# Private equity investment in digital marketing rebounds with focus on organic growth and smaller deals



The private equity landscape is experiencing a notable resurgence in interest towards digital marketing businesses, as highlighted by SI Global’s recently published Private Equity Insights Report. This second annual report reveals a significant 21% increase in investment activity from private equity (PE) firms in marketing, tech, and consultancy sectors. This resurgence follows a substantial downturn witnessed in 2023, where the sector experienced a staggering 55% decline in investment activity. However, the latest figures underscore a longer trend of PE firms gravitating towards marketing businesses, accounting for more than a third of all acquisitions in this space since 2019.

The report shows that digital, social, and influencer marketing agencies are reaping the greatest benefits, with these categories receiving half of the total investments over the past year—an impressive threefold increase compared to the previous period. This margin underscores a shift in PE strategies, particularly as 87% of newly reported activity stems from first-time investments rather than reinvestments or minor additions to existing portfolios. Surprisingly, investments in bolt-ons have plummeted by an alarming 92%, signalling a clear preference for organic growth over quick roll-ups typically favoured by PE firms in the past.

Further underlining this shift, the report indicates that private equity funds are retaining their agency assets longer than historically anticipated, with exits dropping by 27% this year. While firms have traditionally aimed to sell after five years, now, a growing number are holding on to their investments beyond this timeframe. A recent example includes digital agency Croud, which transitioned from one PE firm to another after five years, illustrating that although many firms are waiting for more advantageous selling conditions, the market does remain vibrant.

Tristan Rice, a partner at SI Global, elaborated on the dynamics at play, revealing that many investors are anticipating better market conditions to facilitate exits. This cautious sentiment arises from the higher multiples paid for acquisitions in the post-COVID climate, creating a challenging environment for profitable exits amid lower valuation multiples currently observed. He pointed out that private equity investors are holding significant amounts of “dry powder”—capital that remains unallocated—indicating a readiness to invest when the market stabilises.

Interestingly, the report also highlights a growing trend towards smaller investments, with many PE funds now focusing on companies valued at between $15 million and $30 million. This pivot appears to stem from a reassessment of previous ‘roll-up’ strategies, driven by the underwhelming performance of some of these complex acquisitions. As a result, a more nuanced, focused approach to investment is emerging, favouring specialist firms that promise swift returns through targeted growth strategies.

The sustainability of private equity's interest in the agency sector hinges largely on the ongoing disruption wrought by technological advancements, especially artificial intelligence. The marketing landscape has been rapidly transformed over the past 15 years, moving away from traditional methods to embrace digital innovation. Rice asserted that firms are increasingly attracted to tech-based marketing companies that leverage advanced analytics and data-driven strategies, as these companies present fewer challenges in scaling compared to those reliant primarily on human capital.

Looking ahead, while there remains optimism about continued investment in the sector, there is also an awareness of the latent uncertainties within the market. Many investors worry about undisclosed issues influencing valuations that could affect future PE investments. A positive trajectory in upcoming secondary and tertiary exits, alongside successful IPOs, could catalyse further growth, inspiring more capital deployment. Conversely, a series of failures in these areas could catalyse a retreat from investment in this evolving sector.

The landscape of private equity investment in marketing and tech continues to adapt to these economic currents. New entrants into the market may signal opportunities that traditional agencies may overlook, yet experienced agencies are encouraged to approach these newer, less established funds with caution. It remains crucial that agencies understand the nature of their interactions with financial backers, especially given the prevailing reliance on interpersonal relationships in the industry.

As private equity firms invest for both immediate growth and long-term sustainability, agencies keen on leveraging these capital influxes must consider how to maximise the potential of their investments post-acquisition, focusing on creating enduring value beyond the initial financial input.

