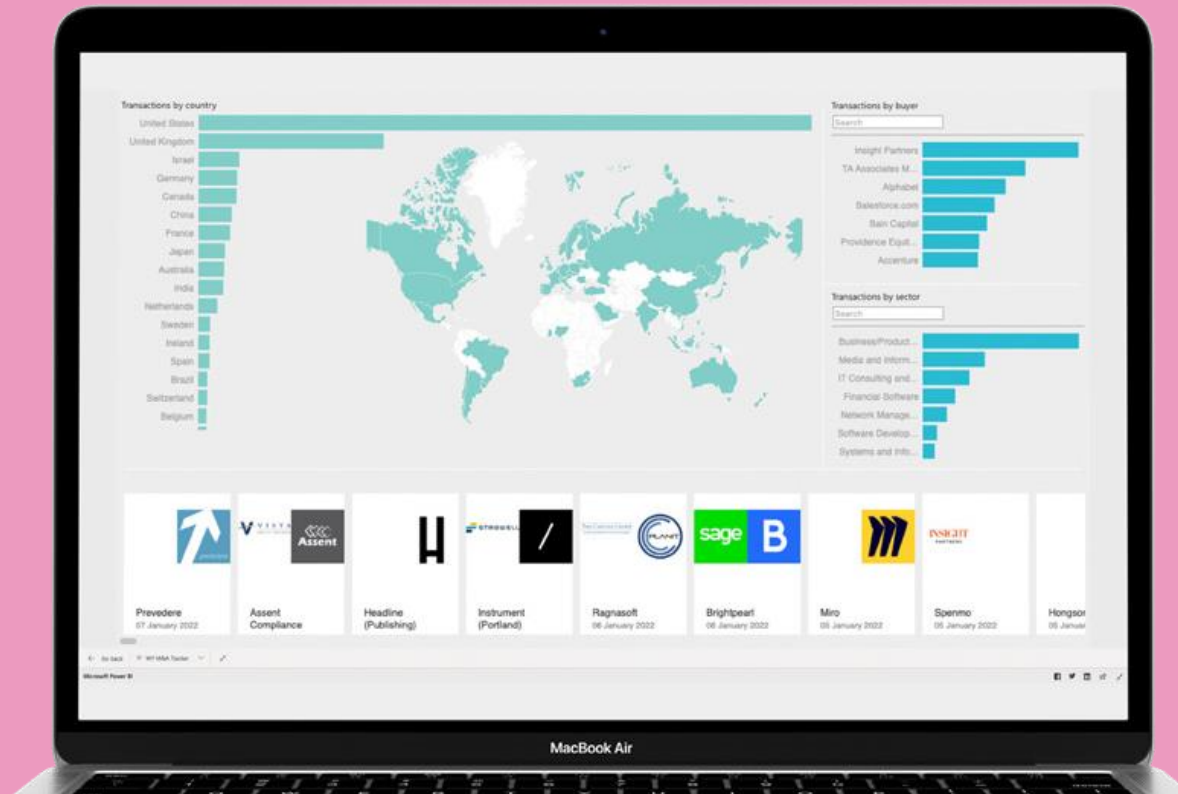
## FOR SELLERS

1. **Eat before you're hungry:** Many think that you should wait for the perfect time to sell. You want to sell before the business is perfect because you want to capture upside on the deal. This is where a good advisor can support you crafting a long-term vision before your business has peaked
2. **Prioritize preparation:** To that, conduct a buyer analysis well before you transact so you can see the business as a buyer would. This gives you the opportunity to accentuate strengths and brush up your curb appeal
3. **Transactions hinge on people:** This is often overlooked but sellers need to think about how they will manage shareholders and key people during the process. Silent shareholders have a knack of getting vocal come deal making time. Key people should be thoughtfully considered so you that you can craft the right strategy to make them have skin in the game
4. **Timing is everything:** Sell before your peak and before you need to Prioritize Preparation- See your business as a buyer and enhance curb appeal Be Smart about People- Be thoughtful about your shareholder and key people strategy

## FOR BUYERS

1. **Don't just check the boxes:** For new buyers and existing buyers, it's easy to get wrapped up in a box checking exercise, but it's important to look at the edges of the deal. Key people, client tailwind, and market dynamics. Buy-side support is another set of eyes and ears
2. **Work with prepared sellers:** Experienced buyers that do a high volume of deals typically only work with sellers that have retained an advisor. Sellers without retained advisors create a higher chance of deals falling through and delayed timetables. Don't think you're going to get a great deal by working with an unprepared seller. It's more likely you'll expend a ton of cost and not achieve the result you hoped for
3. **Less emotion and more pliability:** Your investment thesis should have focus, but it should also be pliable. "you are what you buy" and each deal that you complete will impact the next one. If your thesis is too rigid, you will likely bring too much emotion to the process and create bad deals.

# Immediate steps you can take



## WY M&A TRACKER

- **Stay informed** – Sign up for our M&A tracker
- **Sellers** – Conduct a Buyer Analysis, and Audit and action plan across financial operations, publicity, and growth strategy
- **Buyers** – Seek origination support especially while sellers are limited

# About WY Partners

WY Partners offers specialist M&A and fundraising advice to businesses at the intersection of media and technology. Our approach is built on analytical insights and productive relationships, forming a close partnership with every business to empower the right decision.

## Sell side advisory

We advise businesses who are seeking to sell all or part of their business. Our invaluable insight into buyer strategy is exactly what it takes to maximise value and efficiently drive a transaction to completion.

## Buy side advisory

We advise buyers and investors on identifying the best partners and executing the most efficient processes, always focussing on the detail to inform the right decision.

## Fundraising

Through our network of experienced investors, we are able to identify and connect businesses to their best strategic partners, advising them through the process securing the best deal.

# Our expertise

We have advised some of the most innovative businesses in the global media and tech sectors – each deal showcasing how our all-encompassing approach informs transformative decisions.



# Our team



**William Ritchie**  
Founder & Managing Partner



**Brett Davies**  
Managing Partner



**Tom Crowley**  
Partner



**Alastair Greenfield**  
Director



**Sarah Vick**  
Non-Executive Director



**David Schneider**  
Partner



**Elliott Dodds**  
Associate Director



**Dustin Engel**  
Director



**Ella Wills**  
Marketing Manager



**Mark Menezes**  
Associate Director



**Alex Crawford**  
Manager



**Alannah Coffey**  
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# Get in touch if you have any questions

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