THE YEAR IN MEDIA 2024

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"My favorite read of the week is Flashes & Flames. In a journalistic era when most of the 'trades' have disappeared, it is well researched, well written and thoughtful in its coverage of the media industry on both sides of the Atlantic. It is a weekly read that is not to be missed by all industry executives; at a time when memories are short, Flashes & Flames provides an invaluable perspective." **Wilma Jordan**

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A World of Change

It's two years since ChatGPT was sprung on an uncomprehending world and generative AI remains the stuff of nightmares and dreams for companies and governments everywhere.

This was the year when media and information companies were determined not to be left behind and only time will tell whether they have been too hasty snapping up the profit-share licensing deals. For news companies, the payments are neatly following the expiry of those royalty agreements from Meta and Google, prompted by legislative threats initially in Australia. It proved (more or less) to be a three-year 'flash in the pan'.

Its been another bumpy year for news brands.

A bigger bundle

The New York Times continues to stretch its subscriptions lead and the scale of its formidable content bundle as it seeks to become a global news brand ahead of The Guardian, the Financial Times and the Wall Street Journal. Britain's Independent is a nicely low-cost, punching-above-its-weight challenger. But the Washington Post remains a lossmaking disappointment for Jeff Bezos.

The UK's broadsheet-style news brands too are finding the way to a digital future of subscriptions not advertising. But (surprise, surprise) that has not (yet) been enough to enable the UAE-backed buyer of the Daily Telegraph to recoup the 12-15x EBITDA it paid before being blocked by the government in London. Clickbait pioneer Daily Mail is fighting to turn the readers of its world-beating Mail Online into subscribers. With the rest of 'Fleet Street', it is dreaming of transatlantic riches.

The privately-owned Axel Springer is preparing to cash-in its classifieds group and concentrate on news and especially its US-based brands Politico, Business Insider and Morning Brew.

Meanwhile, this has been the year when the struggling, once-profligate BuzzFeed and Vice have been almost forgotten amid the low-cost smarts of Axios, Semafor, Puck, and Punchbowl.

But the soaring value of the Murdoch family's News Corp has been due to the growth of its real estate digitals and Dow Jones business services. Its Fox Corp has also had a good year with Fox News (and its chosen candidate Donald Trump) winning the US presidential election. The once mighty CNN is still work-in-progress for former New York Times and BBC chief Mark Thomson. Can the NYT revolutionary turn mass-market video news consumers into ssubscribers?

Too much print

In magazines, the digital-focused Dotdash Meredith, of the US, seems finally to be a path eventually (maybe) to "justifying" the $2.7bn it paid three years ago for the Meredith portfolio of print.

In the UK, Future continues to feel the pressure of £500mn of magazine acquisitions on its own digital strategy, now exacerbated by the resignation of CEO Jon Steinberg after less than two years. Both companies share the guilty secret of hundreds of high-priced bookazines which contribute a disproportionate share of the profit.

Elsewhere, the recent job cuts at Condé Nast and Hearst tell the story of an unending search for stability among once dominant magazine brands. But Hearst has had another growth year on the back of its burgeoning business information services (notably ratings company Fitch) which now account for more than 50% of the revenue.

The data and analytics group RELX has had another strong year with its market cap growing by 20% to £70bn – a pe of 37x.

After years in the shadow of their B2C peers, subscriptions-fuelled B2B companies are now the prime targets for investors everywhere; prices and data

are hot. And B2B-B2C hybrid verticals seem likely to continue their growth, especially among independent companies.

Competition for 15x multiples comes from trade shows which have bounced back after the pandemic, proving the seemingly unique value of face-to-face events. World leader Informa (doing more than most to mix data and subscriptions with events) has splashed £2bn on post-pandemic acquisitions.

But the real measure of trade show rebound may come from the £2bn price (or not) of the no. 3 company Clarion Events, now being marketed by Blackstone. The storm clouds of possible trade wars and of East-West battling might (or might not) eventually slow the recovery of events.

Platforms like Substack and Spotify have turbocharged the growth of newsletters and podcasts. But the low barriers to entry have obscured the search for profits. However accessible or low-cost, real success comes from consistently meeting the wants and needs of an audience in a timely, convenient and appetising way. Many startups (even from substantial media) are just too randomly produced.

Exclusive content

As ever, the emphasis must be on exclusive content that readers, users and viewers just cannot get anywhere else. The legacy of a glorious past of comprehensive 'packages' of special and not-so-special content weigh heavily both on B2C and B2B media. But improving technology and savvy consumers will increasingly threaten the business models of companies which offer little or no 'owned' news, information and data and too much 'general' content for which consumers will not pay.

In this 'last peak' time when many print newspapers still generate the profit while digital delivers audience scale, media companies must invest in high-value, exclusive 'owned' content, not simply curate the news from everywhere else.

That sense of 'ownership' goes also for the consumers themselves. Media must accelerate the effort to get out from under a lifetime of intermediaries.

Direct-to-consumer is vital, as is a strong sense of community cultivated among customers.

In an AI world, it's an urgent agenda.

Colin Morrison, Founder, Flashes & Flames
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KKR Deal ‘Frees’ Springer to Become News Leader

20 September 2024

Axel Springer has agreed the long expected divestment of its classified advertising business to investor KKR. Under the deal, the Germany-based media company will again become a private company 98% owned by Friede Springer and CEO Mathias Döpfner and valued at €3.5bn. Its major brands include the German newspapers Bild and Die Welt, and Politico, Business Insider and Morning Brew, in the US.

KKR and the Canada Pension Plan Investment Board will become majority owners of the classifieds business (Stepstone Group, Aviv Group, finanzen.net and Awin) - valued at $10bn - with Axel Springer retaining a 15% shareholding. The demerger comes five years after KKR paid €3bn for a 49% stake in Springer which then delisted from the Frankfurt stock exchange.

Döpfner told staff yesterday that the KKR deal fulfilled the best hope he had for the business back in 2019 and was “a great success”. He also recounted how the company had changed in the two decades since he became CEO: “Back in 2002, Axel Springer was a German newspaper and magazine publisher that was losing money. In 2021 and 2022, the company achieved double-digit revenue growth for the first time in four decades. And, in the past five years, the value of the company (now €13.5bn) has almost doubled.”

Much of the growth has, of course, come from the classified ads business now being divested. But the Axel Springer news brands do have a digital reach of some 400mn monthly uniques, 1mn paying subscribers and are undisputed leaders in Germany and among the top four in the US.

But there have been some expensive mis-steps in Döpfner’s 20-year revolution.

In 2006, German regulators blocked the company's bid to buy ProSieben TV and the following year it lost hundreds of millions of euros in an unsuccessful bid to create a mailing rival to Deutsche Post. But neither the CEO nor the owner were discouraged.

Having joined the Springer board in 2000 and become CEO two years later, Döpfner worked tirelessly to transform the Berlin-based domestic newspaper and magazine publisher into a primarily-digital, increasingly international provider of news, classifieds and marketing services through a powering strategy of M&A and organic development including:

- **Acquiring:** US-based digital media, including Politico, Business Insider, and Morning Brew for a total of some $1.5bn. Digital classifieds in jobs and real estate, starting with the then pan-European StepStone in 2009 and the UK's Total Jobs in 2012. Working with private equity (first General Atlantic during 2012-15 and, then, with KKR) to make acquisitions and ramp-up the growth of the classifieds business. In total, he has spent €3.5bn on ore than 50 digital companies.

- **Converting:** German daily newspapers Bild and Welt into digital brands, with hundreds of thousands of subscribers.

- **Divesting:** The €920m sale to Funke Group of the Springer women's and TV listings magazines and regional newspapers including Berliner Morgenpost, Hamburger Abendblatt, and Horzu.

