THE YEAR IN

MEDIA

2022

FLASHES & FLAMES

FLASHES & FLAMES

“The Year in Media 2022” is published by Flashes & Flames: The Global Media Weekly
www.flashesandflames.com

Author: Colin Morrison
Editor: John Thater
Production: Susan Gaigher

All rights reserved.
© Flashes & Flames Media Ltd. 2022

No part of this book may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or by any information storage and retrieval system without the written permission of the author, except for the use of brief quotations in book review or academic work.
Production by Influunt Publishing Services, Vancouver, BC, Canada.

Table of Contents

WHAT A YEAR IN MEDIA 5
THE MEDIA LESSONS FROM SCIENCE 8
WILL FOOD 52 WAKE-UP MEDIA? 10
THE GOLD IN UNIVERSITY DATA 14
WHY READER'S DIGEST IS THE FUTURE 17
HOW AXEL SPRINGER HAUNTS THE FT 20
HOW TO REINVENT MAGAZINES 24
INCISIVE MEDIA: FROM £5M TO £45M IN FIVE YEARS 28
WHAT WILL HAPPEN TO TRADE SHOWS? 33
IS THIS THE ALL-MEDIA FUTURE OF NEWS BRANDS? 39
HOW DRIVE TRIBE GOT IT SO WRONG 45
HOW VULNERABLE IS THE 'WINNING' NEW YORK TIMES? 50
THE QUIET MAN WHO HAS 'MADE' HEARST 53
HOW CONDÉ NAST WENT FROM MAGS TO OSCARS 60
IS THIS THE FUTURE OF THE UK'S LARGEST NEWS GROUP? 66
HOW ENDEAVOR B2B GOT TO $200M IN FOUR YEARS 70
WILL AUSSIE BRAND FILL THE TIME OUT GAP? 73
HOW SANDOW'S $1.9BN REDEFINES B2B MEDIA 77
LLOYD'S LIST SOLD. INFORMA DOES IT AGAIN 80
WHY ASCENTIAL BREAKUP IS 'INEVITABLE' 84
WHY PRINT IS PERFECT WITHOUT ADS 89
IS THIS THE FUTURE OF B2B MEDIA? 92
CAN AUSSIE MEDIA MODEL MAKE IT? 97
DAILY MAIL PONDERS THE FUTURE OF NEWS 101
WHAT NOW FOR FUTURE? 105
TRADE SHOWS PREPARE FOR M&A BOOK 111
HOW THE RELX TRANSFORMATION WORKS 116
IS DOTDASH CHOKING ON MEREDITH? 120

What a year in media

This has been a year of political upheaval. Germany, Italy, Brazil and Australia have new leaders, the UK has its third Prime Minister in just a few months, Russia is at war in Europe, and world trade continues to be disrupted.

It coincides with Reuters Institute findings that – almost everywhere – people are less trusting of, and less inclined to pay for, news media. But this was also the year when quality news brands - especially in the UK and Australia – were buoyed by “licensing” payments from Meta and Google. The hundreds of millions of dollars, paid out (more or less) at the point of a legislative gun, buoyed News Corp ahead of a proposed merger with the other Murdoch family-controlled company Fox Corp. But that News-Fox combination is being opposed by some shareholders and may yet require a sweetener: perhaps the de-merger of News Corp’s Dow Jones business and financial group or of the REA real estate digital. Or both.

Some sort of deal will be a rich consolation prize for Rupert Murdoch who (along with former President Donald Trump) once predicted that he would beat the New York Times almost to death. The NYT (boosted by acquisition of The Athletic and Wordle) continues to be the standout in the quality news race to develop the magic combination of digital subscriptions, diversified product offerings, and international readership. It is finishing the year with more than 10m subscriptions including 3m for its games, cooking, puzzle and sports verticals.

The second place surely belongs to Axel Springer which was powered this year by the growth of its US acquisitions Insider, Morning Brew and Politico. The German company’s decision to buy Politico instead of Axios (which was acquired by Cox Enterprises) underlines the growth in the influence and profitability of newsletters. The UK’s Daily Mail, long the world’s largest digital newspaper site, went private this year and started to invest in a (sort of) no-ads subscription version of its Mail Online. In the UK, both News Corp and rival broadcasting startup GB News are experimenting with TV-radio simulcasting which just might become a game-changer for multimedia news brands everywhere: online makes it all affordable.

It was the year when it became clear that most of the best digital news prospects were subscriptions-funded – either the well resourced daily news brands or authoritative niche products like The Information or Politico. But what will happen to Vix Media (the subject of an unsolicited bid late in 2022) and the troubled (but once ‘masters of the universe’) BuzzFeed and Vice?

Arguably, similar trends are underway in local news where publishers are pushing hard for digital subscriptions. Next year, we may see just how successful local newsletters (being rolled out in the US by Axios and 6am City) can be in reversing readership and revenue trends.

This was also the year when trade shows woke from their pandemic-induced sleep. While China continues to be in the grip of restrictions, the global exhibitions market - especially in Europe and North America - is likely to be back almost to 'normal' in 2023. That's good news, of course, for Informa – which had become the world leader just two years before Covid struck. Some high-priced divestments (and the acquisition of the Industry Dive newsletter group) have positioned the UK-based information and events company well for recovery next year.

Elsewhere in B2B, Ascential may still be trying to work out how best to exploit the high-value of its fast-growing digital commerce division through de-merger from its Cannes Lions event and WGSN trend forecasting platform. Elsewhere in the UK, the £60m-revenue Mark Allen Group has continued to be Europe's fastest-growing B2B group despite the exhibitions shutdown. In the US, Endeavor Business Media has raced to more than $200m of revenue in scarcely five years.

It has been a year of mixed fortunes in consumer magazines. Future Plc, the UK's largest magazines-to-digital group, has continued its rapid growth through a UK-US strategy of strong systems, diversified revenue streams (especially e-commerce) and maximising profit from print. By contrast, its US-based counterpart Dotdash is showing signs of indigestion from its unlikely acquisition of the Meredith magazines - after previously sticking just to digital media.

In an almost universal cost-of-living crisis, there are predictable growing pains at the video streaming companies Netflix, Disney and Prime. Like Spotify (which is making determined efforts to dominate podcasting) these companies must match their ability to build multinational audiences with long-term monetisation.

It all seems to indicate some headline-grabbing consolidation in 2023, perhaps including Meta, Google, Amazon, Apple - and even Warner Bros Discovery which came together this year. Presumably, there's something more to come from book publisher Simon & Schuster whose acquisition by Penguin Random House has just been bounced by the US authorities. Perhaps Elon Musk (now owner of Twitter as well as Tesla and the path to Mars) will have more surprises next year.

As a momentous, sweet-and-sour year comes to an end, please enjoy this selection of our analysis from *Flashes & Flames*. As the unique Global Media Weekly, we have enjoyed interpreting the 'fortune, fame and folly' of media big and small in 2022. We look forward to keeping our worldwide subscribers similarly informed, inspired and entertained in the coming year.

If this inevitably limited collection of our coverage is your first taste of *Flashes & Flames*, I suggest you click on flashesandflames.com and become a subscriber. You'll be in good company.

Meanwhile, please enjoy this first edition of The Year in Media 2022.

Colin Morrison
colin@flashesandflames.com

The Media lessons from science

7 January 2022

Tucked away in a tiny English village a few miles outside Bath, in the UK's south west, is a brilliant little media company which captivates millions of the world's scientists.

You may not have heard of SelectScience and even its various self-descriptions of "digital marketing experts" will not help you understand a company whose operations should inspire media people everywhere. And not just because of its record profit growth during the pandemic. You have to dig deep to understand the 23-year-old company whose "mission is to help scientists around the world to select the best products to advance science and health".

In February, when the company's founder, scientist-turned-publisher Arif Butt sold the company to Vespa Capital, the investment firm described SelectScience as "a leading provider of quality digital marketing solutions to customers which include 21 of the top 25 manufacturers of scientific lab equipment".

There is a simple explanation of what the company does. It has built a huge audience of scientists who devour its peer-to-peer product reviews and resources including webinars, e-books, video and editorial features. This audience of perhaps the most conservative, hyper-critical and advertising-averse professionals is monetised by content marketing.

The secret sauce is the curation which means that - although scientists freely share reviews with their peers - each one undergoes a 48-hour filter to ensure the probity of the content and the person who is posting it. The same goes for the content marketing which - although it is, of course, paid-for - is also vetted for overt advertising messages or invalid or hyped claims. The whole process is effectively guaranteed by a scientifically-qualified editorial team.

Beyond the financials, SelectScience's success may be measured by thousands of widely-trusted product reviews annually, a claimed audience of 3m scientific professionals, coveted Queen Elizabeth's Awards, and by its exclusive access to the anti-doping labs at the Olympics and World Cup. Scientists trust SelectScience and it shows.

CEO Kerry Parker - who has been with the company since being recruited as an editorial assistant 15 years ago - has now been joined by chair Mark Allin, STM veteran of Blackwell, Pearson and Wiley. The company currently employs 50 people - almost doubled in the past few years - and expects to grow to 70 people (a handful of them in the US, Italy and Germany) during the next 12 months.

It claims to be the only publisher to cover all areas of laboratory science but it is the emphasis on expert curation and the strict control of commercial messaging that attracts the influential audience and hence promotional cash from companies which still spend most of their budgets on more traditional publishing and events media.

That is the expansion potential identified by the company's private equity buyer, and you can see it starting to happen. In the past four years, revenue has increased from £3.1m to £7.7m with EBITDA margins averaging 20%. More significantly, 2020 and 2021 have seen the largest revenue growth: 56% and 38% respectively.

The "vast headroom" of revenue (currently 47% from the US and 33% UK - with more than 300 content marketing customers) is encouraging the push for rapid growth.

The company, which was acquired for a price believed to be some £12-15m, may be able to treble its revenue in the next five years. It might then have EBITDA of some £7-8m and a valuation of some £75-100m. The founder is likely to be grateful he remains an investor.

For many, the significance of SelectScience has little to do with scientists. It is simply that the company is exploiting the hunger for peer-to-peer reviews and experience-sharing - and building a strong audience and revenue base from something other than subscriptions.

It is no accident that SelectScience people sometimes compare their company to TripAdvisor. But the flaws of a service whose reviews are sometimes provided (or prompted by) the hotel or restaurant itself are well documented. It is easy to believe that much of the next generation of these archetypal digital services will be controlled and curated as carefully as SelectScience. The digital emphasis on speed must be subordinated to ensuring the information is honest, reliable and useful.

That calls for peer-to-peer platforms which build trust with transparency and independence. This approach could spawn a whole series of SelectScience-type publishers, especially in vertical B2B and specialist consumer markets where knowledgeable users would appreciate the opportunity to connect with each other as well as with (subtly controlled) manufacturers and marketers.

The best results will come from services which apply the discipline and expertise that scientists demand of SelectScience. Publishers generating profit from advertising puffs masquerading as editorial content (ok, content marketing) might not bother. But there's real opportunity in highly-curated "peer-to-peer" platforms. Have a look and be inspired.

Will Food52 wake-up media?

7 January 2022

Cookery has long been the profitable core of women's media. In pre-digital times, it fuelled the expansion of women's magazines into best-selling books, video and TV. But cookery content is now everywhere. Amateur and expert recipes are freely available on YouTube and all over the web. It's a challenge for traditional business models and for publishers wedded to the traditions (and continuing profit) of print.

From their traditional standpoint that the magazine package (even in digital) is the core and everything else is ancillary, publishers consistently dismiss digital pureplays. They often under-estimate the importance of style and delivery channels, and sometimes they are just wrong about what reader-viewers most want when they get a chance to choose.

As a result, they suffer the familiar frustration of incumbents being upstaged by new-wave insurgents without a legacy to defend. Magazines - many of which still have strong brand power - must become media-agnostic. If they want to compete.

Nowhere is this more obvious than in their cookery heartland. Perhaps the best publishers will be jolted into action by the powering growth of a 13-year-old digital community that just happens also to be a great book publisher and was started by journalists. Welcome to Food52.

It's a rich mix of food blog, social media, and e-commerce for all things kitchen and home. It was launched by its CEO, former New York Times cookery writer, Amanda Hesser, in 2009 and achieved profitability for the first time in pandemic year 2020. Last year, the company is believed to have exceeded $100m of revenue - about 88% from e-commerce and 3 x that in 2019. A slow burner is now in orbit.

Its monthly audience of more than 25m is appetized by the philosophy that the kitchen is the heart of the home and that food is central to a well-lived life. The global community of experts and amateurs share recipes, videos, podcasts, cookbooks - and products from a highly-curated Shop including own brand products for kitchen and home. Food52 has also acquired the Dansk table and homewares brand and, now, Schoolhouse, an Oregon-based manufacturer of lighting, wallpaper, and homewares.

The integration cannot disguise the fact that Food52 shares a lot with traditional publishers, highlighted by a recent review in Salon.com: "It was... the first time I was reading recipes that sounded like they had been written by an actual person, not a robot. Amanda Hesser taught me that food and writing are at their best when they're not perfect — when you acknowledge that mistakes are as much a part of cooking as they are life. You loosen your apron ties, maybe accidentally drop a pie crust on the floor, get messy over and over again, and have fun with it — that's the best kind of relationship a home cook (or writer) can have with their craft."

The company's growth was turbocharged by the sale of a c70% majority stake for $83m in 2019. The buyer was TCG (the private equity vehicle of Peter Chernin, Rupert Murdoch's former deputy at News Corp / Fox). Since then, Food52 has increased revenue x2.5 and trebled its value to an estimated $300m. The growth seems set to accelerate with the $48m

Schoolhouse acquisition and a cash injection of $32m by TCG, thought to have increased Chernin's shareholding to more than 90%.

The new investment is earmarked for:

- Expanding into 'bricks-and-mortar' retailing, with a flagship location being developed in New York
- Building a test kitchen, cafe, creative studio, and "real live" community space in New York's former Brooklyn dockyard
- Upscaling production capacity
- Creating a "pantry brand"

Food52 recently told customers: "Whether it's in the living room or around the table, we've always believed in the magic of home, and we couldn't be more excited for this next chapter."

It's a further step-change in a story that began in the 1990s when Hesser (fresh from a post-university gap year cooking in Europe) landed both a book deal and a job writing about food for the New York Times. She loved the job but grew restless. In 2009, she launched Food52 with her NYT colleague Merrill Stubbs.

The two friends (both food writers and trained chefs) gambled on creating the website they themselves wanted but couldn't find: a one-stop website for food lovers, containing everything from recipes to cookery videos, a cookware shop, culinary articles and travel guides. Hesser said: "We - as two people who love cooking, are home-bodies, and love our homes - didn't feel well served. We didn't feel like there was any place that really spoke to us, and gave us everything we needed."

They struggled to find investors to support their plan, so bootstrapped their startup with cash from a book advance and borrowings from family. Almost a year after launch, Food52 got its first $750k of external investment, followed eventually by some $13m of funding, before TCG bought its majority shareholding.

Food52 has grown into a digital community of cooks who trade recipes, buy cooking utensils and dinnerware, watch video tutorials, and exchange tips, tricks and ideas. The fusion of content, commerce and community is familiar enough. But the way that Food52 has used the guidance, suggestions and testing of its audience to launch new products and appliances is distinctive.

Two of its bestselling products - an apron with built-in potholders ($45) and a double-sided cutting board with an extra-deep juice-trough ($59) - were informed by suggestions from no fewer than 10,000 Food52 readers, who responded to a survey on the website. Hesser has said: "In retail, there's almost no interaction between the consumers and producers. We wanted to break down those walls."

That's the magic of Food52.

The dialogue contributes to an ultra-strong sense of community. It's no accident that an admittedly small sample of the users to whom we spoke actually thought Food52 was a non-profit co-operative. How's that for marketing success? And this is a site that generates most

of its e-commerce revenues not from low-margin affiliate sales via Amazon et al, but from direct-to-consumer sales of its own-brand "Five Two" product lines. The result is: happy customers, high profit margins - and first-party data.

Food52 is investing to stay ahead of a market which continues to attract new entrants. But the company continues also to grow content. It now pays independent creators monthly fees to make videos for its own site, as well as YouTube, CTV app, and social media. It's a neat scheme under which it provides video creators with production resources, including directors and equipment, and reportedly also offers a profit share of branded partnership deals. The program, which has notably attracted some prominent chefs and cookery journalists, may almost have been inspired by the SubStack newsletter platform. But Food52 is focused on revenue-generation from everything you read and view: e-commerce, branded content, advertising and research.

Food52 seeks to be "the next-generation cooking and home company". Which is why its growth should jolt the likes of Meredith (now part of IAC's Dotdash) and Hearst which have traditionally generated substantial cookery profits respectively from Better Homes & Gardens and Good Housekeeping.

Food52's aggressive diversification challenges traditional media to decide what really is (or should be) their core business. But it's especially difficult for publishers whose main brands (and people) have always been steeped in print. Perhaps that is why we might expect some real innovation from the two digital-smart companies (Dotdash and Future) which have acquired the largest food-home magazine publishing, respectively in the US and UK.

It is 20 years since the web opened up global growth opportunities for specialist media; presumably, the emerging metaverse will soon multiply the options. The upheaval among main street retailers provides yet more opportunity to emulate Amanda Hesser's 360-degree view of food-home media: "Underlying the celebration and the seemingly lighter parts of “food media” are actually quite serious things. You’re talking about people’s relationships with their families, people’s health, decisions people make when they shop and how they spend their money. These are not small things."

At the very least, the powering strategy of Food52 is another reminder that this broad area of high-interest content may be best developed in its own eco system where the opportunities for retailing, media and all else can be evaluated without the traditional bias that says "we're primarily publishers". And that's before you even step into Food52's brave new world as a manufacturer of its own products.

Dotdash Meredith, Hearst, Bauer, or Future - doing quite nicely with affiliate e-commerce, branded content, merchandising, and advertising - might just brace themselves for a new world of channel-agnostic competition, including all-digital operators and, of course, the increasingly-international New York Times which now has hundreds of thousands of subscribers to its cooking app. You might also expect manufacturing companies like Nestle (which has built Nespresso into a powerful direct-to-consumer business) to be thinking hard about the opportunities. (It is tempting to speculate which company might buy Food52 when it is eventually sold-on by private equity.)

Magazine-media could form direct-to-consumer alliances or joint ventures with FMCG companies - or even with traditional media rivals. They might develop a multi-channel

business model embracing: information, entertainment, education, and retail. Start with cookery, food and home. But don't stop there.

The gold in university data

14 January 2022

Private equity-owned Times Higher Education (THE), of London, has acquired the Washington DC-based Inside Higher Education. The price was not disclosed but is believed to be the equivalent of £30-35m (<15 x EBITDA or 4 x revenue).

In 2021, the US company is believed to have had revenue/ EBITDA of some £8m/ £2.3m. It claims an audience of 25m higher education professionals for its news, analysis and jobs board. THE is now expected to expand its events portfolio in North America where the enlarged company now has 40 of its 250 people.

The deal - three years after THE itself was acquired by Inflexion for £92m - firmly internationalises the UK-based company whose revenue will now be divided almost equally between EMEA, APAC and the US. It has an audience of 55m, and 1.5m registered users. Some of THE's 225 institutional subscribers pay hundreds of thousands of dollars annually for data, events, and promotional activity.

The higher-margin (30%) US business - which will retain its Inside Higher Education branding - will help to increase THE profit by an estimated two-thirds in 2022:

£m	2022*	2021*	2020	2019
Revenue	35.5	21.5	14.2	16.3
EBITDA	9.6	5.3	0.6	4.25
Margin	27%	25%	4%	26%

But the most significant thing about Times Higher Education is that its main business is no longer the eponymous weekly magazine which last year celebrated its 50th anniversary. Instead, the large majority of profit is now derived from its influential annual World University Rankings, which are used by students to select courses, by academics to examine career options and research collaborations, by universities across the world to benchmark their performance, and by governments to formulate policy.

Times Higher Education was one of the pioneers of global rankings of university reputation and performance, publishing the first edition in 2004. It scores more than 2,000 research-focused universities across their core missions: research, international outlook, knowledge transfer, and teaching. Staff are surveyed to share their experiences and opinions, and the results are combined with quantitative analysis to construct the rankings in 13 different league tables. THE analyses more than 100m citations in the process.

Rankings increasingly guide corporate decisions on industry investment in academic partnerships. As THE says: "These rankings are not designed to say that one university is better than another. It is more about being able to look at the institution through a variety

of lenses, whether it’s teaching, research, knowledge transfer or international visibility. Universities are increasingly investing in an evidence-based approach to develop a clear understanding of their position and progress. They are increasingly using a basket of diverse metrics to understand their strengths, set goals, chart their progress, and make budgetary decisions. These rankings are just one of the tools they can use."

The business is powered by the growth of the international higher education system which has intensified the competition for top talent and funding. The explosion in "education tourism" has been striking. In 2019, no fewer than 6m of the world's students were studying in countries other than their own - three times that in 2000, according to Unesco. A full one-third of these students were studying in the US, UK and Australia.

It's all a long way from 2005 when Times Higher Education was a 20k-circulation weekly newspaper and website with core revenues from job classifieds, display advertising and newsstand sales. It had been little more than a footnote in the prospectus which persuaded Exponent private equity to pay News Corp £235m primarily for its big sister Times Educational Supplement (TES). As the branding suggests, both publications had once been newspaper supplements to the Times of London.

TES itself is now more digital and global than in 2005 but continues to be propelled by recruitment advertising for teachers. In the past 16 years, its publisher TES Global has been owned by five successive private equity firms (Exponent, Charterhouse, TPG, Providence, and Onex) at prices of up to £400m. That may have been the price paid in December by Onex - but without Times Higher Education which had been sold-off in 2019 to exploit an estimated 15x profit 'data' valuation, compared with 8x for TES itself.

Although THE had launched its World University Rankings in 2004, the data had been prepared - and owned - by outside contractors. The step-change was 10 years later when the production of the rankings - together with data preparation and analysis - was brought in-house and became a proprietary service. Private equity executives marvel now at the fact that a high-value data business was effectively created for as little as £2-3m.

That major strategic move coincided with the launch of THE's first major commercial event, The World Academic Summit in Melbourne. The Summit is now the flagship of what - outside the pandemic - is an estimated £4m events business whose 50%+ margins are a reflection of the fact that many are held in the virtually cost-free premises of universities around the world. They are also an important part of the company's credentials and marketing of its increasingly valuable data.

It somehow seems appropriate that - after years of seemingly monopoly profits from teacher jobs - TES might yet be out-paced by its Times Higher Education offspring. The rankings are expected, within a few years, to push the increasingly-global company towards the £100m revenue currently enjoyed by TES Global.

Beyond education itself, the reinvention of Times Higher Education provides powerful evidence that major new data operations can still be created from the remnants of advertising-funded B2B magazines. In simple terms, these established brands can give

media companies the knowledge of, and access to business-critical data. For all the distinctiveness of, higher education, there are many other B2B sectors where the measurement of activity, pricing, reputation and 'effectiveness' can be mined and marketed.

Some professional sectors might be relatively easy to colonise in this way, especially for skillful media teams. But, in the most competitive markets, information companies must be committed to continually proving and improving their data collection and analysis - to minimise the risk of commoditisation.

The branding is also vital, and that is where THE has some work to do.

A simple search for "World University Rankings" will give you at least four companies effectively using the same branding. The rivals include the UK-based, privately owned, £30m-revenue Quacquarelli Symonds (QS) which - like THE's rankings - also started in 2004. QS also claims - like THE - to collaborate with RELX's Scopus database of scientific research. A Moscow-based competitor cites collaboration with ThomsonReuters' Clarivate (the company that pre-2014 had supplied the data to THE). It's a bit confusing.

But, among the clutch of competitors, Times Higher Education is winning. Its unique editorial heritage (it employs 24 journalists - 20% more than a decade ago) creates powerful events and is also now building a business of helping students to secure university places. There's a lot to fight for.

Why Reader's Digest is the future

25 February 2022

Reader's Digest this month celebrated its centenary. The US-based, pocket-sized monthly magazine was launched in 1922 as a digest of condensed features from other magazines and books, by DeWitt Wallace, after numerous publishers had rejected the idea.

Its enduring appeal was the format - unchanged for several decades - consisting of 30 articles per issue (one per day), along with a vocabulary page, a page of "Amazing Anecdotes" and "Personal Glimpses", two features of funny stories entitled "Humor in Uniform" and "Life in these United States", and a lengthier article at the end, usually a condensed summary of a book.

The magazine was criticised in its heyday for a conservative political viewpoint which included campaigning against the very idea of a Catholic (John F. Kennedy) being elected US president in 1960. But, with more than 40 international editions in 15 languages and a total circulation of 28m, it became arguably the world's largest circulation magazine and the pioneer of direct marketing and home shopping for books, music, video and household equipment.

When it came to commerce, brand extensions and international licensing, Reader's Digest was way ahead of its time. But controversy was never far away. In some countries, including the UK, its reputation was splashed by misleading subscription offers that promised huge "guaranteed" cash prizes in sweepstakes.

In 1990, The Reader's Digest Association went public. But, in the twentieth century, it became lossmaking and was twice bankrupt. In 2014, Bonnie Kintzer, a longtime former RD executive, became the fourth CEO in three years.

Kintzer is still there and so is the company, now renamed TMB (formerly Trusted Media Brands Inc). It's owned by private equity and may be limbering up for IPO or sale in the next few years. Although hard numbers are hard to come by, TMB claims that affiliate e-commerce revenue has been increasing by 100% a year and digital revenue by 30%. The company is said to have been profitable for the last four or five years. We estimate its total revenue is $150-200m - some 10% of Reader's Digest in 2008.

In the CEO's eight years, the company has doubled its digital reach and launched new direct-to-consumer products such as MyDiyUniversity.com, Taste of Home's Cookware and Bakeware, and Special Delivery subscription boxes.

Reader's Digest is published under licence in 23 countries and sells 3m copies nine times a year in the US to people who reportedly spend an average of more than 60 minutes with each edition. The US circulation is well down on the 17m peak, of course. But the web site has 19m monthly uniques - and 40% are aged 18-34. The world's best-known magazine is managing to create a digital audience of young people who may never have read the printed version. The Economist recently marked the centenary by noting that the enthusiasm of the Reader's Digest founder for sharing other publications' gems "made him the grandfather of content aggregators".

But TMB is much more than Reader's Digest. Back in the pre-bankruptcy days of 2002, the acquisition of Reiman Publications had cost $760m and didn't (or couldn't) deliver the promised $300m revenue/ $70m EBITDA to revive the company's fortunes. But it did bring a range of specialist and home interest brands like Taste of Home, Country, Country Woman, Farm & Ranch Living, and Birds & Blooms that are now among the dozen or so brands at the core of TMB, alongside the 70-year-old Family Handyman.

Reader's Digest is still described as the flagship (and the most profitable brand) but the change of company name showed the broader ambition. That was demonstrated by its acquisition last year of Jukin Media for an estimated $100m. Founded in 2010, Jukin had grown its portfolio of brands like FailArmy, People are Awesome, and The Pet Collective on social media and on its own OTT ('online TV') channels. Jukin was said to have had 2bn video views per month - 100% year-on-year growth. The acquisition quadrupled TMB's monthly audience and increased its headcount by 50% to almost 700.

Jukin has a track record of User Generated Content with viral hits like the clip of a rat dragging a piece of pizza down the subway stairs in New York. But we might assume that the real benefit of the combination will be less viral and more programmes for TV and streaming.

TMB said its priorities were to launch channels for Family Handyman and Taste of Home and building Jukin's own brands into larger digital sites. It looked like a neat deal for TMB which was already moving tentatively into video with existing brands and operations like Family Handyman's paid courses, the DIY University. We must assume that its characteristically vague stats about the 37% growth in streaming TV revenue means that Jukin accounts for something like that proportion of the enlarged company's revenue.

But the majority of TMB's revenue still comes from selling products and services to readers; Reader's Digest was never very big on advertising, despite its "brand safe, unique and authentic content".

Six months on from the Jukin deal, TMB claims the following Comscore audiences for December 2021:

- 114.2m web visits
- 2.5bn video views
- 13m hours of streaming TV viewing
- 251m followers on social media

CEO Bonnie Kintzer, who has presided over the successful reinvention of the former Reader's Digest Association, knows the journey has really only just begun: "We're looking to continue to build a diversified media and entertainment company with multiple business units that are strong and will continue to grow for the foreseeable future. We believe strongly in video, particularly in ad-supported streaming TV where we've seen tremendous growth. We've seen better than 100% year-over-year growth in affiliate and e-commerce revenue, and we expect that trajectory will continue. Digital advertising continues to grow for us. Geographically, we have plenty of room for growth in the US, but we have a strong deal pipeline with platforms and brands across Europe, Asia, and the Middle East, and we expect those regions will contribute meaningfully to our growth as well."

The real story, though, is how magazines (in print and digital) might play an increasing role in the development of lifestyle video media. After two decades during which the print legacy has seemed to inhibit digital progress in many traditional companies, things are changing.

Many specialist and lifestyle magazines - whose damage at the hands of Google and Facebook had always been so much more about losing advertisers than readers - have learned to depend on the hearts, minds and money of their readers, users and viewers. They accept that the future is (mostly) online - paid-for by subscribers and/or e-commerce and/or live or virtual events/ experiences.

At the same time, many established media brands have become more valuable in a crowded digital world where reputation, brand-recognition and high-quality content can help to deliver customer loyalty.

That may have been part of the rationale for Dotdash's acquisition of Meredith Corp which made the IAC subsidiary the largest US magazine publisher. Its counterpart is the UK-based **Future Plc** - coming from the other direction - which is investing in video streaming and TV production. That combination of print brands with video and digital is echoed by the smaller Recurrent Ventures (ex Bonnier magazines) in the US. We might speculate whether the all-digital Red Ventures will also acquire either magazines or, more likely, newspapers on the same journey.

YouTube - especially for young people for whom it is default viewing - will get even better for media brands. It may be only a matter of time before home TV technology enables viewers to switch seamlessly between channels that are variously online or broadcast.

When that happens, The Home Handyman Show from TMB or the T3 Gadget Show from Future will truly compete for TV-style audiences - and revenue - and without the costs of through-the-air broadcasting. It's an appetising scenario that will prompt further media consolidation. Who will be the diner and who the dinner? For the legendary Reader's Digest, it's a race to the future.

How Axel Springer haunts the FT

8 April 2022

The Financial Times (FT) seems to be on top of the world. All of twenty years ago, it was one of the first major daily newspapers single-mindedly to push readership revenues to compensate for the cataclysmic loss of advertising, using analytics exhaustively to understand what its audience wants, who's reading what, when to charge and when to give content away for free.

It introduced a then almost-revolutionary paywall.

The London-based business daily now has 1m paying digital subscribers. What is hailed as "proof that quality journalism can be a quality growth business" is the latest milestone in the news brand's digital development after the 2002 launch of its digital subs, the "metered" paywall five years later, and - in 2015 - the current model of giving readers monthly £1-per-week paid trials before asking them to subscribe. In 2019, the FT reached 1m total paying subscribers (including print) and now 1m of its 1.2m paying subscribers are digital - an increase of one-third in the past five years.

Seven years after the FT was acquired by Nikkei from Pearson for a £844m, the UK daily has built its subscriptions through painstakingly managing the data, vertical newsletters, personalised content and networking in print, video, audio, and events. As Digiday says, it has become expert at "tweaking, nudging and evolving the right experience for readers". The publisher closely tracks the performance and behaviour of content and readers and its "Quality Reads" identify the content where readers have read more than half of the article. Editors get weekly reports of how they're doing. The FT also is working hard to get the attention of under-weight readership groups like women and millennials by targeting them with print and multimedia content.

