

# ACQUIRERS PRIORITIZE PERFORMANCE-BASED OFFERINGS IN THE MARKETING SERVICES MARKET

MARKETING SERVICES SECTOR UPDATE | DECEMBER 2024



**CAPSTONE  
PARTNERS**

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Capstone Partners, a subsidiary of Huntington Bancshares Incorporated (NASDAQ:HBAN), has been a trusted advisor to leading middle market companies for over 20 years, offering a fully integrated range of expert investment banking and financial advisory services uniquely tailored to help owners, investors, and creditors through each stage of the company's lifecycle.

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# Marketing Services

## Acquirers Prioritize Performance-Based Offerings in the Marketing Services Market

### KEY SECTOR TAKEAWAYS

Capstone Partners' Business Services Group is pleased to share its Marketing Services report. The Marketing Services sector has been fraught with disruption through year to date (YTD). However, sector participants' ability to swiftly adapt to technological innovations and budget constraints has upheld merger and acquisition (M&A) activity in the space. Acquirers in the sector have increasingly prioritized targets with performance-based offerings and demonstrable specialization by end market and technology stack. Several additional report key takeaways are outlined below.

1. Marketing Services sector M&A activity YTD has risen year-over-year (YOY), primarily driven by strategic and financial buyer appetite for high return on investment (ROI), high attribution performance marketing capabilities.
2. Average purchase multiples in the Marketing Services sector have showcased significant strength compared to historical levels as buyers have demonstrated a willingness to acquire technology-enabled service providers at premium valuations.
3. Tightening marketing budgets have produced an environment in which ROI, performance optimization, and attribution are paramount.
4. Sector participants have increasingly adopted artificial intelligence (AI) to boost productivity and reduce operational costs. However, the technology has also altered the Search Engine Optimization (SEO) landscape with the introduction of AI-powered search engine products.
5. Alphabet's (Nasdaq:GOOGL) Google announced the retention of third-party cookies in July 2024, fortifying attribution in the Digital Marketing segment.

Capstone Partners has developed a full suite of corporate finance solutions to help privately-owned businesses and private equity firms navigate through each stage of a company's lifecycle. These solutions include financial advisory services, merger and acquisition advisory, debt advisory, equity capital financing and employee stock ownership plan (ESOP) advisory.

To learn more about Capstone's wide range of advisory services and Marketing Services sector knowledge, please [contact us](#).

# TIGHTENING MARKETING BUDGETS NECESSITATE ROI AND OPTIMIZATION

The Marketing Services sector has exhibited significant resilience YTD despite facing several challenges. While Google’s Privacy Sandbox initiative threatened the sector in the first half of the year (see next page), tightening marketing budgets have produced an environment in which ROI, performance optimization, and attribution are paramount. Of note, marketing budgets have dropped from an average of 9.1% of company revenue in 2023 to 7.7% in 2024, according to Gartner’s 2024 CMO Spend Survey.<sup>1</sup> Business executives have increasingly demanded sales conversions, often suppressing marketing budgets until higher spend is warranted. However, M&A volume gains and public equity returns have materialized to date as sector participants have demonstrated an ability to adapt to this stark reality. Although technology-enabled marketing services providers have been well-positioned in the M&A market YTD, continuous innovation will likely dictate clear winners in the long-term.

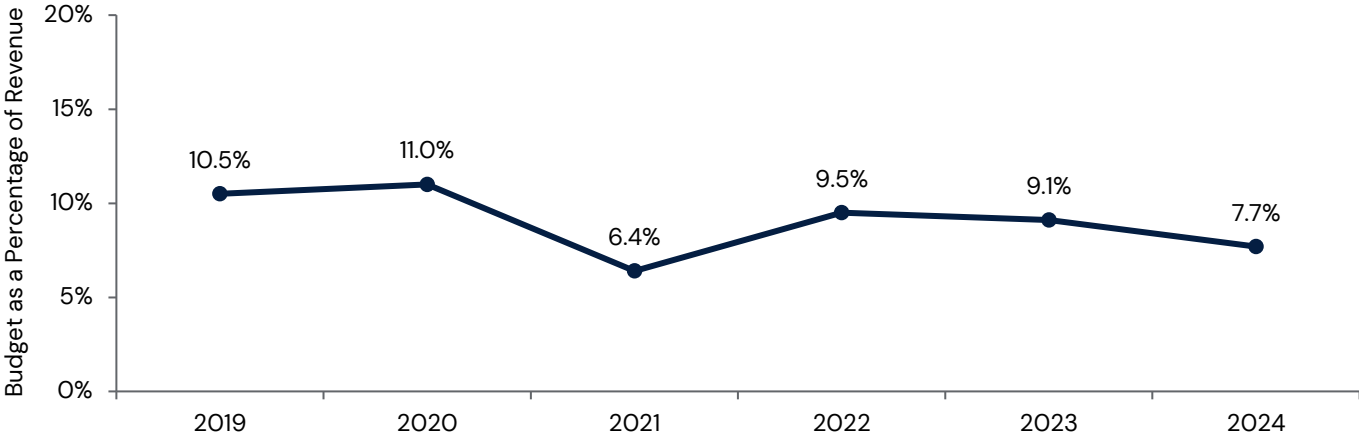


**Bob Balaban**  
Head of Business Services

*“The Marketing Services M&A market has undoubtedly favored technology-enabled participants. We have seen sector acquirers increasingly target performance marketing businesses that can boost clients’ ROI within specific verticals and technology stacks—a trend slated to continue into the new year.”*