Döpfner: sold founding magazines and changed everything

The reinvention required real strategic courage, especially early on when the family-controlled company sold Horzu and Hamburger Abendblatt, the two publications first launched in the 1940s by the late founder Axel Caesar Springer. With the acquisition of Die Welt, they had been the start of the company whose influence, reputation and profitability was transformed by the 1952 launch of Bild, based on the UK's then all-powerful Daily Mirror.

Herr Springer's business career had been punctuated by fierce criticism of the fiery Bild. But there were many other facets of the man who fought for the reunification of Germany and, symbolically, built his headquarters overlooking the Berlin Wall, which came down four years after his death. (It is now the site of the company's stunning Rem Koolhaas-designed Axel Springer Campus.)

On Axel's death in 1985, his fifth wife Friede Springer became the company's largest shareholder.

The newly-listed company lurched from one crisis to another in the following 15 years, with a succession of bosses and disastrous strategies. Then, along came its unlikely saviour, Mathias Döpfner. Having studied musicology, literature and theatre science in Frankfurt and Boston, he began his career in 1982 as the music critic of the Frankfurter Allgemeine Zeitung. After working as a news correspondent in Brussels – and also as manager of a concert agency – he moved to Gruner + Jahr in 1992.

Four years later, he became editor-in-chief of the tabloid Hamburger Morgenpost. In 1998, he joined Axel Springer as editor-in-chief of Die Welt. He sharply reduced its losses. Within four years, the seemingly unambitious Döpfner found himself propelled into the Springer senior management.

But some signs of the future CEO could be seen in his comprehensive revamp of Die Welt. In 2000, his editorial comment outlined the three priorities of future business leaders: "First Internet, second Internet, third Internet." Then, he got the chance to put it into practice in a company that had lost its way – even before the internet had taken hold.

In 2002, he succeeded former News Corp UK boss August Fischer, after rising print costs and advertising cuts had pushed Axel Springer into its first-ever annual loss, of some €200m. Döpfner became CEO at 38, half the age of his predecessor. He set about cutting costs and, in 2004, increased Springer

profits by 23%. He also managed to rid the company of its hostile 40% shareholder, the former TV entrepreneur Leo Kirch.

Döpfner is now one of the most admired media CEOs, the 21st century heir to a cast of news barons from Hearst to Northcliffe, Beaverbrook and Murdoch. Back in 2002, he looked nothing of the kind. His sudden, fast-track executive career prompted colleagues to identify the characteristics he shared with the company's late founder: his passion for music (in Döpfner's case, everything from Mahler to James Brown), his "non-Jewish Zionism", and strong personal convictions about almost everything in media and politics.

He is said, early on, to have given Frau Springer a copy of former Washington Post owner Katharine Graham's autobiography, chronicling her close working relationship with legendary editor-in-chief Ben Bradlee. "Perhaps this is a good role model for our corporation," he reportedly had told her.

The relationship between proprietor and CEO blossomed.

In 2019, after KKR had become its largest single shareholder, Frau Springer sold a 4.1% stake to Döpfner and gifted 15% more – bringing his shareholding to 22%. She also transferred to him voting rights for her remaining 23% shareholding.

The CEO's restless drive to harness the best instincts of companies everywhere had prompted him to send senior executives to California, on a mission that has left an indelible mark on the rejuvenated company's strategy. The Springer team roomed in Palo Alto, a stone's throw from Stanford University, and networked with its graduates across Silicon Valley. They studied the habits of US start-up culture, learning the lessons of success and failure in the California sun. Then they flew home and helped to change the German company and its culture. But not before the CEO had staged a theatre play in which he played the founder Springer in "today's world". He dressed up in a hoodie and a t-shirt, like a startup founder, and thought out loud how to disrupt the media, daring to criticise his own company's prospects if it did not change.

Then came the pain as he made a point of recruiting senior executives from outside the company in order to change the culture. He cut jobs and integrated print and online newsrooms. But, even while he was cutting back, he pushed into new markets, launching the Polish tabloid Fakt that became the country's bestseller in its first year. And the restless search for

new opportunities has been snowballing ever since through acquisitions, disposals, and digital startups.

The once sleepy Axel Springer group has – alongside the New York Times and Norway's Schibsted – become a standout in the transformation race by daily newspaper companies.

Like Schibsted, Springer expanded its digital classifieds strongly in countries where it was an insurgent with no traditional media to defend. Unlike the Norwegian company – which created a large number of new classified sites in 'new' countries – Springer based its growth on significant acquisitions in many of the key markets. It was a bold strategy, supported by General Atlantic, and KKR which helped to fund the delisting of Axel Springer and also the $1bn (5x revenue) acquisition of Politico.

In 2015, Springer had paid a splashy €450m for Business Insider on the rebound from its failed €900m bid for the Financial Times. It has been described by Döpfner variously as "the Wall Street Journal of the business elite", "business journalism with a twinkle in its eyes" and "the largest business destination in the world". He has also predicted that "It's going to be one of the most attractive and best positioned digital native brands in the world". And there are big plans to expand Politico beyond the existing bases in Europe and the US.

Like Hearst in the US and the Daily Mail Group in the UK, the German company has proved to be a particularly good partner, collaborator and investor in joint ventures, partnerships and start-ups. Individuals and companies like doing deals and working with Springer. And the company has been able to retain strongly independent founders.

Axel Springer (before the classifieds divestment) has revenue of some €4bn and EBITDA of €1bn. It employs 18,000 people across the world.

But it's not all been plain sailing for the CEO.

In 2022, he was sharply criticised in the US for everything from the delayed dismissal of the Bild editor-in-chief for sleazy conduct to seemingly incautious (supportive) remarks about former President Trump and Elon Musk, and a strange joke about paywalls: "We're from Berlin, we don't like the concept of walls". The public mis-steps smacked of arrogance to US journalists who didn't know much about either Springer or its CEO. He knew the US well but

seemed strangely unprepared for the questioning after years of being courted by respectful reporters and politicians back home in Germany.

It may take newspaper sleuths in Washington and New York a while to forget the Döpfner stumbles. But they will eventually be impressed by his consistent support for independent journalism ("not every journalist writes what I think is right") and for his strategy smarts. Critics might never actually like the CEO's towering self-confidence but they will come to admire his straight-talking, his vision and the success it is bringing to the company. Even in bumpy times, it continues to be a brilliant performance, now crowned by the KKR deal.

There was always an inconsistency in the way that Mathias Döpfner had told his teams (especially in the US) that the Axel Springer dependency both on news and classified advertising was a digital version of its traditional business model – but that the Classifieds and also the Marketing (eCommerce and Price Comparison) sites will eventually be divested.

But he always wanted the company to be a pureplay news provider and believed the "non-core" earnings would pay for the journey. Döpfner simply loves the news business. He was among the first to articulate the need for publishers to 'get' tech before the tech firms became publishers; he recognises that advertising corrupted so much traditional media. A one-time ancillary revenue became the dominant stream which distorted reader relationships and wrecked the business model. But, even now with soaring levels of digital subscriptions, most daily news brands do still need some of the revenue from pre-digital times: print (for now) and *some* advertising (perhaps for ever).

Whether Döpfner admits it or not, the Axel Springer news portfolio may always need ancillary revenues beyond the core subscriptions. But it's about even more than money. The fact is that eCommerce, price comparison sites, advertising, online learning, and events can be integral to the sense of belonging (even membership) so important in building long-term readership. Media companies must have an interactive relationship with reader-users. They need to be *connected.* Versatile revenue streams come from versatile products and services.

But, now, the biggest challenge begins.

The debt-free Axel Springer wants to challenge the New York Times and The Guardian for a leading role as quality news provider to the world - or at least the English-speaking parts of it.

Can we expect more big deals?