While its coverage has long extended across politics, culture, and leisure, the publisher has been energetically investing in global information services, events and consulting across business and finance. Its diversified portfolio of businesses include:

- **Events:** The FT is believed to generate £25m+ revenue from hundreds of events that range from blockbuster conferences like the Global Boardroom, Global Commodities, and the Banking Summit, to highly profitable one-hour webinars on behalf of sponsors (some of which pay £45k for the privilege). Then there's the FT Weekend Festival in London which - pre-pandemic - was generating almost £1m in visitor and sponsor revenue. This year, it's being launched in New York. In 2022, it is believed that FT events may generate close to £30m in revenue and £7-10m in profit.
- **Consulting:** It is two years since the FT launched a dedicated consulting business, FT Strategies, "staffed by the digital transformation experts and consultants who helped get the FT from zero digital subscribers to over one million paid readers within ten years. We transformed the FT from a 130 year old legacy print brand into a thriving digital model. We've learnt from our mistakes, and built up practical best-in-class expertise - which we're sharing with subscriptions businesses like yours to help you thrive in the digital economy." There's nothing new about media companies

pushing into consulting and the FT's launch came two years after Bloomberg had done the same. But, if the promoted case studies are a guide to the orderbook, FT Strategies is specialising mostly in publishing and media companies where - over time - growth might just be constrained by potential competition. But that's for another day. FT Strategies is estimated to have current revenue of some £10m.

- **Specialist:** Beyond the FT itself, the company publishes B2B magazines including The Banker, Financial Advisor, and Investors Chronicle, and a range of US-based information services for financial, pensions, and insurance management which may account for some £25-30m of annual revenue.

These are but three of the 30 information, network and membership brands offered by the FT, although they may account for as much as 75% of the non-news brand revenue. That may be a clue to why the FT continues its decades-long struggle to make decent profits. For all the 12% increase in paying readers (all formats) and 44% rise in digital subs, the publisher made an operating loss of £21m in 2020:

£m	2020	2019	2018	2017
Revenue	320	345	332	321
Op profit (loss)	(21)	0.7	7	4
Margin	---	0.2%	2%	1%

Beyond even the impact of the pandemic on the last two years and the on-off revenue and profit growth, the accounts reveal:

- Despite the boasts of growing readership in North America, the FT generates 44% of its revenue in the UK; North America is equal to the rest of Europe on just 20% and Asia is only 12%. This has been little changed for almost a decade
- Headcount has increased 4% in the past four years. While there have been increases at new business units, the FT has not seen the need to reduce its core staffing costs
- An estimated £80m (25% of the company total) is generated from the ancillary events, consulting and specialist publishing operations

In some ways, the real story is that the FT - which has made such a success of converting its readers to digital - still depends, for two-thirds of its revenue, on print copy sales, subscriptions and advertising. For all the impressive innovation and sophisticated strategy, this is another traditional news brand whose ability to generate any kind of profit stubbornly depends on a printed newspaper.

More than that, the brilliant FT Weekend edition sells some 100k copies, at a cover price of £4.30 - compared with weekday sales of (maybe) only 20k at £3.10. The FT Weekend's average revenue probably exceeds that for all five weekdays put together - and is clearly profitable on its own. It is effectively funding the whole FT business.

You would not have to follow the FT's recent scoops of the sexual scandals at the German tabloid Bild to believe that the globalisation of publisher Axel Springer has a growing significance for the Financial Times. In recent years, Springer has acquired three US-based news brands:

Business Insider: Launched in 2007 and acquired by Axel Springer for €450m in 2015 (on the rebound from missing out on the FT), it now claims to be the largest business news site in the world, with a monthly audience of 67m uniques and 210m video views. It has been described by Axel Springer CEO Mathias Dopfner as "the Wall Street Journal of the business elite". He predicts that "It's going to be one of the most attractive and best positioned digital native brands in the world". It's been profitable for the last three years with some 17 international editions in eight languages and an exploding output of video content.

Morning Brew: In 2020, Springer acquired the US business daily newsletter for some $75m. It has been profitable almost since launch and doubled its revenue to $50m in 2021. Insiders expect it to be launched in Europe at some point.

Politico: In 2021, the German publisher acquired the widely-respected Politico for an estimated $1bn, with plans to internationalise the brand beyond the current US and European editions

Axel Springer is clearly targeting a growing global audience for business news, characterised by:

- An international viewpoint beyond the UK-orientation of the FT and the US-focused WSJ
- Multimedia output on diverse platforms
- Young audiences

That focus from Europe's largest and most successful news publisher demands the FT's attention. But what happens next may depend on Nikkei, the Japan-dominant publisher which, in outbidding Axel Springer in 2015, paid almost 40 times the FT's operating profit in 2014. Why?

“Number one is they are fundamentally supportive and excited by the strategy,” the FT's CEO John Ridding said. “Like us, they believe in the value of quality journalism, both as a mission and also as a business. They also think the language of business is English and, if you are going to be a global player, you need a strong English-language position, or voice, or publication. So it made perfect sense from their strategic global perspective.”

There is no doubt that Nikkei - like many another Japanese business - has a long-term focus. It may even be unconcerned about the FT's difficulty in generating consistent profits. But – long-term - the FT must reverse: its profit dependence on print and on the UK market; and its lengthening tail of under-profitable ancillary activities. In doing so, it must grow its footprint in the US, Asia, and also among younger business and financial audiences. Axel Springer is a strategic threat to the FT. But so is the New York Times.

The reinvention of the New York Times is the benchmark for traditional news brands everywhere, exemplified by the sheer range of products and services. It is the frontrunner in the race to become the leading English-speaking, quality news brand and that means rivalry for everything from politics to business.

There's a lot to admire about the FT including the scope and authority of its journalism, and the strength of its brand. It's a widely-admired daily news brand. Its recent launch of FT Edit seems to be a nod in the direction of the newsletter-style journalism being pushed globally by

Springer and the NYT. But you sense that the UK company needs to eschew much of its small-scale innovation and spin-off projects in favour of game-changing initiatives that can produce long-term profitability. It's building a strong consulting business, is already making good profit growth from events, and some of those specialist services are strong too.

But you wonder whether the strategy should be to buy or build a global news channel, a CNN or CNBC for business people: to bring the FT brand alive - globally. Perhaps Axel Springer will get there first.

How to reinvent magazines

4 March 2022

There may be many ways to monetise a magazine brand or sustain a business that once profited from the ubiquity of print for readers and advertisers. But the strongest and most credible magazines increasingly sense the opportunity for powerful new business models. Put simply, the media brands that have long given marketers the advertising opportunity to sell products and services to their readers can - if they choose - now play a much more comprehensive role in the design, production, marketing and sales of those same products.

There may be 4 ways to go:

1. **Business-to-Consumer**

It begins with decades-old magazine brands. The traditional circulation + advertising business model may be broken, but readers and advertisers still trust these brands. They have the content, relationships, and authority to develop a new business model...

2. **Business-to-Business**

Their relationship with marketers creates the opportunity to build B2B information and events to complement B2C brands. These services - for traditional (advertiser) clients of the B2C brand - can include: market research and competitor intelligence. B2B and B2C can go well together...

Condé Nast: In January 2019, Vogue announced the launch of Vogue Business. It's a digital fashion industry network which shares the brand, caché, industry intelligence (and mailing list) of Vogue magazine which, admittedly, has always had a strong B2B readership.

Initially free, Vogue Business (VB) launched a membership program. It now charges $220 for a standard annual membership and a hefty $1,575 for advanced membership, which is basically access to the Vogue Business index, long-view trend reporting and top level forums and summits, as well as standard membership benefits. It has launched a careers platform - Vogue Business Talent - described by Digiday as “somewhere between a careers site and a place for brands to promote their culture and ethos”. A talent matchmaker.

Eighteen months after launch, VB claimed 340k readers, but It’s not clear how many of these are paying. Commercial revenues from events, sponsorship and consulting are said to have helped Vogue Business to become profitable in its third year - although membership revenue is expected to become the primary revenue.

Condé Nast's Wired magazine has a highly-rated consulting team "helping companies navigate changes in their sector". B2B is a growing part of the strategy for the ultimate glossy magazine publisher which recently declared an (undisclosed) return to profitability on $2bn revenue in 2020, just three years after $120m of operating losses.

3. **Accreditation**

The success of TripAdvisor, TrustPilot and any number of e-commerce sites underlines the growing importance to consumers of endorsements, recommendations and accreditation. In order perhaps of the authority of each, this process can be divided into:

- Expert testing by specialists in laboratory conditions
- Curated and verified peer-to-peer reviews
- Journalist assessments and reviews
- Un-curated user reviews

Hearst: In the UK, no organisation has been carrying out expert testing longer than Hearst's Good Housekeeping (GH) magazine. It celebrates its centenary in 2022 and launched the Good Housekeeping Institute (GHI) tests just two years after the magazine itself. It's just one milestone in a fascinating history that, for example, included one-of-a-kind UK government permission to continue publishing during World War 2 - because the magazine was deemed to be important to national morale and helping families to cope with food rationing. Decades later, Good Housekeeping's readers (and supermarkets too) depend on the Christmas edition naming "the best" turkeys and mince pies, as a result of its scientific testing. Data sells.

In 2013, GHI made the step-up from occupying an unused apartment in the Hearst UK London headquarters to a self-standing testing laboratory and cookery school. Three years ago, it opened a state-of-the-art, 8,000 sq ft testing facility west of London under the brand name Hearst Institute. It employs some 30 people.

Manufacturers pay to put their products through a battery of tests and can then buy licences enabling them to advertise their products as having been recommended or approved by Good Housekeeping. The process of helping clients to maximise RoI, naturally, often includes working with Hearst print and digital media. Even products that fail the test can be good for business: they can be re-worked (with Hearst help) in order to improve their chances of consumer success. It primarily operates in four areas: Food, Homes, Beauty, and Health, each headed by a qualified specialist. It will surely add Technology some time soon.

The Hearst Institute is becoming a brilliant business with 150 testing clients at any one time. While the primary focus has traditionally been Good Housekeeping, this is being rapidly broadened to cover the whole range of consumer products across the publisher's print and digital brands. Last year, it completed 4,000 tests - some 25% for external clients, the rest for Hearst media for which they also supply e-commerce content.

It is believed that Hearst Institute revenue is some £5-10m per year - perhaps 5% of Hearst Magazines UK.

The authoritative Good Housekeeping brand may account for £15m of Hearst UK revenue, an estimated 30% from the GHI testing. But - although the testing business now has more revenue than pre-Covid - it's really just beginning its commercial journey. You might expect Hearst Institute to be generating some £15m of revenue and perhaps £10m of profit within a few years. That may not even include the revenue generated by the company's magazine brands from manufacturers whose product development and marketing may increasingly be dependant on Hearst's UK panel of 50,000 readers for tests and surveys.

Given the growth of online sites devoted to reader reviews, Hearst Institute might also develop its own brands in addition to the company's magazines. Its huge volume of test information could spawn a new membership organisation - currently it's all available free on the GH web site.

4. **Retailing**

Media companies can directly participate in the sales revenue of products bought by their reader-users, as follows:

- Accreditation schemes like "Best Buys" (as above)
- Affiliate e-commerce, generated by media content and advertising
- Licensing where products carry the media brand
- Online and/or physical shops where the media company is the retail principal

Dotdash Meredith: It is four months since digital media publisher DotDash acquired Meredith Corp for $2.7bn. The deal has transformed the all-digital IAC subsidiary into the largest magazine publisher in the US. In addition to the major print-centric brands including People, Better Homes & Gardens and Allrecipes, the deal gives the combined Dotdash Meredith a network of 175m online consumers including a claimed 95% of all US women. But it also delivers a brilliant brand licensing business.

At a time when magazines everywhere were fighting hard to bolster revenues with 'brand extensions', Meredith quietly became a world-beater in licensing. It now generates royalties through long-term agreements with retailers, manufacturers and service providers in the US and globally. It all began 25 years ago when the world's largest retailer Walmart started to sell Better Homes & Gardens(BHG)-branded products in its home-ware and garden centres. It was a speedy success. Walmart now stocks more than 3,000 BHG products in 4,000 stores and online, in the US and also in Mexico and China.

Meredith also has long-term agreements with Realogy Corp, operator of hundreds of Better Homes & Gardens Real Estate branches, and deals for floral arrangements, fashion, sunglasses, frozen food and cookware. Its licensed products now account for a whopping $23bn of retail sales. In 2020, that made the publisher second only to Disney ($57bn) as a global licensor. In 2021, licensing brought Meredith revenue of $124.9m (+31% during 2019-21). It is likely to have produced $100m of profit (perhaps 25% of the Meredith total). A big new growth opportunity for Dotdash and an inspiration for its rivals.

Future Plc: The listed UK-US company which doesn't seem to have heard about the inexorable decline of magazines (again) produced stunning results in 2021 with revenue up 79% and doubled operating profit. Its expansion was due as much to organic growth as to major acquisitions (two of which were magazine companies). The stand-out was e-commerce, responsible for almost £1bn of retail transactions. In 2021, Future generated £216.2m of tech-dominated, e-commerce revenue (35% of Future's total revenue) which may have accounted for half of the company's £196m profit. Two-thirds of it was in the UK which had increased six times in the year.

But Future is now also the largest tech publisher in the US with 30% more monthly uniques than the long-established CNet in November 2021. We might, therefore, expect even more e-

commerce growth in the US from a company which has worked hard to build the kind of recommendations and 'top 10 lists' loved by Google.

Logically, we might also expect Future to consolidate its position in e-commerce and tech by intensifying its testing - and establishing strong consumer accreditation brands. Perhaps the company will also develop branded retailing 'shopfronts' in specific markets to enhance customer loyalty - and profits. This can all fit well with Future's acquisition of the GoCompare cost saving/ price comparison sites. It's also committed to growing its B2B media, especially in the tech-entertainment sectors with its strongest B2C brands.

Push the envelope

These new activities of many of the world's largest lifestyle magazine publishers simply highlight the opportunity for "360 degree" business models.The logical first step for many B2C magazines is to produce paid-for market intelligence on the consumer audiences they know best: special reports, subscription newsletters and/or seminars. Reader panels are a no-brainer foundation for a new business in market research. Accreditation can provide the bridge between B2C and B2B media.

But it requires radical thinking and an investment ambition to do something more than merely tweak the traditional business model of B2C magazines. It's the search for a new long-term business, not just for ancillary revenue. Time to push the envelope.

Incisive Media: from £5m to £45m in five years

8 April 2022

The UK-based B2B Incisive Media has been acquired by EagleTree Capital for a cash price believed to be £43m - 10 x EBITDA in 2021 - just five years after its founders had paid a mere £5k to reclaim the business.

The portfolio is to be divided between two EagleTree-funded companies.

Arc Media Holdings, of the UK, has acquired Incisive's financial services and sustainability portfolio, including Investment Week, Professional Pensions, and BusinessGreen. The Channel Company, of the US, has bought Incisive's technology portfolio including Computing, Computer Reseller News, and Channel Partner Insights.

Incisive Media CEO Jonathon Whiteley is joining Arc whose formation in 2021 was followed by the £20.5m acquisition (7 x EBITDA) of the UK agriculture publishing and events of AgriBriefing. Arc is led by Simon Foster, a long-time senior executive of former trade show group UBM, who was latterly CEO of the Paris-based exhibition organiser Comexposium.

The deal is certainly a breakthrough for Arc and for Foster's ambitions to build a diversified B2B group. But it is even more significant for the Incisive founder Tim Weller who has bought and sold the business four or five times in the 22 eventful years since he floated it on the London stock exchange with a value of £75m. He had launched it in 1995 with capital of just £275k.

Weller had been a director of Centaur Media, in the UK publishing heyday of recruitment classifieds, and was headhunted to create a B2B publishing business for Reuters. But, after six frustrating months, Weller was given a year's pay in compensation and left, armed with his plan to launch a weekly for financial intermediaries that Reuters hadn't even bothered to consider.

It was the start of the seven lives (and 27 years) of Incisive Media:

1.Startup (1995)

Katie Potts, founder of the London-based Herald Investment Trust, pulled in former Warburg colleagues to invest while Weller polished up his plans for Investment Week. With a house whose recessionary value was less than his mortgage, and three children under five years of age, Weller injected the remaining £30k of his Reuters pay-off (plus some salary sacrifice) into the new venture.

He started his City Financial Communications (CFC) with the £275k fundraising, 13 staff, some borrowed furniture, an office with a hole in the roof, and bills charged to his personal credit card. In 1995, it made a first-year profit of £68k and still had £226k in the bank. The following year, profit was £300k with £835k in cash. By 1997, the company was making

£600k as it launched seminars and conferences. Two years later, profit had leapt to £1.8m and the company had £2.7m of cash. It prepared to IPO.

2. IPO (2000)

Ahead of the float, CFC acquired Timothy Benn Publishing (TBP), owner of Post and the British Journal of Photography. The two companies (brought together as Incisive Media Plc) had pro forma financials of £19.4m revenue and £2.4m EBITDA. For Weller, the IPO gave him £6m in cash and a 16% shareholding worth £11m.

It signalled the start of acquisitions including the Matching Hat mortgage brands, Risk Waters, and Insurance Age, as the company continued its rapid growth, doubling revenue in four years to reach £46m in 2004. But Incisive became known as much for the deals it didn't do as for those it did.

It won a crowded race of bidders for Financial Times Business whose brands included Incisive's key competitor Financial Adviser, and Investors Chronicle. But, having tabled his winning bid of some £70m, Weller walked away and the business was withdrawn from sale. Investors cheered his "head not heart" decision; he knew the advertising markets were starting to crumble.

Weller's heart was definitely in the 2004 bid to acquire his alma mater Centaur Media. But founder-chairman Graham Sherren and Incisive's own broker Numis snatched back the company by way of a bizarre "accelerated IPO" which saw it bounced onto the stockmarket a few months later. Weller also flirted with private equity bidding for Reed Business Information in 2008, before the then Reed Elsevier changed its mind and decided (eventually) to build its whole strategy around the company it had once wanted to ditch.

3. Public to private (2006)

The novelty of public ownership had worn-off by the time Apax private equity persuaded Weller to take the company private. The £200m MBO spawned newspaper profiles about the former advertising sales executive with an Aston Martin in the drive, a ski chalet in France, and £11m in the bank, just 11 years after he had launched the company. Incisive used cheap loans to buy four businesses and double its revenue. The acquisitions included VNU Business Publications (where Weller had begun his career 20 years earlier). By 2007, Incisive's leverage was £445m - 9 x EBITDA. Time to go global.

4. The US plunge (2007)

In August, 2007, Incisive paid £315m ($630m) - about 3 x 2006 revenue - to acquire ALM (formerly American Lawyer Media) from legendary dealmaker Bruce Wasserstein in a deal which doubled the company's enterprise value to more than $1bn. ALM was publisher of 33 B2B magazines and newspapers including: The American Lawyer, The New York Law Journal, Corporate Counsel, and The National Law Journal.

Weller was still riding high when Apax and UK news group The Guardian together acquired EMAP's B2B division - and wanted to merge it with Incisive. Weller's golden opportunity to

manage what would become the UK's largest B2B publishing and events company seemed like a dream come true. But corporate debt levels and personal judgements got in the way.

The timing just wasn't right. That's also how it proved to be for Incisive's transformative acquisition in the US.

In 2008, the global financial crisis caused the non-ALM part of Incisive to break its banking covenants which frustrated efforts to syndicate the $550m that RBS had lent for the US acquisition over the £260m of debt held by 21 banks in Incisive Media itself. As B2B media values collapsed, the debt structure so painfully put together for the ALM deal became unsustainable. The upshot was that RBS swapped its debt for 82.5% of the equity in 2009 and effectively became the owner of Incisive Media. (In 2014, ALM was sold back to Wasserstein for two-thirds of what Incisive had paid for it.)

5. Owned by the bank (2009)

Having been forced to give up control of the de-merged ALM, Weller and CFO Jamie Campbell-Harris got a 10% share of the "new" RBS-controlled UK company. It was painful for the founder: "I have had to work from seven in the morning until late every day for the past year trying to save the business. It has been a humbling lesson." He had become scathing about private equity: "The amount of debt was never discussed at board meetings. In a downturn, debt is brutal; it is a killer. In the first few months after the buyout, you look at all the good stuff - the extra profits, earnings are growing. We had no idea how quickly the money would disappear and how much we would have to focus on cost cutting. We are glad to be shot of private equity… Apax brought no operational understanding to our business. They were brilliant at dealmaking and financial engineering."

6. Alchemy sell-off (2015)

In 2015, RBS sold its majority stake in Incisive Media to Alchemy private equity. Over the next two years, it sold assets to Acuris, Contentive, and ALM for a total of some £50m. The sell-offs culminated in the 2017 divestment to the Paris-based Infopro Digital of Incisive's insurance and financial services "Insight" division for £120m - 10 x EBITDA and 3 x revenue. Alchemy's return from Incisive was 2.7 times its investment in less than two years. For Weller, it was time to get back to the future with what was left of his company.

7. Independent again (2017)

Team Weller's reward for the Alchemy pay-off was getting back the ownership of Incisive Media. For a mere £5k, they acquired 100% of the debt-free company. Within a year, it had bounced back with £23m revenue / £3.1m EBITDA. In a neat piece of negotiation, they had bought the lossmaking company whose negative net worth derived from the contingent liability of subscriptions and redundancy payments - including what would have been due to Tim Weller and Jamie Campbell-Harris with their 20+ years' service.

In the event, the two founding directors stepped back from the day-to-day and handed control over to 24-year colleague and CEO Jonathon Whiteley whose team has successfully

built a strategy in finance, technology and sustainability, from the rump of the old company.

It has, to say the least, been a speedy turn-round - despite the pandemic effect on revenues which had been 50% from events in 2019:

£m	2021*	2020	2019	2018	2017
Revenue	22.5	17.5	22.8	23.0	14.6
EBITDA	4.5	2.1	2.8	3.1	1.1
Margin	20%	12%	12%	13%	7%

The scale of achievement by Whiteley and his executives is underlined by the fact that the 2021 numbers included just one month of resumed live events - so total revenue may have been expected to exceed £25m with the resumption of events in 2022.

Its been an impressive reinvention marked by: the switch to all-digital of Investment Week and Professional Pensions just before the acquisition was completed; and also by the impending launch of two new digital brands, Sustainable Investment and Investment IQ. Incisive has become focused entirely on digital media, lead generation, and events. No more print.

In Whiteley's words last year, the company had been "making good profit in the worst of times" through tight cost control, digital events, and the development of membership models to push revenues away from a traditional 70% dependance on marketing budgets.

The dramatic recovery in 2021 has helped to achieve an exit price that would have seemed inconceivable just two years ago. The CEO and his team (who together owned 20% of Incisive shares) get their reward with a windfall of almost £9m.

The acquisition is an opportunity for Jonathon Whiteley to play a major role in the development of Arc, for which Incisive delivers high-performing critical mass. It is their best business and Whiteley himself adds real bandwidth to Simon Foster's ambitious startup.

Meanwhile, Weller is the non-executive chair of six mainly-tech companies across the UK, US and Poland. For almost a decade, he has been at the helm of Trustpilot, whose IPO valuation last year exceeded the £1bn price tag enjoyed by Incisive Media for one brief shining moment back in 2007.

As the founder enjoys his latest payday (he and Campbell-Harris owned 80% of Incisive and they have also shared the payout of the company's £10m of surplus cash), he might be reflecting on the irony that Incisive has been bought by EagleTree. It's a spin-off from the Wasserstein investment company whose sell-and-buyback of American Lawyer had brought him such pain during 2007-14.

It's been a spell-binding two decades, the stuff of movies. But Tim Weller is the same enthusiastic, fast-talking, always-learning, loyal boss, and colleague who can persuade almost anyone. He's done it again.

What will happen to trade shows?

15 April 2022

Time was when everybody loved trade shows, the traditional media which enjoyed 6% average revenue growth for more than a decade, thriving in the 21st century as an antidote to the virtual world for business people everywhere. It was the €38bn industry which glided past the digital disruption that had wrecked the growth strategies of other traditional media-marketing.

The seemingly unstoppable growth gave exhibitions a new confidence after decades of being obscured by B2B publishing and fuelled a tidal wave of M&A, headlined by Informa's 2018 acquisition of close rival UBM. The combination became the world's largest trade show organiser, supplanting Reed Exhibitions after three decades on top of the pile as the only global player.

B2B exhibitions - once largely owned by non-profit trade associations - are still dominated by European companies. But the global industry all but started in the US, in 1970. B2B publisher Cahners had acquired Charles Snitow, owner of national and international expos showcasing cars, consumer electronics, food, hardware, photography and home improvement. Some of the events were large: The International Automobile Show, in New York, attracted 500k visitors in 1970. Exhibitions were seen as a natural for Cahners which described them as "effectively the same business model as magazines, just in 3D - face-to-face."

Cahners expanded strongly, buying up a whole swathe of exhibitions in diverse sectors. In 1980, it became the market leader with revenue of $90m. The company which had become the first broad-based exhibition organiser in the US, soon did the same with acquisitions across Europe and Asia. In the 1980s, it merged with Industrial & Trade Fairs, a UK-based organiser started by the Financial Times and the diversified media group then known as Reed International which had acquired Cahners.

In the mid-1990s, Reed took what seemed like a radical step - in the US and UK - of separating its exhibitions from the B2B magazines which had largely created them. It proved to be a far-sighted move which gave fresh impetus to launch and acquire events almost everywhere. By 2001, when the web was beginning to disrupt print media, the then Reed Elsevier's exhibitions division had increased revenue by 25% to £446m - the only growth in its faltering B2B media group. Its once mighty magazines and directories, largely funded by advertising, were under attack. Trade shows were no longer the poor relation to print. They had become the stars.

That proved to be the start of a two-decade boom not only for Reed Exhibitions (now RX) but for trade shows almost everywhere. The industry was was tracking the rapid growth of the Asian economies and confidence was sky-high. Private equity became captivated by a market which enjoyed 25-30% profit margins, 100% cash conversion, and virtually no capex.

Exactly three years ago, the industry's trade association UFI declared that the economic impact of the world's 32,000 exhibitions was greater than of many countries including Hungary, Kuwait and Sri Lanka; trade shows were effectively the 56th largest economy in the world. The self confidence bubbled through dozens of acquisitions (and prices of up to 20

x EBITDA) as trade shows had their best-ever year in 2019 - and prepared for even more growth, not least through dozens of new venues under construction in Asia and elsewhere.

You know what happened next.

Economic lockdown paralysed exhibitions, business travel and much else: 70% of events were lost globally in 2020. It prompted widespread experiments with virtual events and endless speculation about when and if the industry could bounce back to its 2019 heyday. But, as the unpredented global pandemic continues into its third year, we should consider that the sheer scale of shutdown and of global economic disruption, now following the Ukraine invasion, is changing the context in which trade shows operate, viz:

- There may be no early return to the world of (mostly) free trade and travel
- There may be prolonged economic slowdown in many countries
- Climate change activism may constrain international travel
- The post-pandemic loss of talent may further restrict recovery

Beyond that, there is the simple reality that many exhibitions - once an annual fixture in corporate budgets - might now have to compete for 'new' funding after two or three years' absence. And at a time of economic downturn. A full-scale return to the trade show activity of, say, 2019 may not be on the cards for many years. For all the fact that some of the strongest exhibitions have already bounced back, organisers may have to work harder to rebuild their profits than they once believed.

There are other factors too.

Many trade show exhibitors have long been disgruntled, despite the success of events themselves. After all, as little as 25-30% of their cost of exhibiting is spent with organisers who themselves must, inter alia, contend with the quasi-monopoly power of large venue owners in major cities. That's why organisers have always wanted to arm themselves with must-have global exhibition brands. But it's a tricky balance between regional, national and international events. For all the successes of exhibition "geo-cloning", there are many failures to remind the industry that global often doesn't beat local. Those sensitive relationships might disrupt long-established exhibition brands after the hiatus.

As trade shows reopen and yearn for a return to 2019, they seem to be coming back as 60-105% of the last event. It's about as broad a spread as you can imagine: the agony and the ecstasy. In 2019, the industry was 98% analogue and now most large organisers have digital programmes, with sharply varying views on their importance.

Trade show financials in 2022 will highlight the post-pandemic regional differences. The US has remained more open than others. Shanghai is closed (!), Hong Kong is severely compromised. The publicly-owned German venue owner-organisers in Frankfurt, Munich and Düsseldorf (three of the world's seven largest exhibition organisers) have been wounded by their heavy dependence on major international trade flows - including China and Russia. Messe Frankfurt (€736m revenue/ €124m EBITDA in 2019) may even start to feel public pressure on their international operations. It's one thing for a city or state to subsidise its local economy, quite another to pay for lossmaking overseas subsidiaries. In recessionary times, will the taxpayers of Frankfurt - in 2021, the world's fourth largest exhibition organiser - be

happy to pay for any losses at their 100+ events organised by 22 subsidiaries across Asia, Europe and North America?

In this environment, it is no surprise that private equity firms, which have been all over exhibitions for the last decade, are sharpening their pencils, snaffling small deals and contemplating a return to major M&A as the industry recovers. They're ready to bid for Cannes Lions and Money 20/20 from Ascential and there will be many more.

Here's a roundup of what some of the industry's leaders are saying about the resumption of trade shows - and digital innovation:

RX (Reed Exhibitions)

The world's second largest exhibitions organizer (and subsidiary of the £46bn RELX global information group) will organize more than 400 shows in 2022, up from 269 last year (2019: 500) in 43 sectors and 22 countries. CEO Hugh Jones says: "Some 95% "will have a digital/remote element for those not able to attend". Last month saw the resumption of its MIPIM global real estate event in Cannes which has long been one of the company's major profitmakers (estimated to have peaked at some €75m revenue/ €30m profit a decade ago). It was attended by 20,000 delegates from 80 countries (27,000 in 2019, but about the same attendance as 2016). It had over 360 speakers, with 2,400 exhibiting companies at 350 exhibition stands and pavilions across 18.4 sqm of exhibition space (2019: 21.7 sqm). Delegates from France made up the largest contingent, followed by the UK and Germany. The 50 conference sessions were accessible live through the Mipim 365 digital platform and post-show. Another innovation was the interactive digital floorplan, accessible through the website, to guide delegates round the show. RX returned to a small profit in 2021 after £164m losses in 2020. Its revenue in 2022 is expected to be £950m, almost double 2021 - and 75% of 2019.

Tarsus

The private equity-owned, UK-based company has increased digital activities in its content-led events (eg medical) but mostly not in the majority of sectors (which are product and transaction-led). CEO Douglas Emslie says: "Networking is one of the most valued aspects of a live event and not something that could be successfully replicated online. Digital components will complement live events, not replace them." Tarsus' largest event is the (non-digital) Dubai Airshow which took place in November 2021 with an attendance of 104,000 – 24% higher than in 2019, with military and civil delegations from 140 countries. The event had 20 national pavilions – five more than in 2019 – and 370 new-to-show exhibitors. Revenue was 10% up on 2019. Tarsus' first US brand to return to live events had been the Offprice retail show, co-located with Informa and Clarion's fashion events in February 2021 and repeated in 2022. The show featured an online trading platform "which had some success in connecting buyers and sellers. However, many retailers prefer an environment where they can see and touch merchandise in-person". The most recent Offprice events were trading at 80% of 2019 levels and Emslie forecasts that the August 2022 edition will be close to 100%.

EasyFairs

Owner Eric Everard is the Belgian entrepreneur who was once a director of Reed Exhibitions, responsible for the Cannes-based Mipcom and MipTV. He founded Artexis (venues) in 1997

and launched the European Student Fair a year later. Sixteen years on, he formed Easyfairs International to launch exhibitions, and merged the two companies in 2014 to form the €180m exhibitions group. For him, the post-pandemic bounce-back has happened: "We've just closed ACE London (Aesthetics Conference & Exhibition) and what an amazing show! First time we've run it since we acquired it back in 2019. This was the show we had to postpone on the last day of build in March 2020. Visitor numbers up by around 10% and rebooking finished on 102% of revenues. Great growth for MIA Brussels this month: 70.176 visitors, or 3,5% above the spring 2019 edition. Also great rebooking numbers: 6.749sqm, 58% of exhibitors. Enjoy the after-movie on YouTube." EasyFairs, which will organise 142 events in 2021-2 - little changed since Covid. Everard says: "We will run digital events, either during the shows or around the year, for 10% of our events as a start. The idea is to grow this figure to 50% over the next 5 years. You could say that we will evolve from being 'event organisers' to 'community builders' for half of our events."

