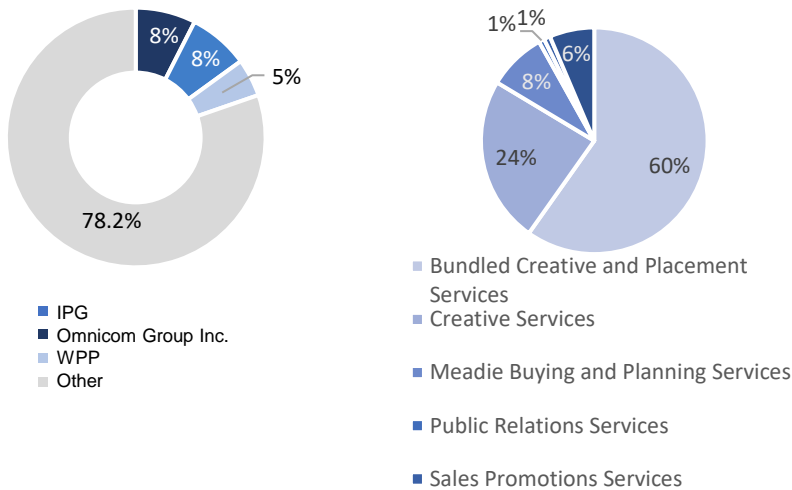


# Marketing & Advertising Industry Snapshot December 2021

## Executive Summary

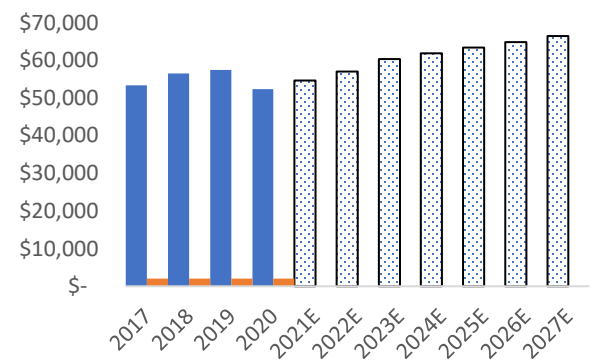
The Advertising Agencies industry provides creative services, advice, account management and production of advertising material across different channels for its clients. Industry operators also plan and buy media space in periodicals, newspapers, radio and TV or other media. Over most of the five years to 2021, the industry has benefited from growing consumer spending and per capita disposable income, despite declining corporate profit. Overall, IBISWorld estimates industry revenue to increase an annualized 1.2% to \$54.6 billion over the five years to 2021, including an increase of 4.3% in 2021 alone, as it recovers from declines related to the COVID-19 (coronavirus) pandemic. The widespread administration of a vaccine will likely lead to increased consumer and business spending as the economy stabilizes, encouraging spending on advertising. Profit, measured as earnings before interest and taxes, is estimated to account for 5.0% of revenue in 2021.



## Sector Spotlight

\$54.6B	Advertising revenue in 2020
3.5%	Projected CAGR until 2025
71,510	Advertising Businesses
\$250B	Total Spent on Advertising in 2019
65%	Of advertising spend is digital

### Revenue Growth (\$ in millions)



Since businesses were not operating during COVID-19, the need for advertising services rapidly declined, which reduced the revenues for the industry services. Total advertising expenditure is expected to increase as the economy continues to recover from COVID-19 and companies continue to look to lower their technology product pricing.

## Segment Breakdown

### Bundled Creative and Placement Services

Industry operators collaborate with clients to understand their vision, create a campaign strategy and concept and then create a finished product that conveys this message to the intended audience. Depending on the size and scope of the campaign, a creative team might produce several different ads in a variety of mediums but maintain a common theme. Industry operators also provide media planning, buying and placement services. Media planning and buying involve negotiating, strategizing, and purchasing ad placements.

