



## Specialty firms at top of holding companies' wish lists

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The recent flurry of agency acquisitions will likely continue in the next year, especially in terms of specialist or international firms, said agency executives and M&A experts.

A primary reason is that specialized agencies are typically a more opportunistic acquisition than general PR firms, explains Harris Diamond, CEO of Interpublic Group's Constituency Management Group. CMG, which includes PR firms Weber Shandwick and GolinHarris, has made a number of acquisitions this year, mostly outside the US.

“Specialist agencies often offer a service or a client relationship that you otherwise might not have or be able to build in a reasonable time frame,” he says. “There is always the potential for acquisition with specialist agencies.”

Indeed, most recently acquired firms are known for their work in specific areas. The Glover Park Group, [bought by WPP Group this week](#), is a Washington, DC-based government relations powerhouse. Last month, Omnicom Group [acquired Marina Maher Communications](#), known for targeting women and healthcare work, while Publicis Groupe [picked up healthcare and technology specialist](#) Schwartz Communications in September. Publicis also [bought](#) Ciszewski, the largest independent PR firm in Poland, and WPP shop Cohn & Wolfe acquired Chinese firm Impactasia this week.

Publicis has shifted its acquisition strategy in recent years to more often include firms with PR capabilities. A few years ago, its main targets were ad agencies and digital shops.

Olivier Fleurot, CEO of Publicis' MSLGroup, says the holding company is planning to make acquisitions across a range of geographies, especially Africa, Latin America, and the US.

“We have been watching the events in the US very carefully,” he notes. “We find that in difficult times, clients need more types of [PR] advice. So we are trying to fill gaps geographically, but also in terms of particular practice areas, such as technology.”

StevensGouldPincus, an M&A consulting firm, initiated the transaction and helped negotiate the terms between Schwartz and MSLGroup, says Mike Muraszko, partner at StevensGouldPincus.

“Schwartz had a speciality that the buyer was very much attracted to,” he explains. “There are high-quality firms out there with very focused service offerings and they're in high demand right now by lots of buyers.”

Diamond believes it will be tougher for holding companies or large agencies to acquire general firms.

“I’ve thought that for a while,” he says. “When I look at a potential acquisition, I have to make up my own mind as to whether that acquisition will bring me something.”

Although the buyers in these recent deals are holding companies of advertising, marketing, and communications firms, they’re not the only corporations driving M&A activity, says Philip Palazzo, president and founder of Palazzo, an investment banking firm for the marketing services sector that has advised on a number of acquisitions.

By his count, there are no fewer than 50 private equity groups in the US looking to make acquisitions of marketing services firms. He says publishers are also in the market, as well as holding companies.

“There is a greater and greater percentage of marketing dollars being allocated to PR, as it is broadly defined, and so buyer demand is really driving a lot of this activity,” he suggests. “A decade ago, sellers might have been able to talk to 10 companies. Today they can easily talk to 40 or 50.”

MDC Partners, which owns majority stakes of Allison & Partners, Kwittken & Company, and Sloane & Company, among others, will be aggressive with acquisitions despite the uncertain economic climate, says its chairman and CEO Miles Nadal.

“This is a fabulous time to be ambitious,” he asserts. “Warren Buffett once said you should be greedy when others are fearful and fearful when others are greedy. Since 2008, we’ve spent almost \$300 million in acquisitions and we anticipate further expansion, including in PR.”