Hyve Group

Shoptalk, which the UK listed Hyve Group (formerly ITE) acquired 2019, is the company's largest event by revenue. The brand claims to organize US retail's "best and fastest growing events and bringing together thousands of industry changemakers to collaborate at unparalleled scale, both online and offline. It uses innovative new formats, including Tabletalks, Hosted Meetings and Meetups." It has a 250+ speaker line-up featuring leading retail CEOs.The first event under Hyve's ownership took place in Las Vegas in March this year and – according to CEO Mark Shashoua - "outperformed its last pre-COVID-19 edition and was the largest event by revenue that Hyve has ever run". The company has gone all-in on digital-enabled live events including facilitated 15-minute, one2one meetings (which they are rolling out to the UK's Spring and Autumn Fairs and BETT education show (together acquired from Ascential in 2018), fully online Meetups like the Groceryshop Spring event last year: 8,884 meetups took place over just six hours. It also recently acquired the Fintech Meetup which is being extended to in-person events from 2023. The Hyve portfolio now comprises: 50 in person events, and 21 tech-enabled products. In 2019, it organised 130 live events with no tech-enabled services. But revenue per in-person event is claimed to be more than 5 x that of 2017 when the company organised 269 events. One key to Shashoua's revolution at Hyve is "We don't offer hybrid solutions at our in-person events, but we separate online and offline out." Hyve which made £50m pre-tax profit in 2019, a loss of £18m in 2020 and an insurance-boosted profit of £21m in 2021, is expected to breakeven this year.

CloserStill

Philip Soar, chair of the UK-based, private equity-owned CloserStill, says he is already back to 2019: "We had an excellent last four months of 2021 and only one of our 2022 events looks likely to be unable to run. In terms of like-for-like revenue (i.e. excluding acquisitions), we are around 10% ahead of 2019, visitor numbers are slightly lower – particularly in the US. But this isn't affecting the critical on-site re-bookings – which have averaged over 100% since we re-started. Of course, you could argue that we are fortunate in that our core markets are UK, France, Spain, Germany and the US – and half our business is medical/healthcare. We don't have the AsiaPacific where a lot of organisers cannot yet get back to 2019 - or Russia." Soar says digital "will be a helpful adjunct in the right sectors where one can add digital content to an existing event and keep in touch with an audience for 365 days a year.

That, of course, assumes that the audience is interested in a trade show organiser being in touch 365 days a year – by far the biggest question."

Emerald X

Hervé Sedky, president & CEO of the listed and largest all-US exhibitions group staged 63 live events in 2021, with more than 129,000 attendees and 7,500 exhibitors; this year, it is running a full event calendar with approximately 150 in-person events, with an infusion of digital media: "Our recent Prosper Show - the largest trade event for Amazon sellers and service providers in the US - resulted in 32% more exhibitors than in 2019. While the core, in-person aspect of an event will remain critical, our key imperative is 365-day customer centricity - both those attending in person and not attending. The Prosper Show is producing a digital post-event where participants have access to all the recorded sessions. Emerald's Pizza Expo provides a similar service where the seminars, keynotes, and selected workshops/food demonstrations at the in-person event are recorded and available post-show."

Shareholders in the UK listed exhibitions companies Informa, Hyve and Ascential have been diluted almost 40% by equity fundraisings to pay for the hiatus. But, even with fears of recession and lingering Covid, the worst is assumed to be over. The market leader Informa Markets is currently forecast to achieve revenue of £895m in 2022 - 32% up on last year but still only 62% of 2019. As the numbers improve and private equity gets hungry again, there will be inevitable speculation about whether RELX will divest or de-merge RX, whether Informa will do the same to its remaining non-events operations in academic publishing, and whether Hyve shareholders will be tempted to sell. But, for the worldwide exhibitions industry, the focus may now turn to systemic change.

Opinions vary widely on how much (or how little) trade shows really need to change. The global industry's cheer leader, Kai Hattendorf, CEO of UFI, predicts exhibitions will be back to 2019 levels by 2024 - which would once have been seen as pessimism. He says: "Digital tools and platforms have done an excellent job in helping us stay connected during the pandemic, and have even helped us reach new audiences and develop new products, but nothing can compare to the value of live, face-to-face events." Yes but...

Denzil Rankine, chair of AMR International, is a bit more critical: "Entering the pandemic, the tradeshow industry was 98% analogue. Being so unprepared, the results of much of the stopgap digital innovation were disappointing, particularly on the exhibitor side. It will take time and effort for event organisers to monetise digital directly at scale. But the industry made strides to stay better connected with customers through the year. This matters because, although resilient at the core, the events industry is coming back smaller. Many participants are returning to events, but not all, some explored alternatives successfully. So, 'see you next year' is no longer good enough."

The real question is how far organisers will use this period of recovery to modernise their strategies. There will be as many variations as events, but success for some may depend on enabling:

- Participation by people who cannot attend the event itself
- Year-round dialogue between exhibitors and visitors

Meetings-style shows are a clear use of digital media to enhance the effectiveness of events. But visitors (and would-be visitors) to all exhibitions might increasingly expect to make appointments (either remotely or in person), get peer-to-peer feedback on products and services in which they are interested, and assistance in concluding a deal even if it is months after the event. This is not rocket science, of course, but it's a world away from the large number of trade shows whose contact with exhibitors is geared to their payment schedule and who only have meaningful communication with visitors when the time comes to persuade them to attend a forthcoming event.

Elsewhere in B2B media, some virtual awards ceremonies during the pandemic have been forgettable, to say the least. But the very best are now developing hybrid events. They realise that operating the live event as a TV programme, relayed on YouTube and other sites, can substantially increase the audience, not least for the benefit of sponsors. Could that work for trade shows? A commercial sponsor could host a virtual tour round an exhibition with interviews and demonstrations for remote viewers who might communicate with exhibitors (and other visitors), make enquiries and even place orders. A celebrity host might do yet better.

That could be a great way for a large trade show to grow its global footprint despite travel restrictions. However, longterm success may require organisers to develop sophisticated digital services beyond exhibitions, including:

- Online procurement services
- Industry data and statistical indicators
- Peer-to-peer networks

That might produce 21st century versions of the trade associations and networks which originally spawned so many B2B exhibitions. The agenda may suit the trade show market leader because Informa is also a seriously-digital publisher. So is the mighty RELX, of course. But this might just be the start of a new era in global exhibitions.

AMR reckons trade show organisers should switch their attention from a long-standing focus on *exhibitors* to developing products and solutions for *attendees*. Executives may also need to shift from managing events to managing multi-media B2B brands. That's a lot more complex than waiting for the post-pandemic bounce-back of trade shows. But it could help many more exhibition companies get back to 2019 - and into a whole new future.

Is this the all-media future of news brands?

29 April 2022

At age 91, Rupert Murdoch has been working hard. News UK this week launched his latest pet project, the TalkTV news channel, featuring Piers Morgan's interview with Donald Trump. Morgan's nightly programme is being screened also on News Corp's Sky News Australia and Fox Nation, in the US, in a much trumpeted global deal which includes the former newspaper editor writing in the company's newspapers and for its Harper Collins book publisher.

Murdoch is betting a lot on Morgan across the News Corp world. But there are four real reasons why the News UK broadcasting plans are groundbreaking:

1. **Multi-media:** TalkTV - available online, via an app, online and on all TV platforms in the UK - is effectively a nightly schedule of TV programmes; the rest of the 24 hours is News UK's TalkRadio (with 540k weekly listeners). The new channel is slickly produced and pre-existing TalkRadio presenters have been smartened up for TV but, fundamentally, this is a single channel that's available to its audience both as radio and TV. In some ways, it addresses the basic truth that, even the best-funded TV news, often features static reporters with little real use of video, so most of it works well on radio. It also exploits the simple fact that the largest audiences in the morning belong to radio and in the evening to television. The new TalkTV complements Times Radio, launched in 2020 by News UK's Times of London. Both use journalists from that paper and also from The Sun, which is all over its TalkSport radio. News UK's Virgin Radio and its other music stations in Ireland seem incongruous. But the news and talk broadcasting complete an increasingly digital group including its traditional news brands: almost 70% of The Times subscriptions are digital, and The Sun has now overtaken Mail Online as the largest news web site in the UK (the Mail remains the worldwide leader). News UK is believed to have more than £100m of broadcast revenue - some 25% of the total (and rising). From its multi-media operations overlooking London Bridge, the company is no longer all about newspapers.
2. **Spreading the cost:** TalkTV's nightly news programme is fronted by Tom Newton Dunn, a born broadcaster who has actually been a journalist, and latterly political editor, of The Sun (yes) for more than 20 years. But the whole channel and also Times Radio is dominated by contributions from News UK journalists, many of whom broadcast as part of their regular contracts - and for no extra pay. For a company which employs more than 1,000 journalists - and which was last year granted regulatory clearance to merge the separate operations of The Times and Sunday Times, as and when it wants to - this may be a significant opportunity to reduce and/or leverage its journalistic budgets.
3. **Big reach, small budgets:** The News UK broadcasting operations - like its TalkTV channel - is produced at modern, well-equipped studios at its headquarters and also at a production base in west London. But it's all pretty low budget. Times Radio - whose original rationale had been to counter the daily newspaper's plan to sponsor a morning show on the rival LBC radio - is believed to have an annual budget of £8-10m, about 10% of the BBC's Radio 4 (audience:10m), 3-4% of the total costs of The

Times/Sunday Times, and 15% of their salaries budget. Times Radio - with a weekly audience of 500k (50% is socio group AB) - is expected to breakeven in 2-3 years. But, at these cost levels, it may almost be serving its original purpose as a high-value promotion for the newspaper. The channel has a staff of some 50 - about 25% of the total employed on all the News Corp radio channels in the UK. TV rivals have been even more surprised to discover that TalkTV has a team of less than 180. But, then, News UK's state-of-the-art broadcasting centre has been installed for a total cost of under £10m: TV and video production uses fewer people, less capex, and less space than ever.

4. **Data-charged advertising:** The future of the News UK multimedia strategy is the push towards first party data as its newspapers shift towards digital subscriptions and its broadcasting increasing reaches its audience via web apps, podcasts, smart speakers, and online. These connected audiences - and the first party data they generate - have a dramatic effect on advertising rates. It is believed that such first party advertising yields are £8.50-10 per 1,000 viewers/ listeners, compared with £2-3 per 1,000 for linear TV and radio. But the real prize for News UK is a growing share of the UK's £4.5bn television advertising, almost 45% of which still goes to ITV, the terrestrial broadcaster whose share of viewing continues to fall. It's a juicy target.

The News UK broadcasting plan was kick-started, in 2016, with its £220m acquisition of the Wireless Group of radio stations in the UK and Ireland. Ironically, News Corp had been a 30% shareholder in the radio group when it was launched by former Sun editor-in-chief Kelvin MacKenzie. With neat timing, the publisher had helped MacKenzie to acquire the radio group in 1998 - just as the former editor was being linked with a potential Axel Springer bid to buy The Sun's close rival, the Daily Mirror.

News Corp's subsequent decision to acquire 100% of Wireless Group marked its first foray into broadcasting after its 2013 split from 21st Century Fox. It was described as "an excellent strategic fit" but no one could have seen what would happen next.

Rupert Murdoch became a seller

In 2019, Disney acquired the bulk of 21st Century Fox for $71bn and Comcast bought the UK-based Sky TV for $39bn. The deals left the enriched Murdoch family with control of the $20bn Fox Corp (principally Fox News and Fox Sports) and of the $12bn News Corp, with its UK, Australian, and US newspapers, Foxtel pay TV in Australia, the Wall Street Journal, Harper Collins, and its digital real estate group. Some consolation.

The sell-off to Disney was rationalised by the formidable growth and high-spending of Netflix, but the valuation (like that of Sky TV) was simply irresistible. But the deal was completed a year before the pandemic struck and the Disney financial performance underlines the extent to which the $200bn US company is now seen to have egregiously overpaid for the Murdoch business. Disney's EBIT in 2021was less than one-third of the 2019 total and it's not forecast to get back to pre-Fox levels until 2024 at the earliest. (And its Disney+ streaming launch has also been blown off course.)

The assumption that the rich divestments were some kind of farewell for Murdoch, 50 years after he had landed in the UK to start the internationalisation of his Australian newspaper

business, has proved to be wrong. He has been all over the detail of TalkTV - 40 years after his launch of Sky TV.

What eventually became Europe's most profitable TV network had been the fulfillment of an ambition to use newspapers to fund what Murdoch saw as the future of media: TV. But it was a long battle which started with the £10m acquisition of a small English-language 'pan European' satellite channel, which he renamed Sky in 1982.

That was three years after Margaret Thatcher had become UK Prime Minister and had waved through Murdoch's 1981 acquisition of The Times and Sunday Times, even though it increased, to almost 40%, his share of UK national newspapers. The losses of the separately-staffed The Times were used to shroud the then super-profitability of The Sunday Times and allowed the government, astonishingly, to view the newspapers together as a failed business.

In 1987, the News Corp newspapers supported Thatcher's third general election victory, just a year after Murdoch had boosted his profits - and political profile - by stealthily moving his newspapers to a new digital site at Wapping in London's former docklands. He locked-out 6,000 striking printers. For months, the pitched battles between printers and police at "Fortress Wapping" resembled those of the fiery coal miners which had defined Thatcher's first government.

The bold move, which consigned to history "Fleet Street" (London's former centre of newspapers), unsettled many of Murdoch's fellow newspaper publishers. But it transformed their fortunes too. News Corp UK doubled its profits to £145m -and pushed into television in the UK and US.

Murdoch had failed in a bid for the official UK satellite broadcasting licence. And - when the successful bidder, British Satellite Broadcasting (BSB), refused to let News Corp into the consortium alongside UK media giants Pearson, Reed, Granada, and Virgin in 1988 - he announced that that the Sky Channel would be relaunched as a UK-based service, using the Luxembourg-based Astra satellite. It was a smart move to lease channels on the Astra system rather than launching its own satellites (as BSB was doing) - and to get there first.

Sky TV went on the air in February 1989, while BSB was repeatedly delayed by technical problems and finally made it in April 1990. Even then, the launch was a fiasco with few set-top boxes even available for store demonstrations, while Sky had raced to 750,000 dishes - cheered on and promoted enthusiastically by News Corp's newspapers, which also gave prominent coverage to their rival's tech problems.

Sky's cheap-and-cheerful satellite dish seemed to have beaten the BSB's high-tech (but untested) "squarial". But UK viewers, brought up on the tax-funded BBC and commercial free-to-air ITV, needed price-cutting persuasion to sign-up for pay TV - especially since it mostly involved the purchase of a satellite dish: few Brits had access to cable. It became an expensive campaign, with Sky initially incurring weekly losses of £4m after start-up costs of £120m.

Coming so soon after the investment in his new London newspaper presses, News Corp's UK subsidiary was running close to empty and, in August 1990, reported annual losses of £257m. The British TV venture posed a real threat to the survival of News Corp itself soon after Murdoch had paid a dizzy $3bn for the world's largest listings magazine, the 17m-circulation

TV Guide, in the US. (Warren Buffet's advice to the existing TV Guide owner faced with Murdoch's unsolicited offer was memorable: "Run for the bank"). News Corp's financial pressures were mounting.

Its frantic expansion had been funded by borrowings from a myriad of separate lenders in multiple currencies all over the world. As recession hit the UK and US, News Corp's debts threatened to crush it. In the event, Murdoch struggled through months of personal negotiations with, literally, hundreds of creditor banks by selling-off publishing assets and cutting out losses. He made some great pressure-relieving divestments: His travel information business fetched 140% more than he had paid Ziff Davis three years before. The company's 50% of Elle magazine raised $160m only two years after its $5m launch. And the US supermarket tabloid The Star (in which News Corp had invested less than $10m) was sold for $400m.

But Murdoch's survival would still depend on a satellite TV merger in London.

Everybody needed a merger. Sky was losing £2m a week. BSB - with weekly losses of £8m - struggled to achieve even 25% of the 400,000 satellite customers it had budgeted, not helped by "squarial" design problems. Spending had gone through the roof as it splashed £400m on Hollywood film rights, and out-bid ITV for a four-year football rights deal - before demanding yet more money from its shareholders.

The secret merger talks took place in the leafy splendour of the Lucknam Park Hotel, near Bath in Britain's south west. Murdoch played 'hard to get' and appeared to leave most of the negotiating to others. But, even without him in the room, the talks stumbled across the cultural differences: BSB people, including its gilt-edged shareholders, saw Sky as an example of their idea of the "Philistine" Murdoch. Sky people thought BSB was filled with elitist British fat cats. Murdoch himself couldn't forget the personal slight when Pearson had refused him a place on its board even after he had become a major shareholder in the 1980s.

BSB's shareholders were too preoccupied with their own losses and investor pressures to realise they were negotiating with a wounded soldier. But BSB had become a world-champion spender and estimates that it would need a further £500m just to get to breakeven in 1993 were blithely increased to £650m and, then, to £1.3bn. The company's flashy headquarters on the Thames had cost £26m to build. They featured £70,000 granite desks, and stationery cupboards stacked with Montblanc pens. A carpet, alone, was said to have cost more than the whole of Sky's headquarters, on an industrial estate unfashionably near London's Heathrow airport.

Even BSB's launch delays had been managed typically, with its highly-paid advertising team receiving commission on theoretical sales they would or could have made - if only the station had been on the air. The shareholders soon had enough of their free-spending company - and started to get scared of Sky. Virgin pulled out, and Granada, Reed and Pearson decided to push for a merger at all costs.

By October 1990, Murdoch had played a blinder of a poker game and achieved a merger funded by the BSB shareholders. News Corp – still struggling to service its £4bn of corporate debt - became the largest single shareholder. Although each side owned 50% of the 'new' Sky, it was effectively a takeover. Even the eventual flow of profits would go first to News Corp. BSB shareholders gratefully funded the "merger", just relieved to find an exit

Murdoch's relationship with Prime Minister Thatcher presumably helped to secure regulatory approval of the deal, seemingly ignoring the fact that the Sky merger seemed like a clear breach of the terms of BSB's government-awarded licence - and also of cross-media laws in the UK, where Murdoch's newspapers might have prevented him owning more than 20% of any TV channel. That the new channels would be broadcast via a Luxembourg-based satellite was the "offshore" defence used to justify approval of the merger.

By 1992, with News Corp slowly emerging from its own debt crisis, Sky moved into operating profit, although it was still paying almost £3m week in interest charges from the start-up losses of £1.25bn. The game changer was the 1992 formation of English football-soccer's Premier League and Sky's agreement to pay £304m for television rights for the first five seasons. Before then, pay television had been an untested proposition in the UK - like live televised football. But a combination of Sky's strategy, the star quality of the new Premier League, and the UK public's evident appetite for live games made it the start of a period of rapid expansion for Sky. Within two years of securing Premier League football, the satellite broadcaster had 3.5m subscribers. By 2010, its multi-channel services were in 10m homes.

Successive attempts by News Corp/Fox to take 100% control of the listed Sky TV were eventually killed-off by the phone hacking scandals which enveloped some of its newspapers from 2011. And then came the knock-out bid from Comcast which had been beaten by Disney in the race for 21st Century Fox itself.

Despite the reputational success of Sky News and the huge profits of Fox News, in the US, much of the Murdoch TV track record has been in sports and entertainment: operating in parallel with the newspapers which had started it all.

That's why TalkTV is so interesting.

It happens to be exactly 100 years since the pioneering William Randolph Hearst brought together media interests in newspapers, magazines, movies and radio, in the US: the first "media" group. Murdoch has been his successor for more than 40 years.

The world's most successful media entrepreneur has now identified integrated radio-TV broadcasting as the perfect bridge between the print and digital output of its news brands. The logic is clear. Daily newspapers everywhere are haunted by the simple reality that it has proved much easier to build audiences online than to shift revenue from print; even in decline, print is sustaining the profitability of many news brands. And, even in News Corp, there are executives (out of the earshot of the boss) who predict that newspapers will "soon" print only on and around the weekends - editions which, in the UK, already account for more than 100% of the profit of the country's national news brands.

Suddenly, that scenario is less important to News UK than its strategy of using the content, brands, relationships and methods of its famous news brands to build integrated direct-to-consumer, all-media services. Those brands already reach approximately 70% of adult news readers in the UK (39m people).

TalkTV is just the start. We might expect News UK's powerhouse TalkSport (with a market-leading weekly audience of almost 3m and employing some 95 people) to develop a TV channel (although TV sports rights are a possible obstacle). The Wall Street Journal might

just launch into the business TV-digital market currently dominated by Bloomberg and MSNBC.

Not for the first time, daily news brands everywhere have a lot to learn from a Rupert Murdoch venture. But - with TalkTV's costs - there are multi-channel options too for special interest and lifestyle publishers like DotDash Meredith, Future, and Hearst. Just think.

How Drive Tribe got it so wrong

6 May 2022

Ad-funded digital media is under predictable pressure. Vice, which was once valued at $5.7bn, is up for sale, having been forced to abandon its plans to IPO. BuzzFeed, whose SPAC IPO just beat the guillotine, is currently worth some $700m - not that much more than the total spent by early investors - before the acquisition of HuffPost and Complex Networks.

These are just the headliners of a pack of digital wonderkids whose plans may have been spoiled by the sheer availability of easy money: less investment cash might have reined in their ambitions and ensured success well before the almost 15 years it took BuzzFeed, for example, to become profitable. There is a growing number of digital media companies which have survived latterly by cutting their costs and ditching disastrous global strategies. Some have managed to get back to where they should always have been, others haven't been so lucky.

It is ironic that many digital companies have relatively high costs because - 20 years ago - legacy media companies tranquilised themselves with the comforting thought that the internet would eventually help them deliver "new media" inexpensively - without the cost of print, paper and distribution. The trouble is that, by the time many of those newspapers and magazines started to take the web seriously, salivating investors had managed to pump up the cost and expectations of digital. It has taken newsletters like Morning Brew (whose US founders eschewed serious startup funding) to remind us that mere emails can be high-impact, low-cost and profitable publishing, not merely promotional activity for web sites or print.

Digital startups have, of course, spawned some huge new businesses across media, entertainment and information. But extravagant digital expectations and funding have also led many investors to hype startup prospects and also comprehensively discount the value of existing brands, audiences and relationships simply. Redressing this media "ageism" and exploiting the assets and skills of traditional media should, inevitably, be part of the current consolidation.

Meanwhile, a proliferation of good ideas have been wrecked by dreamy business models psyched up by more cash than they needed. The most interesting examples may not be the global news warriors trying to build totally fresh businesses, but narrowcast providers whose richly funded efforts have long bemused mere specialist magazine publishers who best knew the markets (and earning potential).

Entrepreneurs (and their investors) could often do better by grafting their ideas and digital skills onto existing print-centric or events brands. Nowhere is this better illustrated than in the five-year life of DriveTribe, in the UK. It's nowhere near a Vice-scale story but you will sense some similarities.

In 2016, the celebrity presenters of the BBC's widely-syndicated Top Gear TV programme (by then decamped to start Grand Tour for Amazon Prime) described their plans for DriveTribe as "YouPorn about cars". Investors of the now closed site may have wished the description was accurate. In less than six years, motoring journalist-turned-TV-host Jeremy Clarkson and his team may have burned through almost £30m on a purportedly global site which generated a total of only £4m in revenue and failed to build much of an audience or revenue base in the UK, and even less internationally.

Ahead of the launch, Clarkson's on-screen colleague Richard Hammond had told TechCrunch: "Gamers have got Twitch, travellers have got TripAdvisor and fashion fans have got, oh, something or other too. But people who are into cars have got nowhere. There's no grand-scale online motoring community where people can meet and share video, comments, information and opinion. DriveTribe will change that. And then some."

The hype soon had CrunchBase claiming DriveTribe had "grown to become the largest online automotive destination" in its first year. But every time the founders got the attention of media friends, they made it all sound like a schoolboy wheeze: Clarkson and Hammond even called their company W.Chump & Sons (mugs & t-shirts) Ltd. But, within a year, they changed the name to DriveTribe Holdings Ltd: it was starting to get serious.

By 2017, DriveTribe had piled up losses of £12.5m in its first two years. In a way that only excess funding can enable, the company actually generated NIL revenue in its first two years. Zilch. Just to complete the picture, staffing costs and average headcount almost doubled in the second year even though only one of the 44 employees was in sales. The company's accountants could only assert it was a 'going concern' because the balance sheet still had £6m of cash, courtesy of startup investors including 21st Century Fox (before Rupert Murdoch sold to Disney), Atomico, of the UK, and early Facebook backer Jim Breyer. Mattias Ljungman, a partner at Atomico, said he was betting on the startup because of the celebrity founders' "grasp of the sector, the loyalty they command, and the tech talent they've assembled."

The air was thick with stories of rich advertising deals from Audi and Renault, and the millions of users apparently posting to it, taking part in live chats with other "tribe" members, sharing ideas, videos and experiences or playing online quizzes. Millions more were aparently consuming DriveTribe content on social media. But there were plenty of doubters: one online journalist noted that "the site's monthly traffic seems to have been so minimal that it hasn't appeared on ComScore at all so far in 2018, and the few months it was there in 2017, it was under 100,000 monthly uniques in the US".

By early 2020, DriveTribe was forced to concede that - in a worst-case scenario, in which advertising revenue continued to be ravaged by Covid - the company's £2.6M of cash reserves would be insufficient "to continue trading for a period significantly longer" than 12 months. The accounts were signed off in October 2020 after the company said advertising/ sponsorship sales had been hard hit by the UK's March-April lockdown. It declared "..the group is in a startup phase..meets its day to day working capital requirements from equity funding and related party loans… does not require further funding…until 2021 and that the group will receive development tax credits... £300k in Dec 2020 and £200k in Dec 2021."

Here was a business which was depending on £500k of UK tax credits, 40% of which hadn't yet been approved let alone paid.

Newish, tech-smart CEO Jonathan Morris (ex Thomson Reuters and Pearson) described DriveTribe as "A tale of two halves. First, almost a dotcom era high-investment and drive for massive growth with a different team in charge. Second, turned into a proper business. We're well on the way to doing that."

The signs were, indeed, that this was a rather modest, "normal" business, with 2019 peak revenue of some £1.9m and 35 staff. But even in the pandemic and a brave forecast of breakeven in 2022, Morris was saying: "We've gone from a sort of Jeremy Clarkson's weird startup to something slightly unique".

But DriveTribe was not so much punching above its weight as shouting louder. And a new FoodTribe site struggled for visibility in a crowded sector that the company seemed to know little about.

In 2019, DriveTribe had a mere 25-30 content marketing clients / sponsors many of whom may have loved their engagement with an audience which cared for the site and, perhaps, also their products. DriveTribe was for people who loved cars and the claimed 3m fans reportedly visited 3-4 times a month, giving what the sales team said were 9-12m "active users". Morris was working hard to promote its "engagement power" to car manufacturers. But you could feel the pressures as he rubbished programmatic advertising but was forced to keep accepting it. DriveTribe was talking up its "global reach" and an audience in the US but depended, for what advertising and sponsorship it could get, on the UK.

In the event, the company had been on 'life support' for the almost two years since it last filed its accounts with the UK government. Ironically, it closed in January this year - after the pandemic had receded. In the absence of official filings, we have estimated its depressed trading in pandemic years 2020 and 2021 which the DriveTribe owners referenced in their closure announcement.

£m	**2020+2021***	**2019**	**2018**	**2017**	**2016**
Revenue	1.5	1.9	1.1	Nil	Nil
Costs	7.5	5.4	6.4	7.7	3.7
Loss	(6.0)	(3.5)	(5.3)	(8.3)	(4.2)
Average headcount	25	35	42	44	24

In the absence of much public explanation by the journalist-founders who (let's face it) would be hyper-critical of any other 'no comment' company in the same position, we can only wonder how much of the estimated £27.3m aggregate losses were covered by loans from funders and from the founding shareholders. Maybe that is still in discussion as the company is apparently being wound-up (again, there is no confirmation of this in its government filings). One person who may be feeling a bit bruised by the DriveTribe collapse

is media heiress Elisabeth Murdoch who invested £5m in 2019-20, presumably encouraged by 2019 forecasts that DriveTribe would be profitable the following year. Wrong.

The pandemic is an alibi for DriveTribe's failure but former executives tell the story of a profligate company that spent on relatively large developer teams, a revolving door of people: for all the average 25-44 headcount, the company may once have employed as many as 80 people, including journalists and techies. Everybody was having a good time and DriveTribe had all the self-confidence of its famous founders.

Ernesto Schmitt, DriveTribe's first CEO, had thrilled investors: "Our team recognised the huge untapped potential in the digital motoring sphere: there are over 400m motoring fans on Facebook alone." But he quit after six months amid stories of heated arguments with the founders.

But, more than anything else, insiders say the business (which initially chased subscriptions not ads) never had a clear monetisation strategy and seemingly had little idea of what they were trying to achieve. Why else would the company not even try to generate any revenue at all during its first full year in business? And why would the team struggling to make DriveTribe into a viable business choose to divert people and resources to the left-field launch of FoodTribe?

Nothing at DriveTribe really adds up. Even a much trumpeted £350k Audi content marketing contract was scarcely profitable because it involved taking video teams to Africa, Germany and the US.

One of the criticisms that keeps coming is that DriveTribe was never well-connected with the automotive industry, by contrast with the mutual support enjoyed by specialist magazines and advertisers. Perhaps that goes to the heart of what went wrong.

It was once easy to see DriveTribe as the interactive equivalent of the motoring magazines that were once newstand bestsellers in the UK and subscription bankers in the US. One of those magazines, Road & Track in the US, published a telling obituary: "The site never became the hub of car culture that it aimed to be at launch. While it grew an active and passionate community, it remained mostly on the sidelines in the automotive world, with a mix of user-generated and professional content that at times proved tricky to navigate. Niche 'Tribes' also rarely had enough members to feel active."

But, if anything, the failure actually highlights the real opportunity for startups targeting millions of global hobby-sports enthusiasts with off-the-shelf software (not DriveTribe's expensive proprietary systems) and small teams. Really captivating sites can be created with not much more than the captivating but unpaid contributions of amateur journalists, photographers and videographers.

Ironically, that is exactly what DriveTribe did with a CMS that made it easy for contributors. But it also recruited high-priced journalists - as if being a powerhouse of user generated content was not enough. To complete the circle of madness, those same amateurs (who have enlivened DriveTribe for almost six years) have now lost all their work because the

company switched off the system without giving them the opportunity to offload it. How's that for community spirit?

As *Flashes & Flames* unknowingly predicted less than two years ago, DriveTribe's once genuinely exciting website has fallen victim to the disillusionment of its founders and backers. They believe they did everything possible to ensure its success, while managing (among all else) to spend a lot more of their own money than was ever necessary. The pandemic and the silicon chip shortage that is holding back new car sales and promotional budgets are the visible reasons why DriveTribe was forced to close. But there were much more obvious reasons why it could have succeeded - with less cash. It's a sign of the times.

How vulnerable is the 'winning' New York Times?

6 May 2022

The 171-year-old New York Times (NYT) may be the world's best example of the transformation of a domestic daily newspaper into an increasingly international digital news brand. More than 60% of total revenue is now digital. It has a total of 9.1m subscriptions, including a growing clutch of niche subs for the Games (including crosswords and Wordle), Cooking, and now Sport.

In the 10 years since 2012, the NYT has increased revenue from $1.6bn to $2.1bn, its highest total since 2010. It is soundly profitable.