This week, Springer strategists were excited about Puck's eye-catching gossip that some Nikkei board members had grown impatient with the Financial Times performance and were pushing for consideration of a sale. And (who knows?) the mighty Dow Jones/ Wall Street Journal could conceivably be sold as an eventual result of this week's Murdoch family stoush in Reno.

Axel Springer dreams of having large, truly global digital brands, including Business Insider and Politico, and also audio and video channels to challenge the dominance of old-style broadcasters like CNN and even the BBC. In times when the UK's state-owned broadcaster is having difficulty funding its international broadcasting, could a world news partnership with Axel Springer be one stretchy possibility? And what about an alliance with CNN whose reforming CEO Mark Thomson was previously an advisor to Axel Springer?

Beyond the wilder ambitions, insiders expect the Springer portfolio eventually to include major new Politico-like global verticals in sectors like sport, finance, education, and health. The global footprint might also be amplified by networks like those established by TED and the World Economic Forum.

But amid the euphoria of this week's deal, nobody will have wanted to point out that Axel Springer's 30% revenue growth in the past five years has actually not been that great, especially with acquisitions. The company's digital news transformation is real but - as elsewhere - it has been propelled by non-core revenues (classifieds) which have also brought in the investment to make chunky acquisitions like Politico and Business Insider. Lest we forget, the news business has been generating about 50% of Axel Springer revenue but only one-third of the profit.

Mathias Döpfner dreams of becoming the world champion of news. But it's his biggest challenge yet.

What Dotdash Meredith Got Wrong and Right

29 November 2024

Three years ago this week, the digital media group Dotdash acquired America's largest magazines group Meredith for $2.7bn. The deal brought together some 40 magazines including People, Better Homes & Gardens, Travel & Leisure and Southern Living with 14 all-digital journalism sites including Serious Eats and Investopedia.

IAC, Dotdash's listed parent, said the combination offered "uniquely engaged audiences to advertisers and partners." The deal came two years after Dotdash had bought the 85-year-old Brides magazine from Condé Nast before scrapping the printed edition. Dotdash CEO Neil Vogel had said his company would become "what the future of Condé Nast should be."

But Meredith was a whole world of difference for Dotdash, even though the fledgling company had certainly started well:

SnapShot Dotdash				
$mn	**2020**	**2019**	**2018**	**2017**
Rev	214	168	131	91
Ebitda	66	40	21	(3)
Margin	31%	24%	16%	---

Vogel had envisaged a future where the leadership in lifestyle journalism would switch from print to digital. But, by 2021, he was (sort of) pretending that the magic was in a combination of both. The Dotdash Meredith "merger" would, after all, become the largest print and digital publisher in the US. The CEO struggled to explain why a company which had specialised not just in

digital but also in lifestyle "intent driven" journalism would want to own People celebrity gossip magazine, the largest magazine in the US and generating an estimated 30% of all Meredith revenue.

It didn't even sound right.

Dotdash might just have succumbed to the "biggest publisher in the country" hubris - as Meredith had done in 2018 with its reckless (and, ultimately, suicidal) $2.8bn acquisition of Time Inc. It too had been wildly optimistic about the scope for scale economies in the online and advertising competition with digital platforms and – crucially – it had under-estimated the cultural differences between the Iowa-based Meredith and the New York-based Time Inc. The Meredith executives also had waffled about the supportive firepower of the People audience for a company which had – a bit like Dotdash – specialised in "service journalism": food, drink, family, finance and leisure.

But Vogel was ultra-confident about the opportunities for Dotdash Meredith (DDM): "Our playbook is going to drive audience, performance, and help the brands maintain their stance in the digital world that they have in the print world."

The acquisition, which was the largest cash deal in the history of IAC, was nonetheless under-estimated by CEO Joey Levin who said: "Meredith doesn't feel like the biggest risk we've ever taken because the acquisition is a natural step forward in Dotdash's growth progression, where we've been steadily acquiring publishing businesses with real synergies for several years. The more we invest in a subject, the more audience we can attract…and the more value we provide to advertisers…that all gets better with Meredith. We've always seen Meredith not as a printing machine, but as a trusted source of content…We've set an ambitious target of more than $450mn EBITDA from digital publishing in 2023."

But, within a few months, Dotdash had indigestion.

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 bravado 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."

Levin soon wanted to forget his bullish forecasts about immediate profit improvements, a 15-20% annual growth in digital advertising, $300mn EBITDA in 2022 and $450mn in 2023. He subsequently made made painful confessions that, while Dotdash had experience of integrating acquisitions, "the scale of the Meredith acquisition was at a different level" and, ultimately, that "In hindsight, we timed the acquisition poorly". Really?

They were the explanations for integration delays and wildly missed revenue and profit targets. They were also so like the excuses heard from Meredith itself when it had acquired Time Inc. But the clues to the problems ahead had seemed clear even from the IAC/Dotdash investor presentations at the time of the deal. Neat "synergy" graphs showed that Meredith had more advertising per digital visit but that Dotdash had more 'performance marketing and eCommerce'. But, if Dotdash had chosen to include Meredith's c$100mn of annual product licensing revenue, the chart would have shown that Meredith was, arguably, more successful on both measures.

Fast forward to 2024 and the Dotdash predictions are now all but forgotten.

But the fact that DDM is now forecasting some $310mn EBITDA this year (when it had once been so confident of $450mn for 2023) tells the story of a company that has learned the hard way about integrating print and digital media. Having ditched its post-acquisition forecasts, IAC has been reduced to reassuring shareholders that that DDM cashflow is more than sufficient to cover its debt repayments - even though the borrowing covered not much more than 50% of the Meredith price; the rest was IAC cash.

Even this year's estimated $1.9mn revenue and 40% EBITDA growth is way behind the aggregate of the two companies - in the pandemic years of 2020 and 2021:

SnapShot Dotdash Meredith					
$bn	**2024***	**2023**	**2022**	**2021****	**2020****
Rev	1.9	1.7	1.9	2.3	2.2
digital	50%	46%	42%	42%	37%
print	44%	48%	52%	57%	58%
licnsng	6%	6%	6%	5%	5%
Ebitda	0.31	0.22	0.15	–	0.4
Margin	16%	13%	8%	–	19%
UVs mn		10.8	11.9		

**Flashes & Flames estimate. **Dotdash + Meredith pro forma*

So, three years after the acquisition, the total cost still equates to a multiple of 10x EBITDA, a rich price for Meredith some two-thirds of whose 2021 revenue came from print.

Although DDM includes "licensing" as digital, we have deliberately recorded it separately because the majority of the $100mn+ high-margin revenue is derived from the Better Homes & Gardens magazine product licensing deal with Walmart - and had been recorded as "print" revenue by Meredith. It also shows that DDM revenue has only just become 50% digital.

To say the very least, an egregiously over-priced acquisition and three years of missed targets has not been a familiar experience for IAC.

The company (long known as InterActive Corp) is a high-performing, media-tech-entertainment group founded, chaired and 41% owned by Barry Diller. He had managed Rupert Murdoch's 20th Century Fox in the 1980s and started the Fox television network. In 1995, he created IAC which has produced a long series of success stories characterised by "patient, strategic capital allocation" and an unrivalled track record for digitalising offline business. In the past 29 years, it 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. Almost nobody does it better. IAC is a $4bn listed business with a fluid portfolio of companies, currently including Angi Home Services, Care.com, 14% of MGM – and Dotdash Meredith.

Dotdash (formerly About. com) had been acquired from the New York Times for $300mn in 2012. It became 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) attracted more than 100mn monthly users. When it surprisingly swooped for Meredith, the only question was whether Dotdash's enviable growth path as a digital publisher (revenue more than doubled in four years) would be accelerated or obstructed by inheriting thousands of employees engaged in the production of print magazines.