### Creative Services

Not all clients demand full service, many clients need only a particular function completed. Companies operating within the industry are less likely to need media planning because they will know each of the publications; however, they likely need creative work to develop an advertisement, which is expected to make up 23.8% of industry revenue in 2021. IBISWorld expects that creative work will increase as a portion of industry revenue with the rise of alternative forms of marketing, including viral advertising, over the next 5 years.

### Media Buying and Planning Services

Advertising agencies often have contracts with media outlets and can get a better price for media space than a business could get themselves. Thus, many business operators hire agencies to plan and represent them in the field without creative services. This service segment is estimated to represent 8.3% of industry revenue in 2021. Revenue from this segment as a share of total industry revenue is estimated to decline over the five years to 2021.

## Industry Outlook

Growth will likely come as the proliferation of digital mediums, such as tablets and smartphones, provide new revenue streams and increased demand for digital advertising services. For example, many digital advertising tactics have yet to be fully used, such as mobile and location-based advertising. The accelerated adoption of e-commerce platforms and other online services catalyzed by the coronavirus pandemic is expected to have created a lasting higher level of demand for digital advertising services as well. As of writing, it is expected that the economy will establish a recovery in late 2021, particularly as the administration of the coronavirus vaccine becomes widespread. users to spread advertisements between each other.

Moving forward, total advertising expenditure is expected to grow, increasing at an annualized rate of 3.8% over the five years to 2026, spurring industry revenue growth.

## Market Concentration

The Advertising Agencies industry has a low level of market share concentration. In 2021, the combined revenue of the top four advertising agencies is expected to account for 23.2% of total industry revenue. Moreover, more than 60.0% of establishments employ fewer than five people. Over the past five years, market share has remained stable, in line with merger and acquisition activity and a rise in small niche (digital) operators. For example, the Interpublic Group of Companies Inc.'s subsidiary, Lowe and Partners, acquired Lowe Profero, a global digital network that specializes in digital advertising, media and marketing solutions. This trend is indicative of many large agencies expanding into global markets, which has enabled these agencies to attract a customer base of clients that wanted to streamline their global advertising expenditures. Nevertheless, some clients still viewed small agencies as providing superior, low-cost services, including a high level of creativity.

## Recent Public Transactions

Sep 2021	Sep 2021	Sep 2021	Nov 2021	Dec 2021
				
				

## Recent Private Transactions

Deal Date	Target	Acquirer	Deal Synopsis
21-Dec-2021	Xandr	Microsoft	Microsoft (NAS: MSFT) reached a definitive agreement to acquire the company, a subsidiary of AT&T (NYS: T), for an undisclosed amount on December 21, 2021. The acquisition strategically complements Microsoft's current advertising offerings and will help accelerate the delivery of digital advertising and retail media solutions for the open web.
19-Dec-2021	Meidd	Meitu	The company was acquired by Meitu (HKG: 01357) for CNY 79.742 million on December 19, 2021.
16-Dec-2021	Encuentra24.com	Frontier Digital Ventures	The company reached a definitive agreement to be acquired by Frontier Digital Ventures for an undisclosed amount on December 16, 2021.
14-Dec-2021	IPONWEB	Criteo	The company reached a definitive agreement to be acquired by Criteo (NAS: CRTO) for \$380 million on December 14, 2021. The purchase consideration consists of \$305 million to be paid in cash and \$75 million in Criteo's treasury shares.
13-Dec-2021	Azerion	European FinTech IPO	The company reached a definitive agreement to acquire European FinTech IPO Company 1 through a reverse merger on December 13, 2021.
13-Dec-2021	Winback	Wishpond Technologies	The company, a subsidiary of atlasMind, reached a definitive agreement to be acquired by Wishpond Technologies (TSX: WISH) for \$700,000 on December 13, 2021. The acquisition will enable Wishpond Technologies existing customer base to drive sales and customer retention, also create a higher value product to our customers, resulting in higher MRR (monthly recurring revenue) and increased retention and long-term value