AI has been increasingly analyzed by sector participants to boost productivity and reduce operational costs amid depressed marketing budgets. Notably, 95% of CMOs surveyed have identified AI as an investment priority in 2024, according to Gartner’s 2024 CMO Spend Survey. Middle market providers have largely incorporated off-the-shelf AI solutions for content creation, data analysis, and customer engagement. Leading public players, including Omnicom Group (NYSE:OMC), have developed in-house AI tools to improve workflows and campaign time-to-market. Omnicom saw total revenues increase 8.5% YOY in Q3 2024 since the launch of its inaugural AI tool, Omni Assist, in June 2023, according to the company’s Q3 2024 investor presentation.<sup>2</sup> AI technology has also disrupted the SEO landscape with the introduction of AI-powered search engine products. These products deliver information directly on the browser page (referred to as zero-click searches). As a result, many digital marketing agencies may be forced to shift engagement strategies from click-through traffic to zero-click visibility. While the long-term impacts of this trend have remained uncertain, the monetization of AI-powered search results is expected to accelerate revenue opportunities and acquisition interest in the Marketing Services sector.

**Average Marketing Budget Falls to Three-Year Low**



Source: 2024 Gartner CMO Spend Survey and Capstone Partners

# GOOGLE RETAINS COOKIES, AIDS DIGITAL MARKETING ATTRIBUTION

## Google's Privacy Sandbox Initiative Timeline

<b>January 2020</b> Announces Privacy Sandbox initiative to eliminate cookies.	<b>January 2021</b> U.K. CMA opens investigation into Privacy Sandbox initiative.	<b>January 2024</b> Shuts down cookies for 1% (~30 million) of Chrome users.	<b>July 2024</b> Reverses decision to terminate third-party cookies.
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CMA=Competition & Markets Authority  
Source: Google's Privacy Sandbox, U.K. CMA, and Capstone Partners

## Google's Course of Action

In July 2024, Google retracted its plans to terminate third-party cookies as part of its Privacy Sandbox initiative, according to the Privacy Sandbox website.<sup>3</sup> Driven by data privacy concerns, Google launched its Privacy Sandbox initiative as an attempt to protect users while maintaining a digital marketing-friendly environment. Google tested its flagship Privacy Sandbox tool, Tracking Protection, in January 2024 with a select group of Chrome users and advertisement buyers. Tracking Protection was developed to restrict website access to third-party cookies by default. The company halted this initiative as its test group of advertisement buyers reported missing campaign tracking metrics, according to the Privacy Sandbox website.<sup>4</sup> Additionally, the U.K.'s Competition & Markets Authority (CMA) expressed concerns that the Privacy Sandbox tools could unfairly bolster Google's market position of its advertising products, according to the CMA.<sup>5</sup> The company plans to create a feature enabling Chrome users to permanently opt out of third-party cookies as an alternative to automatically blocking them via Tracking Protection.

## Sector Implications

Google's initial announcement to depreciate third-party cookies created great unrest in the Marketing Services sector, specifically in the prominent Digital Marketing segment. Third-party cookies have remained a critical tool for Digital Marketing participants to log internet users' activity across websites, deliver relevant advertisements, and track campaign performance. The replacement of third-party cookies would likely disrupt business models for many digital marketing agencies. In addition, if third-party cookies were to be replaced on Chrome, Google-centric sector participants may be forced to shift marketing spend to Google's digital advertising products. This is especially prevalent as Google has continued to control the U.S. Search Engine market, with an 88.7% market share as of October 2024, according to GlobalStats.<sup>6</sup> While Google's dominance is slated to be upended by the recent [antitrust ruling](#), its decision to maintain third-party cookies has provided the Digital Marketing segment with some relief. Although the company's Privacy Sandbox initiative may be revisited in the long-term, Capstone anticipates segment participants' pushback and the CMA's guidance to keep third-party cookies in play until a more viable alternative is presented.