## Reference Map:

* Paragraph 1 – [[1]](https://www.thedrum.com/news/2025/05/27/private-equity-investment-marketing-businesses-up-21-here-s-what-agencies-need-know), [[4]](https://kpmg.com/us/en/articles/2025/pulse-private-equity-global-insights-q1.html)
* Paragraph 2 – [[1]](https://www.thedrum.com/news/2025/05/27/private-equity-investment-marketing-businesses-up-21-here-s-what-agencies-need-know), [[2]](https://www.sganalytics.com/private-equity-report/), [[5]](https://www.rolandberger.com/en/Insights/Publications/European-Private-Equity-Outlook-2025.html)
* Paragraph 3 – [[3]](https://www.pwc.de/en/private-equity/private-equity-trend-report.html), [[6]](https://www.thebusinessresearchcompany.com/report/private-equity-global-market-report)
* Paragraph 4 – [[2]](https://www.sganalytics.com/private-equity-report/), [[7]](https://www.protiviti.com/us-en/survey/top-risks-private-equity-industry-2025)

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## Bibliography

1. <https://www.thedrum.com/news/2025/05/27/private-equity-investment-marketing-businesses-up-21-here-s-what-agencies-need-know> - Please view link - unable to able to access data
2. <https://www.sganalytics.com/private-equity-report/> - SG Analytics' 2025 Private Equity Report highlights that 99% of private equity firms report AI is over 75% effective in enhancing operational efficiency, deal sourcing, and portfolio management. Additionally, 50% of respondents face heightened challenges in raising capital due to macroeconomic uncertainty and investor hesitancy. The report also notes that 79% of firms are exploring continuation funds, secondary buyouts, and management buyouts to navigate volatile market conditions. Furthermore, 80% of firms have allocated over 30% of their total fund capital to dry powder, awaiting better opportunities or market stability.
3. <https://www.pwc.de/en/private-equity/private-equity-trend-report.html> - PwC's 2025 Private Equity Trend Report reveals that 46% of investors plan to invest more in 2025 than in 2024, with 98% of investors in Germany intending to strengthen their commitment in the next five years. The report also highlights that 72% of investors want to invest in digital transformation, either to digitise themselves or portfolio companies, and 88% use AI to appraise investments. The Technology, Media, and Telecommunications (TMT) sector remains the most important target sector for private equity, accounting for 34% of transactions and 34% of total deal value in 2024.
4. <https://kpmg.com/us/en/articles/2025/pulse-private-equity-global-insights-q1.html> - KPMG's Q1 2025 Pulse of Private Equity report indicates that global private equity deal activity was more muted than expected, with proposed PE deployment falling from $463.8 billion across 4,958 deals in Q4 2024 to $444.9 billion across 3,762 deals in Q1 2025. Despite these challenges, global PE investors maintained a focus on sectors with long-term growth potential and predictable upsides. In the U.S., private equity investment remained steady in Q1 2025, with a notable increase from Q4 2024, rising from $210 billion across 2,113 deals to $234 billion across 1,670 deals.
5. <https://www.rolandberger.com/en/Insights/Publications/European-Private-Equity-Outlook-2025.html> - Roland Berger's European Private Equity Outlook 2025 highlights that over 90% of respondents believe more conducive financing conditions will fuel a noticeable increase in M&A activity involving private equity in 2025. The report also examines the prospects for PE involvement in different sectors, with pharmaceuticals & healthcare and technology, software & digital solutions expected to see a busy year. The study notes that small caps and mid-caps will be PE investors’ vehicle of choice in 2025.
6. <https://www.thebusinessresearchcompany.com/report/private-equity-global-market-report> - The Business Research Company's Private Equity Market Outlook Report 2025 forecasts a market size value of $531.09 billion in 2025, with a revenue forecast of $781.36 billion by 2034, representing a compound annual growth rate (CAGR) of 10.1% from 2025 to 2034. The report segments the market by fund type, investor type, and industry, covering areas such as healthcare, technology, consumer goods, energy and infrastructure, and financial services.
7. <https://www.protiviti.com/us-en/survey/top-risks-private-equity-industry-2025> - Protiviti's 2025 report on Top Risks in the Private Equity Industry highlights that value creation—the ability to transform portfolio companies, enhance operational efficiency, and drive profitable growth within a defined investment window—is at the heart of the private equity industry’s mission. However, achieving sustainable value is more challenging than ever for PE investors, with traditional strategies like leveraged buyouts, aggressive cost-cutting, and financial engineering no longer ensuring success. Elevated interest rates have driven up capital costs, making debt-fueled acquisitions and expansion plans less viable for PE firms.