A few years ago, the former CEO Mark Thompson said the news brand had become "far more expert at understanding every stage of the subscriber kind of life cycle, including retention" since even the traffic-heavy first quarter of 2017, as Donald Trump became president and helped to turbocharge news readership. "We are very good now at understanding churn, and even before the coronavirus struck, every sinew of the organization was focused on trying to make the customer journey, and the fundamental experience of Times journalism, so compelling, and so addictive in terms of features which bring you back, day after day, that usage will be high, perceived value will be high, and therefore churn will be low."

The subscriptions success was emphasised to investors this week with Q1 financials which showed the company is moving ever closer to its 2027 target of 15m subscribers. Digital subs revenue was up 26% and total advertising revenue rose nearly 20%. But, despite a revenue increase of 14%, profit was down due to costs associated with the acquisition of The Athletic. Indeed, the fact that the NYT net subscriptions growth of 387k (2021: 301k) included The Athletic may imply a slowdown. But, for now, the New York Times seems reasonably on track to achieve its objective of becoming "the essential subscription for every English-speaking person seeking to understand and engage with the world". It estimates the market as being 135m people so there's a lot to go for.

$bn	**2021**	**2020**	**2019**
Revenue	2.07	1.78	1.81
% print	37%	42%	50%
Op. profit	0.27	0.18	0.18
% margin	13%	10%	10%

Everything about the NYT's transformation underlines its success in reversing the dependence on advertising that ultimately distorted the business model of many newspapers in the last decades of the 20th century. Those were the years when the NYT itself used its cashflow to acquire TV stations, magazines and even sports clubs. Diversification seemed preferable to investing in online. But, in the first decade of the 21st

century, readers flocked to free news on the web, largely provided – unthinkingly - by the newspapers themselves.

The 2008 banking crisis was the wake up call. The NYT was forced by mounting debt and pension deficits to sell-off the ancillary businesses and also to accept a $1bn loan from telco billionaire Carlos Slim (still a 10% shareholder). That was the start of the turn-round.

Having paid off its debt, the NYT pledged in 2011 to pivot away from advertising and become a subscription company. It became one of the first dailies to introduce a paywall and to hire banks of engineers and researchers to track subscribers. It was a slow task but, some three years after appointing former BBC chief Thompson as president, things started to move. Subscriptions climbed from their long-term level of less than 1m to reach more than 6m in 2020 – some four times the historic peak even for print subscriptions in pre-digital times.

The growth in relatively low-priced digital subs inevitably created the challenge for a company which – suddenly – found itself employing 800 engineers and almost 2,000 journalists. Digital subscriptions are, of course, a high fixed-cost business whose success depends on scale, with each new sub generating almost 100% of incremental profit. The 2016-20 "Trump bump" helped fund the NYT plan to build the data skills to predict which subscribers would accept a price increase from the promotional offer which had attracted them.

The NYT approach has been to impose those increases on 80% of new subscribers, with the rest being a control group. The CFO told investors in 2021: "We constantly want to test the efficacy of the model versus a random sample. The real proof… is that we actually now see the retention on those going to full price is slightly ahead of those who don't, which says the model is very good at picking those who have a lower elasticity to price...So we couldn't be happier with the way that's all going."

They were happy also that, in 2020, digital subs revenue exceeded print subs for the first time. But it is notable that, in the first quarter financials this week, it was print advertising that beat expectations and offset a disappointing performance for digital ads.

Although the NYT is increasingly digital, the biggest promise arguably lies in services even less similar to the traditional newspaper. First, there's what is (by far) the world's most popular podcast, The Daily, with more than 2.5bn downloads a year. The free, 30-minute podcast began as a version of the editor-in-chief's agenda-setting morning meeting and is now an attractive destination for advertisers, not least because the audience is consistent and younger than the NYT average. The Games and Cooking apps are believed to generate some $45m of revenue with 40% profit margins.

The NYT's continuing growth partly depends on how it can keep its subs pricing ahead of cost inflation – especially if close competitors like the Washington Post, The Guardian, and The Times of London decide to compete on price.

There may also be some familiar challenges from the past.

For all the “new” growth (digital subs revenue up 29% and digital ads up 15% in 2020-21), print still accounted for 37% of all NYT revenue in 2021. Some 75% of this print revenue came from subscriptions which have consistently been priced-up to offset the falling volume. Even before you consider that the print revenue was almost 3x the operating profit in 2021, it is clear that the risk to continuing growth comes, more than anything else, from the accelerating decline of print.

Like so many lesser news brands, the NYT is aiming for a future without print - but would currently be unprofitable without it.

That is where the NYT might need to reconsider some of its strategy. The company’s simple claim that the acquisition of The Athletic had increased New York Times subscriptions to 9.1m (including 1.2m for The Athletic and 800k for the print newspaper) was a bit worrying, not least because the high-spending newsletter (600+ staff) probably still has hundreds of thousands of very cut-price subscribers six years after launch. If The Athletic's subscriber base was more solid and not subject to high levels of churn, you suspect that it would have found a buyer more quickly.

The pricey $550m acquisition (8 x 2022 revenue) is expected to lose $50m this year and, in the absence of major cost savings, may need to more than double its revenue before it can reach breakeven. The NYT might eventually want to share content with the main news brand as well as establishing a Sport subscription vertical. With its coverage of the English Premier League soccer-football, The Athletic could yet become a particular strength for the NYT including in international markets like the UK. But it may be reluctant to reduce the cost of its journalism - and staffing. Almost uniquely among newspaper-centric companies, the NYT headcount has increased by 16% in the last four years and (ahead of The Athletic acquisition) the number of journalists grew by 18% in 2021. When revenue tightens, the need for painful decisions will become obvious.

Whether this week’s financials are a wobble or not, even the adventurous New York Times Company and its rock solid, debt-free balance sheet could become more vulnerable than we might ever have thought. Nobody should bet against the high-achieving NYT. But the global leadership of quality news is a long race.

The quiet man who has ‘made’ Hearst

13 May 2022

Hearst Corp executives are planning celebrations this year to mark the 135th anniversary of what was, arguably, the world's first media group. (William) Randolph Hearst's heirs and successors will be remembering his pioneering multi-media efforts as he moved from print into movies and broadcasting, a full half-century before Rupert Murdoch. Hearst's place at the head of US mass communications matched towering contemporaries like Carnegie (steel), Morgan (banking) and Rockefeller (oil). He established his own brand of journalism, wrote booming editorials, and boasted that his newspapers "made" the news not just reported it.

But the business so nearly didn't survive its founder.

Hearst died 71 years ago after almost 20 years teetering on the edge of bankruptcy, through extravagance and also boycotts against his newspapers. The fearsome publisher-cum-politician, who is debited with creating "yellow journalism", was lampooned in Orson Welles' 1941 movie, "Citizen Kane". He used his newspapers to serve his flip-flopping political interests, managing to support the Democrat Franklin Roosevelt one year and the Republican Herbert Hoover the next. His papers also blatantly promoted his own political ambitions: Citizen Hearst was a two-term US congressman who tried to become President. But it gets worse.

Before the Second World War, Hearst had even been accused of supporting Hitler. But his newspapers were probably the first anywhere to go big on the seeping, unimaginable rumours of Holocaust in the early 1940s. This huge man with a tiny voice - a warmonger in Cuba and Mexico but a pacifist in Europe - was the world's first media mogul, building a chain of newspapers and magazines that stretched from San Francisco to London. His dailies were famous for eye-catching headlines and sensational stories exposing corruption in local government. At the same time, he liked to think of himself as a journalist and his founding newspaper, the San Francisco Examiner (branded "Monarch of the Dailies") acquired the latest equipment and the most talented writers of the time, including Mark Twain and Jack London.

By the time Hearst died in 1951, his company was profitable again, having spent years selling assets to stave off bankruptcy. In the year of his death, the company made some $2.5m profit - the equivalent of $28m today. But contrast that with the estimated profit in 2021 of $1.5bn. Its $12bn revenue last year was double that of 1999.

Even sidestepping this dramatic recent growth when print media has been shredded by digital, Randolph Hearst's 135-year-old company is a rare example of an optimistic, highly versatile and increasingly global media group that has grown in a (more or less) straight line since his death.

Part of the secret is the corporate stability imposed by the complex trust he established to safeguard the business and the interests of his heirs. As a result, the company is controlled by a 13-member Board, eight of whom are non-family. The family are barred from senior executive positions. And Hearst's will includes a clause that allows the trustees to disinherit any heir who challenges the trust structure.

That is why the Hearst Corporation is still family-owned long after many other such companies (especially ones with potentially so much cash to divvy up) would have had their scions fighting to break the whole thing up. There have been family spats in the courts. After all, even the smartest patriarch can't prevent his heirs getting into marital scrapes in succeeding generations. But nothing has rocked the business.

Outsiders know little more about the trust rules because the family persuaded the courts to seal the contents of the founder's will in the wake of the 1970s kidnapping of grand-daughter Patty Hearst. There are believed to be some 60 beneficiaries of the trusts, which will be dissolved - under the terms of the will - when all those family members who were alive at the time of Hearst's death in 1951 have themselves died. That is expected to be in about 20 years. Meanwhile, the company's spectacular Norman Foster-designed Manhattan headquarters (built from within the shell of Hearst's smaller 80-year-old building) is a symbol of the Hearst Corporation: stylish, imaginative, green, eye-catching - and built to last.

But trust ownership is only part of the Hearst secret. The real key to the Hearst success over the past 33 years is a quietly-spoken man, hardly known outside America, who - unlike Randolph Hearst - has few critics and no visible enemies.

That man is Frank Bennack who was CEO of Hearst for more than 28 years and is now executive deputy chairman.

Bennack has been a Hearst employee most of his working life, since joining his San Antonio, Texas local paper as a classified ads salesman in 1950. Prior to that, he enjoyed unlikely local TV stardom as a teenage compere for "Time for Teens". He became a newspaper publisher by the age of 34 and carved out his Hearst career when newspapers were the family favourites, before becoming a Hearst Corp senior executive in the 1970s.

He became President and CEO for a soaring 23 years (1979-2002) and then again in 2008-13 when he moved back to replace his short-lived successor Victor Ganzi, after admitting to having "flunked retirement". In the process, he became the longest-serving CEO since Randolph Hearst himself, before handing over to former journalist Steve Swartz in 2013. During Bennack's tenures, revenues increased more than 14 times and profits grew 30 times with transformative investments right across a business which now comprises almost 400 companies and more than 20,000 employees. Some 85% of the current Hearst profits are from businesses added during that golden era.

He was 75 at the time of his comeback as CEO and is 89 now, but you wouldn't guess it. His appearance - and quick-wittedness - has always belied his age. And there are other things you wouldn't guess about this elder statesman of media. The smilingly modest Frank Bennack is a challenging blend of good-listener and radical, modern thinker with a flawless memory.

Few people need reminding of the change in the ethics, profile and performance of Hearst in the decades since the death of its founder. But Bennack's transformational four decades are best illustrated by the way that Hearst's most profitable activity has shifted in turn from newspapers through magazines, television and now to B2B information. He took the profits of Cosmopolitan magazine, invested in cable TV start-ups which became big cash generators, which in turn funded the current push into B2B.

The big breakthrough was his 1990 acquisition of a 20% shareholding in the Disney-controlled ESPN sports cable network for $167m. Hearst has sometimes earned almost $300m of its profit from ESPN which was once valued at $7bn. Along with Hearst's other broadcasting, TV has frequently accounted for almost 100% of Hearst profits - just as the magazines (powered by Cosmopolitan) had been doing for two decades previously - and the newspapers before that.

Such strategic evolution has been common enough in media companies, of course. But the Hearst difference is that it sticks with its businesses, even in decline; its policy of reinventing yesterday's winners seems to pay off, as the current growth of e-commerce shows in its magazines.

The whole approach is also seen as respectful of the achievements of the magazine brands and people without whom Hearst would not have been able to invest in, say, ESPN or Fitch. Or the spectacular headquarters building which Bennack once joked had been paid for, effectively, by Cosmopolitan maestra Helen Gurley Brown. Insiders like to contrast the Hearst attitude with the way that the legendary magazine brands of Time Inc created the powerhouse HBO pay TV network, only to be ditched after the Time Warner merger.

While Hearst is a million miles from violent deal-making, it does make big investments. It paid an estimated $2bn for the CAMP aviation software in 2016, five years after splashing $919m on the Hachette worldwide magazine business (outside France).

The Hachette deal made Hearst the world's largest women's magazine publisher, adding a portfolio of more than 300 editions in over 80 countries. The deal also helped Hearst move up the 'value chain' graduating from being primarily a low-margin licensor of magazines (outside the US and UK) to becoming a leading publisher in many foreign markets.

But it was also the kind of deeply unfashionable deal resonant of Hearst's snaffling of newspapers just as everyone else seemed to be bailing out. Many assumed it was an embryonically digital deal for an era when the word 'magazine' would come to mean something digital rather than on paper. But Bennack loves print magazines and once joked that "when people finally land on Mars, they will find a magazine and a cockroach".

The complicated worldwide deal had Hearst executives beaming for months about their "once in a lifetime opportunity". But we can now see that the 2011 acquisition was made almost at the high-water mark for magazines whose advertising and readership revenues have been decreasing almost ever since. Although the Elle franchise, in particular, is valuable even in the new world of e-commerce being colonised by magazine brands, it was a high price. The distinctive Hearst response to such wake-up reality was neither to blame the executives who did the deal nor to hold back from spending a further $210m seven years later on Rodale (Men's Health, Prevention, and Runners World) which increased Hearst's magazines business by a further 10%.

Needless to say, Hearst's first (almost) billion dollar acquisition did not deter Bennack and company from buying CAMP. Or paying $2.8bn to complete their takeover of Fitch Group in 2018 which may have cost a total of $6bn over 12 years. The long-term investment-by-instalments in Fitch illustrates the collaborative, un-predatory Hearst method. It has probably paid $5.5bn net for a company that may now be worth $20bn. It's the same patient, learn-as-

you-go funding practiced by Hearst Ventures which has invested more than $1bn in media-tech businesses over the last 27 years.

The combination of decisive M&A, collaborative relationships, and longterm product development has turned Hearst into a diversified global group with operations in 40 countries. Its major interests include:

Business

- Fitch Group credit rating agency
- Hearst Health incl. FDB and Zynx
- Hearst Transportation incl. CAMP aircraft maintenance systems

Consumer

- Cable TV including A&E, Lifetime, History, and ESPN
- 33 US television stations
- 24 daily and 52 weekly newspapers inc Houston Chronicle
- 250 magazines including Good Housekeeping, Elle, Cosmopolitan, and Harpers Bazaar

Of the estimated 2021 revenue of $12bn, more than 60% of the revenue was generated by B2B, with perhaps 25% of the c$1.5bn profit coming from the $2bn-revenue Fitch, Hearst's largest wholly-owned business.

The growth in B2B investment has been a hallmark of Steve Swartz who is only the seventh CEO of Hearst Corp. He had been a star reporter on the Wall Street Journal and then editor of Smart Money, its joint venture magazine with Hearst, before a 20-year career flew him through the ranks of Hearst's newspaper business, following in Bennack's own footsteps.

Swartz has been all over the steady stream of Hearst investments in business information which had begun in medical and automotive data and accelerated through aviation and the acquisition of Fitch. But, even more dramatic than the shift of Hearst revenue from B2C to B2B in the post-digital era, has been the swing towards subscribers paying for high-value data and away from consumer advertising. That is one measure of the "new" global corporation built by Frank Bennack on the foundations laid by Randolph Hearst.

It was once easy for outsiders to under-estimate the quiet Texan with twinkling eyes who has successfully managed big personality creatives like Cosmo's Helen Gurley Brown; Tina Brown, who launched the ill-fated Talk Magazine with the company; and Oprah Winfrey, who worked with Hearst on her eponymous magazine.

He's a highly strategic boss who always wants to see data as part of any discussion of an existing or potential business; at the same time he wants to hear the ‘story’, why an investment makes sense and to hear that the sponsoring executive is fully committed. As CEO, he always carried a pocket sheet with the 30-year history of revenue and profit of every part of Hearst.

That's the hard-nosed side of the warm, empathetic business leader with real emotional intelligence, described by Hearst insiders as "very human, brilliantly funny, interested in everything, sport, politics, the arts, the latest films and books, drinks neat gin and used to smoke big cigars".

Given the sagging profitability of newspapers and magazines and eroding fortunes at ESPN, it is easy to imagine that any public company investors (let alone the ravenous tigers of private equity) would long ago have screamed that the profit of Hearst's fine collection of media assets is seldom maximised. You can imagine the snide questions of analysts: If cable was such a money maker, why didn't Hearst do even more of it? If magazines and newspapers are getting tougher to make money from, why hasn't Hearst sold them and invested even more in the growth businesses?

But it is important to view it as a wealth management business for the Hearst family: the risks taken are relatively modest, not big 'bet the farm' moves. Some things haven't worked, but the successes have far outweighed the failures. Bennack is fond of saying: "You can make a big deal, you can make a bad deal, but you can't make a big, bad deal." In general, he has hired well: the typical Hearst executive is not flamboyant or flashy and doesn't have a big ego. He has a small group of trusted people who discuss every transaction and strategic move: his long-term friend and business partner, Gil Maurer, his senior lawyer, Jim Asher, CFO Mitch Scherzer and Steve Swartz as CEO making the recommendations and providing robust debate.

Hearst Corporation has seemingly glided through 20 digital years with relatively little disruption either to its revenue or its reputation for consistent, unflashy success. Even when Covid rocked the world in 2020, Hearst made no layoffs or furloughs, health care benefits were expanded, bonuses were paid to literally everyone in the organization for the first time, and millions of dollars were donated to charities in need. And, just to reinforce its confidence in the future, the company announced that all employees would in future be able to earn performance-based bonuses.

Then, something else happened.

A New York Times investigation claimed that the company whose magazines had, for decades, advised American women on their rights and responsibilities was being led by an executive who had fostered a "toxic" workplace environment with lewd, sexist remarks.

The response was an abrupt announcement by Steve Swartz: "Troy Young and I have agreed that it is in the best interest of all of us that he resign his position as president of Hearst Magazines, effective immediately." But the outpouring of similar complaints, reportedly ignored over several years, metaphorically shook the foundations of Hearst Tower.

In some ways, the insider justifications for Troy Young's appointment and (almost) for whatever misconduct were ascribed to a print-digital culture clash. It had been Young, as Hearst's digital chief, who persuaded the then Hearst Magazines CEO David Carey to separate the digital operations from print. When Carey stepped down as magazines CEO, Hearst executives asserted that the two sides needed to be brought back together but "only a digital person could do that". Frank Bennack had reportedly doubted whether Young was the right choice to succeed Carey. But Swartz reminded his management team (with real justification) that Young had turned Hearst into "a world-class digital business."

The Troy Young fallout was a shock for Hearst's reputation as a genteel, unshouty company which prides itself on civility and respect for people. Hearst executives do come and go, but they tend to do so quietly and without rancour. But memories are short and even most insiders had forgotten about Scott Sassa, the short-run president of the company's entertainment division who abruptly left in 2013 after a blackmail plot involving a stripper and sexting. Hearst sometimes struggles with external appointments and you might guess that Troy Young was a learning episode for the company as well as for its newish CEO.

It was, though, more shocking because it contradicted the culture painstakingly developed by Bennack. That's one reason why most Hearst executives thoroughly read his autobiography when it was published in 2019. The life of Rupert Murdoch - the other person presumably inspired most directly by Randolph Hearst - has been punctuated by numerous biographies. But Bennack's book is the only one.

His "Leave Something on the Table" is part memoir and part guide to the 21st century media business. But the title summarises Bennack's philosophy: "The other person doesn't have to lose for you to win in business. When the chips are down, I always try to make that call in a way that is fair and that recognizes the position of the counter-party, whether it's an employee, a partner, or whoever it might be. It's not only polite; it's good business."

Beyond that, one Hearst executive's well-thumbed copy has highlighted the following Bennack quotes:

- "Optimism and a positive attitude are very powerful, particularly for leaders who have tough jobs. If they don't approach it with an upbeat attitude, it's very contagious."
- "Once in a while, put down the paper, put down the book, turn off the television, sit in the rocking chair, and think things over. Think, What have I missed? What's the next most important thing for me to do, not only for my company but for my family and for society? Have I done anything that makes the place better today? If I haven't, I'd better double up tomorrow."
- "It's not currently fashionable to make the case for the high road. It looks longer, and is old-fashioned, and it's easy to conclude that while you're climbing the ladder, burdened by your values, others are reaching the top faster. But, if the stories in these pages suggest a broader truth, it's exactly the opposite: The high road is quicker, with a better view along the way, and more satisfaction at the summit."

Frank Bennack, a year from his 90th birthday, is still to be found in his 44th floor office in Hearst Tower on 2-3 days almost every week: "I'm not running the business day-to-day but Steven Swartz gets a lot of input from me." He still chairs meetings including those of Hearst UK in London, and remains a major part of the parent company's decision-making.

His greatest achievement has, arguably, been to weave his business philosophy and approach into how a large group of global executives operate. Hearst executives are coached to do the right thing "for our B2B clients, our joint venture partners, our advertisers and our colleagues". The international licensees of its magazines - which have contributed many tens of millions to the US company's profits - have shared the experience of respectful dealings over decades. Hearst really does treat licensees as partners in the business.

As the tight executive team of 7-8 - which manages what is now one of the world's best media groups - prepares to celebrate the life, times and legacy of its founder, they know that much of Hearst's success began 28 years after he died. Welcome to the house that Frank built.

How Condé Nast went from mags to Oscars

23 May 2022

Less than 20 years ago, there was a magazine industry full of single-minded companies for whom print was a high-margin business funded by readers and advertisers, and staffed by careerists who never wanted to do anything else. Now, it's more like a party game of guessing what a magazine publisher is trying to become. What is the future?

Many magazines have had to face up to the reality that they often do not "own" much content. They can find themselves exposed in a digital world that increasingly rewards exclusive can't-read-anywhere-else journalism or data, but punishes those who try to bundle it all together as if readers won't notice the different between product puffs and analytical prose. As they fight to increase readership revenues, especially in digital, publishers need to cultivate exclusive, original content because that is what readers will pay for. And, even if you don't care (yet) about online readership revenues, the digital curators of Google and Meta also recognise exclusive content.

Let's agree a new definition of "content" for print-centric media: reading matter that you really can't find anywhere else. Similarly, let's agree - regardless of the 20-year-old trend to describe virtually all magazines as "brands" - that not all "titles" really are brands. Brands are not logos, slogans or trade marks. They are intangible marketing devices whose attributes and characteristics are so well understood by customers that they can be readily applied to new products. Because customers know what to expect from them, trusted brands have the best opportunity to diversify into other products and services.

That becomes a serious issue, of course, as magazine publishers decide how best to diversify beyond print: the real task is not to create ancillary revenue streams (useful as that can be), but to develop new primary business models that will eventually supplant traditional magazines.

That's why we should study the reinvention of Condé Nast, longtime privately-owned home of some of the world's best known magazine brands including Vogue, arguably, the most successful magazine of all. But it is increasingly generating revenue from video, movies and streaming. Its Condé Nast Entertainment (CNE) was launched in 2011 and now produces more than 4,000 videos per year, spanning all genres – documentaries, animation, comedy, celebrity, and how-to – and is distributed across nearly 60 platforms and 2,300 websites. The studio's content has won almost 100 awards including Oscars, Emmys, and, Webbys.

This month, CNE announced its largest video budget yet with 250 new and returning series across 55 global channels, including the expansion of GQ Sports and major spend on live programming following the success of Vogue’s exclusive livestream of the Met Gala red carpet and Vanity Fair’s Oscars red carpet live show. Its productions include:

- "Last Chance U": an Emmy-nominated Netflix series on college sports, inspired by a GQ feature.

- “A People’s History of Black Twitter”: a documentary based on a three-part Wired feature
- "Hillsong":A documentary on the Hillsong Church scandal, exposed by Vanity Fair
- "The Big Day": Six episodes on Netflix exploring the fanfare of The Big Fat Indian Wedding

This next year will see CNE streaming its Allure Best of Beauty, Glamour Women of the Year, and GQ Sports at the Super Bowl. It has also announced that Condé Nast Shoppable - which builds buyable content directly into its series - will allow advertising partners to monetize videos on Condé Nast platforms and social channels. A partnership with XITE, the interactive music video platform, “will bring Condé Nast's culture-driving programming into 100m US households”.

In 2021, Condé Nast recorded a claimed 14.3bn total global video views and an average of 1.3bn monthly views - up 18% on the previous year. On YouTube, it has over 56m subscribers and saw 16% growth across all channels. According to Nielsen, its video network has delivered "10.3m unique incremental viewers" who were not reached by US broadcast or cable - up 6%.

Soaking up the movie-style euphoria that executives projected at their New York presentations, you might not have guessed this is the same 113-year-old company that has seemed to define the prestige of magazines packed with ads on the glossiest paper and whose 'Global Content Adviser', the legendary former Vogue editor-in-chief Anna Wintour, had a reputation for hosting lunches for 50 in her palatial office in the city's World Trade Center. Magazines were everything and, seemingly, no expense was spared in their mission to impress.

That all started to change in 2017 with the death of Si Newhouse, the Condé Nast leader for almost half a century. He had long burnished its brand of elitism. Within months, the company disclosed annual losses of some $120m and an estimated $250m for the previous two years.

It was the trigger for major change. First came a new succession plan which made Steven Newhouse co-president of the parent, the $18bn Advance Publications, alongside his father Donald. Second, came the appointment of Steven's cousin Jonathan Newhouse to be chair of Condé Nast. Third was the 2018 appointment of Roger Lynch as CEO. Although Lynch was a surprise choice and few magazine people had even heard of him, he had an appropriate history of managing companies in transition and had led Dish’s Sling TV through its launch and Pandora music streaming through its sale to Sirius XM. More than that, he had demonstrated an ability to grow digital businesses while also being financially disciplined. He was the first outsider to be CEO of Condé and said his task was to create a 21st century media company that did not yet exist.

Condé Nast had become known for the splendour of its parties, including those thrown by Ms Wintour who is forever linked to the merciless heroine of "The Devil Wears Prada", written by her former assistant. Hundreds of millions of worldwide TV viewers are regaled with annual images of Oscar winners lining up for Vanity Fair's exclusive after-party.

Even its British subsidiary had all the trappings: an imposing seven-storey headquarters overlooking a garden square in upscale Mayfair; Princess Kate on the centenary cover of Vogue; 100 years of the magazine's photographs at London's National Portrait Gallery; and the Vogue Festival on the manicured lawns of Kensington Gardens.

Condé Nast has, for decades, thrilled readers and infuriated competitors. Although the secretive family has seldom discussed financial results, it sometimes allowed itself the subtle boast that some of its best-known US brands had scarcely ever been profitable. The insufferable self-confidence and free-spending nonchalance helped to build a company which now claims more than 83m global consumers in print and 400m in digital and 470m across social platforms. The company that publishes some of the world's best known magazine brands is itself a powerful brand.

Its parent company, Advance Publications, was founded by Si Newhouse's, a son of Jewish refugees from Eastern Europe. He left school at 13 to earn money for his impoverished family of eight children and started working for a judge in his New Jersey hometown. He was eventually given the job of managing a local newspaper his boss had acquired in payment for a bad debt.

He managed the Bayonne Times at the same time as doing evening classes at the local law school. The paper was losing money, so he began to sell the ads himself. He made it profitable and was rewarded with a 20% share, later increased to 50%. He then had the opportunity to acquire another newspaper, the Staten Island Advance, which gave his new company its name.

The deal was followed by decades of acquiring newspapers, magazines and TV stations. By the time he died suddenly in 1979, aged 84, Sam Newhouse owned 31 regional daily newspapers with a total circulation of more than 3m. But that was only the start. Advance had become a nationwide communications empire that also included magazines, books, radio and television stations, printing companies and delivery services. For decades, the newspapers were the profit engines of Advance: In the 1990s, one Condé executive said that the Staten Island Advance made more money than all of Condé Nast, which had been acquired in 1959.

In 1976, Newhouse had acquired Parade magazine, a supplement with a circulation of 30m, inserted in more than 700 US newspapers. The magazine was printed on newsprint and was managed separately from the Condé Nast stable. But its $40-50m annual profits quietly subsidised the loss-making glossies for years.

The Condé Nast name derived from its American founder, Condé Montrose Nast who, in 1909, had bought Vogue, which had been launched 17 years before. He transformed it from a 24-page weekly into a monthly magazine which became the first to establish international editions. British Vogue was launched in 1916, and Vogue Paris four years later on the way to a network of 20 worldwide editions. In quick succession, Nast had launched Vanity Fair and acquired House & Garden. His publishing philosophy was simple: he wanted magazines that would appeal to his elite friends.

Sam Newhouse bought the company's nine magazines 17 years after Nast's death, for $5m. He handed over responsibility to his son Si who was said to have turned the loss-making $20m revenue company into $1.6m of profit within the first year. Si's younger brother Donald subsequently became responsible for managing the family's newspapers and broadcasting.

Si Newhouse steadily transformed Condé Nast into one of the world's best-known magazine companies, with a portfolio extended by GQ, Condé Nast Traveller, Details, Allure, Architectural Digest, Bon Appétit and Wired. In 1983, after a 46-year break, Vanity Fair was revived. His company motto said it all: "Class not mass".

In 1985, he acquired The New Yorker for $200m, equivalent to more than 30x revenue. In 1986, he paid $25m for Citibank's Signature magazine for Diners Club cardholders. He spent a further $15m changing it into Condé Nast Traveller, a transformation so complete that he would have saved millions simply by starting from scratch. The deals underlined the apparent contrast between the profligacy of the magazine-obsessed elder son and the short-money strategies of his father and younger brother at the family's newspapers.

For all his legendary ruthlessness (he sometimes seemed to hire and fire executives on a whim) Si Newhouse continued to spend freely and encouraged his executives to do so too. But neither the words nor the bold, stylish gestures of Condé Nast seemed to match the persona of the shy, awkward and insecure boss. Described as "a mercurial micro-manager of epic proportions", Newhouse, perversely, told his favourite editors to spend, spend, spend "because spending was part of the aesthetic, almost an end in itself."

That was how the company managed to lose more than $75m in the first few years of the revived Vanity Fair. Newhouse encouraged editors like the Brits Anna Wintour (Vogue) and Tina Brown (Vanity Fair and The New Yorker) to spend for exclusivity and prestige. For all his billionaire eccentricities of wandering round the office in his bare feet, wearing worn-out clothes, answering his own office phone, and apparently having an acute fear of financial failure, he was one of the first magazine publishers to launch web sites back in 1995. His story was straight out of Vanity Fair.

In 1996, his whacky world was laid bare by the Wall Street Journal which reported that nine of the company's then 14 magazines were losing money and that The New Yorker (then operated separately) might itself be losing as much again as the whole company. The story was full of lavish detail about huge salaries, interest-free loans, homes and cars for executives. Si reportedly lost more than $150m in under two years on the failed business magazine Portfolio, launched just before the 2008 global banking crisis. Nobody thought it was a crisis for Condé Nast.

But unprecedented cutbacks have come in recent years, including: the closure of the US magazines Jane, House & Garden, Cookie, Elegant Bride, Modern Bride, Mademoiselle, Domino, Lucky, Gourmet, Details, and Portfolio; the merger of Bon Appetite and Epicurious; and the sale of Golf Digest, Woman's Wear Daily, and Brides.

For decades, the erratic profitability had never seemed to trouble the family. That is one way to view Si Newhouse's 55 years at the helm of Condé Nast, where the extravagance was under-written, first by Parade and, then, by huge capital gains on Advance Publications' divestments: Random House Books sold to Bertelsmann for an estimated $1.5bn in 1998; Bright House Networks cable TV to Charter Communications ($10bn) in 2016; and Parade ($350m) in 2014.