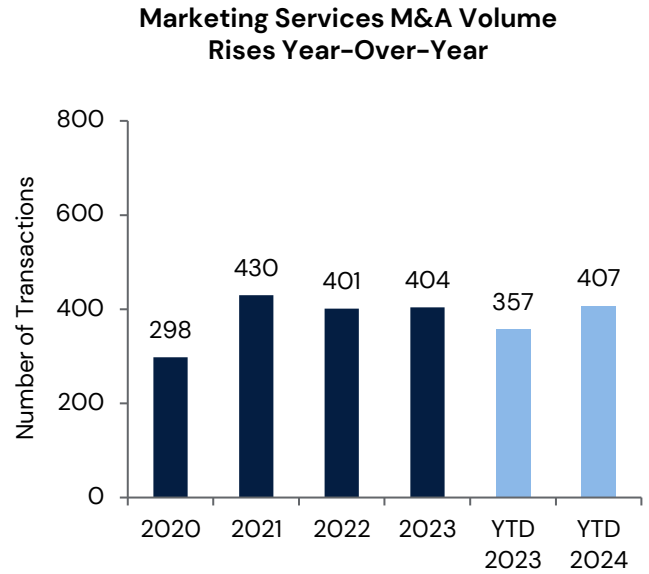
**Erik Larson**  
Director, Business Services



*"Third-party cookies have remained essential for marketing services businesses, especially for those in the Performance Marketing subsegment. Google's decision to retain cookies—and the Department of Justice's antitrust ruling—will likely create a more favorable environment for purchasing digital advertising products."*

## DIGITAL MARKETING DEMAND CONTINUES TO DRIVE SECTOR M&A

M&A volume in the Marketing Services sector has reached 407 transactions announced or completed YTD. This marks a healthy YOY increase of 14%. In comparison, total transaction activity YTD in the U.S. and the broader Business Services industry has registered YOY declines of 14.2% and 1%, respectively. Strong sector deal flow has been primarily driven by strategic and financial buyer appetite for high ROI, high attribution performance marketing capabilities, particularly via digital channels. Strategics have continued to account for the majority (69%) of sector deals to date, led by private strategics (61.9%) vertically integrating middle market competitors. Driven by elevated dry powder levels and limited partner pressure to generate returns, sponsors have maintained their presence in the space. Although the Syndicated Loan market has shown signs of softening, financial buyers in the sector have continued to prioritize add-on deals (77.8% of private equity buyouts YTD) to bolster portfolios with technology-enabled service offerings. To date, private equity add-on and platform deals in the Marketing Services sector have fallen 5.8% and 3.4% YOY, respectively. Private equity platform deals will likely rally through year end and into 2025 as transaction financing hurdles ease.



Year to date (YTD) ended November 5  
Source: Capital IQ, FactSet, PitchBook, and Capstone Partners

The Digital Marketing segment has continued to lead sector M&A, accounting for 44.2% of transaction targets YTD. However, deal flow in the segment has fallen 2.2% YOY, likely due to attribution concerns with Google’s Privacy Sandbox initiative. Segment M&A volume is predicted to rebound as those concerns have been largely mitigated. Sponsors’ fervent acquisition appetite in the segment is also anticipated to buoy activity. Notably, digital marketing providers have comprised more than half (50.8%) of private equity targets YTD.

Marketing Services Valuation Analysis		
Valuation Method	Average Revenue Multiple	Average EBITDA Multiple
Marketing Services Sector M&A Transactions (2021-YTD)	3.5x	10.7x
Business Services Industry M&A Transactions (2021-YTD)	2.3x	10.5x

Year to date (YTD) ended November 5  
Source: Capital IQ, FactSet, PitchBook, and Capstone Partners

### Valuation Insight

M&A multiples in the Marketing Services sector have averaged a robust 3.5x EV/Revenue and 10.7x EV/EBITDA from 2021 through YTD, remaining on pace with the broader Business Services industry average of 2.3x EV/Revenue and 10.5x EV/EBITDA during the same period. Sector purchase multiples have also showcased significant strength compared to historical levels. The average sector EBITDA multiple from 2021 through YTD has risen nearly a full turn compared to the average from 2018 through 2020 (9.9x EV/EBITDA). Sector participants that can exhibit specialization by end market, technology stack, or both, have continued to draw substantial buyer attention and healthy valuations.

## NOTABLE M&A TRANSACTIONS

### End Market-Focused



In June 2024, Southfield Capital-backed Business Development Resources (BDR) acquired BxB Media for an undisclosed sum. BDR provides business training and coaching services for the Home Services sector. BxB Media operates as a full-service digital marketing agency for home services companies, specializing in the Heating, Ventilation, and Air Conditioning (HVAC) space.

BDR pursued the acquisition to bolster its training offerings in the Home Services sector with proven digital marketing capabilities. The transaction is anticipated to expand the company's market share and client capacity, as the combined entity's total personnel count has reached nearly 200, according to a press release.<sup>7</sup> While BxB Media offers a myriad of services, the company has increasingly focused on Google Adwords for clients and has become a Google Premier Partner.



Net Driven, a subsidiary of LeadVenture, acquired CarCareCONNECT in May 2024. Terms of the transaction were not disclosed. Net Driven provides website design and digital marketing services for the Automotive sector. CarCareCONNECT focuses on the Automotive Repair space, offering SEO, lead management, and automated email and text marketing solutions.