Its first exploratory "merger" discussions had actually taken place more than a year before Meredith itself had bought Time Inc in 2017. So Neil Vogel had plenty of time to persuade his initially sceptical bosses of the potential digital value of print magazines. It has always seemed easy to explain the strategy of, say, Hearst or Future in diversifying from magazines into digital, however tricky the process. But the idea of coming into magazines from the other direction had seemed scarcely credible.

Why did Dotdash acquire Meredith?

The Dotdash CEO, a former investment banker, had previously told investors why his company was growing so fast. It was the modern version of magazine groups (like Meredith) once called "service publishers making content that helps people do things". The task was to create content that was valuable "not browsy". He wanted to create

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

Vogel considered that too much digital media (including the online versions of 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 mostly 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 these audiences from the magazines which had once been so dominant: "We're a lot different to a traditional media company".

Crucially, he had also said "We don't do sports, politics or news". Meredith itself may have said the very same thing before seeking to acquire Time Inc. It had subsequently realised that – although it could sell-off Time, Fortune, Sports Illustrated and Money magazines – it could not hope to get anything other than a financially-dilutive price for the mighty People which accounted for, presumably, some 50% of the total acquisition cost.

It is tempting to suggest that Meredith had sidestepped its highly-successful, exclusive focus on lifestyle media to take on the celebrity-packed People magazine - so it could buy Time Inc for what seemed like a bargain price.

Perhaps Dotdash did the same in buying Meredith?

Just like Meredith's debacle with Time Inc, the Dotdash deal seemed to go wrong very quickly. But it took a while to own up. The evidence of DDM distress has been in: the unplanned, successive cuts to staffing and portfolio (continuing into 2024); differentiating web traffic between "core" and "other sites" in order to flatter the online results, the licensing revenue fudge and the waffle about the debt cover.

Suddenly this year, the post-acquisition storm clouds have seemed to lift.

DDM now claims to have "delivered on the long-anticipated return to growth". But even the total profits forecast for 2024 are not much more than might once have been expected just from Meredith's principal brands: People, Better Homes & Gardens, Southern Living, Allrecipes, Food & Wine and Travel & Leisure. Interestingly, the EBITDA in 2022 (the first full year of DDM) was actually equivalent to Meredith's estimated profit just from product licensing in 2021.

But what about People magazine?

Under the last years of Time Inc ownership, the powerhouse celebrity weekly had accounted for some $500mn (80%) of the company's profit on

revenue of $1.5bn. In 2024, it still has some 2.5mn print and digital copy sales/subscriptions and may account for more than 50% of DDM's c$800mn print revenue. On that basis, People magazine may generate at least $100mn profit – another one-third of the company in 2024. And the company still publishes more than 15 other magazine brands. Its other guilty secret is the portfolio of some 400 single-topic 'bookazines'. The so-called Premium Publishing (priced at $14.99) represents more than 50% of a quietly booming US publishing market. It underlines just how disproportionately important "print" is to DDM - whatever the PR says.

The irony of the Dotdash Meredith story, as it battles to get back to the level of profit it once promised investors, is that Neil Vogel had been right about print.

He had spent several years persuading Barry Diller that the Dotdash all-digital business model was the way to build an advertising powerhouse; print was good but could only be funded by readers. In the era of digital platforms and social media, advertisers demanded certainty of audience delivery not the random, offline readership of magazines that had once dominated ad schedules.

Even now, nobody makes the advertising case for all-digital lifestyle media better than Vogel.

His growing revenue is now drawing strength from DDM's innovative D/Cipher product which allows advertisers to target users based on intent - what users are actually reading or watching in the moment - without cookies or personal identifiers. Digital revenue grew by 16% in Q3 as it became clear that D/Cipher brings real distinctiveness and improved ad yields. It's a vital part of DDM's future.

Let me explain.

There is a surfeit of discussion about whether print will survive. Of course it will. The trouble (for DDM and others) is that print is fast becoming a quite different, mostly smaller business. It is difficult to doubt that, in the future, many print magazines will (unlike their current, cost-reducing incarnations) become distinctive, high-quality, high-priced products, funded by readers. Perhaps many really will be bookazines. They may even become content marketing for digital services. But print magazines will be less attractive to

many large publishers because they will tend to have smaller, older audiences, attract even less advertising, and profits will be pressured by the inexorably rising cost of production, distribution and postage. In newsstand markets like the UK, retail disruption will provide additional headwinds.

It all means that companies like Dotdash Meredith (but also, presumably, longterm magazine publishers like Conde Nast, Hearst, Future, Burda, Bauer et al) must intensify their efforts to leverage their print brands, content and relationships to grow the digital, ads/commerce-funded business - before (mostly) divesting the print. Sometime, somehow.

But DDM's thinly-disguised dependance (still) on printed magazines and bookazines shows that the longterm, all-digital strategy is easier said than done. That's the journey Neil Vogel embarked on three years ago this week. After a messy and expensive start, he is building profits and gaining speed. But there's a long way still to go.

What Mike Danson Does Next

5 January 2024

In a move which may have far-reaching consequences for private equity, the UK listed GlobalData has agreed to sell a 40% shareholding in its healthcare division to Inflexion. The deal values the division - which accounts for 36% of GlobalData revenue - at £1.115mn (22x EBITDA). That's no less than 82% of the parent company's £1.352mn market cap on 20 December when the deal was signed. For GlobalData CEO-founder and 60% shareholder Mike Danson, it was Christmas again - 16 years after he sold his Datamonitor company to Informa for an eye-watering £513mn (7x revenue).

Valuation of the Inflexion deal - which will give GlobalData some £434mn of net proceeds - will silence any investor questions about why there had been no competitive process. The plan had been prompted by Danson's frustration with a sluggish share price which, with higher interest rates, had constrained the M&A of a once acquisitive company (about 30 deals in the past decade). Acquisitions had been getting just too expensive.

Continual approaches from private equity, either to take GlobalData private or to divest key assets, are believed to have made Danson think about the alternatives. The upshot was an approach by his M&A director Mark Thornton to a former 3i private equity colleague, David Whileman, now a partner at Inflexion. His Partnership Capital Fund had created Curinos, the $243mn retail banking data business, from a 2021 merger of Informa's FBX and Novantas, with the listed Informa retaining 56%. Whileman jumped at the chance to do it again, with GlobalData.

Another Christmas 'gift' for Danson

The deal (which is expected to close in 2Q 2024) took just 77 days from first outline meeting to agreement last month; teams of 50 people on each side raced to reach agreement by Danson's inflexible Christmas deadline. Perhaps the CEO wanted to complete before embarking on his traditional New Year tour of his global operations.

Healthcare is the largest division of GlobalData, headquartered in the UK and employing over 1,000 people across 10 countries. Its subscription service claims to offer a one-stop solution for over 2,000 global customers across global pharma and biotech, pharma suppliers, professional services and medical manufacturers. Its proprietary platform provides insights on drugs trends, trials and therapeutic reports, and supporting research and development of pharmaceuticals. The division is said to have generated £50mn of EBITDA for the 12 months ended June 2023. Its revenue is 50% from the US, 36% from UK/Europe and 14% APAC.

The genesis of the deal almost echoes the way that Ascential Plc - GlobalData's fellow, UK-based B2B group - suffered with a share price which under-valued the company by at least 50% - until the recent breakup proved the point. But Danson's deal is sweeter still, of course, because he keeps control of his company and its largest division. But it may now be able to expand more

quickly and, ultimately, to command a higher exit multiple; specialisation and the blandishments of global pharma almost guarantee that.

But there's more.

Following the Inflexion transaction, GlobalData's balance sheet will be transformed from net debt of £230.8mn (as at 30 June 2023) to being debt-free with net cash. As well as improving its profitability and cash flow, the "new" balance sheet creates M&A opportunities for the rest of the company too.