Forbes magazine says the Newhouse family is one of America’s richest. In addition to Condé Nast, its fortune is derived from its newspapers, and investments in: Stage Entertainment, The IRONMAN Group, American City Business Journals, Leaders Group, Turnitin, 1010data, and POP. It is also among the largest shareholders in Charter Communications, Warner Discovery, and Reddit.

The big, brave Si Newhouse ideas live on. Take Condé Nast Entertainment itself, which was inspired by the fact that articles from Vanity Fair, The New Yorker, Vogue and even Wired had spawned almost a dozen major movies and TV films over recent years, including: "Coyote Ugly", "Eat Pray Love", "Argo", "Proof of Life", "The Bling Ring", "The Man Who Knew Too Much", "Adaptation", and "Brokeback Mountain" - without Condé Nast receiving any real money. Even the TV blockbuster "The People versus O.J.Simpson" featured the late celebrity writer Dominick Dunne who had exhaustively covered the crime in Vanity Fair.

CNE has not only survived all the blood-letting and right-sizing at Condé Nast and also, for example, the expensively ill-fated attempts to launch an independent e-commerce business which lost more than $100m in just nine months. But it has also developed a unique multi-channel digital strategy for video rather than just becoming a producer-backer of major movies as the late Si Newhouse had predicted.

That is the measure of Roger Lynch's achievement, but he's changed the company in a lot of other ways too. He has presided over its 'normalisation', with formal strategies, authorisations, proper board meetings, the appointment of a first "Global People Officer", and long overdue plans to harmonise IT systems so that content can be shared between magazines and across worldwide brands.

But there has been plenty to worry magazine traditionalists. Lynch has made cuts to what had been fiercely-independent national editions of the magazines and pushed the publisher towards "global editions" with more shared content.

After its abortive e-commerce launch, Condé Nast is now working hard to sell stuff from its pages, including content marketing. It is also getting readers to pay more for content. Booming subscriptions (as well as soaring digital ads) have been the tailwinds helping Lynch to transform the company during the past three years.

But there's been a surprise.

The news that few media insiders expected quite so soon was the recent disclosure that Condé Nast became profitable in 2021 for the first time in several years. Although the private company's known financials are sketchy (and who knows what actual 'profit' has been achieved), it recorded "nearly" $2bn in revenue - said to be some 15% above 2020. It is

believed that $1.2bn of the estimated $1.9bn revenue was generated in the US, the rest in Europe and Asia.

That would have been an especially good Condé Nast performance in the US, not least because Europe which - for many years - generated some 40% of the profit, has fallen sharply. In 2020, the UK, Germany, Italy, Spain, and France generated total revenue of some $260m - 40% down in the last four years. The European business has slid into losses just as the US has broken back into profit. Revenue in the UK - long the European flagship of Condé Nast - has almost halved in the last four years. In 2017, Europe had made operating profit of some $40m while the US had been lossmaking to the tune of $120m.

That's the sobering context for Lynch's streamlining of a business, which had been a sprawling collection of international publications operating independently of each another. The reality is that the US-based business is becoming a great case study of how a long-established magazine publisher - more dependant than most on luxury advertising - has been able to leverage its brands, content and relationships. Some speculate that Condé Nast Entertainment might already account for more than 20% of total revenue.

Lynch has described Condé Nast as a "majority digital business," with more revenue now from digital ads than print ads. But he wants to shift the company away from its dependance on advertising overall, towards readership and e-commerce (said to be about 25% of current revenue).

There may come a time when CNE not only accounts for most of the Condé Nast profit but also scarcely depends on the magazines at all. Most may have morphed into video channels, TV shows and production companies.

Many things are different about Condé Nast, the very individual company which has launched fashion colleges, cookery schools, and magazine-branded eateries around the world. But many more magazine (and newspaper) companies, large and small, could emulate elements of its brilliant transformation from print to video. Think of the future.

Is this the future of the UK's largest news group?

27 May 2022

Jim Mullen, CEO of Reach Plc, the UK's largest newspaper group, sounded positive when he announced the listed company's results for 2021:

- Revenue up 2.6% to £615.8m and EBITDA up 2.7% to £165.4m
- 25% digital growth more than offsetting the decline in print
- Growth in first party data with 10m online reader-user registrations

The CEO said: "Our strong balance sheet and cash generation underpins continued investment as we transition to an increased mix of higher quality digital earnings."

Investors have been relatively positive about the changes since Mullen's appointment in 2019 perhaps, especially, the decision to reintroduce shareholder dividends last year. But the 30% fallback in share price in the last month (and 58% year to date) reflects underlying concern about the economy and also Reach's exposure to sharply rising print, paper and distribution costs for a company which still generates almost 75% of its revenue from newspapers.

£m	2022(est)	2021	2020	2019
Revenue	615.3	615.8	600.2	702.5
EBITDA	151.3	165.4	161.0	174.9
Margin	25%	27%	27%	25%
EPS	33.8p	37.6p	34.4p	41.1p
Digital / % revenue		24%	20%	15%

Behind those erratic numbers is a traditional media company which is haunted by its history.

The group, successively known as Mirror Group Newspapers and Trinity Mirror, sprang from the Daily Mirror, which had been founded in 1903 (like the Daily Mail before it) by tabloid pioneer Alfred Harmsworth. Sixty years later, it became part of IPC (whose magazines eventually became Time Inc UK and, latterly, part of Future Plc). The Daily Mirror soared to a circulation of more than 4.5m and, for decades, managed to combine its role as a racy red-top with serious, left-leaning political coverage and some of the UK's best-known columnists. But its role as a powerhouse tabloid was disrupted by Rupert Murdoch who persuaded the Mirror's then owner, Reed International, to sell him a struggling newspaper called The Sun. He quickly turned it into a direct rival for the Mirror.

Within 10 years, a succession of punchy editors had turned UK journalism upside down and transformed The Sun into the country's best-selling daily with a raucous mix of football, sex and celebrity. Even today, its sales are about double those of the Daily Mirror which, en passant, had to contend with being pillaged by its 1980s owner, the late Robert Maxwell.

Decades before, the Daily Mirror had been the model for Axel Springer's Bild which, ironically, supplanted it as Europe's largest-selling newspaper. The UK tabloid and its stable-mates The People and the Scottish Daily Record remained in crisis after Maxwell's 1991 death, before merging with the regional newspaper group Trinity in 1999. In 2018, it acquired the Daily Express, Daily Star and OK! magazine from Richard Desmond for £200m, which further increased the dependance on print at a time when rivals were investing more heavily in digital.

The history weighs heavily on a company which in 2021 paid £76m (46% of EBITDA) in pension arrears and compensation for historical claims of illegal phone hacking. The impact of those commitments is, arguably, seen in the relatively limited organic development and average capex of only £3.6m for the last two years. It is easy to feel that Reach's resources and ingenuity are, by necessity, concentrated on the push for digital advertising, with the seeming inevitability of sales decline in its paid-for newspapers being mitigated "only" by cover price increases.

Despite the strategy of no digital paywalls - which presumably has also accelerated the copy sales decline of its daily newspapers (down by 40% in two years) - Reach remains a powerful UK media company. It has more than 100 national and local newspapers with a monthly print and digital reach of 48m, some 80% of the country's online population. This digital audience is claimed to be the fifth largest in the UK, only beaten by Google, Meta, Amazon and Microsoft. It has almost 1m daily sales of national brands like the Daily Mirror, Daily Express, Daily Star, The People, and Scotland's Daily Record, and regional flagships including: Manchester Evening News, Birmingham Mail, Liverpool Echo, Bristol Evening Post, Leicester Mercury, and Newcastle Journal. It also publishes more than 300 newsletters with an estimated 50m monthly page views.

In many ways, the Reach newspaper business is built on the UK's obsession with football (soccer). It has daily papers in virtually all the cities represented in the cash-rich English Premier League and many others. Matchday digital traffic is huge in many of the soccer cities. The company, therefore, seems to have the capacity to create any number of paid-for and free local and national services to exploit the strength of its football reporting and also to tap into the biggest paymasters of The Beautiful Game - betting and pay TV. But Reach executives seem preoccupied with maximising their free digital audience and the programmatic advertising that goes with it.

That's why we might expect a better-funded (and more resourceful) company to seek to acquire the UK's largest news group.

Enter Future Plc. Zillah Byng-Thorne, CEO of the UK's largest magazine group, said last year: "We have thought about [acquiring a newspaper business]. If you had asked me this question five years ago, I would have said absolutely no, but life has taught me to not rule out anything. If you look at the New York Times, it bought the Wirecutter, so it had a convergence into specialist media. If you think about the combination and benefits of that, then there are some interesting plays there."

The listed Future, whose revenue is 60:40 UK-US, last week reported a 51% increase in operating profit at a 33% margin with cash conversion of more than 100%. The performance reflected the early success of Future's three largest acquisitions - TI Media, GoCompare, and Dennis - costing some £1bn in the last two years. But it's striking because it reflected strong growth in all revenue streams: digital advertising (+5% and even stronger in video), e-commerce/ price comparison sites (+100%); and even magazines (+3%, and 5% in subscriptions).

They are just the latest results to demonstrate Future's success in building e-commerce and digital advertising while also reviving - against the odds - a large print magazine portfolio. Even investor admirers of the Reach strategy recognise that the 37-year-old Future should be a role model, especially for e-commerce which the news group has, surprisingly, not yet exploited on any scale.

Last year, some 36% of Future's £607m revenue came from e-commerce, a steamroller strategy which began with click-through sales for the company's young male tech-focused audience. But its 2020 launch of PetsRadar in the US, for example, now has 885k monthly global users and reportedly generated $1m in e-commerce sales in just five months of 2021-2. Future's GoCompare price comparison sites clearly dovetail with its click-through retailing but so does its burgeoning video activity in the US and UK which is already being integrated into e-commerce. They are all reasons to speculate about the potential magic of combining Future + Reach.

Many of the potential revenue-building synergies are easy to identify:

- **Retail:** Roll-out e-commerce and price comparison services for the 70% of the population who get their news from Reach
- **Advertising:** Create the UK's largest audience for digital and print advertisers
- **Circulation:** Reverse the decline in newspaper circulations through magazines and membership/subscriptions
- **TV-streaming:** Create shoppable online video channels (eg in homes, women's interest, personal finance, sports, and tech)
- **Global news:** Develop a UK and international rival for Daily Mail Online…?

If you assume that Future could probably acquire the listed Reach from its shareholders for, say, £490m (1.3 x current share price), the total cost including the £117m pension deficit and a safety-first provision for settling historic phone hacking claims might be £700m - about one-third of Future's current market cap.

That total price could be justified by 10% cost efficiencies of, say, £40m and early e-commerce profit of some £10m. On that basis - without calculating sales improvements or new product development - Future could produce a Reach operating profit (2022 basis) of at least £200m (+30%) for a valuation of 3.5 x - before execution costs. There's a lot of room for manouvre, and Reach's financials (and its pension deficit) may deteriorate under the pressure of a feared advertising recession and sharply rising paper prices (10% of total Reach costs). Its investors may be tempted to support a more modestly-priced deal.

There would be complications, of course, including those historic liabilities and also the cost of transforming a news business which owns numerous printing plants and is, consequently, more capital intensive than any magazine group. But they are also among the reasons why Reach Plc is still independent and available to be acquired.

The opportunity for Future Plc to become the UK's largest publisher of news as well as magazines, could be a third big strategic move under Byng-Thorne in her eight years as CEO: first it was all about **audience data** with the pioneering e-commerce exploitation of what had been a fragmented print-centric portfolio; second came the shift to exploiting major magazine **brands** with the acquisition of TI Media; next could be the biggest shift of all to become truly **mass market** in the UK across news, sport, specialist media, and e-commerce in print, digital and audio-video. The synergies could be compelling. Just watch.

How Endeavor B2B got to $200m in four years

10 June 2022

Business success is all about timing. Of course. Predicting trends is almost worthless without a timescale. That's why the debate has moved on from whether print will survive or not, to how it can be used to create a "runway" to a new long-term business. It's also why the largest consumer magazine groups in each of the US and UK (Dotdash Meredith and Future Plc) are owned by very digital companies which understand the value of brands and communities. Many of those magazines are still soundly profitable with audiences which can fuel data-filled expansion in, say, e-commerce; others are potentially powerful platforms, despite revenue erosion.

In B2B media, things can be even more interesting because audiences frequently remain captivated by historic industry magazines long after the easy money has gone. Many print-centric B2B brands might out-live their B2C counterparts but they can also find it easier to transition to digital. They can become the perfect runway. But you wouldn't guess it from the way that even strong print brands continue to be divested cheaply.

Among the best evidence that print has been over-sold is Europe's fastest-growing B2B publisher, the £60m-revenue Mark Allen Group. The family-owned company has increased its revenue four times and EBITDA nearly 10 times in the last 10 years - fuelled by the acquisition of 23 mostly-print businesses for a total of about £54m, at an average price of 4 x EBITDA.

There's another case study in Nashville, Tennessee, a city best known for its country music and also for being a world leader in the publishing of Bibles. In the last four years, Endeavor Business Media (EBM) has acquired no fewer than 22 B2B publishing companies including nine so far this year. It has paid some 2-5 x EBITDA for these companies including 86 print magazines. It will have $150m of revenue this year - up from $125m in 2021. With a 2022 run-rate of some $175m, revenue should exceed $200m next year, with an EBITDA margin of 20%. Given the pace of acquisitions, we may assume there are more deals underway. But, at this stage, EBM is set to make 2023 profit of at least $40m - a 3x multiple for the estimated $125m of debt-funded investment. It now employs more than 700 people.

The company was formed ago by Chris Ferrell, former CEO of SouthComm Communications, a local media business that had evolved from Village Voice-like "alt weeklies" to B2B magazines, before selling everything off and going out of business.

A 2004 announcement of Ferrell's appointment as publisher of the Nashville Scene magazine paints the picture of someone "who has uniquely positioned himself at the nexus of business and technology, politics and religion in Nashville, a city where disparate social spheres overlap and interweave. A graduate of Furman University with a master's in divinity from Vanderbilt, Ferrell is a lifelong Baptist—but he's also been the honorary grand marshal of the city's gay pride parade. He's a businessman who voiced support for a living wage, and

a council member who championed affordable housing before it was cool…in 1995 at the tender age of 26, Ferrell was the youngest person... elected to the metro council."

He had worked for two internet companies, Telalink and CitySearch, run a marketing firm and a company providing performance improvement, customer service and management training for hospitals. The Nashville Scene loved the man it described as "a businessman and a preacher, a politician and an internet pioneer."

Within a few years, Ferrell was CEO of SouthComm as it diversified into B2B magazines. He fell out over his determination to go all-in on B2B. He then acquired his former employer's B2B magazines for Endeavor Business Media which he had formed with the Nashville-based Resolute Capital. That was in 2017. The following year, they acquired seven other companies, including Penwell energy publications divested by trade show organiser Clarion for an estimated $30m. In 2019, it bought 20 B2B magazines from Informa Plc for almost $60m.

In 2022, it is estimated that the acquisitions from SouthComm, Penwell, and Informa (some 40 brands in total) will generate 75% of EBM's revenue whose major brands include: Industry Week, Electronic Design, Buildings, T&D World, Oil & Gas Journal, Firehouse, and Motor Age. About 50% of the EBM revenue comes from digital, 35% from print, and 15% from events.

Ferrell has the infectious enthusiasm of a CEO who has been doing a deal every two weeks in 2022. His rationale for EBM draws on the strength of vertical B2B specialists in the US like North Star Travel, FreightWaves, HMP Health, and Hanley Wood (construction). But it's ironic because, although the fast-growing EBM has its strongest revenues from four broad sectors (manufacturing, industrial technology, transportation, and building, it actually operates in no fewer than 12 markets including security, energy, city services, dentistry, and healthcare. Its wide-ranging portfolio seems to be much more like the traditional B2B publishers in the US (Cahners, Penton, and CMP) than the new-style vertical specialists. Like the former multi-market B2B companies, EBM may come to realise that a long tail of small 'adjacent' brands seldom contributes much to the performance of content-strong market leaders; they can become an expensive distraction.

The Nashville-based company has developed an enviable reputation for digesting acquisitions and for quickly getting financial and content systems integrated. It has already injected real energy into some tired brands. But what's the strategy? For all the talk about centralised systems, video studios, audio facilities and the move to digital - at least some of which may contradict the declared mission to build integrated, specialist teams in large verticals - there is relatively little sign of a determined move, for example, to build readership revenues. Like many companies, EBM's apparent diversity of revenue amounts to an overwhelming dependence on inter-related advertising, content marketing, and sponsorship. But that's just the start.

These are early days, of course. But one inevitable result of putting together a large number of acquisitions and a sizeable workforce during these pandemic years is the inevitable side-stepping of location strategy. Where once the post-acquisition location of individuals or

businesses required positive decision-making, the whole WFH culture has almost dictated the need to maintain the status quo. That's why EBM has 10 publishing locations dotted all over the US and many of its people working from home.

None of this is a challenge to efficient systems, data and financial control but it can become a considerable handicap for a company needing to build a distinctive culture and fast-track its organic development. And that is the point.

There is a reason why it is smart to acquire print-centric, advertising-dependant brands from companies which have (more or less) given up on them. Arguably more in B2B than anywhere else, these assets can provide the perfect, low-cost runway to a digital future with diversified revenues. But building creativity and new product development calls for the kind of teamwork and flexibility which is, let's say, a bit more difficult between strangers and at a distance.

Chris Ferrell's investors may be pleased at the company's progress in racing to $200m of revenue and $40m of EBITDA. It is now one of the largest B2B publishers in the US. In that sense, it is comparable to the impressive Industry Dive, which is known to be seeking new investors almost three years after it was acquired by Falfurrias private equity. The process will be closely monitored by existing and prospective EBM investors. But CEO Sean Griffey's 10-year-old digital company has a robust strategy of producing well-branded, formulaic newsletters and diversifying into paid-for information and events. It has made some acquisitions but Industry Dive has been a lot more about organic growth - and 30% profit margins.

Endeavor Business Media itself now has the task of creating a distinctive strategy to appetize investors.

There are many possible options, most of which involve focusing primarily on a smaller number (maybe 5-6) of the 'best' sectors. It could, for example, identify the opportunities for statistics, research and paid-for information in these "super sectors" and launch standardised, paid subscription newsletters/ digital services with a shared branding. Research, data management, production, and marketing would be centralised. The strategy could help the publisher leverage its most venerable brands, build substantial new revenue streams - and create a distinctive, market-leading company. None of that would preclude current plans to exploit the first party data of its 9m reader-users for digital advertising and lead generation - and squeeze profits from what is a large B2B portfolio.

It's all possible - and might just become more urgent if a recession slashes advertising budgets. After the spending spree, it's all about the runway.

Will Aussie brand fill the Time Out gap?

24 June 2022

It is 54 years since Time Out magazine was launched by UK student drop-out Tony Elliott. This month, the magazine which kicked-started a worldwide portfolio of magazines and guide books, is publishing its last printed edition in London. The company plans to concentrate on digital information and the expansion of its food markets across the world.

The magazine closure poignantly marks the second anniversary of the death of the visionary founder Tony Elliott from cancer. But he had long since lost his fight to keep control of the business.

Time Out was effectively rescued in 2010 by Peter Dubens, a low-profile, tech-focused investor, whose Oakley Capital in 2016 sold the sizzle for its IPO: “Since Oakley’s initial investment, Time Out has significantly grown and developed its digital media and e-commerce business, transitioned the magazines to a free print model in key geographies, consolidated the brand ownership by acquiring back the key licensee territories and acquired the Time Out food market in Lisbon, Portugal."

But, six years later (and even after successive capital raising) the company's market cap is 15% below the IPO valuation - and it's still lossmaking. For all the growth in its food markets, Time Out is still dependant on digital advertising but the print revenue has fallen to £3m - 60% down in 10 years, and now that's coming to an end.

Time Out is no longer primarily a media brand.

The future depends on its concept of food markets (bringing together a city’s best restaurants, food shops and culture under one roof) which had begun eight years ago in Lisbon, Portugal and which now extends across North America, the Middle East, and Asia.

It's very different to the 1968 of the US assassinations of Martin Luther King and Bobby Kennedy, street battles in France, Russian tanks suppressing the Prague Spring, and violent anti-Vietnam war demonstrations in London. That was the year when Tony Elliott produced the first edition of Time Out from his mother's kitchen table, on his summer vacation from Keele University.

The magazine started as a fold-up A5 black & white sheet. Elliott himself sold copies for one shilling (5p) on the streets of Central London. It covered the youth issues of the day including racial equality and police harassment. The first issue featured a Ronald Reagan movie season, and an "AgitProp" section which listed all the week's political meetings and demonstrations. It invited readers to "meet the fuzz" at an anti-Vietnam war march.

Elliott was fascinated with the underground culture of 1960s London and the apparent need for reliable information about what was going on, in the arts, sports and political activism. Early issues even helped promote some well-publicised, illegal "squatting" at prominent

(but unoccupied) London houses. Time Out was an instant success, and the ads started flowing in.

Over the years, the magazine shed its political roots and swelled to a 110,000-circulation weekly at its peak, but it remained the trendy voice of London. There were troubles along the way, including a 1981 strike by journalists who walked-out to start a co-operative-managed rival, City Limits, in protest at Elliott's decision to scrap his policy of paying all journalists the same (yes). That rival lasted more than a decade, while Richard Branson's well-funded Event magazine, closed after just six months.

Time Out gradually shed the politics and grew to become London's leading lifestyle and listings magazine, then expanded into New York and other cities in the 1990s, as well as publishing best-selling city guides around the world. In the 1970s, Condé Nast was reported to have offered £100m to acquire it. Although the offer was never quite that high, Elliott came to regard the US owned glossy publisher as the perfect partner, the one that got away. There was no shortage of lesser suitors with which he flirted. But the history of Time Out has been punctuated by financial pressure. It always had many more plans than cash.

Elliott had been determined always to remain in sole control of his business. He was a popular, enthusiastic and passionate boss who never quite trusted anyone else with his brainchild. A former colleague once said: "Tony is a suburban cottage industry. He's essentially a small shopkeeper."

But, by 2004, the Time Out founder was saying: "The company was started with no money and we've traded for 36 years and constantly expanded using profits and bank backing. Its reached the point when, if we could find the right financial backer, it would make a lot of sense for me to sell between 15-30% of the company to give it some working capital and so I can take a bit of money out."

Three years later, Elliott gave an unwitting clue to the company's financial fragility in a newspaper interview: "One of the reasons my salary is so high is so I can service a huge mortgage on my £5m six-bedroom house in St John's Wood. The plan was to reduce the mortgage by taking dividends out of the company in bite-size chunks over the years, but we're continuously expanding so I've never done that. In the meantime, I end up being the bank guarantor for the business overdrafts because I've got such a valuable house, so I have to have it."

Time Out had a number of very profitable years, but the founder seemed unconcerned about the losses in between. And, while the magazine industry was consolidating, Elliott clung to his independence. He had always been much more interested in ensuring the quality of magazine content than in managing the business fundamentals, even though he himself made almost all the company's key decisions.

He frequently spent months with a succession of financial advisers and brokers discussing how to raise capital for the cash-strapped business. But interested investors wanted to know how they could ever earn a return on their cash if there was to be no change in Time Out's no-low profit strategy or an eventual sale of the business.

Elliott was having none of it. The result was that his widely-admired company perpetually lacked the funds to support its ambitious strategies. And that was even before digital disruption shook the foundations of print media everywhere. While his magazine had survived an onslaught of new UK print listings rivals, the web caught him flat-footed. Time Out's listings content made it especially vulnerable to replication online.

The irony is that Tony Elliott was an early buyer - more than 15 years ago - of all the latest Apple gadgets, while Time Out itself was falling behind in technology. His cash-strapped sites around the world did not even share a common platform.

Although the company subsequently developed its digital audience, it never had the robust strategy or the investment with which to counter falling advertising and copy sales (which eventually prompted the switch of most Time Out editions to free distribution).

The once-golden magazine gradually ran out of options.

In November 2010, Oakley Capital bought a 50% share in a deal which paid-off Elliott's company and personal debt and valued Time Out at some £20m. The Time Out founder sounded enthusiastic: "I have considered many potential investors over the last seven years to help the brand with the next phase of development and I believe that Oakley Capital, with its entrepreneurial operational focus, will help us with this. I genuinely believe that I have found a real partner for what I expect to be a hugely successful worldwide digital journey."

But the 50:50 partnership lasted just six months.

The business soon needed more cash and, in exchange, Oakley increased its shareholding to 66%. Tony Elliott had lost control. Before the £195m IPO, his shareholding had fallen further, to 2.6% and, after the IPO, to just 1.4%. Having relinquished the chairmanship, the Time Out founder spent his last years merely as a non-executive director of the company he had built.

Time Out is a 54-year-old media parable. It pioneered a magazine style across entertainment listings, classifieds, and the arts in many cities, and went global with its travel and restaurant guides. But the financials never quite caught up. The upshot is that the founder - who had, for so long, been reluctant to reduce his 100% ownership - lost the lot for a small fraction of the millions he once waved away. And, now, the very survival of the legendary brand depends primarily on the success not of media but of food markets.

But an Australian entrepreneur may just be preparing to fill the gap left in London by Time Out.

He is Nick Shelton, founder of the 12-year-old Broadsheet Media which self-describes as "the authority on the cultural life of your city". It's a highly successful digital media brand, with a free quarterly print magazine which had a pre-pandemic circulation of 100k.

His inspiration, ironically, was London where he was living in his early 20s (during 2005-6). He was struck by how difficult it was to engage with the cultural side of the city: "You had to

know people who held the information. There was no media adequately serving as a resource for the city. Especially online. When I returned to Melbourne, I found my city was going through an exciting cultural boom. The food culture, in particular, was booming. However, again, there was no media covering the city in a way that reflected it. So I launched Broadsheet... and found an audience that quickly adopted it. We launched Sydney two years later and are now across the five Australian capital cities, and in New Zealand. "

But (apart from working for a catering company in university and as a barista in London), Shelton had experience neither in media nor hospitality.

Broadsheet was launched with a A$20k bank loan (secured on his parents' house). All the growth has been funded from cashflow. The business was soundly profitable in three years and is believed now to have A$10-12m revenue and A$2-3m of EBITDA. Some 85% of revenue is from advertising and 15% from branded product sales (of books, wine and art) and affiliate revenue.

Shelton retains 100% of the company which is now in the early stages of building membership (A$10 per month or A$78 per year). He expects the "Broadsheet Access" - which gets members into booked-out restaurants and sold-out shows - is to generate 30% of all revenue within three years.

Broadsheet employs 70 people (50 in Melbourne, 15 in Sydney), some 40% editorial. Over the past 12 years, it has produced lots of video and audio and has published five big-selling cookbooks. The site claims almost 2m monthly uniques and is credited with creating huge traffic for restaurants it recommends. It has also been responsible for its own pop-up restaurants and cafes.

Although the stylish web site covers all the lifestyle and cultural components of a city, food is at the heart of Broadsheet: "Our aim is not simply to tell you about a restaurant opening – we'll spend time in the kitchen, chatting with chefs over the clatter of pans, and to the designers while poring over their drawings. What we're excited about is not led by breathless hyperbole, but specifics. We don't need to tell you your city has great cafes. But, by telling you who's making them great, and why, and where you can find them, we want to add to your insight into what makes the city tick."

But Australia and New Zealand may be just the start for Shelton who plans to internationalise his company: "We are looking very seriously at further overseas expansion. We believe we have a brand and a model that will work in any culturally rich market."

Ironically, he's been in London this month, just as Time Out prints its last magazine. Not many years ago, Nick Shelton shared always-learning lunches in the city with Tony Elliott. Will those memories inspire him to launch Broadsheet in the UK?

How Sandow’s $1.9bn redefines B2B media

22 July 2022

For increasing numbers of newspaper and magazine publishers, affiliate e-commerce has become a high-value substitute for lost advertising revenue. But, ironically, B2B publishers - many of which have demonstrated their versatility by diversifying into trade shows, training, research, and consultancy - have been slow to get into online retailing.

They should be inspired by Adam Sandow, a Florida-based publisher of design and architecture magazines for designers and high net worth consumers. His brands include: Interior Design, Luxe, Metropolis, and New Beauty. His portfolio has always been a captivating blend of B2B and B2C.

In 2018, he came up with the idea of establishing a B2B marketplace for designers and architects to get samples of textiles, wallpaper, flooring and paint. Four years later, his Material Bank operates a huge logistics facility with millions of samples from more than 500 brands. It's used by up to 100,000 professionals, is believed to have revenue of some $100m, and has a waiting list of thousands of designers. The company was valued at $1.9bn in a recent funding round, and has raised a total of $325m.

The amazing project was sparked by Sandow's awareness of the frustrations of an industry, and he worked out how best to use tech to meet the requirements of people who happened to be his readers and advertisers. Traditionally, designers and architects would browse through catalogues (one for each type of material) and then order various samples from each individual brand. They often also had to visit local showrooms which only had a small selection of samples. They then requested swatches of carpet and other samples from countless manufacturers, trying vainly to keep track of them, knowing that delayed samples meant expensive delays in building projects.

Sandow observed a building materials industry that had been slow to change and said: "Some of this search had moved online... but it was still highly fragmented and incredibly inefficient. A single resource for design professionals didn’t exist, and I saw the opportunity to dramatically improve the specification process. I had built a very successful design and architecture media company, so we knew the architects, interior designers, brands, and manufacturers intimately - and had gained their trust."

The publisher's commonsense analysis was the easy bit.

Sandow spent years of research into how best to use robotics and the latest AI technology to pick, pack and achieve the distribution speed of Amazon. And that's what he has done at Memphis distribution centre - crucially close to FedEx's world hub. State-of-the-art robots process the online orders, drive to warehouse locations and signal the material they need to human workers who find the samples and 'hand' them to the robot for delivery to the packing area. “On any given night, we handle tens of thousands of materials going out to the industry. We couldn’t do it without robots.”

Revenue comes from the manufacturers and vendors who pay a monthly fee to be included in the marketplace, and additional fees when their items are ordered. The service is free for users.

In ways which highlight its integration with an information business, Material Bank provides highly qualified sales leads, creating a new customer acquisition channel. But it can also offer suppliers the ability to expand into new material categories, offer new products, and grow in new geographies.

The fundraising is helping Material Bank to fast-track development of new digital tools and also the acquisition of complementary businesses including:

- Clippings: UK-based procurement platform for the interior design industry
- Amber Engine: Detroit-based product data technologist
- Architizer: US database of 3m architectural images

Material Bank operates in the US and Canada and has recently expanded to Japan, and expects to launch an adjacent service tailored to residential brands for customers who will be able to purchase samples.

Sandow's business interests are unusual in many ways, not least in this breadth of diversification. But he has always been distinctive. The company - focused equally on upmarket consumers and design professionals - saw the newsstand as the best way to sell upmarket magazines at premium cover prices, even in the US where posted subscriptions were the norm. Cleverly, he went further with the launch of the Media Jet distribution network targeting private jet passengers. He also acquired research and consulting services years before some B2B publishers started to do the same. And his New Beauty magazine was years ahead of major women's magazine publishers in charging its readers to be the first to sample new products. Perhaps that sampling service was the seed of Material Bank.

Three years ago - even before the business had become profitable - Sandow said: “I think one of the best examples of how a media company can use its strength, its connections and its influence in the industry to build a tool that is frankly used by an entire industry is Material Bank. We are completely changing how designers are doing their jobs and the growth is unlike anything we’ve ever seen.”

But this brilliant innovation - and two decades of Sandow's own lateral thinking - sprang from an almost typical publisher's knowledge of the workings of a B2B vertical: “Material Bank came from a deep understanding of the industry with lots of real, serious connections. I’ve seen just how inefficient this part of the industry is. I spent years researching this, sitting down with CEOs, sitting down with designers. I took a clean sheet of paper and thought of how to solve this. I heard the pain points and complications, but I also understand the necessity of the sample. That’s never going away. No one is building an 800-room hotel and buying carpet from virtual reality.”