The acquisition is expected to enhance CarCareCONNECT's offerings with social media management, search engine marketing, and reputation management, and further establish Net Driven's presence in the Automotive market. "Our team is dedicated to providing the highest quality digital solutions, and this acquisition allows us to extend our industry-leading services to a wider audience," said Krissy Mullins, COO of LeadVenture, in a press release.<sup>8</sup>

### Technology Stack-Focused



Mindgruve acquired Macarta in June 2024 for an undisclosed sum. Following the transaction, the two entities merged to create MindgruveMacarta. Mindgruve operates as a digital agency providing data-driven marketing and creative services. Macarta offers performance marketing and retail media solutions.

Macarta's focus on Amazon Ads services piqued Mindgruve's interest in the acquisition. Since the transaction, the combined entity has positioned itself as a full-service, omnichannel marketing and sales management agency. MindgruveMacarta serves the Consumer, Financial Services, and Technology end markets. The combined company has also become a Google Premier Partner and Amazon Advanced Advertising Partner, enabling clients to access in-depth sales and campaign analytics, according to a press release.<sup>9</sup>



In June 2024, Conversion Pipeline acquired White Label Agency from Veza Digital for an undisclosed sum. Conversion Pipeline offers performance marketing, paid media, and inbound marketing services. White Label Agency, Veza Digital's Agency-to-Agency business unit, provides SEO and social media services, focusing on Google Ads and Facebook Ads.

Conversion Pipeline's acquisition of White Label Agency has marked a significant milestone in the company's initiative to penetrate the Agency-to-Agency vertical. The transaction is also expected to bolster Conversion Pipeline's paid media services with platform-specialized personnel. Going forward, Conversion Pipeline plans to continue focusing on retail business clients, while White Label Agency provides outsourced services for digital agency partners.





## SELECT M&A TRANSACTIONS

Date	Target	Acquirer	Target Business Description	Target Segment
11/01/24	Bold Strategies	The Harvest Group	Offers digital marketing and SEO services.	Digital Marketing
10/25/24	journalismforbrands	Makarios Marketing	Provides SEO services for e-commerce brands.	Digital Marketing
10/23/24	The Only Agency	Presidio Investors	Offers advertising services for the Fashion, Beauty, and Entertainment markets.	Advertising
10/21/24	Global Experience Specialists	Truelink Capital	Provides marketing services for live events, exhibitions, conferences, and corporate events.	Experiential & Event Marketing
10/21/24	Hypothesis Group	Elixirr	Offers consumer-centric market research services.	Market Research
10/08/24	Freeman Public Relations	Carve Communications	Provides public relations services.	Public Relations
10/03/24	FindLaw	MH Sub I	Offers internet marketing solutions for law firms.	Digital Marketing
09/26/24	Donut Digital	New Engen	Provides performance marketing services.	Digital Marketing
09/19/24	MARS Advertising	Publicis Groupe (ENXTPA:PUB)	Offers digital marketing services including strategy, analytics, and content.	Digital Marketing
09/10/24	Trefoil Group	BrandStar	Develops digitally integrated marketing solutions for the Business-to-Business market.	Digital Marketing
09/03/24	Nimble5	PopReach (TSXV:INIK)	Offers performance marketing services.	Digital Marketing
08/13/24	MaxBounty	mrge Group	Provides online cost per action (CPA) and performance marketing services.	Digital Marketing
08/07/24	FGS Global	KKR & Co. (NYSE:KKR)	Offers public relations and crisis and issues management services.	Public Relations
08/05/24	Half Past Nine	Dysrupt	Provides digital marketing services including paid media and organic search.	Digital Marketing
08/01/24	GIDI Promotions	Pep Printing	Offers branded gifts and custom merchandising for companies.	Promotional Products
07/26/24	Brand Sharks	Inferno Capital Group	Provides digital marketing services including content creation and social media management.	Digital Marketing
07/25/24	The Reiman Agency	IZEA Worldwide (Nasdaq:IZEA)	Operates as a sports and celebrity marketing company.	Experiential & Event Marketing
07/24/24	Grady Britton	Mad Fish Digital	Offers branding, advertising, and interactive services.	Advertising
07/16/24	The Evans Hunt Group	Mod Op	Operates as a digital agency that provides marketing, strategy, and campaign services.	Digital Marketing
07/16/24	Bergdavis Public Affairs	Southwest Strategies	Provides public relations, crisis communications, and reputation management services.	Public Relations
07/15/24	Elle Communications	Dolphin Entmt. (Nasdaq:DLPN)	Offers influencer relations, communications strategy, and media training.	Public Relations
07/10/24	C-4 Analytics	Calera Capital Advisors	Provides search engine marketing, SEO, and audience targeting services.	Digital Marketing
07/08/24	Unified Brand Signs	Wallboard Digital Signage	Offers customized digital signage solutions for automotive businesses.	Advertising

