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Martin Sorrell's S4 buys ad firm MightyHive in \$150m deal

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Sir Martin Sorrell has agreed to buy the San Francisco ad tech company MightyHive in a \$150m (£117m) deal, his second acquisition since leaving WPP and setting up the new venture S4 Capital earlier this year.

Sorrell, who set up S4 Capital weeks after being forced out of WPP following an investigation into allegations of personal misconduct, has said his new venture is just a “peanut” in comparison to the global scale of his former employer.

“The merger with MightyHive marks an important second strategic step for S4 Capital,” said Sorrell. “The peanut has now morphed into a coconut, and is growing and ripening.”

Sorrell, who previously said that making a success of S4 Capital would be “the best form of revenge” against WPP, made his first acquisition in July with a €300m deal to buy the Dutch company MediaMonks.

“Clients of all kinds want services delivered faster, better and cheaper, by more agile and responsive organisations,” he said, in what appeared to be a thinly-veiled swipe at his former company, which employs 200,000 staff globally.

By buying MightyHive – which specialises in programmatic advertising, the automation of buying and selling digital advertising space – S4 Capital says it can now offer full-service digital marketing from creative work to media planning and buying campaign advertising space.

S4 Capital has secured “long-term” employment arrangements with “key” MightyHive executives, including former Google executive Peter Kim, who runs the business. S4 has also agreed to pay \$5m in cash bonuses to MightyHive staff when the deal completes, and has set up a \$5m incentive scheme.

“Key people [will] continue to be incentivised through significant, equity ownership in the enterprise as a whole,” said Sorrell. “This strategy and structure will deliver significant long-term value for share owners.”

At WPP Sorrell famously had an unusual employment contract stating that he, or the company, was able to terminate it “at will”, with no non-compete clause. That has enabled him to immediately set up a new, rival operation.

MightyHive made \$41m in revenue and \$11m in profits in the year ending 31 October.

S4 Capital is raising £74m to fund the cash and shares deal. Stanhope Capital, where Sorrell has been an advisory board member since 2011, is leading the capital raising, which will see £28.1m come from selling new shares at 110p each, and a further £46m via a placing and open offer.