There will not, of course, be many publishers (or anyone else) with the vision and appetite to create a business like Material Bank from scratch. But it still has fundamental lessons for B2B and specialist media everywhere, including:

- There is, increasingly, no 'hard' border between B2B and B2C media - for readers and marketers. Business people and 'prosumers' share interests.
- There is more opportunity (and less conflict of interest) in online retailing than there once was - when advertising was a larger revenue stream for publishers. Why are so few B2B media involved in e-commerce or even collaborating in digital marketplaces?
- Expert niche market knowledge can help to identify major new business opportunities that don't fit the traditional definition of 'media'. Market knowledge and relationships - not "just" the brand - provide the key to diversification. It is almost a decade since Adam Sandow said: "Our goal as a media company is not just to migrate print readers to online but to “layer on” businesses that will allow us to continue to grow and come up with new ideas and strategies."

Think about it.

Lloyd’s List sold. Informa does it again

4 August 2022

Informa Plc, the UK listed information and events group, has sold 80% of its Lloyd's List Intelligence to Montagu private equity for £308m. The deal values the £42m-revenue maritime information business at £385m ($458m) - 23x operating profit and 9x revenue. Montagu last month acquired Informa's Fund Flow Intelligence for £162m.

Lloyd's List Intelligence is a global provider of maritime data, insight and intelligence to the shipping and transport industries. It had once been owned by the Lloyd's of London insurance market.

The sale represents another high-price deal for Informa whose post-pandemic divestments have now totalled £2.5bn ($3bn) including the £1.9bn sale of its Pharma Intelligence to private equity.

It also ends the company's historic association with Lloyd's List, the 296-year-old former daily newspaper whose £300m merger with International Business Communications led to the creation of Informa in 1998. That was the start of rampant deal-making under the two former CEOs Peter Rigby, of IBC, and David Gilbertson, of Lloyd's of London Press.

In 2003, Informa snapped up the privately-owned PJB Publications (publisher of Scrip and other pharmaceutical industry newsletters) from under the noses of bigger rivals. The £120m deal was the company’s largest (so far), transformed its life sciences portfolio and was characteristic of many subsequent acquisitions: it chose carefully, paid well and pre-emptively reassured its new employees that their jobs were safe. It marked Informa out as a clever acquirer of businesses – and a popular employer. And it was just limbering up.

The following year, Informa broke the mould and struck transformational merger No.2 with academic publisher Taylor & Francis which had celebrated its 200th anniversary with a London IPO in the year IBC and LLP had merged. They waxed lyrical about: the scope for geographical brand extensions; the crossover demand for information between academic, scientific and business communities; and the ‘well balanced’ portfolio.

The real strength of the 2004 merger could be seen, though, in the sheer scale of the enlarged business which would have 2,500 subscription-based products and services, 2,800 events per year, databases of almost 10million names – and the scope to extend T&F science journals into conferences. The creation of a £500m-turnover company, underpinned by its new partner’s solid subscription revenues – and almost £10m of cost savings – looked like a steal for Informa. The price of a nil-premium merger was merely a cumbersome new name “T & F Informa” – but that prefix wouldn’t last much longer than the former Taylor & Francis CEO who became chairman of the merged company for less than a year. Rigby and Gilbertson then resumed their goal-scoring partnership.

Now they were getting into their stride. In 2005, 12 months after the Taylor & Francis merger, Informa splashed £768m on transformational deal No.3. Irvine Laidlaw had built the

grandly-named Institute of International Research (IIR) into the world's largest conference and training business with revenues of £300m. It was an intriguing deal. Rigby had been stalking IIR for more than 10 years but had found Laidlaw reluctant to talk seriously with someone who was a direct competitor. Informa bounced late into the 2005 auction and out-bid the private equity firms who were banking on it. For transformational deal No.3, the pay-off would be measured in new conference activity and databases. But IIR also brought a substantial shift in international earnings with strong businesses in North America and the Middle East. It increased the number of Informa's worldwide employees from 4,000 to 7,000.

But the IIR acquisition was also the deal that many of Informa's envious competitors expected to be the 'bridge too far' that is the fate of so many acquisitive companies. But investors loved the promised £19m of cost savings and Informa's increased presence in global growth areas. Even, though, the acquisition would be funded both by borrowings and a rights issue, the share price jumped 6% on the news that Rigby and Gilbertson had done it again.

And again. Two years after what at times sounded to observers like a bumpy digestion of IIR (but proved to be fine, with 2006 operating profit leaping 49% to £219m and margins pushing over 21%), they reached for transformational deal No.4. The winner was Mike Danson, founder of business information and research group Datamonitor (and now of GlobalData Plc). Informa paid £513m – or 27x forecast 2008 profit and 7x revenue - for the company which had made its debut 18 years earlier, with a cut-and-paste report on the UK frozen food industry.

Investors fretted about the price and also the modest £3m planned for cost savings. Rigby had to make as much as possible of the ways in which Informa could ramp up the earnings of Datamonitor's products through its international sales network. Although Informa's overall performance managed to compensate for the undoubted strains of the high-priced deal, it proved to be the high-water mark in more ways than one.

And then the bad news started. In March 2008, eight months after the acquisition of Datamonitor and almost 10 years after the creation of Informa, CEO David Gilbertson quit to join the private equity-backed buyout of EMAP's business information and events group. Rigby, who had latterly been Informa chairman, again became CEO. For some investors and employees alike, Gilbertson's departure became an excuse to worry about where the company (which had scarcely put a foot wrong in 10 years) would now be headed.

What followed, in 2008, were seemingly promising merger talks with the exhibitions-led United Business Media (UBM) aborted, reportedly because Rigby and UBM's similarly high-rated CEO David Levin couldn't agree on who would be boss.

The failed talks renewed investor complaints about Informa having reportedly turned down a 2006 boom-time 630p bid from Springer scientific group (it is actually believed to have been rejected by Informa non-executive directors against Rigby-Gilbertson advice). But, although the indicative offer did, indeed, split the board, the £6+ bid never actually materialised. Prolonged Informa negotiations follow with private equity firms but these too

collapsed without agreement. Shareholders were getting restive, not least when they slapped down Informa in 2009 for proposing to acquire Springer itself (as Taylor & Francis had tried to do pre-Informa, in 2003). The Informa bid was just a few months after a £242m rights issue to pay down IIR-inflated debt.

Three years later, the effusive Peter Rigby resigned after a spectacular 23 years at the helm of what had become a £2.3bn company. He had been a shrewd strategist and inspirational cheerleader for a fast-growing international group, with eyes all over the detail as well as a great grasp of strategic opportunity. He was also much more painstaking and patient than he ever seemed, which is how he sealed those transformational deals most of which were in the sights of the market's larger players. He was great with numbers and with people. That's how Informa got here. The CEO always punched well above his weight.

He was succeeded by the politically-connected Stephen Carter, who had been a youthful boss of JWT and of Ofcom, the UK's communications regulator. He had also been an attentive non-executive director of Informa, quietly watching his predecessor run out of steam.

It somehow seemed appropriate that the chirpy Rigby would be succeeded by the altogether more cerebral Carter who ticked all the boxes in business, politics and technology. Analysts saw the 2013 change as signalling a less bumpy strategy. That was the mood music to Carter's Growth Acceleration Plan (GAP) which aimed to invest in business intelligence and events while maintaining the modest but consistent growth of academic publishing. Informa would become more strategic, less opportunistic and, somehow, as under-stated as its new CEO who was prone to describe Informa as "a group that is large in small places, panning for the gold of small things".

But he was nothing if not determined.

In strategy sessions, the new executive team discussed the attractive characteristics of trade shows where market leaders were difficult to shift and had pricing power, not least because their charges were only a small fraction of exhibitor costs. The long-time exhibitions leader Reed/ RELX had only a 5% share of the fragmented global market, looked a bit sleepy - and seemed not to be very acquisitive.

In 2014, Informa pre-empted an auction to acquire Hanley Wood, the US organiser of 17 trade shows in construction and real estate in a $375m deal, following which North America would account for 50% of its exhibitions revenue. The price was 5.5 x revenue. A year later, Informa paid $1.56bn (10 x EBITDA) for Penton, organiser of 30 exhibitions, 20 digital services and some B2B magazines.

The deal made Informa the world's third largest exhibitions group and helped to catapult it into the UK's 100 leading public companies. But it was only the beginning. Just 18 months later, it announced an audacious £4.3bn agreed bid for the listed UBM, the world's second largest exhibition organiser which - for two years - had been shedding its B2B publishing in pursuit of an 'events first' strategy.

The two companies were a natural fit with almost no overlap, even though investors momentarily worried about whether UBM's value had been inflated by scarcely digested recent acquisitions in the US and Asia. But there was no denying the attractions of a "merger" to create a new market leader: 2+3=1.

But - less than two years after the transformative deal - the pandemic struck.

The suspension of exhibitions, international travel and much else sliced almost two-thirds from Informa profit. Its exhibitions - which had been 50% of group revenue in 2019 - became lossmaking in 2020. But all the company's other operations, including academic publishing, were also down.

The pandemic was even more a disaster for events companies than many others - just as Informa had doubled-down on trade shows. But Carter kept his cool and launched his GAP 11 which eventually netted £2.5bn from divestments, some of which was invested in new systems for hybrid exhibitions and the digitalisation of Taylor & Francis - plus substantial capital returns to shareholders in the form of share buybacks and dividends. It also acquired the high-flying B2B newsletter publisher Industry Dive which may become a catalyst for the fusion of events and digital media.

You suspect that part of the secret of the revitalisation of Informa, during times when its strategy could have been wrecked by Covid, has been in the fact that Carter was not selling assets he didn't want. By necessity, he was maximising returns by selling good assets at great prices and trimming his strategy accordingly. That was reinforced by this week's sale of Lloyd's List and also by Informa's first-half financials which showed revenue growth of 59%, operating profit more than trebled, and net cash - compared with £1.9bn of debt this time last year. The share price is up 10% year-to-date.

The £9bn Informa - still more an exhibitions company than anything else - has survived against many odds. We might yet see a consolidation of its trade show market leadership and, perhaps, even a de-merger of Taylor & Francis academic publishing. Even though lockdowns continue expensively to suppress trade shows in China, Informa is back on the front foot.

Why Ascential breakup is 'inevitable'

5 August 2022

Ascential Plc, the UK-based information and events company, will be the perfect business school case study. Starting life as the B2B division of the legendary EMAP Plc, it has seemingly done everything 'right'. As the web shredded traditional media, the listed company divested its UK-based magazines and exhibitions and invested the proceeds in international digital information services, especially in the rapidly-growing world of e-commerce optimisation.

Its five divisions now comprise a range of activities. But profits of each of the four "mature" divisions (the first four, below) are generated primarily by individual, flagship brands, as follows:

- **Product Design**: the trend forecaster WGSN
- **Marketing:** the Cannes Lions Festival
- **Financial/ Retail:** Money 20/20 fintech trade shows
- **Digital Commerce**: including Flywheel, Edge and Perpetua

The justification for retaining the Cannes Lions Festival and Money 20/20 was carefully constructed: they were much more than mere exhibitions. In practice, they were relatively fast-growing brands rather than the slow-growth trade shows Ascential had sold-off. A similar fudge was at work in the retention of the authoritative Retail Week and its World Retail Congress (part of the Financial/ Retail division dominated by Money 20/20).

Given the high-quality of many of these assets, it seem almost churlish to comment on the minimal synergies between them. The separate operations may share little more than an involvement in 'product', 'marketing' or 'retail'. In good times, it was a reassuring spread; in tough times, fickle investors are challenging the strategy. But it was all looking so good in 2019 when Ascential reported 19% growth, both in revenue and profit, and encouraging early signs from the launch of Edge e-commerce analytics. But we know what happened next.

The pandemic reminded investors that, for all the emphasis on information services, Ascential profitability still largely depended on its two remaining, flagship events. 2020 revenue crashed to £264m – 31% behind the previous year – and the £29m of EBITDA was 74% down. But the fledgling Digital Commerce operations still grew revenue and EBITDA by 25% and 85% respectively as Covid turbocharged online retailing. With the WGSN Product Design business, it boosted digital subscriptions revenue by 11% to £208m (79% of the total). In 2021, CEO Duncan Painter doubled down on Digital Commerce, investing more than £350m in premium-priced acquisitions in pursuit of his big, bold strategy.

It is 11 years since EMAP's then private equity owners appointed Painter, a high-achieving tech executive who had been managing director of the customer intelligence unit which powered the audience growth of Sky, Europe's most successful pay TV group.

His trademark has been (more or less) to sell any business that got in the way of the strategy and to invest the proceeds. It has been an inevitably high-wire act of divesting low-growth and acquiring high-growth. But Painter has been good at selling. His unwavering focus on strategy - and the globalisation of the company - has consistently won the support of investment analysts. In 2016, 38% of Ascential's revenue came from North America and 33% from the UK. By 2021, this was 53% from North America and just 11% from the UK, with strong growth in Asia (15%). But shareholders have long been voting with their feet: the Ascential share price has decreased 40% so far this year and is 44% below its £153m 'pandemic-funding' equity placing of 12 months ago.

This week, the foundations shook again.

The company reported double-digit revenue growth for all its divisions in the first-half of 2022, with some notable highlights:

- Digital Commerce: underlying growth of 19%; Product Design: +14%; Marketing +88%
- Cannes Lions Festival, held in person for the first time in three years: revenue up on 2019
- Money 20/20 Europe: revenue +30% on 2019
- Total revenue: £261m (+69%), EBITDA: £67m (+57%

You could sense the CEO's relief as he told investors: "Ascential has had an excellent first half of the year, with strong growth in group revenue and profit in line with expectations. We are making good progress with our mission to make Digital Commerce the number one, global real-time platform that powers e-commerce…"

Analysts mostly liked what they heard, especially about Digital Commerce and the post-pandemic rebound in events. But shareholders themselves saw things differently and the shares this week lost some 15% of their value. The company now has a market cap of £1.1bn and has not paid a dividend since 2019.

The share sell-off will not have surprised the stoic CEO. But the optimistic words could not disguise his nervousness over the detail below the headline numbers. There was the widening £35.1m operating loss due to a series of "non trading" items including £33.2m for "transaction and integration costs", a £31.4m write-down in the asset value of the Edge Digital Shelf platform, and a bad debt charge of £3m.

These individual items, in aggregate, seemed to convey a sense of increasing strategic risk. It was underlined by the disclosure that this year's c$200m commerce acquisitions of the Singapore-based Intrepid E-Commerce Services and Sellics, of Germany, added some 20% to the headcount and incurred losses of £7m in the first half of 2022.

Intrepid had been said to give Ascential "an entry point for our Digital Commerce business into the fast growing South East Asian marketplaces, expanding its global footprint in this important region for e-commerce. Our clients are always searching for ways to access the next billion consumers and South East Asia e-commerce provides a clear pathway to them over time."

The maximum total consideration payable for the acquisition was capped at $250m. But the five-year-old, lossmaking company had a mere $17m revenue in 2021 and is not forecast to start paying for itself until 2025.

The footnote to this week's half-year results contained another quiet warning. Ascential said the same two acquisitions "increase the complexity of our integration activities and adds to the work to be done to bring the systems of control in these small and developing businesses to the standards required of a listed company."

After five years of acquiring early-stage, innovative and frequently lossmaking analytics companies, this was an unmistakeable warning that things are getting tough for Ascential, despite the improving forecasts:

£m	**2023 (e)**	**2022 (e)**	**2021**	**2020**	**2019**
Digital Commerce	272.5	218.7	147.3	103.1	78.1
Product Design	109.4	102.3	91.3	88.1	85.7
Marketing	99.1	94.4	56.5	54.3	135.9
Retail/ Financial	74.2	70.7	54.2	18.2	81.1
TOTAL REVENUE	555.2	486.1	349.3	263.7	380.3
TOTAL EBITDA	137.4	114.1	88.9	28.5	109.0

Total EBITDA profit in 2022 is forecast to get back to the pre-pandemic 2019 level. But the real headlines is that Digital Commerce became the largest revenue in 2020 and is forecast to achieve the largest profit in 2022 (47% of total revenue and 49% EBITDA)

For 2021, Ascential had reported a 44% rise in revenue to £349m and £89m EBITDA (2020: £22m). Digital commerce 'pro forma' revenues had grown 33% and marketing revenues had almost doubled. The company was as euphoric as you could safely get in generally troubled times:

"Despite the current macro-economic uncertainty, all our businesses are well positioned to drive the success of Ascential now and in the long term, as we continue to invest to extend our market leadership and maximise our future profitable growth. Our ability to execute our strategy, combined with structural growth in our end markets and the success of our Cannes Lions and Money20/20 events – whose revenue exceeded 2019 levels – underpins the Board’s continued confidence.”

But something else is happening.

In March this year, *Flashes & Flames* forecast the breakup of Ascential and a possible US listing for a de-merged Digital Commerce division. A few weeks later, the company confirmed that breakup plans were being investigated. At this week's results presentation, CEO Painter confirmed the exploration was still underway - and some millions of pounds has been expensed in the process. So it's serious.

There are plenty of reasons to regard the 11 years of Ascential under Duncan Painter as a success, even though few CEO's ever want to reduce the scale of their enterprise or be pushed into the divestment of businesses they have quite literally grown to love.

The 24-year-old WGSN is a perfect illustration of how the one-time B2B publishing company has been able successfully to expand a product that is very far from the traditions of magazines and trade shows. What had been known as the Worth Global Style Network was acquired by the former EMAP for £140m in 2005.

Over the last four years, WGSN has grown revenue by 31% and EBITDA by 53%. The profit margin has also been pushed up from 38% to comfortably over 40%. But it's even better than that. Just eight years ago, it generated almost all its revenue from its core fashion market. Today WGSN's dependence on fashion has been reduced to 55% by successful expansion into consumer tech, interiors and food & drink.

The worldwide market leader now gets 90% of its revenue from subscriptions and 10% from consulting. It has 450 employees, 7,000 customers and claims a retention rate of 90%. That's why some of the world's major consulting companies have long been watching WGSN.

That's also why WGSN, as Ascential's most profitable single brand, could be worth more than two-thirds of its entire market cap - and 50% of the newly-formed Intelligence & Events division:

£m *(2022 forecast)* Ascential Intelligence & Events division	**Rev**	**EBITDA***	**P/E**	**Est. value**
WGSN	102.3	44.2 (43%)	15-20 x	£663-884m
Cannes Lions / WARC data	94.4	37.4 (40%)	10-15 x	£374-561m
Money 20/20/ Retail Week	70.7	19.6 (£28%)	10-12 x	£196-235m
TOTAL	£267.4m	£101.2m		£1.2-1.7bn
% of Ascential total	55%	89%		100%+

*__2022 forecast: Numis__. **Includes share of £20.9m central costs pro rata to revenue**

These estimated profit multiples are not wild because so much of the revenue is subscriptions. WGSN and the major events Cannes Lions and Money 20/20 really might be expected to attract EBITDA multiples of more than 15x. All three of these business units (above) are currently forecasting EBITDA growth of 5% in 2023. With revenues recovering so well for Ascential events, it seems possible that their multiple may even break the previous peak trade show price of 20 x EBITDA. If so, the two marquee events (especially Cannes Lions with its high-value mix of subscriptions, high-value awards and accreditation) might actually attract total bids of some £1bn.

Digital Commerce, meanwhile, is forecast to have 2022 revenue / EBITDA of £218.7m and £12.9m respectively, with growth of 25% and 83% touted for next year. If listed on a US stock exchange, this high-growth business alone might attract a valuation of some 6-7 x revenue - especially if it scales up with another major acquisition. There are plenty of premium-priced prospects in the US which would help to turbocharge the strategy and

ensure a premium rating for the business. But, even without transformative M&A, the de-merged division may be worth £1.5bn. It promises to be a great reward for Ascential shareholders who have been worrying that the current competition (and price pressure) from VC-funded analytics start-ups will just keep on coming.

Add it all together and you might just have a breakup value of some £3bn.

With talk of recession and geopolitical panic, the Ascential board needs to choose its timing carefully. But, with clear indications that the proceeds of breakup could be as much as 3x its current enterprise value, private equity firms and others are knocking on the door. It's getting louder.

It's almost exactly 15 years since the breakup of the former EMAP Plc gave shareholders a better-than-expected £2.3bn payday. History may be about to repeat itself.

Why print is perfect without ads

12 August 2022

The Economist has come through the pandemic in great health. For 2021-22, the publisher of the eponymous weekly magazine grew revenue by 12% to £346m and operating profit by 11% to £46m, its best result since 2016. But the good news doesn't stop there. Digital services accounted for up to 60% of revenue and for 66% of all new subscribers.

The company's 222 virtual events (attended by 72,000 delegates) accounted for 30% of all revenue in the year. It has notched up 1m podcast downloads in the past five years, has 2.3m subscribers on YouTube, scored 16.3m web site uniques in March this year, and has launched online executive education, and an innovative 150-country ESG ratings service. In a nod to future subscription numbers, The Economist has 6m Instagram followers, two-thirds of whom are under 24.

It seems appropriate that the ultimate advocate of thoughtful solutions for a messy world should be able to boast about maintaining more than 1.2m subscribers. But The Economist hasn't always been on top of the world.

It is only four years ago that it lamented a 35% increase in marketing costs to £50m - doubled since 2013 - had produced a net increase of just 36k subscribers: the cost of acquiring new subscribers had risen by an average of 22%. The company's chair declared starkly "… for the circulation strategy to succeed in the long term, this cost must be tightly controlled."

By 2019, with marketing budgets increased again, by 14% to £56.4m, the number of subscribers had increased by just 13k: "This is less than we had hoped…" It coincided with a disclosure that the proportion of revenue from advertising had fallen from 23% to 18%. Significantly, the annual report noted a change in circulation strategy with an increased subscription price of 20% to reverse a longterm pattern of cut-price subscriptions.

Those were the clues that The Economist had suffered just as much as anyone else from the post-digital collapse in print advertising. Even though five years of financials (adjusted to include only continuing businesses) look pretty uneventful:

y/e 31 March £m	2022	2021	2020	2019	2018
Revenue	346	310	320	324	319
Operating profit	46	42	33	32	39

Surprisingly, the reasonably steady numbers neither show evidence of the pandemic nor of the seismic shift in advertising revenue. But in 2018, The Economist had some £120m of advertising; in 2022, it was less than £40m. In 2018, advertising was 38% of revenue; in 2022, it was less than 10%. A dramatic shift.

Put simply, in the print advertising heyday, The Economist had become at least as dependant on ads as any other major magazine. But the fact that you cannot really detect - from the above financials - the virtual elimination of the second largest revenue stream (in less than five years) speaks volumes for the re-engineered business model. It's a real lesson for the hundreds of magazines everywhere which are still finding it difficult to imagine life without general advertising.

The real point, of course, is that most magazines (and newspapers) must learn how to maximise their dependance on readership revenues and/or develop the kind of sponsorship, membership, content marketing and events that can free them from the suffocating competition of Google, Meta and Amazon. Doubling down on exclusive content and getting readers to pay what it's worth is the obvious imperative.

In spite of The Economist's targeted digital growth, it is worth considering just how a renewed emphasis on the reader (and the virtual elimination of advertising) can actually create a whole new world of opportunity in print. Yes.

You only have to look at the experience of some notable print magazines in the UK which have thrived in recent years. The Spectator, a political weekly, has a paid circulation of 102,000 - almost doubled since 2012. Its left-wing counterpart The New Statesman is much smaller but - with a current circulation of 40,000 - has also doubled in that time. The London Review of Books has 90,000 subscribers - almost one-third ahead of 2016. The Oldie (don't ask) sells 48,000 copies monthly, having increased by almost 10% every year. Then you come to The Week, Future's powerhouse news digest which sells 126,000 in print and 30,000 in digital at a cover price that has increased - like many other print-centric magazines - by 25% in five years. Most of these print-centric magazines are thriving but with little advertising.

These relatively wordy magazines and many others are actually a reminder of the advantages of print for longform reading. For some readers, the print version of, say, The Economist may even have some added cachet; some will flit between the two. But what we do know is that the economics of print, paper and postage are naturally improved by not having to pander to image-conscious advertisers. We might also surmise that - in the age of Spotify and Netflix - more consumers expect either to pay for content or to get it free with advertising. Not both.

Discursive journalism must surely be the bedrock of the print magazines that will survive many decades into the future. But there's something else. It's easy currently to explain the appeal of print (to some). But digital reading on a smartphone or even laptop is itself quite different from, say, an iPad. For many readers, a tablet may actually be the 'faithful' digital equivalent of a printed magazine; the experience is at least similar.

But there will surely be a future time when a flexible, fold-up, screw-up version of a tablet will be as convenient and accessible for readers as a printed publication - but with added interactivity. Perhaps there will then be more print-digital crossover even for readers who we dare to think are slow to change. At the risk of unintended humour, we know some readers want content that is short and fast, while others want it long and slow. But

longform reading (even in print) can be a much more attractive business once you become single-minded about the reader. Ask The Economist.

Is this the future of B2B media?

19 August 2022

You may not have heard of World50. That's the way its owners like it. The Atlanta, US-based company self-describes as "a private community for senior-most executives from globally respected organisations to intimately share ideas, solutions and collaborative discovery free from press, competition and solicitation".

It's an invitation-only world of meetings, conferences, and problem solving conducted in an atmosphere of confidence, privacy, trust, and Chatham House Rules. Membership is said to provide "unparalleled access to world-class gatherings and year-round peer-to-peer and team-to-team collaboration, delivering insights found nowhere else". World50 manages peer groups across various functions (eg CMO, CHRO, and CFO) as well as topics like Security, Risk, Innovation, and Digital. But there's no name-dropping the members.

It was founded in 2004 by former Spencer Stuart headhunter Richard Smith. His first recruit was MBA classmate David Wilkie who has been CEO for the past 11 years.

Back in 2009, when World50 may have been hustling harder, Forbes magazine confided that members were paying $50k for the opportunity of one-to-one networking and twice yearly summits moderated by guests including Robert Redford, Martha Stewart, David Plouffe, Louis Gerstner and Sheryl Sandberg. The magazine also claimed that, in order to foster transparency among members, World50 did not include direct competitors in specific groups; the CMOs of Coca Cola and Google were in the Marketing50 group, but Pepsi and Yahoo were not. Maybe that's now changed but nobody's saying.

It's a teasing level of secrecy for visitors to a web site without customer logos or much else. But this is an 18-year-old company, owned by three successive private equity firms, which claims 3,000 members in 27 countries. They are said to be leaders at more than 1,000 organisations claimed to have an average of more than $30bn revenue. One member whispered to us that World50 had become even more valuable and cost-effective in the pandemic years, partly because of the challenging times and partly because of the almost universal adoption of videoconferencing.

It's certainly been active. Over the past three years, it has spent up to $100m on three acquisitions: Procurement Leaders (UK); G100 (US); and Employer Health Innovation Roundtable (US). The M&A seems to be paying off.

In 2020, World50 had revenue of $100m. It may reach $150m this year, with EBITDA margins of maybe 40%.

Media companies everywhere should study this subscriptions-funded business. They might well start by examining its 18-year-old Procurement Leaders (PL), acquired three years ago.

World50 paid £30-35m for the London-based company whose CEO since 2017 has been Nandi Basuthakur. PL had been founded by Alex Martinez, Mark Perera and Richard

Pope as "a global membership network serving major corporations and procurement, sourcing and supply chain executives." Its 270 corporate members - including IBM, Telus, Heineken, and Bayer - pay an average of £30k subscription per year.

Procurement Leaders exploits the rising importance of procurement in international companies as the key to strategic supplier relationships, production security, reputation, and risk management. It was formed to create a global community from the purchasing executives who were were often the unsung heroes of companies, seen as the difficult people who pared down budgets and struck fear into the hearts of visiting sales people. But all their hard work found its way straight to the bottom line.

The PL founders (none of whom had previous experience either in media or purchasing) had sought to extract and centralise the knowledge from the best minds in procurement and share the insights with a wider group via the whole range of platforms. They quickly discovered how readily even highly-competitive companies would share information in order to get something valuable (other people's data) in return.

One long-time member said: "PL has had a major influence on procurement, bringing together firms to learn and network in a very positive manner, and sprinkling a bit of stardust on our sometimes rather dull procurement world! I hear some solution providers complain about the amount they're charged for participation, but the fact is they pay up, which is down to the strength of the practitioner-side network PL has developed, with an unparalleled list of big corporates as members."

But, for all its inventiveness, PL's financial performance had been erratic, without either the profit margins or growth rates expected of an established digital business.

Opening offices around the world had been a drag on profit growth as was the longtime insistence on maintaining (for too long) an eponymous lossmaking magazine. Then there's the familiarly erratic revenue from conference-awards events, especially from sponsorship which helped to prop up a relatively high subscription churn rate. But, by the time World 50 started negotiating, 2018 had brought a big improvement.

However, it was PL's 2019 forecast that helped to deliver an acquisition price which - even then - was some 14x EBITDA. In July 2019, nobody could, of course, have foreseen the pandemic which in 2020 would reduce events revenue by almost 80% - and more than halve the PL profit:

£m	**2020**	**2019**	**2018**	**2017**
Revenue	10.8	15.1	13.7	12.3
EBITDA	1.1	2.3	1.7	0.9
Margin	10%	15%	12%	7%

But the positive trend throughout those four years was the steady increase in membership (subscription) revenues from £7.4m in 2017 (60% of revenue) to £8.5m in 2020 (79%). Even at the height of the pandemic, membership revenue had increased by 3%, as a result of an

increase to 273 members. This may have accelerated in 2021 as presumably so would US revenue which, in 2019, had accounted for less than 30% of revenue.

The appointment of Basuthakur as CEO, with the founders stepping back from their executive roles to improve the attractiveness of the company to would-be buyers, was inspired. She revitalised membership revenues. That and a relatively long courtship with the uniquely suitable World50 helped the PL founders to get a great price (19x 2018 EBITDA) after 15 years of struggling to get the results their patient strategy seemed to deserve.

Arguably, one of the things holding Procurement Leaders back was its self-identification as a media business. In the absence of any other companies with which to compare, it joined the UK magazine publishers' association and even won awards as an "independent publisher". That may even be why it persisted with a magazine and under-managed the membership revenues on which their company's future (and its valuation) would depend.

Ironically, some of those same B2B magazine publishers which were once bemused by the very un-publisher success of Procurement Leaders should now be focused on its business model. And it's all because of the pandemic. Sort of.

It is 10 years since the launch of Zoom with, appropriately enough, the signing of Silicon Valley's own Stanford University as the first corporate customer. Skype had already existed for seven years and was acquired for $8.5bn by Microsoft the year after Zoom's arrival. In June 2022, two years after the pandemic turbocharged videotelephony and online events, Zoom logged 300m daily participants (December 2019: 10m). The company, which IPOd in 2019, last year had $4bn revenue and $1bn profit. It is currently valued at $32bn.

Although it now has increasingly strong competition from Microsoft and Google, "Zoom" has become almost the generic term that has helped to popularise videotelephony. Nobody doubts that this is a permanent change in how individuals and organisations interact with each other, at least some of the time. But, after almost two years of experimenting with online media, large trade show organisers, for example, are still split over the role of online media in events when things get back to "normal".

There is much more clarity, though, about how Zoom has created the opportunity for an explosion in peer-to-peer networking.

The UK-based Risk Leadership Network (RLN) shows how global networks could be readily created in B2B verticals. The RLN (whose private backers include the former owners of Incisive Media and also one of the founders of Procurement Leaders) seeks to help corporations manage their risk more effectively and profitably. It aims to meet "the demand for new ideas driven by global uncertainty and regulatory pressure to think differently".

It was launched in pandemic year 2020 by former B2B publishers Tim Whitehouse and Will Sanders who had met while managing Strategy Risk magazine, published by the Gannett-owned Newsquest UK group. Two years and £600k of investment later, it has 55 members paying an average subscription of £20k for involvement in some 40 meetings a month. Its founding members include: Google, Johnson & Johnson, BHP, Glencore, and ITV.