Source: Capital IQ, PitchBook, FactSet, and Capstone Partners

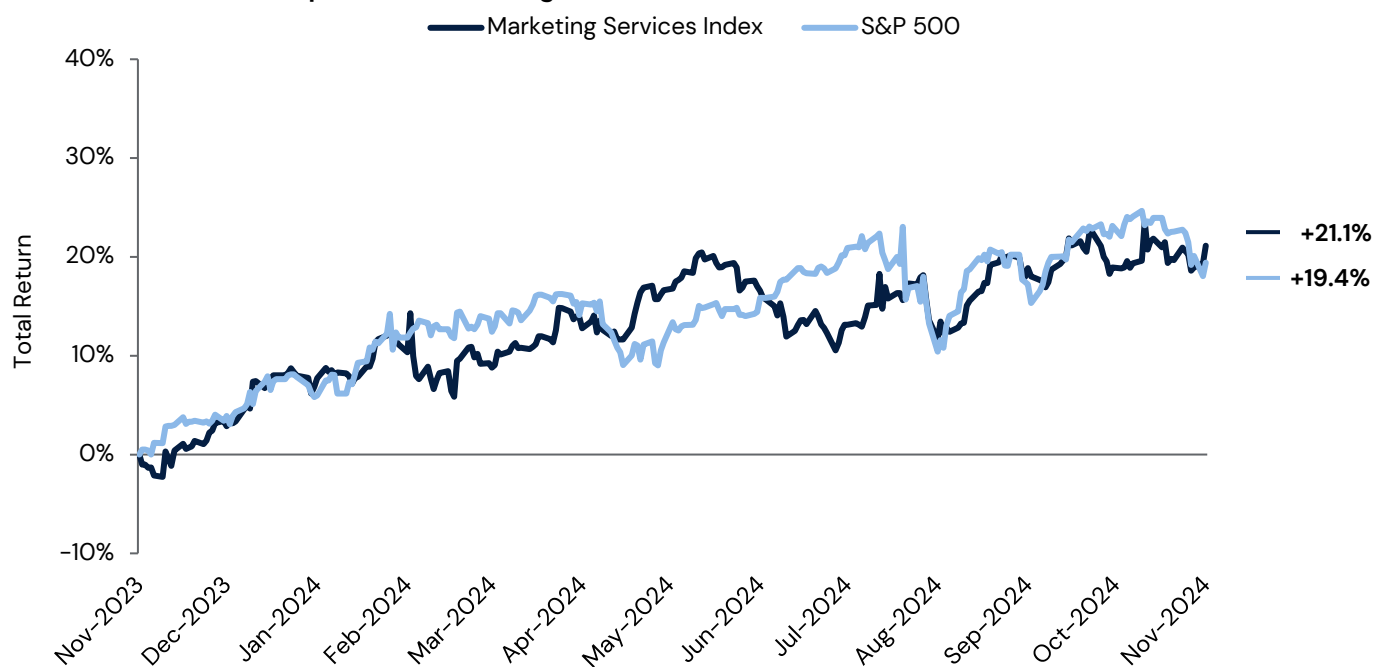
## PUBLIC COMPANY DATA

Company	Price	% 52 Wk	Market	Enterprise	LTM			EV / LTM	
	11/05/24	High	Cap	Value	Revenue	EBITDA	Margin	Revenue	EBITDA
4imprint Group plc	\$66.21	75.1%	\$1,863.9	\$1,751.2	\$1,358.5	\$148.9	11.0%	1.3x	11.8x
Advantage Solutions Inc.	\$3.27	66.1%	\$1,048.2	\$2,660.8	\$3,990.7	\$393.1	9.8%	0.7x	6.8x
Boston Omaha Corporation	\$15.22	89.6%	\$478.8	\$541.9	\$105.0	NM	NA	NM	NM
Clear Channel Outdoor Holdings	\$1.46	71.0%	\$714.1	\$7,769.6	\$2,231.4	\$1,065.6	47.8%	3.5x	7.3x
comScore, Inc.	\$4.96	23.7%	\$24.3	\$233.7	\$356.2	\$29.6	8.3%	0.7x	7.9x
Dentsu Group Inc.	\$31.54	99.3%	\$8,222.2	\$10,406.9	\$8,592.0	\$1,329.1	15.5%	1.2x	7.8x
Eventbrite, Inc.	\$3.39	36.8%	\$325.8	\$55.7	\$336.4	NM	NA	0.2x	NM
Fluent, Inc.	\$2.94	61.6%	\$49.6	\$80.9	\$262.0	NM	NA	0.3x	NM
Omnicom Group Inc.	\$103.18	96.9%	\$20,129.7	\$25,409.6	\$15,427.8	\$2,748.2	17.8%	1.6x	9.2x
Publicis Groupe S.A.	\$110.33	93.2%	\$27,691.5	\$30,333.8	\$16,443.8	\$3,067.6	18.7%	1.8x	9.9x
TechTarget, Inc.	\$28.50	68.0%	\$814.3	\$905.0	\$226.3	\$16.5	7.3%	4.0x	NM
The Interpublic Group of Companies, Inc.	\$29.77	84.6%	\$11,089.6	\$13,944.6	\$9,338.9	\$1,967.3	21.1%	1.5x	7.1x
Viad Corp	\$39.48	86.6%	\$835.6	\$1,596.8	\$1,399.4	\$208.7	14.9%	1.1x	7.7x
WPP plc	\$10.87	97.6%	\$11,665.2	\$19,307.0	\$18,768.3	\$1,558.8	8.3%	1.0x	12.4x