Although the 2024 estimate (below) will be subject to change, the financials show how GlobalData has increased its profit by more than 70% in the past three years and may this year achieve EBITDA margins of 42%:

Snapshot GlobalData Plc				
£mn	**2024***	**2023**	**2022**	**2021**
Revenue	295	275	243	189
EBITDA	124	110	86	64
Margin	42%	40%	36%	34%

**Flashes & Flames estimate*

But something more strategic is likely to happen.

Less than a year after Danson had regaled investment analysts with his plans to acquire trade magazine brands and other B2B assets to create a 'one stop shop' of information, data, research and news right across his sprawling portfolio, he may be changing his mind. Although the CEO-founder has yet to clarify his strategic intentions, the fact that GlobalData now says it has three divisions - Consumer, Technology and Healthcare - is a definite shift from a presentation last year which had no fewer than 16 sectors - with a seemingly endless appetite for more. While some of these may have become sub-sectors within the new Big Three markets, it seems clear enough that GlobalData's future may now be as much about divesting or pruning a long tail as using its 'new' financial muscle to buy high-value data and research. It will surely be doing a lot of each.

Whether or not we see an explicit reversal of the strategy to buy B2B brands (like Broadcast and Screen International acquired in 2022), Mike

Danson is not the first to realise that - among much else - the acceleration of AI is sharply reducing the value of “nice to know” information while turbo-charging “need to know”. Lest we forget, the future for so much professional media is exclusively about information you really cannot get anywhere else: everything else is, increasingly, everywhere else.

We might now expect the remaining two GlobalData divisions also to be “de-merged” (before or after any new equity funding deals), with the holding company continuing to operate the technology platform on which they depend. At least for now.

Don’t be surprised if Danson has a new three-pronged de-merger plan to unveil once the Healthcare deal completes. He knows that Inflexion - and many of its peers - will now be hungry for no-debt partnership deals of the kind which private equity financial engineers would once have done anything to avoid. Happy New Year.

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A New Model for Profitable News

2 February 2024

It's been another week to remind us of the follies of erstwhile news pioneers BuzzFeed and Vice which are both hoping to sell once-vital subsidiaries, Tasty and Refinery29 respectively, in their latest lifesaving endeavors. We don't need to be reminded of the hundreds of millions of lost investment or the billions of sometime valuations on the back of flaky platform traffic and "virality". But, beyond the platform euphoria (once shared, of course, by wiser heads than Jonah Peretti and Shane Smith) we might note that the two burned-out companies consistently lacked a coherent business model. In a 'Field of Dreams" way, they were piling up an audience in the expectation that monetisation would come.

That's why we can be captivated by an ambitious digital news startup which is on course to be profitable in 2024 - only its second full year. The company, plausibly, aims to compete with the New York Times, The Guardian and the Financial Times to become a global news source, ultimately, for the estimated 200mn college educated, English-speaking readers (or at least the most influential and successful of them). It's becoming an increasingly serious player after having so far spent perhaps just 30% of its $34mn startup funding. (Less, of course, than the $50mn burned in less than a year by another news startup The Messenger which closed this week).

That's the pitch for Semafor, launched in October 2022 by former Bloomberg CEO Justin Smith and journalist Ben Smith, former executive of BuzzFeed, Politico and the New York Times. It aims to provide audiences with "an unparalleled level of journalistic transparency through innovative new forms, cutting

through the noise of the news cycle with smart, distilled views and exploring competing perspectives across borders for a curious, new global audience."

In practice, that means clarifying the difference between facts and opinions, quoting and linking to a wide variety of sources, and taking a global perspective rather than an American one. Semafor seeks to be an antidote to polarised news coverage with its "Semaform" sections on: The News, The Reporter's View, Room for Disagreement, and Notable, some of the best other writing on the subject. So, its analysis yesterday of The Messenger debacle was followed by a link to an insightful piece in the New York Times.

But this is not some kind of news digest and Semafor has published a series of exclusives during its first year, including the first report of Microsoft's $10bn agreement to acquire ChatGPT last January.

Its been an encouraging first 15 months, to say the least. Just ask the diverse group of venture investors, philanthropists and media owners including: KKR founder Henry Kravis, Charles Koch, Jerry Yang (co-founder of Yahoo), David Rubenstein (Carlyle Group), David Bradley (Atlantic Media), Ric Elias (Red Ventures), Gallup, and Jessica Lessin (The Information). They are described as having "a shared sense of responsibility to support quality, independent global news".

The CEO's lofty objective is "to build the world's most influential, quality, independent news brand/platform for the 21st century global leader. We started 15 months ago in the US and sub-Saharan Africa (based in Nigeria) and will be expanding across the rest of the world in 2024 and beyond."

Explaining the first geographical steps, he has said: "The US is 60% of the global premium news marketplace, from an advertising and subscription perspective. And so we recognise that and realise that if you want to build a global, quality news brand for the 21st century, you must have a strong US presence. There are 1.4bn Africans – the demographic growth of the next 20 years is going to be explosive. And, most importantly for us, there's not a lot of competition from the existing global English language news legacy players"

Next, Semafor says, will come (in an undisclosed order) Europe, the Middle East, Asia, and Latin America. It currently has staff in the UK as well as the US and Africa.

It produces nine newsletters, including the Flagship daily briefing "on the world's most important stories", Principals, a daily insider's guide to Washington DC and verticals on Media, Technology, Business, Politics, Net Zero, Africa and Security. It has 500k newsletter signups (with a claimed 60% average open rate), 3-5mn total browsers and (according to SimilarWeb) 1.1mn monthly uniques in the last quarter of 2023. Some 72% of the newsletter audience is US-based, followed by the UK, Canada, South Africa, Kenya, and Nigeria.

But the real magic of Semafor may lie in the fact that, behind the news service (staffed by a relatively small number of experienced journalists with premium recruits from Reuters, New York Times, Wall Street Journal, Bloomberg and Quartz) is the architecture of a B2B media company.

That's the only way to explain a news publisher for which events (described as "live journalism") are clearly as important - to its influence, reach and potential profitability - as the newsletters and web site. From the start, it has been an events and newsletter company not a publisher with events. You get the distinction.

Justin Smith spent eight years as CEO of Bloomberg Media after having weaved through The Economist, International Herald Tribune, The Week, The Atlantic and Quartz. That experience in B2B, specialist media and also global operations has strongly influenced Semafor's strategic belief in three ways:

- Events can be an influential – and highly profitable – partner for journalism
- Large digital audiences can be built by aggregating specialist verticals
- Small, expert teams can be more cost-effective

Distinctively (and very B2B) the conferences and summits are at the heart of Semafor rather than the ancillary of almost every other news company: "In 2023, we put on 50 different events with over 3,000 attendees. We are looking to build on that momentum in 2024 with an even broader scope of events."

Key events include: The World at Work Summit, The Middle East Global Summit, The Semafor Africa Summit, and Made in America. But what best illustrates their growth is the Semafor World Economy Summit, smartly organised in Washington DC alongside the annual IMF and World Bank meetings.

The debut event in 2023 had 60 speakers and 500 attendees. This year, it wll feature 200 speakers on three stages with 1,500 invitation-only delegates paid for by corporate sponsors.

Semafor's Ben Smith and Justin Smith: news Journalism with the smarts of B2B

Semafor has been described as "Axios for FT readers" which at least removes any kind of comparison with the likes of BuzzFeed and Vice. To emphasise the digital startup with a difference, it achieved breakeven in April and was profitable in September and October, just one year after launch. Its events which generated at least $6mn revenue (40% of the total) are said to have made a profit - principally through sponsorships - of at least $1mn in 2023.

