

WPP buys 49% stake in Jupiter group

Media and communications giant WPP has acquired a 49% stake in The Jupiter Drawing Room (South Africa) & Partners, reportedly Africa's largest independent advertising agency group. The announcement was made late yesterday afternoon, Thursday, 29 January 2009, to coincide with WPP CEO Sir Martin Sorrell's announcement of the deal to the media in Davos, Switzerland, earlier that day.



Graham Warsop

The “dream deal”, as described by Jupiter group chairman Graham Warsop, is subject to Competition Commission approval. The 49% acquisition translates into a 49% stake in The Jupiter Drawing Room (Johannesburg), The Jupiter Drawing Room (Cape Town) and, through these, acquisitions investments in Black River FC and Metropolitan Republic.

Jupiter is reported to be one of the top four South Africa advertising groups by revenue and boasts a blue chip client roster that includes Absa, Edcon, MTN and Sasol in Johannesburg and Hyundai, Sanlam and Woolworths in Cape Town.

Noteworthy

The Jupiter WPP deal is noteworthy in two material respects.

1. WPP and Jupiter have agreed to a 49% stake investment, as opposed to the traditional international networks' investment policy of acquiring majority equity.
2. In testament to the power of The Jupiter Drawing Room brand, it will retain its status as a standalone brand in the WPP family and will not be incorporated into a branded network.

“It is of supreme significance that WPP will position The Jupiter Drawing Room brand as a standalone in its stable, not incorporated into any existing WPP branded agency or network. This leaves the door open for the possibility of building The Jupiter Drawing Room brand as a micro network, beyond Africa, in the future,” said Warsop.

The attraction of TJDR for a giant such as WPP rests in part on the business success of the group, but also on the reputation TJDR has gained internationally for the quality of its strategic and creative output.

Jupiter is currently ranked as the number one creative agency group in South Africa by the South African Creative Circle and is the only SA agency to have been ranked in the Top Five Most Creative Agencies in The World by US trade publication *Advertising Age*.

The Johannesburg agency was founded in 1989 with two employees and one client; the Cape Town office opened in 1994. In the nearly two decades of its existence as an independent, there has been significant sustained growth. As at end February 2008, group revenues were R235.7 million (estimated billings of R1.4 billion).

In 2006, in what is described as one of the industry's most significant empowerment deals, investment partner MSG Afrika Holdings led by CEO Given Mkhari, acquired majority equity in The Jupiter Drawing Room (Johannesburg). According to Mkhari, non-executive chairman of TJDR (Johannesburg) it was important that the sale facilitated a partial exit while

bolstering the company's competitive edge.

Reduced stake

Post the WPP deal completion, MSG Afrika will reduce its stake in the agency to 25%. When added to strategy officer Haydn Townsend's shareholding and 10% to be placed in the Black Staff Trust, BEE equity will be at 40% post the transaction (significantly ahead of the current industry score card targets). The balance of 11% remains in the hands of the founding partners and MD Alison Deeb.

MSG is only releasing its shareholding in TJDR (Johannesburg).

Mkhari said, "A key feature of the transaction is the introduction of a Black Staff Trust which will own 10% of the Johannesburg agency. The staff trust is established to ensure the sustenance of the company's impeccable BEE profile, a strong broad based component, which remains way above the country's legislative requirements.

"The Black Staff Trust will further assist the company's quest to attract and retain the most sought after black talent. All shareholders have contributed in the funding of the Black Staff Trust".

DDB brand

As a result of the WPP transaction, Jupiter shareholders will release their shareholding equity in local agency DDB (SA) (DDB brand is owned by WPP rival Omnicom). Jupiter's relationship with DDB (SA) has proven beneficial to both parties, with Jupiter having access to a top international network and DDB (SA) enjoying a notable creative revival as part of the Jupiter family.

The WPP partnership should give The Jupiter Drawing Room clients access to one of the world's largest and most admired media and communications groups, something not normally available to an independent agency's clients.

For more:

- Sharecast.com: [WPP makes South Africa acquisition](#)
- AdvertisingAge.com: [WPP Buys Into South Africa's Jupiter Drawing Room](#)
- Business Report: [WPP sets sights on Jupiter to raise its game in SA advertising market](#)

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