EV = enterprise value; LTM = last twelve months \$ in millions, except per share data NM = Not Meaningful	<b>Mean</b>	<b>16.4%</b>	<b>1.5x</b>	<b>8.8x</b>
	<b>Median</b>	<b>14.9%</b>	<b>1.2x</b>	<b>7.9x</b>
	<b>Harmonic Mean</b>	<b>12.5%</b>	<b>0.7x</b>	<b>8.4x</b>

Capstone's Marketing Services Index Tracks S&P 500 on Total Return



Marketing Services Index includes: 4324, ADV, BOC, CCO, EB, FLNT, FOUR, IPG, OMC, PUB, SCOR, TTGT, VVI, WPP  
Source: Capital IQ and Capstone Partners as of November 5, 2024

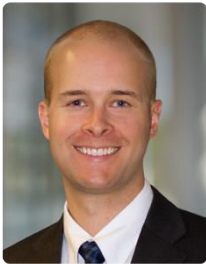
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Bob brings more than 25 years of investment banking and operating experience. Bob has served as the lead banker on more than 75 merger and acquisition transactions primarily in the Business Services marketplace. He has also been involved with over a dozen startup companies, including Great Plains Accounting Software, Inc., a software company that was ultimately acquired by Microsoft Corp. as well as InaCom Corp., a distribution company that he helped grow to several billion dollars in annual revenue before it was acquired by Hewlett Packard. He has appeared in numerous national business publications, including the Wall Street Journal and Fortune Magazine and on national television as an expert in mergers and acquisitions.

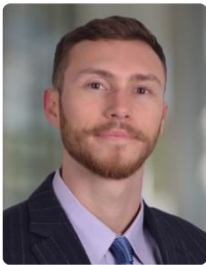


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Erik Larson is a Director on Capstone Partners' Business Services Team. With more than 15 years of professional experience, Erik has a diverse background working in a variety of industries. Prior to joining Capstone Partners, Erik was an Investment Banking Associate Intern at Morning Glory Capital LLC in Denver, Colorado. He also served as a Managing Director at Deming Center Venture Fund in Boulder, Colorado, where he supported entrepreneurs and startup companies through early-stage investing.

Previously, Erik also gained experience as a Patent Engineer at Holland & Hart LLP and Merchant & Gould P.C., where he wrote patents while working with inventors to identify and best leverage new ideas across diverse technologies. Another of Erik's previous roles was in research physics as a Consultant at the National Institute of Standards and Technology (NIST), where he researched quantum refrigeration and superconducting amplifiers for ground-based telescopes.



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Max serves as Vice President on Capstone's Market Intelligence Team. He provides M&A insights, proprietary research analysis, and macroeconomic trends for C-suite middle market executives, specializing in the coverage of the Business Services, Financial Technology & Services, and Technology, Media & Telecom industries. Prior to joining Capstone, Max was an analyst at Lab42 Research, a Chicago-based market research firm. During his time at Lab42 Research, he specialized in the development, implementation, and analysis of proprietary research projects for clients in the Business Services, Consumer, Financial Services, Government, and Technology industries.

# FIRM TRACK RECORD

Capstone maintains an active presence in the Business Services industry with in-depth knowledge of the buyer universe and business characteristics that drive premium valuations in an M&A process. Our frequent conversations with industry participants provide us with increased transparency into market trends and buyer preferences. A sampling of Capstone’s current engagements and closed deals are outlined below.

## Firm Transactions In Market

**CONFIDENTIAL, Project Pantheon:**  
 The company is a digital marketing agency focusing on pay-per-click, Google Adwords, and Facebook advertising services.

**CONFIDENTIAL, Project Drive:**  
 The company provides digital marketing services such as paid search and video content for the Car Dealership market.

To learn more about these opportunities, please contact Bob Balaban at: [bbalaban@capstonepartners.com](mailto:bbalaban@capstonepartners.com) or 303-792-9400

## Firm Tombstones



HAS BEEN ACQUIRED BY



Healthcare and consumer marketing services.



HAS BEEN ACQUIRED BY



Location-based digital marketing solutions.



HAS RECAPITALIZED WITH



Integrated, data-driven digital marketing services.



HAS SECURED A STRATEGIC INVESTMENT FROM



Marketing and reputation management services.