It all reflects the CEO's determination - as rapidly as possible - to achieve "a sustainable business model for our journalistic mission". But it had once seemed so difficult. Smith & Smith started fundraising late in 2021 when interest rates were rock bottom, there was an excess of venture capital - and before Russia invaded Ukraine. Ultimately, the founders raised more funding than originally anticipated after having to replace $10mn provided by the crypto bankrupt Sam Bankman-Fried.

But the worsening economic climate pushed Semafor to reduce their headcount plans by 40% three months before launch. That was just the start

of the challenge. By contrast with almost every other startup - let alone the super-funded BuzzFeed and Vice - Semafor launched with (more or less) its current 70-75 staff (including contributors and "super stringers") and has resisted the temptation to add anything more than a handful of self-funding sales and events people. The "stay tight" discipline has been encouraged by hyper-experienced shareholders who have counselled the CEO: "Don't hire another person for as long as you possibly can. Just play a game with yourself. Don't hire anyone, just see how much you can push this company with the 70 to 75 that you have and impose that self discipline."

This learn-as-you-go strategy - and unexpectedly strong events revenue - has also driven the decision to defer any move towards the paid subscriptions on which it had once been thought Semafor's profitability would depend. Much discussed plans for a paywall seem to have been postponed for the foreseeable future. But my guess is that the company will still test the potential to diversify revenues by launching paid-for digital research reports, possibly linked to events. Why not start with the Semafor World Economy Summit in November?

That's something for the future.

But the business was said to be "almost" breakeven in the last quarter of 2023 and is expected to be profitable in this, its second full year. While the following 2024 estimate of $4mn EBITDA and 20% margin is my own, the 2023 figures are based on disparate comments variously made by the company's founders. The 2024 estimates are on a like-for-like basis and, therefore, do not include non-recurring startup costs and the likely launch of the next geographical edition(s), expected later this year:

Semafore Inc $mn **Flashes & Flames estimates** **SnapShot**	**2024**	**2023**
Revenue	20	15
% from events	50%	40%
EBITDA	4	(3)
Headcount	75	70

Much of the revenue comes from 40 major sponsors and some gilt-edged corporates including Tata, Genesis, Mastercard, and Chevron - with no cut-price programmatic ads. The impressive first-year financials show Semafor has succeeded in building a distinctive brand that is starting to compete with the longstanding leaders of global journalism - and with a current cost base of some $15-20mn.

Justin Smith says: "Semafor aims to become the leading quality, independent news and intelligence brand for world leaders. After just 15 months, we have rapidly established ourselves in the US and sub-Saharan African markets with 500k subscriptions and 5m readers, and will be expanding across the rest of the world soon. We are laser-focused on the leadership audience across the global private and public sectors. We provide our subscribers with original breaking news, real-time distillation and curation of other intelligent sources, and high-level virtual and in-person convenings, discussions and conversations."

He is teasing about the planned launch later this year of the next "continent", although last week's launch of Semafor's Asia Morning newsletter may be a clue. But, while it is clear that the events will provide rising profitability in the US, the same may not be true of all other regions where Semafor will face increased competition in media but also in events, not least from the Financial Times, The Economist and Bloomberg whose conferences have so inspired the founders.

That battle to establish a second major (and profitable) operation may be key to a strategy which, inevitably, depends on the news brand's international position. That identification as a global (and not a US) operator is a clear priority.

That's also the next big test for Semafor.

After building a latently profitable operation so speedily in the US, will it be able to do the same in other parts of the world - and with anywhere near the same net investment cost? The fact is that the high-level ambition may necessitate some acquisitions, partnerships or alliances with local operators around the world. More risk and more cost.

As the stakes (and its own value) rise, might Semafor itself be acquired - sooner rather than later - by one of its would-be rivals? Will Nikkei (owner of

the FT) come calling? Or the New York Times which, arguably, needs a non-US brand to maximise its own international strategy? Or Axel Springer, owner of the US-based Business Insider, Politico and Morning Brew, with its eyes on global news media?

For Semafor, the biggest challenges in its race for that mythical 200mn global audience are yet to come. But, meanwhile, Smith & Smith are showing legacy media how to do it.

How I Do It: Stephen Carter, CEO, Informa

9 February 2024

Stephen Carter is CEO of Informa, the UK-listed B2B group which is the world's largest organiser of trade shows. He is a former telecoms-advertising-media executive and political adviser - who has also been a non-elected government minister and was first head of the UK's communications industry regulator, Ofcom.

Ten years ago, he succeeded Peter Rigby who (with group managing director David Gilbertson) had transformed Informa through a series of deals which had started with their own 1998 merger of International Business Communications and LLP (Lloyd's List). Six years later came the coup of a no-cash merger with academic publisher Taylor & Francis. But the prices and value of two other acquisitions - the £770mn conference organiser IIR (in 2005) and £500mn research group Datamonitor (2007) - all but eclipsed Informa's sometimes spectacular progress during the first decade of the century.

By the time Carter became CEO, shareholders had become restless, not least over Rigby's failed merger discussions with UBM. Ironically, it was the seriously-digital Carter (an Informa non-executive director for the previous two years) who developed clear views on the company's events strategy. It had been focused on conferences rather than on the fast-growing (and appetisingly fragmented) global market for trade shows. The next irony was that the 2018 step-change with which Informa leap-frogged RELX, the longtime trade show market leader, was the £3.9bn acquisition of UBM which had recently divested its B2B publishing in order to become a pureplay events group.

But two years later, the pandemic paralysed the trade show industry and almost everything else.

It was a cold, hard test for Carter and his new management team which, ultimately, has been credited with being: quick to refinance the company; willing to divest its data-rich pharma, maritime, infrastructure and finance intelligence companies for dizzy proceeds of £2.5bn; and being ready post-pandemic to make the £1bn acquisitions of Industry Dive newsletters and Tarsus exhibitions.

Last month, Informa announced another audacious deal, de-merging its tech portfolio into the NASDAQ listed TechTarget. Informa's 2023 results, showing the complete rebound of trade shows, saw revenue up by 30% to £3.2bn and operating profit of £845mn. It is forecasting £3.5bn revenue for this year.

While being upfront with neatly-branded strategies (eg the Global Acceleration Plan), the CEO is more media-shy than his CV suggests. The Scotland-born Stephen Carter graduated in law from Aberdeen University, following which he joined JWT as a trainee, becoming CEO eight years later.

"It's much better to be a mile deep than a mile wide."

How and why did you become CEO?

Well, you'd have to ask the board at the time, who gave me the job. But I subsequently discovered that quite a lot of our then shareholders felt that Informa should sell off much of the business. My pitch to the board was 'I think we can

turn this into a long-standing successful business, but we're going to have to do some different things and it will take 3-4 years to prove.'

My point was that we weren't going to be the company we've since become unless we did some fundamentally different things. And, if we didn't make those changes, someone was going to come along and buy us on the cheap, or we were going to get broken up into pieces. That was the stark reality.

In my first meetings, shareholders were telling me they didn't know why they should invest in the company, what the purpose of Informa was - and 'who the hell are you?'. So, in a funny sort of way, that shareholder feedback gave us a license to take some time and think about how we could change what we were doing.

What were your first steps?

Our first Growth Acceleration Plan marked the decision, at that time, not to sell anything but to make it all work better. I told the board that we could make our academic publishing into a growth business. It was essentially a static business that had not gone into open access, which was an existential crisis for that industry. The conference business was in decline because the internet was gaining pace, we had a tiny trade show operation and our data and intelligence businesses were all in double digit declines. So, I said: 'We could get value from our data business and that, while conferences were not the future of the company, trade shows could be'. Those were the choices facing the board. But we had some fundamentally good assets. We had some good positions in markets - but we were not maximizing them. We were massively under-invested in technology and products. We were running the business for cash rather than growth. Our equity was was anaemic, so we had no access to equity finance. In such cases, you are completely dependent on annual cash flows or debt. That's a very limiting place to be if you want to grow a business.