The company, which is jointly based in the UK and Australia, employs 15 people and operates exclusively via Zoom. Its publishing pedigree is evident in the emphasis on the development of content and tech tools to help companies manage risks as diverse as cyber, supply chains, competitors, reputation, and the workforce. If the fledgling RLN has a USP in the uneven rivalry with the mighty Gartner, it is that it is not trying to sell consulting services to members. It is targeting a market of 3,000 large corporates outside the US.

After two years, the c£1.2m revenue means RLN may be cashflow positive but it's really only just begun. It may be in a race to attract many more subscriptions before, presumably, needing to spend more on organising in-person meetings. While Zoom's role in these networks seems permanent, the best seems likely, ultimately, to include in-person meetings and conferences. The real question may be whether RLN will get the time and money it needs to grow - or whether World50 will buy it first. On the basis of recent deals, an early acquisition price just might be £3.6m (3x revenue) or 6x the invested funds for a clever business that could neatly bolt onto Procurement Leaders.

There are many other existing and prospective peer-to-peer B2B networks including: the US-based Peer 150 group of HR leaders; the 30-year-old EGN, of Denmark, which claims 14,000 members in 15 countries; and the US-based Charter whose Future of Work portfolio recently raised $3m from Bloomberg and others, in order to build "Charter Pro, a membership-based insights platform for leaders in HR". Industry Dive, the fast-growing B2B newsletter publisher recently acquired by Informa, has also hinted it may launch job-specific groups across its 30 verticals. Like HR.

The growth in such communities is fuelling demand for Guild, an easy-to-use UK-based platform for professional communities and networking. It was founded in 2020 by Ashley Friedlein, the digital entrepreneur who had sold his eConsultancy B2B research start-up to Centaur Media for £24m in 2012. Guild seeks to provide an online space for media, membership organisations and professional service providers to connect, communicate and collaborate. It's a bit like LinkedIn Groups or Facebook Groups except Guild is mobile-first, designed as a messaging app, 'inspired' by the growth of WhatsApp and others. It's a freemium SaaS model, not ads-funded, so community hosts control the data, branding and membership. It's currently used by a large-ish number of B2B media companies for which it can provide engagement and the kind of two-way conversation that strengthens audiences.

But the bigger opportunity for B2B media is to build Procurement Leaders-like, subscription-funded networks not as an ancillary to publishing or trade shows but as the primary way to dominate information, learning, and accreditation in vertical sectors. The opportunity is emphasised by the way that the consumer appetite for pre-purchase validation (arguably pioneered by Amazon with book reviews two decades ago) is spilling fast into the world of business. Like consumers, business people increasingly seek the insights and experience of their peers.

Interestingly, research from The Harvard Business Review has identified that an increasing number of corporate "buyers" do not want to talk to the sales people at would-be suppliers because - by the time they make contact - they have talked to their peers and, therefore, know exactly what they want. Finola McDonnell, CMO of the Financial Times, has said:

"Community is the next phase of media...The FT comment section is as good as the journalism - readers are our equals". The FT has identified the importance of readers knowing that they belong: its research has shown that high levels of participation and engagement increase the lifetime value of a subscriber.

But that's only part of the story.

World50 should inspire B2B media groups but they need to be careful. A major B2B brand - which has morphed from a magazine primarily into a digital information service or an industry trade show - can create a highly successful peer-to-peer network. But you can also sense the risk (as World50 sees it) of *not* establishing completely confidential interactions - and of missing out on the discreet power of communities with members paying tens of thousands of dollars to join the party.

As with World50 and many of the rest, the network needs to be the focus, not some kind of ancillary. The opportunity is too good to be a sideshow.

Can Aussie media model make it?

9 September 2022

It is four years since Australia's Nine Entertainment Company (NEC) moved quickly to exploit the country's change in media ownership laws and negotiate a A$4bn 'merger' with Fairfax Media. What was effectively an all-share acquisition brought together the Channel Nine TV network and the country's most famous newspapers - the Sydney Morning Herald, Melbourne's The Age, and the Australian Financial Review - as well as digital, streaming and radio businesses. It promised to become a role model for diversified media everywhere.

The sizzle was that the enlarged NEC would reach over 50% of the Australian population and have EBITDA of more than A$500m. The economic heart of the deal was the A$1.4bn Domain property digital, a 54% share of radio group Macquarie Media, ownership of the Stan video streaming service (launched jointly by Nine and Fairfax), and of the dominant Stuff web site in New Zealand (since sold in an MBO). NEC would leapfrog News Corp to become Australia's largest media group.

But that was only part of the story.

Australia has been producing world class businesses for much longer than the 27 years of continuous economic growth which had created what The Economist once described as "perhaps the most successful rich economy". But, even before Australia's 21st century economic transformation, its world leaders in retail, distribution, finance, mining, and media were products of fierce head-to-head competition in relatively small domestic markets: world champion businesses were created in the heat of competition where only the winners could survive.

In media, the ownership concentration helped broadcasters and publishers to achieve higher profit margins than their most of their worldwide peers - and spawned Rupert Murdoch. In 2017, Australia became one of the first countries to deregulate traditional media with legislation which removed the restrictions that had previously prevented companies owning newspapers, television and radio stations in the same city. It also abolished the rule which had prevented a single TV broadcaster from reaching more than 75% of the population. The legislation effectively recognised the reality of Google-Meta-Apple-Amazon domination over the traditional companies that had themselves once defined the media market simply by controlling broadcasting transmitters and newspaper printing presses.

The result was the unrivalled NEC grouping of Australian media businesses. Among other things, it signalled the end of more than 30 years or corporate torture for Fairfax Media since one Warwick Fairfax bankrupted his family business by taking it private with hundreds of millions of debt. It took him less than three years to blow his inheritance, a result (Rupert Murdoch once said) of someone "who had never seen anyone in his family go to work on a regular basis”.

The debacle at least partly explained the speed of Fairfax's loss of the classified advertising which had long underpinned the business. Three Aussie online start-ups - Seek (jobs), Carsales (cars) and REA (property) - were variously backed by media heirs James Packer and Lachlan Murdoch. They rapidly captured a large share of the domestic classifieds market but each were rejected (even as successful, growing entities) by a still complacent Fairfax.

By 2012, the news group's collapsing profitability had precipitated the loss of A$2.7bn and 1,900 jobs, and it continued downhill - until NEC came calling. The former Channel Nine itself had also been through the wars. Along with ACP Magazines (successively Bauer Media Australia and now Are Media), the TV group was sold to CVC private equity by James Packer in 2006, just months after the death of his father, Kerry. The son and heir decided to concentrate on investment in casinos and the impatient timing initially worried observers. But Packer and his investors were soon laughing all the way to the bank over a peak-market A$5bn price tag for his PBL media group - which promptly all but drowned CVC's local operations.

Seven years years later, Nine bounced back with an IPO. And, in 2017, the long-promised Aussie legislation dramatically loosened the ties on media ownership. The reform was not really any kind of far-sighted political vision but the result of decades of not-so-subtle campaigning. Kerry Packer had spent much of his later life being assured by politicians that he would (soon...) be allowed to do exactly this deal. In ways that are difficult to imagine elsewhere in News Corp, its Aussie newspapers have continually rubbished - in print - their closest rival Fairfax and long predicted its demise.

In 2016, James Packer and Lachlan Murdoch collaborated in a book prematurely celebrating the "death" of Fairfax and boasting about the success of their own digital startups.

Fast forward six years and everything has changed.

Having divested the bulk of its movie and TV business to Disney and Comcast (owner of Sky) for proceeds of at least $18bn, the Murdoch family is again firing on all cylinders with its growing-again News Corp valued at $10bn and Fox Corp at $18bn. Meanwhile, almost 17 years after he inherited the rival Australian media business, James Packer has been ignominously forced out of his Crown Resorts casino group as a result of criminal allegations in China and Australia. However, the public humiliation has been sweetened by his A$3.7bn payoff from Blackstone's acquisition of the company.

In so many ways, NEC looks so much like the model for a 21st century multi-channel media group, providing news, sport, lifestyle and entertainment content to users through four segments: Broadcasting (TV and radio), Digital and Publishing (online services and newspapers), Domain Group (real estate media), and Stan (subscription video streaming). It's a wide-ranging portfolio to which few media companies anywhere can aspire. And, right on cue, the listed company's latest financials include record EBITDA and profit margins:

A$bn	**2022**	**2021**	**2020**	**2019**	**2018**
Revenue	2.7	2.3	2.2	1.9	1.3

EBITDA	0.7	0.6	0.4	0.4	0.3
Margin	26%	26%	18%	21%	23%

Nine Entertainment Company Year ending 30 June

The highlights include:

- Market-leading revenue share (and 119% profit growth) both in network and on-demand TV
- 22% revenue growth at Stan, which now has more than 2.5m subscribers
- 53% profit growth in news brands
- 38% profit growth in Domain

The good news was underlined by a 33% increase in shareholder dividends and the intention to buy back 10% of its shares. But investors will also have been cheering the way that broadcasting, which accounted for 59% of revenue in 2020, is now 51% and that streaming - presumably so much of the future - is now 14% of revenues (11% in 2020). Look at the two-year comparisons, 2022 v 2020:

A$m	**Revenue (v 2020)**	**EBITDA (v 2020)**
Broadcast	1,372 (+8%)	401 (+100%)
Streaming	381 (+57%)	29 (-)
Publishing	594 (+14%)	180 (+100%)
Property digital	357 (+36%)	122 (+47%)

Nine Entertainment Company, year ending 30 June 2022

The other striking feature of these results was the huge leap in the profitability of the once moribund Fairfax daily newspapers and digital services: profit has doubled in the last two years.

But that's another story.

NEC's news brands have (like those of News Corp) benefitted strongly from their shares of the A$200m ($146m) said to have been paid last year by Google and Meta to Australian media companies because of ground-breaking new regulation that forced the hand of digital companies both there and elsewhere in the world.

Media companies are defensive about the precise terms of those deals. But NEC is believed to have generated more than A$40m additional profit in 2022 as a result of a five-year agreement with Google and three years with Meta - almost 50% of the company's EBITDA growth in the past year.

Those "licensing" payments have helped to turbocharge NEC. But - even without them - its publishing profit increased by 23%, buoyed by a total of 450k paying subscribers and double-digit growth in both digital and print advertising. Although the 57% growth in streaming revenue during 2020-22 was not matched by profit growth, the investment in

sports rights has more recently helped to increase average user spend by almost 10%. At a time when the large multinational video streamers are still lossmaking (and, at least temporarily, ex growth), NEC's Stan is doing relatively well.

But NEC's investors are not exactly euphoric. The company's share price has decreased 25% year to date and you don't have to search too hard to find at least four subjects of concern:

1. The profit (still) depends overwhelmingly on free-to-air broadcasting which is, inevitably, its lowest revenue growth.
2. Its best profit margins and - before the Google-Meta payments - its second largest profit, comes from its 60% share of Domain. Investors may worry about the fact that this digital property business is a distinct runner-up in the market to REA (News Corp's much larger 61% subsidiary) or that - now it is listed separately - it cannot be integrated into NEC.
3. The lowest return comes from the seven-year-old Stan video streaming whose profit breakthrough (already looking tough, to say the least) is likely to be pushed back by the expected consolidation and intensified competition from Netflix et al. Even before that, the Hollywood Reporter has published data showing that Stan is fifth among Aussie streamers with an 11% share of the market dominated by Netflix (30%), Disney and Amazon Prime (17% each), and Foxtel (12%). Not promising.
4. The Google-Meta cash has provided a brilliant boost for the newspapers - but, realistically, this revenue cannot be grown and may only last a few years.

Investors are always alert to the breakup value of conglomerates, and NEC has yet to prove that its portfolio of media companies benefit much from common ownership. That's a big strategic task which must involve the diversification of revenues and the development of products and services with the potential to counter-balance the dominance of free-to-air TV.

The synergistic agenda should include a big push into consumer revenue - and not just from the newspapers and streaming. For all the obvious differences, you might expect the NEC strategy to resemble those of the US-European non-broadcast digital media companies Red Ventures, Dotdash Meredith and Future with their heavy emphasis on consumer revenues, user databases, e-commerce and price comparison sites.

NEC currently generates just 25% of its revenue from readers, viewers and users and more than 50% of its profit comes from free-to-air TV. It would not be the first company to wrestle with the task of creating disruptive products and new profit streams when profitability depends on a dominant, traditional business which can suffocate fledglings in good times and bad. Even NEC's corporate web domain "nineforbrands.com.au" emphasises its almost single-minded preoccupation with TV advertising.

Having successfully re-energised two legacy media businesses (Channel Nine TV and Fairfax newspapers), grown Stan, and IPOd Domain, Australia's largest media group must now justify its existence. Or else.

Daily Mail ponders the future of news

16 September 2022

It's just 10 years since free daily newspapers and weekly magazines were fashionable and profitable in the UK, especially in London where the city's "tube" underground railway made it easy to put them in the hands of commuters. Free publications seemed to offer advertisers guaranteed audiences seemingly unmatched by the sharply declining circulations of the country's daily newspapers.

In 2012, London Evening Standard's newish owner Evgeny Lebedev (who had acquired the paper from the Daily Mail Group three years previously) was celebrating its first operating profit since 2001, with his decision to switch to 700k free circulation. The free weekly magazines ShortList and Stylist - with a combined 1m copies and still three years away from a £35m sale to DC Thomson - increased their revenue by 16%, doubled the profit to £1.2m and prepared to launch Stylist in France. The 300k free weekly Sport (clone of a French magazine) had been sold to the talkSport radio group. The financial daily City AM boasted about having been ahead of the crowd with its free London launch in 2005. Even the lossmaking Time Out (acquired by private equity during 2010-15) had increased revenue by 9% after switching to 300k free circulation. Everyone was upbeat about free distribution; advertising-funded publishing seemed to be the way to go.

But the optimism was nothing compared with the Daily Mail Group (DMGT) whose free daily Metro had been launched in London in 1999 (four years after its unrelated namesake had burst onto the scene in Sweden). The London-based clone soon became the world's largest free newspaper. In 2012, the 1.4m-circulation daily notched up £85m of advertising revenue and an estimated £40m of profit. Five years later, it became the UK's most-read newspaper - bigger than stable-mate the Daily Mail and News Corp's The Sun which had been the country's largest newspaper for the previous three decades, with annual profits of up to £100m.

The UK Metro had been the idea of the father of current Daily Mail owner Lord (Jonathan) Rothermere who, having seen the 'freesheet' on a visit to Stockholm, encouraged his son to launch quickly before the Swedish publisher could get to the UK. In the event, it became the young Rothermere's first big initiative after the sudden death of his father in 1998. It was a big bet but delivered more than anyone could have expected. It seemed to attract a readership that was primarily new to newspapers. Research showed that, before Metro launched, 70% of London commuters did not pay for any paper at all.

Soon after the London launch, the free tabloid went national with regional publishers supplying 16 local editions. The franchise network included a deal with Trinity Mirror (now Reach Plc) under which the country's largest publisher of regional dailies printed and distributed Metro in major cities, in exchange for a share of its national advertising revenue.

Part of its success was in winning display ads, especially from supermarket chains, for which UK regional newspapers had previously been unable to compete.

The Metro success was attributed to the pitching of the morning tabloid as a "high-value" (rather than "free") product. The high-flying sales team promoted the idea of a "Metro Moment", 20 minutes' reading time on the journey into work, the moment that the sales director said had commuters thinking “I hate my job, I hate my boss, I want to set up a bar in Thailand.” But another key part of the strategy was Rothermere's decision to operate the free tabloid independently, on a separate site from the Daily Mail itself.

But the profits suddenly stopped when the pandemic struck. In addition to sharp falls in ad spend - Metro was crippled by the collapse in commuter travel and a new era of working from home.

Ten years after the free publishing optimism of 2012, everything has changed. Time Out and Stylist have scrapped their print editions, ShortList and Sport have closed, and City AM has struggled to achieve consistent profitability. As of 2021, the London Evening Standard had lost almost 60% of its revenue and 35% of its staff since 2018 - and has had operating losses totalling £48m in the last four years.

So, the recent Metro performance is hardly surprising. Financials for the last five years show revenue has fallen 60% since 2017:

Metro £m	**2021***	**2020**	**2019**	**2018**	**2017**
Revenue	26	47	79	71	68
% **of Mail papers ad rev**	9%	20%	31%	31%	28%

The free tabloid (which was still making some £20m of profit in 2019) ceased to be profitable in 2020 and is now believed to be incurring annual losses of some £10-15m.

It's ironic that the 19-year-old Mail Online - which was mired in seemingly endless losses during the years when Metro was making profits of more than £40m - should have reversed the position and itself is now making profits of almost £45m, as the most profitable brand in the the newly-privatised parent DMGT, with a global audience of more than 190m.

After decades of strong profits from B2B information and events, the "new" DMGT is now some 70% dependant on the profits of its £600m-revenue consumer business (principally news). Some 55% of this revenue is generated by the Daily Mail and Mail on Sunday news brands. But, in 2021, a full two-thirds of the £60m "consumer" profit came from Mail Online which, like Metro, is advertising-funded. By contrast, more than 70% of the Mail revenue comes from readers.

At a time when soaring newsprint and distribution costs are eating into the profits even of newspapers as strong as the Daily Mail (with a daily circulation still averaging some 800k copies and now larger than The Sun), DMGT is working hard on its embryonic Mail+. This

subscription-funded, advertising-free digital service comprises all Daily Mail content (including some provided the day before the newspaper itself), video, podcasts, and a large puzzles and games section. It gives readers the choice of a traditional page turning edition or an interactive website-style format.

While the branding is confusing - ranging across MailPlus, The Mail+, Daily MailPlus and Mail+ - this really does look like the future for DMGT and the perfect paid-for complement to the free Mail Online.

Mail+ is believed now to have up to 100k subscribers at £10.99 per month. It may have four times as many non-subscribing browsers. Although it is three years' old - and a page-turning edition of the Daily Mail has had subscribers for almost a decade - Mail+ has only just begun.

That's why Rothermere (now DMGT's 100% owner) must be wondering what to do with Metro. There are a few possibilities. He might contemplate pulling back the free newspaper just to a London edition (accounting, presumably, for some 50% of the current free circulation) which might just restore it to profitability. But the dismal performance of Lebedev's London Evening Standard is not encouraging, especially given indications that commuting in the UK capital may never recover to pre-pandemic levels. But longterm deals with printers and distributors might even make scrapping the non-London editions of Metro almost as expensive as closing the newspaper completely. But the growth of Metro's online readership might just encourage DMGT to consider turning it into a digital-only product, perhaps angled more specifically, say, to sports or puzzles or entertainment. Such a strategy might even be encouraged by the growth of wifi on the "tube".

It is, however, difficult to escape the conclusion that the 23-year-old UK Metro was a product of its time: when commuting was hot, newsprint was relatively cheap, and print advertising was still a major part of many schedules. Like other free publications, it might also have benefitted from the then freefall of the UK's national daily newspapers. But that was then.

For the de-listed, rationalised DMGT - whose operating profit has been reduced by some 40% - there is an obvious imperative: to cut the Metro losses and, perhaps, the newspaper itself.

The answer may be to divert at least some of that Metro investment to Mail+. It could be the product to disprove the post-digital assumption that online readers will pay only for exclusive journalism and that popular news must be ads-funded and free for readers. In an era of increased aversion to advertising, perhaps even young readers can be persuaded to pay for a bespoke ads-free package of news, information and entertainment.

Mail+ should: develop more exclusive content, perhaps especially with distinctive video and audio "channels" (Mail Radio and Mail TV?), sort out the branding (!), and promote it to the many Daily Mail (and other) consumers who don't even know it exists. It needs to become something other than DMGT's best-kept secret.

The Daily Mail publisher is not, of course, the first legacy news business to wrestle with the task of developing new services that risk accelerating the decline of profitable core brands: it's tough being both an insurgent and incumbent. But it eventually found a way through the dilemma with Mail Online, not least by exploiting markets (like the US and Australia) where the publisher had no newspapers to defend. That success should embolden DMGT to maximise the multimedia potential of Mail+. It may be the future of popular news.

What now for Future?

23 September 2022

After two earlier decades of boom and bust, it's now been almost nine years since the UK-based Future Plc provided any shock headlines. Since 2014, CEO Zillah Byng-Thorne has led the digital transformation of a magazine-centric group which is now worth some 50x its stock-market value when she was appointed. But the unrivalled performance was overshadowed this week by news that she will be leaving the company sometime next year. That would be dramatic news enough, of course. But the way the story seeped out will have worried investors and employees alike.

It all started with the announcement that Byng-Thorne would become non-executive deputy chair of Trustpilot Plc (on the way, it is assumed, to succeeding long-time chair Tim Weller). Oddly, the eye-catching appointment had been omitted from trading updates two days earlier both by Trustpilot and Future. But so too was Future's appointment of The Guardian's international CEO Claire Blunt as chief operating officer, announced the following day.

The editor of Shares magazine promptly Tweeted that the Trustpilot appoinment suggested Byng-Thorne would soon be leaving Future. It was followed three days later - at 5am UK time on Sunday, no less - by a Sky News TV "scoop" that the company would be searching for a new CEO. A Future spokesperson refused to comment on mere "speculation".

By Monday, with a 17% fall in its share price, Future was reminded by the London stock exchange of the obligation to announce price sensitive information. It rushed out a "Response to press speculation and share price movement", saying - ungrammatically - that Byng-Thorne "remains committed to the business, and has not resigned, however she has informally indicated that she would like to step down by the end of 2023." No comment at all from the CEO, just an assertion that the board had reported an "ongoing focus" on succession planning in its 2021 annual report.

You can join the dots. But what will happen to the high-performance media company so carefully reconstructed by Byng-Thorne? She has been CEO for eight years, after being originally appointed as CFO in 2013 when Future had a market capitalisation of just £30m. At the time of her appointment, Future had reported a £30m half-year loss which led to a 40% reduction in headcount.

That was the low point for a company whose market cap is now £1.7bn, despite a 65% fall in the share price so far this year.

Before this week's disclosure of her "by the end of 2023" departure, the CEO forecast that operating profit for the year ended Sept. 30 2022 will be at the top end of market expectations: "We are pleased to be reporting another period of good progress. Against the backdrop of a challenging macro environment, our continued strong performance is a testament to the diversified nature of valuable audiences, specialist content verticals and monetisation routes coupled with a relentless focus on execution."

Those results - due on November 30 - may now be a swansong for the company's most successful leader who was voted "CEO of the Year" by the London Stock Exchange in March.

Future has increased revenue 7x in the past five years:

£m	**2022***	**2021**	**2020**	**2019**	**2018**
Revenue	818.8	606.8	339.6	221.5	124.6
EBITA	270.2	195.8	93.4	52.2	18.5
Margin	33%	32%	28%	24%	14%
Market cap		£1.9bn	£1.8bn	£1.7bn	£867m

Source: Future Plc statutory filings / Numis estimate*

The 37-year-old company has spent some £1.4bn on 16 acquisitions in the past six years. It generates 62% of revenue in the UK and 38% in the US and claims to reach some 1 in 3 of online audiences in the two countries, with a total audience of almost 450m, 75% online. Its fast-growing video production is delivering more than 2.5bn views each month.

Future's 250 print and digital brands include: The Week, GoCompare, TechRadar, Kiplinger, Marie Claire, Country Life, Wallpaper, Decanter, Golf Monthly, Homes & Gardens, PC Gamer, Tom's Guide and Who What Wear.

The recent profit performance and portfolio growth are stand-out achievements in the eventful history of Future. And what a history...

It is 24 years since founder Chris Anderson joined with APAX private equity to buy-back the specialist consumer magazine publisher he had sold to Pearson just four years earlier. The price was almost three times what Anderson had pocketed from the 1994 sale, but the numbers were to get even wilder. Within 18 months, Future (swollen by startups and acquisitions across Europe and in the US) had taken the London stock-market by storm. An IPO valuation of £577m bounced to £1bn within a few weeks.

The publisher had built its reputation on premium-priced computer games magazines including “official” publications on behalf of Sony, Microsoft and Nintendo. It capitalised on the boom in computer games and in newsstand sales and the worldwide licensing of specialist magazines. It seemed like nothing less than a media company for the digital age.

Anderson, had started it after graduating from Oxford University and becoming passionate about 1980s computer games and technology. He launched his first magazine in 1985 from his parents' kitchen table in picturesque Somerset in the UK's south-west, with a £15k bank loan. For the next seven years, the fledgling company doubled its revenue, profit and number of employees every single year. In pre-internet days, the magazines were “interactive” with cover-mounted CDs and computer games demo disks. Future described itself as “media with passion”.

In 1993, along came the gilt-edged Pearson (then publisher of the Financial Times, Penguin books and much else) to buy the magazine company for £52.5m as part of a stretchy ambition to be a major player in the worldwide computer games market. The enriched Anderson left his colleagues to it, flew west and set about cloning Future in San Francisco. By 1998, Pearson had lost its passion for Future and sold it to APAX private equity, Chris Anderson, and long-time CEO Greg Ingham. The US and UK companies were brought together and IPOd in 1999, as media stocks limbered up for the first dotcom boom.

Investors were euphoric about "Future Network Plc" which seemed to symbolise the technological promise of the new millennium and the whizzy world of the internet and computer games. It was, momentarily, all about revenue growth - not profits - as the UK company launched and acquired in France, Germany, Italy, Netherlands and the US. It was a global pop-up.

In that phase of its life, Future peaked at 101 tech-driven magazines in six countries selling 5m copies every month, with some 2,000 employees. Turnover hit £250m as the Playstation generation made the company and its founder rich – on paper. But it was all too good to be true. At the height of the boom, APAX escaped with its winnings – and left Anderson to face the bust.

No sooner had the fog cleared on the 'millennium bug' (remember that?) than investors turned angrily on the dotcom "growth-is-more-important-than-profit" companies they had once eulogised. Future's share price collapsed, along with magazine sales and investor confidence. Only debt was rising as its stock-market value crashed to a mere £25m.

The company was saved by a last-ditch share issue and (just in time) the $68m sale of Business 2.0 magazine to Time Inc. That single magazine seemed to epitomise Future's boom and bust. Business 2.0 was for the 'new digital economy' and briefly became one of the fastest-growing magazines in the US, notching up 2,000 pages of advertising in its first year. In two years, copy sales doubled to 210,000 which propelled a 575% increase in advertising pages from March 1999 to March 2000, as the country's most talked-about magazine increased its frequency from monthly to fortnightly. It was rocket fuel for Future's IPO in 1999. But Anderson's dream of Business 2.0 editions all over the world came crashing down, although not before Time Inc's eleventh-hour rescue which saved Future from bankruptcy.

The founder completed the rescue of his company before making an emotional exit. He left Future armed with the fledgling Imagine Gamers Network and the little-known TED conference which his board colleagues were relieved to offload for 40% of what they had so recently paid for it. **Chris Anderson** was left to rue the day he had befriended private equity and the voracious stock market.

But nothing could disguise the woeful lack of investment in Future as a listed company. It was a tech publisher with weak systems and the sugar-rush of newsstand sales camouflaged the dearth of subscriptions. But things change quickly and - in the year after being saved by the sale of Business 2.0 - it was powering forward again with profits of £18.5m.

Four years later, CEO Greg Ingham (who had been with Future almost since the start) became the next casualty as 2005 profits fell by 47% to £12.5m. He was succeeded by Stevie Spring whose optimistic five-year spell ended abruptly, in 2011, when profits crashed by 55% to £3.7m. Former TV news executive Mark Wood became CEO for three years until – another profits crash. On-script, the next CEO was the company's CFO Zillah Byng-Thorne. The accounting background of the fourth CEO in nine years seemed like a gift to Future's stressed investors.

Eight years later, that's exactly what it's been.

In 2017, Future increased revenue by 43% to £84m, with EBITDA profit doubled to £11m and three times that of 2015. The results highlighted digital revenue including £9m from something new to media investors - e-commerce. Another striking feature was the growth of print magazine revenues which increased by 43%, principally through the 2016 acquisition of tech publisher Imagine. It had been able to squeeze profit growth from micro-managing print even while pushing on with its headlining digital strategy.

That's how the transformation began.

Brits will understand just how reassuring Future's investors found the Scottish cadences of Zillah Byng-Thorne. The Scots founders of modern retail banking have left their prudent mark on the UK psyche, and the Future CEO fills investor presentations with calm commitment to continual change, reinvention and the restless search for new markets and opportunities. Even her big claims sound reassuringly under-stated.

The keys to the strategy came from the CEO's experience at AutoTrader, still one of the UK standouts as a print business that successfully flipped to all-digital. The Future highlights have been:

Technology: In 2021, the company (which is still most easily characterised by its 130 or so magazines) generated almost 40% of its revenue from affiliate e-commerce, with 30% from digital and print advertising, and 22% from readers. That shift to e-commerce retail sales (almost 3x the 2020 figure) came from the re-casting of Future as a tech company. Not because it doesn't still print all those publications which employ the largest slice of its 2,800 people. But because it has invested in a whole suite of proprietary systems that are effective, scaleable and relatively low-cost. It has the technology it needs and owns it. While the capabilities of its Hawk e-commerce software, developed in 2014, do not sound too special, Future's emphasis on a stack of bespoke systems that can be speedily rolled-out to new businesses is highly strategic.

Future's e-commerce revenues are generated via Hawk which identifies products and vendors and embeds links in product reviews. First-party data reveals "where a user enters our ecosystem," such as what search terms brought users to a Future site, which content they clicked on, and whether or not they clicked on an affiliate link. Future, therefore, gets to understand a user's journey, across all its sites. The data informs coverage, by determining which articles motivate people to buy and which don't. The early success came from Future's 12-year-old TechRadar site. But, although tech, video gaming and computing

continue to dominate the company's e-commerce revenue, it is also making major strides in the homecare, lifestyle and financial sectors delivered by its increasing ambitious acquisitions.

Virtually all magazine-centric groups compete for e-commerce revenues. But Future has used data to industrialise the process by producing content (lists, recommendations and practical coverage) that encourage reader-users to buy. It's a powerful machine from the magazine business with technology at its heart.

Management: The inability of incumbents in any market to respond adequately to digital disruption is often in the hearts and minds of long-standing executives. New-style companies need new skills, experience and the ability to see things differently and to challenge legacy business. Future’s senior executive team has a blend of skills and relatively few are from magazines. Further, most are relatively recent recruits to Future with experienced executives from across the media industry and beyond.

Acquisitions: Future's six-year spending spree has culminated in its largest deals: TI Media in 2020 (£140m), Dennis Publishing (£300m) and GoCompare (£594m) in 2021, and Who What Wear ($100m) in 2022. Beyond merely choosing its targets carefully, Future's acquisition success has reflected its technology focus, not least because it has enabled major cost savings and rapid integration.

Byng-Thorne, the former Nestlé graduate trainee and CFO / interim-CEO of AutoTrader, is not the first Future CEO to recognise the enduring strength of specialist consumer media and its "evergreen content". But she has built the systems and team and done the deals that have shifted the centre of gravity from print towards e-commerce and digital advertising. In declaring the ambition to reach 1in 2 of online people in the US (as it does in the UK), she identifies as a hard-driving, energetic CEO who has turned the once so flakey Future into a formidable media machine. That's why it is now so often compared with US digital warriors **Dotdash/ IAC** and Red Ventures , rather than the magazine companies it has raced past.

There was a time (only a few years ago) when the Future CEO felt compelled to allay the fears of investment analysts by (sort of) telling them not to expect many more acquisitions. It was a calming response to Future's messy financial history. The CEO's track record has since given her all the cred she needs to make strategic acquisitions whenever possible.

But this week's news may slow down the deals, especially if the board finds itself in a race to find the next CEO rather than back the plans of the incumbent. Awkward.