HAS BEEN ACQUIRED BY



a portfolio company of



Promotional merchandise and workwear products.



HAS BEEN ACQUIRED BY



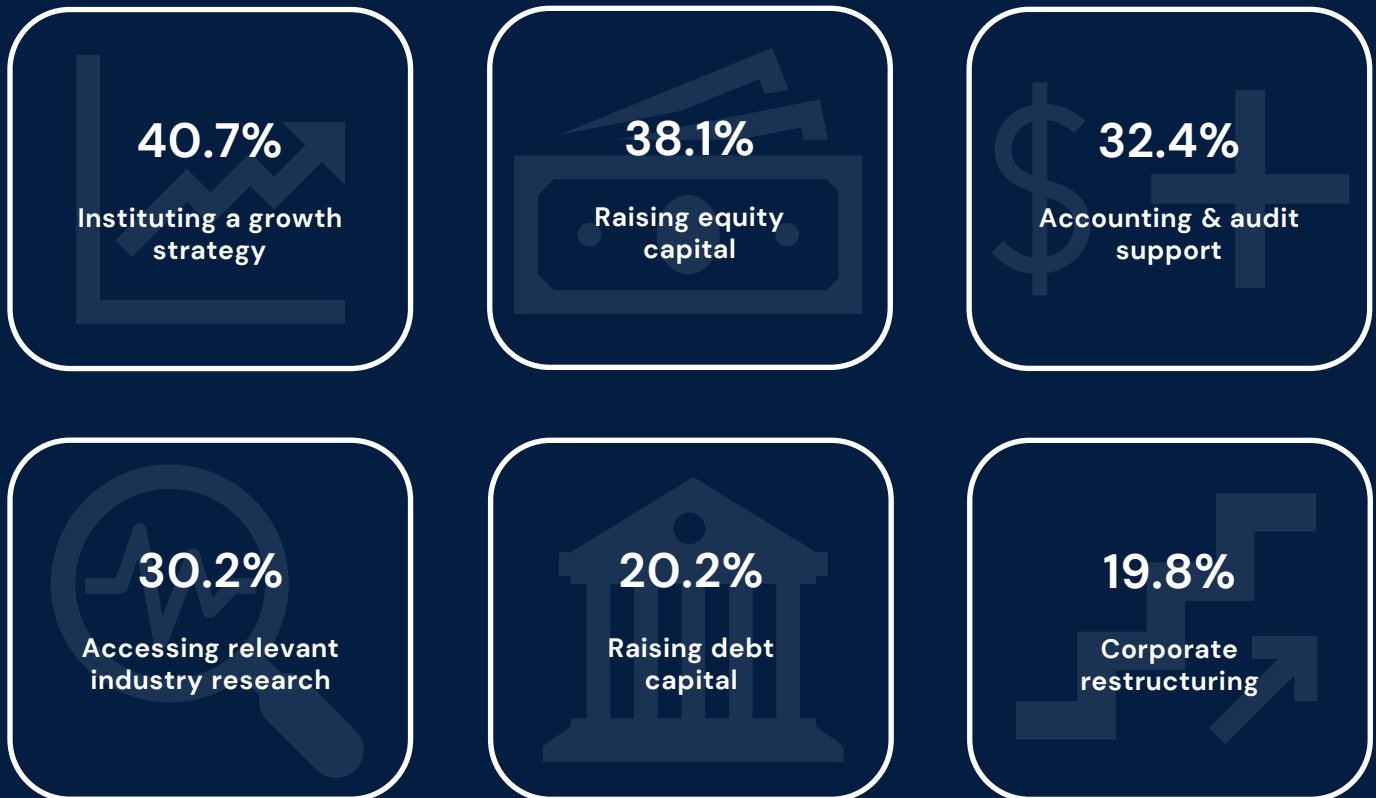
Mobile marketing and advertising services.

## CAPSTONE'S PROPRIETARY RESEARCH REVEALS TOP SERVICES IN DEMAND

The stage and initiatives of a business often dictate which financial services are in demand. As the bulk of CEOs polled in Capstone's 2024 Middle Market Business Owners Survey indicated growth strategies are a priority for 2025, the lion's share (40.7%) of owners anticipate a need for growth strategy support services. Similarly, 38.1% of CEOs require equity capital advisory services to support operational initiatives and business expansion. Nearly one-third of owners require accounting and audit support to shore-up cash flows and establish financial stability. In addition, 30.2% of CEOs demonstrated an interest in accessing relevant industry research to keep up with emerging industry trends, complete competitor analyses, and track capital markets activity in their space.

Capstone has developed a full suite of [corporate finance solutions](#) to help privately owned businesses and private equity firms through each stage of the company's lifecycle, ranging from growth to an ultimate exit transaction. In addition, we developed specialty advisory practices to provide financial performance, buy-side, employee stock ownership plan (ESOP), and equity and debt services. All of these capabilities are supported by 12 industry banking groups, an active sponsor coverage group, and a dedicated Market Intelligence Team.