How was the culture?

The Informa culture was (and still is) quite special. An awful lot of the ingredients of the culture today were in the company then: low ego, low profile,

quite human, slightly sceptical about unnecessary process and bureaucracy, fast decision-making and quite entrepreneurial. As a non-executive, I always thought that my predecessors Peter Rigby and David Gilbertson had done a great job of creating that culture. And by and large, I don't think its changed that much. At least, I hope not.

How has B2B changed in the past decade?

My own view is that its in another period of flux, interestingly. But the change that has helped us immeasurably throughout the past decade has been the rise and rise of specialism. As markets metastasize and break down into new niches of subject matter, content or analysis, that's actually a gift for the Informa business model.

We latched on to that really early on. We used to say we do best in 'nano niches'. That's why our mission statement says we are 'The Champion of the Specialist'. That's not a culture change in the company but we have really leaned into it. If you get that deepdown specialisation right - whether in the academic or B2B market - there's real growth because specialist knowledge and expertise has become much, much more valuable. At the same time, generalist knowledge has become much less valuable.

It's much better to be a mile deep than a mile wide.

That means, of course, that our customers are much more demanding buyers and sellers. The deployment of technology in almost every industry is gaining pace. And so the sophistication of customer needs keeps going up and up. And I would say that the B2B market is now, in many ways, more sophisticated than the B2C was when I started out 30 odd years ago, where everything was focused on it and B2B was viewed as a slightly odd area. Nowhere is that more acute than in the market for enterprise technology providers. If you can make yourself valuable in that ecosystem, you become an essential part of the industry. It's all about deep, deep personalization in very specific and quite intense markets.

We've also made some choices in B2B about which markets we will play in. One of the advantages we've had is that we didn't start with a completely

blank sheet of paper - other than in trade shows. So we were able to do quite a bit of market analysis and ask what markets we wanted to be in - and not.

We've chosen markets which are highly international with very fragmented supply chains and, therefore, relatively high margins. Our customers are very focused on value rather than just volume and price. It helps us achieve market leadership and we've got customers who themselves are very knowledgeable. If you can align all that, you can really take a good position in the value chain. At their best, that's what trade shows do really well.

But aren't many trade shows more 'mass market' than 'specialist'?

Most trade shows really do involve a lot of that 'specialist' approach. We are particularly involved in end markets where sheer volume matters to a degree but where the quality of attendee, content, exhibitor and the way in which they participate is disproportionately important. That plays to our strengths with data.

There is certainly a demand for some sizzle and a need for the sense that 'anyone who's anyone is here'. There is a need for the crowd. But you've got to have more steak than sizzle. It's a balance and we're investing in data, professional content, specialist and tracking information, matchmaking and market discovery. We don't do it in all of our shows every day of the week all of the time. But, if you look at our top 50-100 shows, there's a lot more of that specialist focus, which is what we care most about.

How has the pandemic changed trade shows?

First, we have migrated more towards major brands and larger events. So we closed, co-located or rationalised about 100 events and we've doubled-down our investment more towards those premier brands. That's definitely been a change.

Second, the level of customer desire for trade shows has returned and actually exceeded pre-COVID levels, both in absolute numbers of participation, attendees and exhibitors, and also in post-event satisfaction scores and demand for further services before the next event. Customers want events

more than ever and are willing to pay for them. It's all about being in front of your customer, the power of life.

Back in my pitch to the Informa board in 2013, I was saying that 'live' has got real long-term value. Bearing in mind I have spent most of my professional life working in digital, I believe the only thing in a digital world that has become even more valuable than digital is 'live'. And, crucially, part of the reason is because 'live' is becoming more digital. Which is why we and other trade show groups are increasingly using digital to create more successful events.

Would you have preferred **not to** sell the Intelligence businesses?

Yes and no! Back to my original pitch to the board, I said everyone keeps telling us to sell our academic publishing because open access is coming. We decided to do the opposite and lean into open access and become a scale player which is what we've also done in the events business. And then, in our data businesses, the pitch was we've got these half a dozen data businesses. None of them are performing optimally. But that's basically because we've never invested much in them. This needs technology, it needs product management.

If you're going to have a subscription business, you want to be north of 95% subscription renewal rates, and you want 5 or 10% year-on-year growth rates to turn it into a valuable business. We were a country mile away from that. We were at 60-65%, renewal rates and declining at 10% a year. You're a dead man walking if that's that's your model. It took us 6-8 years to work through each of the businesses. Then, having turned them into relatively high-performing, high-renewal, respectable businesses, along came Covid and we had to make some difficult decisions.

It took me personally about three months to get comfortable with the decision that we needed to make. I didn't make the decision in a moment and I was very open with the board that I was not finding it an easy outcome because we'd spent eight years making these businesses really attractive. But I was 100% convinced that we could get very, very attractive returns for the work that we had done. We sold those businesses for more than what the whole of Informa was worth back in 2012.

Is the TechTarget deal a way (eventually) of selling your Tech business?

When we started out doing what we did with the Intelligence businesses, many people asked: 'Are you doing this in order to sell them?' I said I had no idea. But the first task is we've got to create businesses that can compete at world class levels. And, if we can do that, we haven't made a pre-determined decision. We might scale-up, we might double-down and we might exit. But the thing I know is that we'll have some real options and choices. So, right now, I believe it's better to travel than arrive. So what are we travelling towards? We are going to build a world class, market-leading business in technology, because no one else has done that yet. We can do it. And the best place to do that is in North America, not here in the UK. Therefore, the partnership with TechTarget <Informa will have a 57% shareholding> gives us a vehicle to create something potentially very exciting.

We've got a lot of work to do and, in 3-5 years, we'll have real choices. Now, if one of those choices means that someone comes along and says, 'this is a thing of beauty, and actually I can take it to the next level…' We're running a public company and making rational choices. But, right now, what's driving us is that we see a market opportunity and think we can create it.

Why was the relatively new acquisition Industry Dive included in the deal?

Because it has it has an 'audience capture' model which is highly complementary to TechTarget's model. The two together give you some kind of market leadership.

Were Industry Dive's newsletters supposed to be the catalyst for new Informa events?

That was a possibility but we came to the conclusion that the bigger prize was in audience. And, while we are generating audience data from our events business, increasingly it's not fundamentally an audience business. It's a buyer meets seller connection business. Whereas the "new" TechTarget is all about

audience from which you can get to 'buyer intent'. It's much more data and analytics -based.

Ironically, at the time when we bought Industry Dive, TechTarget was the under-bidder for exactly those reasons. But, last year, Industry Dive actually launched 6 or 7 new newsletters on the back of data from our events. They can still do that, and we can still use their data to market events and cross-promote. We have retained that flexibility in the TechTarget deal, which includes a data sharing agreement.

Is Taylor & Francis really a core business?

I think we are very good owners and operators of a business that knows how to monetize specialist content. Its not really very different from what we do elsewhere. It's just a different type of specialist content. We've been a very, very good home for a business that, today, is literally twice the revenue of 2014. But, even back then, it was already 2.5x the business acquired by Informa in 2004. So, if you are an Informa shareholder who had been a Taylor & Francis shareholder, you have had a very good return. That's the proof.

Informa has been a supportive environment. We've invested more in the business recently, in technology and platforms. We've diversified into open access, open research and open science. We've diversified our revenue sources from just educational institutions into researchers and funders. And we've diversified the geographies in which we operate. As I move between internal discussion for many of our businesses, I don't feel that suddenly this is a different universe. There are the same questions and the same fundamental issues. It's 'how do you champion the specialist in 77 reference subjects and 2,500 journal subjects?' It's not a structurally different operating model. Just a different product.