Who knows what will happen to Byng-Thorne's ambitions to grow Future rapidly in personal finance, health and US women's lifestyle and to continue to ramp-up the production of video and audio? For all the claims that Future is a "specialist" media company, it is now much more than that. Having started out by publishing "narrow but deep" magazines and web sites for computer gamers, guitarists and techies - it is now engaged in a headlong fight for women's interest media both in the US and UK. It no longer seems unlikely that Future could get into broadcasting or even daily news brands, all of which could provide the

platforms and market power to sell its range of "specialist" products and services. Everything has become possible. Until now.

However "informal" the conversation between chair and CEO about the 2023 "retirement" of Future's CEO of the Year, Byng-Thorne's power may quickly drain away both in the company and in the boardroom. The plans are no longer informal. Can she carry on as if nothing has happened?

The two urgent choices for the Future board may be:

Either turn the clock back and persuade (and incentivise) the high-flying CEO to stay for, say, two more years. (Despite successive shareholder controversies about Byng-Thorne's remuneration, this week's falling share price implies strong investor support for extending her contract).

Or accelerate CEO recruitment plans with a view to making a relatively quick change. The headhunting firm retained by Future in recent years is known to have produced some early possibilities. The choices may include a few internal candidates and established multimedia executives like Hearst's Jonny Wright or Christian Baesler, of BuzzFeed Inc.

Both options come with a price, of course.

But the safe option may be to formalise Byng-Thorne's 12 months' notice and plan a smooth transition either to her long-time colleague (at Autotrader as well as Future) the highly-rated CFO Penny Ladkin-Brand, or the recently appointed COO Claire Blunt (ex Hearst). Either would go down well with investors, especially with a measured handover by Byng-Thorne.

Meanwhile, Future's shell-shocked directors may inevitably start to focus on the jitters that may have helped to slash the share price this year, despite the high-growth financials. They might start to wonder (like some investors) whether the increasing dependance on affiliate e-commerce via Amazon and Google makes Future vulnerable in the medium-term, not least to cuts in commission. They might also worry about the great unknown: how e-commerce will perform in a possible recession. Something new to worry about.

Future can hope to sustain its e-commerce earnings growth by helping to generate many more free-spending "specialist" customers than the digital behemoths can do on their own. But it must also keep building connected audiences and data, and growing alternative revenues including from product licensing - and strategic acquisitions. Revenue diversification is what Zillah Byng-Thorne has been doing so effectively, of course. Any hiatus could be costly.

Trade shows prepare for M&A book

7 October 2022

It is almost surreal to think that the global exhibitions market - which for almost two decades had out-performed all other major sectors of traditional media-marketing - may be about to take up where it left off in February 2020. After more than two years of pandemic disruption, trade show organisers are starting to sound bullish again - just as advertising-funded media (which itself rebounded quickly in 2021-22) is bracing itself for further shocks as a result of rising inflation, interest rates and the Russia-Ukraine war.

Exhibition consultant AMR estimated this week that the global trade show market will this year rebound to c70% of its 2019 revenues, despite continuing covid restrictions in China and Hong Kong and the energy effects of the Ukraine war. It says:

1. Mature trade show markets are expected to recover more strongly in 2022 than emerging markets, the latter group largely affected by the poor recovery of China and Russia
2. Among the markets with greatest resilience (ie rebounding closest to 2019 pre-pandemic levels), are France, Mexico, Turkey and the US. These are expected to have recovered to 75%+ of their pre-Covid size this year
3. The least resilient markets are mostly in Asia, including China, Hong Kong, Macau and the Philippines which are expected to recover to just 40-50% of pre-Covid.

Media investment bank JEGI Clarity has gone further, forecasting the overall market will this year achieve 75% of 2019 and that 2023 will be 95%.

Events Intelligence (EI) has surveyed 96,729 exhibitors from 150 exhibitions around the world in 2022 and estimates that the cumulative number of exhibitors in were 63% of 2019 (37.5k v 59.2k. The stats include a broad spectrum of outcomes:16% of shows were larger than their pre covid volumes, whereas 25% of shows are half their size in terms of exhibitor numbers post-covid.

EI says: "On average those shows which evidence exhibitor growth are smaller than the broader dataset (an average of 218 exhibitors for the growing shows vs the average of 428 exhibitors for declining shows). In terms of geographies - UK shows mirror the trend (37% down), US shows are preforming better (18% down), whereas German shows are performing worse (42% down), which may represent the international nature of some of the larger German shows, compared to the more domestic focused UK and US shows."

But the general assumption that - with the exception of the AsiaPacific - trade shows will have rebounded to at at least 70% of their 2019 revenue is validated by the UFI. In July, the global exhibitions trade association issued its own estimates based on data from 334 events, as follows:

% of 2019 revenues	2023 (H1)	2022	2019
North America	88%	70%	100%
Central/ South America	89%	70%	100%
Europe	96%	87%	100%
M. East/ Africa	80%	70%	100%
AsiaPacific	79%	65%	100%
World total	87%	73%	100%

Source: UFI

While there might always be some "marketeering" in the numbers provided by companies, especially for 2023, the exhibitions market seems likely to have rebounded in many geographies to at least 90% by the end of 2023. That broadly coincides with general forecasts about the recovery of world trade during this year and next.

That is why exhibitions companies are now daring to exude some optimism:

Public companies: Informa had expected 2022 to be 75% of 2019. But, excluding mainland China, it is running at more than 80% with stronger bounce-back from the US, Middle East and parts of ASEAN and LatAm. 2022 forecast. RX had H1 revenues of £394m (60% 2019) and may achieve 70-75% of 2019 for the whole year. Ascential's Cannes Lions 2022 revenue matched 2019; its Money 20/20 Europe was ahead of 2019. Hyve Group says H1 was 75% of 2019 revenue. Its Groceryshop (US) was 40% ahead.

Private equity: Taurus Group is currently trading at 84% of 2019 levels: "US doing well, Europe a little slower while the Middle East has been very strong (ahead of 2019), S.E. Asia only recently restarted. China is stop-start with little visibility...we have run four Chinese shows in the last six weeks". Closer Still attendances are said to be averaging 85% of 2019.

Private company: Easyfairs revenue for 2021-22 was €163.1m just 2.2% down on 2018-19. The company launched 18 new events in 2021-22 and 15 new events are being launched in 2022-23.

Forecasts for this year or next and comparison with 2019 are complicated by non-annual events, the merger/closure of some small shows, and variation in prices, tenancy arrangements, and even target audiences. We might, therefore, simply draw the conclusion that many trade shows will next year be close to pre-pandemic, with industry revenue in 2023 likely to be close to the $27bn achieved in 2019. Exhibitions are back.

This post-Covid bounce is expected to produce an M&A boom. Exhibition acquisitions had previously accounted for some 200 deals annually. During 2018-22, that was a total of 1,000 deals, about 80% of them in North America and Europe. The recent trend had been away from pure exhibitions to One2One hoster buyer events.

But most trade shows will continue to be just that - because the formula works. Long before the recent recovery, veteran exhibitions entrepreneur (and chair of the lively Closer Still group) Phil Soar explained why "traditional" trade shows would rebound:

- They are the only media where the "consumers" (the visitors) travel to the product and not the other way round (thus the consumers are highly self-selecting and self-motivated). They are not price sensitive in the way other media are (a show with 1,000 visitors might charge just the same as one with 10,000 visitors).
- The barriers to entry are often very, very high (because of the tenancy slot system) compared with other media. You might have a great idea for a new Giftware Show, but, because there are so few large exhibition halls, you will find it very hard to put it on profitably. The cost of entry is not necessarily high, but this is of little value if the barriers are high enough.
- What happens at Trade Shows is totally visible to everyone: you can see the hall, how many people are in the hall, and what they are doing. You can talk to the exhibitors. With other media, you really don't know how many eye balls see what you spend (apart from Google etc - which isn't to be discounted, but then nor are bots which, on occasion, can represent the majority of hits).
- People go to trade shows because they really want to be part of their annual industry gathering. They go to see old friends. They go for PR. They go looking for jobs. They go to see what other companies are doing. They might also go because they actually fancy getting out of the office or away from home for one, two or three days.

For all the pandemic disruption, we cannot forget how everybody has loved exhibitions. They had been growing revenue at 6% annually for 10 years, thriving as an antidote to the virtual world for business people everywhere. Until the pandemic - which interrupted the industry and disrupted the huge growth in global exhibition capacity, especially in large purpose-built venues.

In M&A, the status of the trade show industry had been, arguably, crowned by Informa's 2018 acquisition of UBM to create the world leader, supplanting Reed Exhibitions (now RX). A decade before, Informa had not even been in the top 10.

It also underlined the way that European companies continue to dominate the world market for trade shows, accounting for no fewer than eight of the 10 largest organisers.

The attractions of exhibitions to media companies has long been clear. The industry's powering global growth was a reflection of the sheer value of people meeting each other, seeing products or services being demonstrated, and negotiating deals face-to-face. Exhibitions were the original "interactive" media. For organisers, there had traditionally also been the high profit margins and positive cash flow of exhibitors paying upfront, often many months before events take place. But, on the flipside, there were bumpy parallels with the digital world of all-powerful platforms.

The cold fact is that a relatively small proportion of the costs of exhibiting is actually paid to the organisers. Except when the organiser is also the hall owner, the costs of the venue,

stand/booth design, staffing, hospitality, and promotion dwarf the organiser's revenue. Major exhibitions must contend with the monopoly power of large venue owners in major cities. That is why organisers have been so keen to arm themselves with must-have global exhibition brands. But it's been a tricky balance between regional, national and international events. For all the successes of exhibition "geo-cloning", there have been many failures to remind the industry that global often doesn't beat local.

Even before the pandemic forced exhibition companies into virtual events, there had seemed to be a clear imperative to do much more with technology than just enabling visitors to ease their progress through large exhibitions. On the web, many exhibition sites are visually attractive but have limited functionality and often provide scant information on the market. There are frequently only half-hearted attempts to build relationships further than just achieving a sale and - months later - renewing customer contact in time for the event itself. There's too little streaming, online video or wexclusive content. And most would-be exhibitors can't even get the visibility, pricing and booking options so familiar to customers of theatres, hotels and airlines.

It's not, of course, simply about "tech"; it's about "content" that can help customers profit from the event and cement their loyalty.

Exhibitions have long been involved in conferences, webinars and awards competitions, and have customer databases. But some companies (and not just the largest ones) know their future success increasingly depends on using tech to: improve the visitor-exhibitor experience, create a remote access for people who can't get there, and connect events with compelling year-round digital relationships - and information they can't find anywhere else. This connectivity could and should include:

- Online procurement services and information exchanges beyond the exhibition hall
- Exclusive industry statistics, indicators and high-value content
- Complementary media eg streaming and online TV
- Membership organisations

If that sounds a bit like a route towards 21st century versions of the trade associations and networks which had originally spawned so many B2B exhibitions, it may be just the way to go, especially in this new era. Whether trade show organisers like it or not, many of their customers have enjoyed their taste of virtual events and interactive tech which can improve the effectiveness of events. It's happening, of course. Witness the One2One hosted meetings format, omni-channel events and a wide range of digital-only services in B2B verticals. That's why the coming resurgence in exhibition acquisitions might just change more than the ownership of some events companies.

Inevitably, the coming M&A boom will be powered by:

- Strong events profit growth especially in the US and Europe
- Strong dollar favouring US investment in Europe

Beyond that, we might expect M&A activity in 2023-4 to include:

- **Clarion** either as a buyer or seller. It is now five years since Blackstone acquired what is the world's fourth largest exhibitions business
- **RX**: the perennial question about whether and if the RELX parent would divest its increasingly data-driven exhibitions subsidiary - the world no.2.
- **Ascential**: Would any plan to IPO the fast-growing digital commerce subsidiary in the US also involve divestment of the events which have diversified into accreditation and learning?
- **Emerald:** Will the US' largest domestic organiser seek to expand internationally?
- **Hyve:** Once the recovery is complete, will the transformed UK listed company be the diner or dinner?
- **Closer Still** (UK) and **Questex** (US) also pe-owned candidates for consolidation?
- Accelerated development of content-led events models, digital audiences and professional networks: "omni channel"

But those companies and their appetites are only the start. Private equity is more than ready, and trade show companies may either see the opportunity to grow - or to cash-in - after a bruising two years. On your marks.

How the RELX transformation works

21 October 2022

Thirty years ago, Reed International, of the UK, was deep in due diligence for its merger with the Dutch publisher Elsevier. The deal would form a £12bn company, one of the largest publishers in the world, with interests in newspapers, magazines, B2B information, scientific and book publishing. It was not, of course, the first transformation in the 140-year history of Reed or Elsevier.

The hype soon subsided to be followed by years of cultural clash, underlined by the scuttlebutt: The Reed CEO loudly argued for a much better chauffeur-driven car while his Elsevier counterpart pointedly insisted on travelling to the London headquarters by subway train. Just a decade earlier, the Reed CEO had described the strategy for the sprawling conglomerate as "the 5 Ps" - print, paper, paint, publishing and packaging.

By 1992, the company - which had its roots in paper mills - was at least focused on "publishing". But the absence of an effective growth strategy would lead to 2012 shareholder demands for a breakup, 20 years after the formation of Reed Elsevier. The shareholder pressure had followed the company's ignominous exit from the education market where its £3bn investment had not produced anything like the expected growth. Along the way, it had also managed similar short-term profligacy on investments in consumer book publishing and travel information services. It was a large company of many fine assets - but in search of a coherent strategy.

In 1995, Forbes magazine grimly predicted that the publisher best known for its academic journals and B2B magazines would become the first corporate casualty of the internet. But the transformation, which made nonsense of the prediction, was already underway. In 1994, it had acquired the LexisNexis legal database for $1.5bn and - within a few years - had divested most of its B2B magazines in the UK and US. By the time the world banking crisis combined with the surging internet to create a perfect storm for traditional media, print a had already become less than 50% of Reed Elsevier revenue - on the way down to just 6% in 2022. In the last 10 years, the market cap of the company now known as RELX has tripled to £42bn.

This week, RELX formally confirmed its strong performance throughout a pandemic which has played havoc with media and much else. Despite a two year interruption in its hundreds of worldwide exhibitions which, in 2019, had generated £1.3m of revenue and £331m of operating profit, RELX recorded 9% like-for-like revenue growth in the first nine months of its financial year and an assertion that "the momentum remains strong", with 2022 expected to produce operating profit at least 18% ahead of last year:

£bn	2022 (est)	2021	2020	2019
Revenue	8.1	7.2	7.1	7.9
Op profit	2.6	2.2	2.1	2.5

Margin	32%	31%	30%	32%
Net debt	(5.3)	(5.8)	(6.6)	(5.9)

RELX now comprises:

- STM: Elsevier
- Risk: LexisNexis Risk Solutions
- Law: LexisNexis Legal
- Exhibitions: RX

The keys to the transformation of RELX have been in understanding how the information industry has sharply diverged from "media". Time was when business and professional media - like its B2C counterparts - was focused on providing information in the most appetising and timely manner for readers. The transformation of RELX - and indeed the whole information industry - has broadly taken place in three stages:

Stage One: was the transfer of essentially "flat" content from print to digital, exploiting the speed and capacity of the web but actually just producing print-like text on digital screens. It was, therefore, not such a big shift in how information providers worked, even though it involved a fundamental change of business model - especially (in many cases) to shift revenue dependance from advertisers to readership. *It was faster.*

Stage Two: was the exploitation of the almost limitless capacity of the web to build, store and disseminate information on a scale not previously possible in print. So, it was a big change in what those same professional audiences could readily access from the desktop. *It was deeper.*

Stage Three: though, was the really big change in information services: the use of AI and decision tools to provide data analytics which help organisations deepen their understanding of customers and markets. This "embedded workflow information" has been made possible by the exponential growth of data processing power. *It was truly interactive.*

RELX may now be a 50% analytics company as a result of its decade-long journey to compete with global companies like Verisk, S&P Global, and Fitch that have never been publishers.

The best illustration of its successful transformation is the LexisNexis Risk Solutions division which helps detect and prevent online fraud and money laundering for insurance companies and banks. Its customers include seven of the world’s top ten banks and 98 of the top 100 insurance companies. In the US, more than 7,500 federal, state and local government agencies use RELX which helps the insurance industry assess the risk of a person who's shopping for cover and to price it appropriately.

More than 216,000 websites and mobile applications implement the LexisNexis Digital Identity Network around the world. It has some 10,000 employees, serves customers in more than 180 countries and generates almost 45% of the RELX profit. Its fast-growing business is built around four types of data: an unrivalled store of US public records data in

the US; contributory databases operated on behalf of customers in insurance, banking, government, aviation and real estate; a huge amount of data licenced from third parties; and truly proprietary databases built over time, including in the US where it has more than 10,000 sources pouring into its data rooms every day.

Analytics capability is key to providing customers with scoring models and diagnostic tools to enable them to made decisions. But so too is technology, especially its big data High Performance Computing Cluster (HPCC) platform, bringing incredible scale and speed.

This fastest growing and most valuable of the RELX divisions - believe it or not - grew out of the company's former Reed Business Information portfolio of B2B magazines and directories. Its long-established Bankers Almanac directory - along with the LexisNexis acquisition itself - provided the seedcorn that created the mighty Risk division. And smaller information and consulting operations in aviation (Cirium), petrochemicals (ICIS), and agriculture (Proagrica) serve as a reminder of a company which once published B2B magazines in these and hundreds of other market verticals.

Key to the way that these resources contribute to the transformation of other, traditional RELX businesses (eg academic and legal publishing, and exhibitions) is the company's 17-year-old ThreatMatrix, a digital identity platform that helps confirm whether individuals logging into a service are who they say they are, and if not, to identify when the behaviour is looking abnormal and risky.

These resources have also helped to create the PatentSight analytics plaform for the RELX legal information division, known confusingly as LexisNexis Legal. It helps clients to evaluate intellectual property and patents worldwide. It is also developing the relatively new field of legal analytics which (sort of) began with its 2015 acquisition of the California-based Lex Machina, a platform that helps lawyers predict the behaviors and outcomes of different legal strategies by mining, tagging, categorizing and enhancing millions of Federal court dockets and documents. The technology allows lawyers (especially in the US) to make strategic, data-driven decisions and develop winning litigation strategies using competitive intelligence on opposing parties and counsel, track records and key decisions by presiding judges.

This ability to process huge amounts of data at speed also helped RELX's market-leading Elsevier academic publisher - which launched its online library ScienceDirect back in 1997 - to play a crucial role in the collation and evaluation of global virus data during the pandemic.

Perhaps the most unexpected beneficiary of the RELX analytics skills is its RX exhibitions division, whose CEO Hugh Jones says: "I use HPCC to create significant learnings about how an exhibitor has behaved over the past 20 years at all of our shows. That allows me to go into a meeting with that exhibitor and show them how the path forward might look in order to have an increased return on investment. It gives me an ability that other exhibitions companies simply don't have."

The RELX strategy sounds simple enough: "We gather content and data sets which can be structured and unstructured. A vast amount of data from our own as well as other data sources in varying formats are ingested, refined and further enriched. With machine learning and proprietary technology, we then link the information and learn across data sets, creating knowledge graphs which enable advanced analytics. We then apply predictive modelling, visualisations and AI technology to provide actionable decision tools for our customers."

RELX employs 10,000 "technologists", half of whom are software engineers and describes its $1.6bn tech spend as "the golden thread" woven through the group. Erik Engstrom the former Elsevier CEO, who has been at the helm of RELX itself for the past 13 years, has led a concerted push to make the former publisher into a data analytics business. But, while the four divisions are benefitting from the skills and resources especially of the Risk division, up to 40% of the RELX business is still "publishing" of STM and legal content, and exhibitions.

It might, therefore, be a only a matter of time before the ultra-hot business of LexisNexis Risk Solutions becomes as valuable as the whole of its slower-growth parent company. It makes the point that the change never stops. Special skills today become commoditised services tomorrow and new machines and applications keep coming.

But some things never change.

For all the transfer of tech skills and resources, RELX is still four reasonably separate businesses, each with different competitors: academic publishing, legal information, exhibitions - and Risk. But the company that once was the ultimate media conglomerate is a real-time case study in how information brands can spawn high-value analytics business. Arguably, that can have almost equal relevance to single-market information verticals as to diversified global operators like RELX. Think about it.

It's all a long way from the "five Ps" with which former Reed International CEO Les Carpenter proudly described his strategy in the 1980s.

Is Dotdash choking on Meredith?

28 October 2022

In 2018, Meredith Corp - the Des Moines, Iowa, magazine publisher - breathlessly announced its $2.8bn acquisition of the legendary Time Inc. It made the family-controlled company the largest magazines group in the US with 40 magazines, 50 websites and also its 17 local TV stations.

Meredith was euphoric: "It follows a fiscal 2017 in which we posted the highest revenues, profit and earnings per share in our 115-year history. When you combine our strong local television business – which has grown operating profit 15% annually over the last five years – with the trusted, premium multiplatform content creation of Meredith and Time Inc, it creates a powerful media company serving consumers and advertisers alike."

They chose not to ponder the apparent contradictions of the deal: Meredith's focus on Better Homes & Gardens and "service" magazines had been a key reason why it had out-performed Time Inc for the previous decade. Monthly magazines (like those from Meredith) had been winning while weeklies (like Time Inc) were in seemingly inexorable decline. These were two quite different companies, and the gossipy People magazine - the least Meredith-like brand of all - accounted for the majority of all Time Inc profit. While Meredith planned to divest most of Time Inc's best-known brands including Time, Fortune, Sports Illustrated, and Money, it would keep People. Nobody was talking much about the cultural differences between Meredith, in the US midwest, and Time Inc based 1,000 miles away in New York.

The sharp cost differences were not the only reason why Meredith had consistently upstaged Time Inc's performance but they certainly helped. The impressive team that had helped the out-of-towners capture the Manhattan magazine aristocracy couldn't believe their luck. Meredith CEO Tom Harty described it as "a transformative transaction" which would give the enlarged company almost $700m in digital advertising revenue. But the Meredith bosses could not disguise their contempt for much of what Time Inc seemed to represent. Chairman Steve Lacey said: “You have to realize that the vast majority of all media companies’ consumers have a life beyond the Hudson River. The consumer we sell our product to has a very different life than what goes on on Manhattan Island.”

Once signed, the deal quickly went sour.

Everything took longer: the integration, the planned divestments and the promised rationalisation. To complete the perfect storm, Meredith finally owned up to getting its revenue and cost projections totally wrong. Abortive class actions by aggrieved Meredith shareholders alleged that the company did insufficient due diligence and failed to disclose the real level of Time Inc's reduced profitability after it took control.

Its share price collapsed and - less than three years after the Time Inc deal, having sold-off its TV stations - Meredith itself was acquired for $2.7bn by digital newbie Dotdash. The 10-year-old lifestyle subsidiary of Barry Diller's IAC was fresh from reporting 17 consecutive quarters of double-digit revenue growth from its digital lifestyle brands.

In combination with Meredith, it would become a powerhouse (of course). In the previous 12 months, the two companies had generated total advertising revenue of more than $1bn. By 2023, Dotdash Meredith would have EBITDA of $450m. Dotdash CEO Neil Vogel had previously contrasted his company's digital smarts with the supposedly lesser skills of magazine publishers. But any scepticism was deflected by the deal-making track record of IAC, whose CEO Joey Levin said: "We've often found opportunities in the digital transformation of businesses and industries: travel, ticketing, dating, home services and now publishing. Meredith is already seeing record digital growth and we think Dotdash can help accelerate that growth."

The price was 7x the $358m EBITDA forecast for 2021. And there were plenty of other reassurances for IAC shareholders in a company with strong brands and a typically long tail of magazines which – three years previously – had been valued at more than $5bn. Meredith's two largest magazines – People and Better Homes & Gardens – accounted for at least two-thirds of the profit and even more of the value. So, even for Dotdash – a digital publisher which had derided magazine publishers – the "sum-of-the-parts" arithmetic was reassuring.

But, within a few months, there were signs of indigestion. Dotdash executives became frustrated at how long the integration of Meredith was taking, not least in moving the magazine company onto the Dotdash technology. Unsuprising comments about "the importance of culture" were accompanied by reported comments that Dotdash, as a digitally native company, "would rather you move fast and break stuff, and ask for forgiveness later. That's a different culture than a traditional publishing company."

The parent company IAC (long known as InterActive Corp) is a high-performing media-tech-entertainment group founded and chaired by Diller. He was managing Rupert Murdoch's 20th Century Fox in the 1980s and started the Fox television network. He founded IAC in 1995 and has produced a long series of success stories characterised by "patient, strategic capital allocation" and an unrivalled track record for taking offline businesses into the digital marketplace. In the past 25 years, IAC has variously managed, controlled, or invested in Tinder, Ticketmaster, Expedia, Match, Daily Beast, Newsweek, Interval International, Vimeo, Hotels.com, TripAdvisor, LiveNation, Hotwire, Lending Tree, Excite, Ask, and the Home Shopping Network. Nobody does it better. IAC is a $4bn listed business with a fluid portfolio of companies, currently including Angi Home Services, Care.com - and Dotdash Meredith.

Dotdash (formerly About. com) was itself acquired from the New York Times for $300m in 2012. It's been an all-digital company whose collection of websites (including Verywell, Investopedia, The Balance, The Spruce, Simply Recipes, Serious Eats, Byrdie, Brides, MyDomaine, Lifewire, TripSavvy, Liquor.com and Treehugger) attract more than 100m monthly users. When it surprisingly agreed to acquire Meredith, the only question was whether Dotdash's enviable growth path as a digital publisher (revenue doubled in four years) would be accelerated or obstructed by inheriting thousands of employees engaged in the production of print magazines.

It is easy to explain the strategy of, say, Hearst or Future in diversifying from magazines into digital. But the idea of coming into magazines from the other direction seems less credible.

But times change and IAC investors were last year treated to a presentation that underlined how Dotdash and Meredith would become "A Premium Content Powerhouse" across some of the most valuable consumer verticals. Let's not pick through the differences between print and digital for almost everything including content, systems, people, and monetisation. But Meredith was getting almost twice as much digital advertising and Dotdash twice as much e-commerce. Put those two together, and you get…a lot more revenue. Of course.

But traditional media is familiar with the difficulty of sustaining innovative product development when it is dwarfed by the people, profit and power of everything else. It's at least one reason why print-centric businesses find it so difficult to escape their past and go full-pelt for digital.

Why did Dotdash acquire Meredith?

Flashback a year and the Dotdash CEO, a former investment banker, was busy telling investors why his company was growing so fast. He told a conference that his company was the modern version of magazine groups (like the old Meredith) once called "service publishers making content that helps people do things". The task was to create content that was valuable "not browsy". He summarised the Dotdash objectives as to create

- Great content
- Fast sites
- Fewest, most respectful ads

Vogel was underlining his view that too much digital media (including the online versions of print magazines) had sacrificed trust in order to maximise monetisation - with cookies, paid-content, and popups. He was also subtly making the point that digital success comes from relatively small volumes of perfectly targeted "problem solving" content - by contrast with inevitably more discursive print magazines.

Making the point that he and his senior team were all recruited from outside the publishing industry, he criticised magazines for being "browsy" while "Dotdash does not care about time spent" but about the audience getting the information they want to make "critical life decisions". He was blunt about why Dotdash was winning the battle for audiences in "service journalism" from the magazines which had once been so dominant: "We're a lot different to a traditional media company".

He had also said "We don't do sports, politics or news".

Meredith itself might have said that before seeking to acquire Time Inc. It then realised that - although it could sell-off Time, Fortune, Sports Illustrated and Money magazines - it could not hope to get anything other than a dilutive price for the mighty People.

It is tempting to suggest that Meredith sidestepped its exclusive focus on food, family and lifestyle media to take on the celebrity-packed People magazine, so it could buy Time Inc for what seemed like a bargain price. Has Dotdash done the same in buying Meredith?

Part of the answer is not hard to find. The almost-secret heart of the Meredith story had long been brand licensing. At a time when magazines everywhere were fighting hard to bolster revenues with ‘brand extensions’, it became a world-beater, generating royalties through multiple long-term licensing agreements with retailers, manufacturers and service providers in the US. It began 25 years ago when the world’s largest retailer Walmart started to sell Better Homes & Gardens-branded products in its home-ware and garden centres. It's a business that continues to thrive. Walmart stocks no fewer than 3,000 BHG products in more than 4,000 stores and online, in the US, Mexico and China. It is an amazing relationship that will generate more an estimated $130m of licensing profit - almost doubled in the last four years and reinforced by deals in real estate, food, and retail. It's been the envy of magazine rivals the world over.

The cold facts are that Meredith effectively paid $2.8bn (about halved with the divestment proceeds) for only about $100m more annual profit than had been expected from its pre-existing portfolio; and Dotdash's own deal was under-pinned by the estimated $100m of licensing-fuelled profit from Better Homes & Gardens.

It's too easy to find fault with the risks of such asset-stripping acquisition strategies but IAC's latest financials contain the first warnings that even this most experienced of deal-makers might just have got it wrong.

Second quarter 2022 revenue was 18% down on the 2021 combination of Dotdash and Meredith numbers. Even digital advertising was 7% down. IAC CEO Joey Levin told shareholders that Dotdash Meredith's goal of 15%-20% growth in digital revenue for 2022 was "unlikely." The performance was better than the prior quarter, when the company lost $56.2m. Compared with those first three months, Dotdash Meredith's digital business moved from a slight loss to a slight profit, while the company's print business lost less money than previously. The company has so far spent more than $150m on restructuring and severance payments, and also ($70m in 2022) to the under-funded pension scheme in the UK (separate from a UK magazine business itself) which has been passed successively from IPC Media to Time Inc, Meredith and now Dotdash/IAC. Messy stuff.

In an email to staff, Vogel admitted the post-acquisition integration and transition to Dotdash systems was taking longer than expected and would not be complete until about now: "Our migrations have taken longer than we initially thought to ensure we did them properly. It's the internet, that's how it goes sometimes, no matter how hard you try. What matters is that you try." The Dotdash Meredith CEO also told employees that revenue had dropped in July for the second consecutive month. It will be interesting to see how confident he feels when the third quarter figures are published next month - and whether he will admit to indigestion from the Meredith deal.

Perhaps the clues to the level of post-acquisition disappointment are in the presentation of the Dotdash Meredith results. Why else would their trumpeted $1bn of "digital" revenue now include some $130m of annual licensing revenue (principally those branded products in Walmart) which are not digital at all? If this very high margin revenue were included into print, investors might look differently at the stats which - for the second quarter, for example - would show that print accounts for an un-sexy 60% of the revenue. Arguably,

Dotdash Meredith's other guilty secret is that more than 40% of the 174m American consumers reached by the company come not from its much-vaunted practical, problem solving, evergreen content - but from People magazine.

What seems clear is that the $450m of EBITDA forecast for 2023 will not be achieved. For all the obvious differences between the former Meredith and Dotdash, both companies have displayed the same chutzpah in acquiring large magazine portfolios most of which they did not want, seemingly reassured by "sum of the parts" calculations.

Meredith had wanted Real Simple, Food & Wine, InStyle and not too much else. Dotdash wanted those brands and especially Better Homes & Gardens. But that's where the similarity ends. Meredith could never admit it didn't want People - the kind of magazine brand they had spent a lifetime avoiding - because they had virtually no choice but to pretend it had become a core business.

But, perhaps, Dotdash Meredith will come clean.

IAC didn't become one of America's most successful digital investors by glossing over strategic mistakes. That's why we might expect Dotdash Meredith to divest, demerge or spin-off People magazine. What is probably - still - the most profitable magazine in the US sells 3m copies weekly. It might be worth at least $1.5bn (1x revenue) perhaps to the TV networks or video streaming companies Barry Diller knows so well.

If Dotdash could pull off such a deal, it would have paid a net $1bn or so for Better Homes & Gardens and the associated lifestyle, food and homes brands, including more than $100m of profit from licensing. A difficult, messy deal would become a good one. If it hasn’t already started to become that anyway.

FLASHES & FLAMES

The Global Media Weekly for executives and entrepreneurs