### Top Financial Services Required by Business Owners in 2025



Question: Have you ever had, or do you anticipate having, a need for any of the following services?  
Source: Capstone Partners' Middle Market Business Owner Survey, Rebased Sample Size (N): 278



## ENDNOTES

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### Disclosure

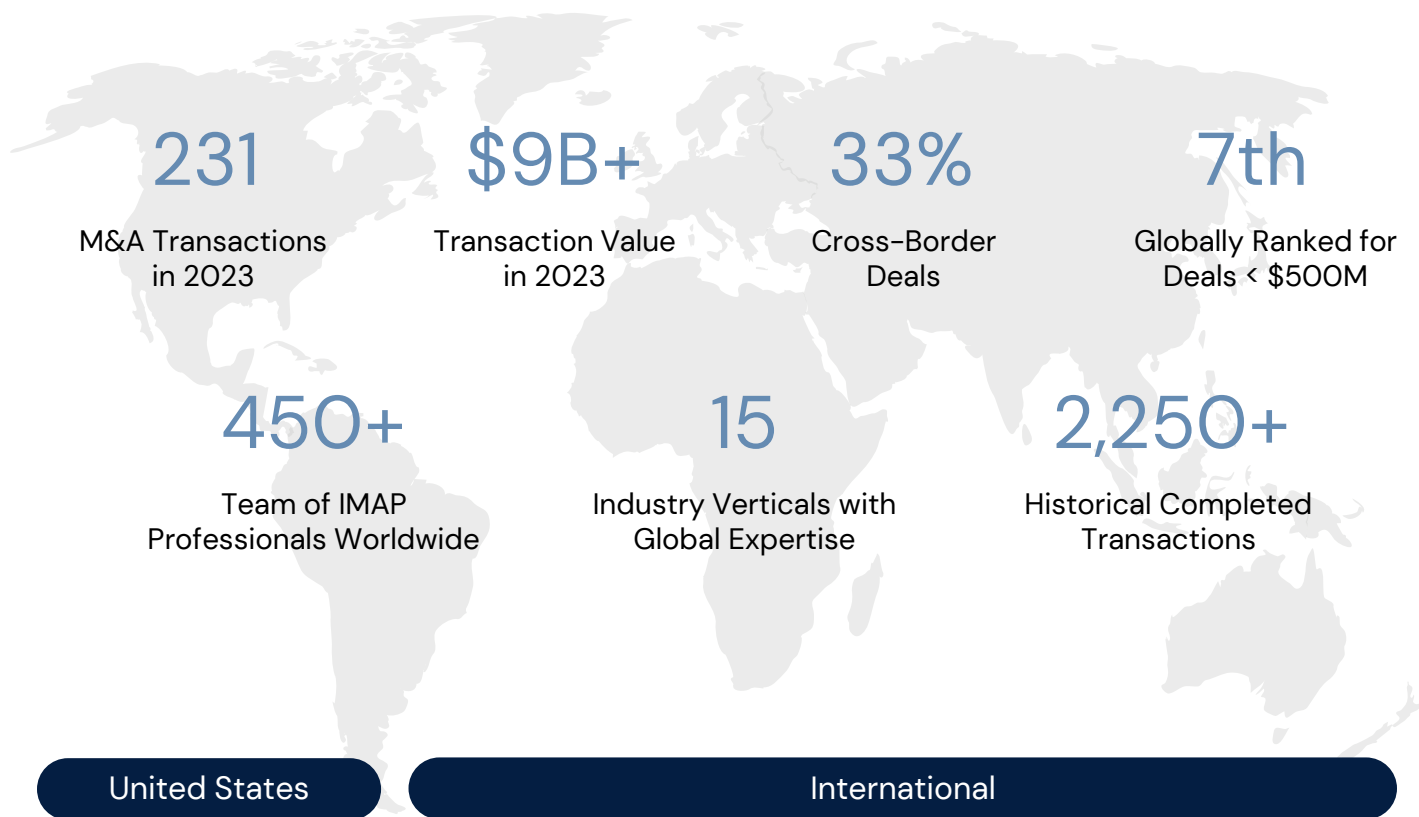
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With a long-established U.S. footprint, together with an international partner platform, we provide clients with broad expertise and access to key market relationships on a global basis. Our presence is backed by ~200 professionals in the U.S. with 450+ professionals across 41 countries.



~200 professionals  
8 offices

Boston · Denver · Chicago · Dallas  
Detroit · Irvine · New York · Tampa

450+ professionals  
60+ offices in 41 countries

Asia: China · India · Japan · Thailand  
Africa: Congo · Egypt · Ghana · Mauritius · Morocco · Senegal · South Africa  
Americas: Toronto · Vancouver · Argentina · Brazil · Chile · Colombia · Mexico · Paraguay · Peru  
Europe: Belgium · Bosnia & Herzegovina · Croatia · Czech Republic · Finland · France · Germany  
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