What's your vision for Informa?

I'm very optimistic. We are in two main end-markets, both of which have got significant forward runway. You know, at a meta level, the market for pure research and advanced learning is growing. In the UK, some 50-60% of

people are now in follow-on education after school. It was 4% when I went to university. There are more specialist subjects and more category expertise in B2B markets. And there's more and more effort around the world put into industrial strategies. These are areas of continually growing interest and investment. We're now big enough as a company. I'm certainly not saying we won't get bigger - and I hope we will. But we'll have £3.5bn revenue in 2024 and our cashflow and margins are getting better and our technology is starting to deliver real results. I think we've got a scaleable model with real operational leverage. I personally don't think we've lost any of our energy or agility either.

I also think also that, as a company, we have managed to retain that important culture - created way back by Peter Rigby and David Gilbertson - while getting some of the benefits of scale. If you're a small company, you want all the benefits of a big company and vice versa. We constantly try to work on our agiility, speed, innovation, 'ownership' and try to get stuff done. If you really can do both of those things and you're facing positive end markets, that's a pretty damn good place to be.

What about disappointments and regrets?

I wish I had known then more than I know now. Of course. When I was younger, I used to run on a mixture of adrenaline, ambition, financial necessity and a bit of arrogance. Now, I feel like I know more, but I know less if you understand what I mean! So I sort of wish I'd been a bit more questioning in those early days, maybe a bit bolder. I think we were cautious when we were when we started on this. We could have done more, sooner, instead of asking ourselves: 'How much time do you think shareholders can give us? How much money do you think they'll let us invest?' We came up, say, with three years and about £100mn.You always look back at that and think 'maybe at the start we should have been bolder and said five years and £200mn...'

It's difficult, of course, to have this retrospective conversation without talking about Covid which was existential for Informa as for so many others. In just four weeks, we closed more than half the company. That was a life-changing experience for the company as well as individuals. We had to make what you might call ill-informed or certainly not factually, fully-informed decisions,

like: 'How do you refinance? When do you refinance? Do you over-finance? Do you take government money? Do you lay-off people or not? Do you hold or do you sell to pay-down debt? Do you use your cash to pay off debt?' These are big calls because they're binary.

But once you've done them, you've done them.

There's nothing about Covid that any of us want to repeat. One of my parents died during Covid, so I'm not casual about the human tragedy involved in it. But, for our company, I think we are much better on the other side of it because we're more focused, and we probably wouldn't have made the decision to sell the Intelligence businesses with the clarity we had. The timing was absolutely spot on, which was a mixture of judgment and luck - the best way to make decisions. In retrospect, we wouldn't have raised as much money. But we were able to recycle that capital and buy assets at lower rates. We wouldn't have had the confidence to do that before.

It also made us a much tighter management team. When you have that kind of near-death commercial experience and come out the other side, it is bonding for a management team.

How I Do It: Steve Swartz, CEO, Hearst

22 February 2024

Steve Swartz is CEO and President of Hearst, one of the world's oldest and largest diversified media companies. He is a former financial journalist who had joined the Wall Street Journal after graduating in politics from Harvard. He was founding editor (and, later, CEO) of the former SmartMoney magazine (jointly owned by Dow Jones and Hearst). He subsequently became CEO of Hearst Newspapers and chief operating officer before being appointed in 2013 to succeed 30-year Hearst CEO Frank Bennack (who is now deputy chairman).

The family-owned, $12bn-revenue Hearst was founded by W. Randolph Hearst (inspiration for the monstrous movie character Citizen Kane). In 1887, Hearst had taken over the struggling San Francisco Examiner which his mining and farming magnate father had acquired in lieu of a gambling debt. Seventeen years later, he burst into magazines with the launch of Motor and the acquisition of Cosmopolitan (then a general-interest magazine), Good Housekeeping, Town & Country, House Beautiful, and Harper's Bazaar. He pioneered cinema newsreels and, in 1919, founded Cosmopolitan Pictures, in New York. He also established his own brand of sensational "yellow journalism", wrote major opinion pieces and boasted that his newspapers "made" the news not just reported it. By 1930, he owned 28 newspapers, 13 magazines and eight radio stations. Randolph Hearst died in 1951, leaving ownership of what was, arguably, the world's first media group to his family trust, but under the day-to-day control of non-family executives.

Hearst Corp's consistent success can be gauged by the fact that, during the past 25 years of digital turmoil, it has more than doubled revenue and remained strongly profitable with increasingly ambitious acquisitions funded by cash

reserves not borrowing. Its biggest profitmakers have shifted successively from newspapers to magazines, TV and business information. The company is deeply immersed in TV through Cable (principally deals with Disney comprising a 20% share of ESPN and 50% of the A&E, History and Lifetime channels) and 35 wholly-owned local broadcasting stations. The combination of cable investments and wholly-owned stations make TV Hearst's most profitable category. But its largest wholly-owned (and most profitable) business is the Fitch bond ratings group. It also has fast-growing data-analytics companies in healthcare and transportation (aviation and automotive).

Hearst generates its profit from seven media categories:

1. *Fitch Group*
2. *Cable TV*
3. *Local TV*
4. *Health data*
5. *Transportation data*
6. *Magazines*
7. *Newspapers*

It also operates the 30-year-old Hearst Ventures which has invested more than $1bn mainly in tech startups around the world.

As a private company, Hearst's financials are elusive, although executives say that consumer media (TV, newspapers and magazines) generate slightly more profit and even more revenue than B2B. But the fact that the Disney-managed cable TV investments comprise the company's second largest profitmaker explains the concentration of Hearst's day-to-day management on their wholly-owned B2B, which now accounts for about 45% of profits. It was less than 10% a decade ago. We assume that the c$2.5bn-revenue Fitch (which Hearst acquired for a total of $6bn during 2006-18) accounts for some 20% of revenue but perhaps 35% of profit. Magazines and newspapers, which once dominated the company, may now account together for 10-15% of profits.

It's a big change from the 1970s when a single magazine, Helen Gurley Brown's legendary Cosmopolitan, generated two-thirds of all Hearst profit. The company has continued to acquire local newspaper groups (it publishes 24

dailies and 52 weeklies). But the signs are that its magazines business (focused on the US with a wholly-owned UK subsidiary, and licensed editions and JVs around the world) is seeking rehabilitation by ramping up eCommerce, building membership schemes and de-emphasising print. Its Japan edition of Elle is said to generate almost one-third of its revenue from a eCommerce "shop" It has inspired lookalike plans in the US, set for later this year, starting with Men's Health. Direct eCommerce (as opposed to affiliate sales through Amazon et al) are becoming a real priority for Hearst Magazines.

Although the unmistakeable pivot towards B2B owes its origins (like so much in Hearst's 21st century portfolio) to Frank Bennack's initial investment in Fitch, Swartz has been all over the expansion in business information. It's quite a shift from 2006 when Bennack presided over the opening of New York's landmark Hearst Tower by saying it had effectively been paid-for by Helen Gurley Brown whose brilliant editorship had transformed the whole company's fortunes in the 1960s. Significantly, the fine building was paid for with cash not debt.

"Hearst has had the same mission for 137 years."

In his annual letter to Hearst employees, the CEO reviewed 2023 highlights: "Our Transportation group led the way with double-digit profit growth. Three of our fastest growing companies last year came from Transportation: FlightBridge,

a business majority-owned by our CAMP aviation company, is a software platform that helps flight crews and passengers arrange hotel rooms, rental cars and other services; Noregon Systems, a data and software company that helps mechanics diagnose and fix repair needs of big trucks; and MOTOR, a Hearst business for over 120 years, which has evolved over that time from a consumer magazine to a data and software business serving the car repair, car parts and auto insurance industries."

It's been a memorable first decade for Steve Swartz as CEO.

How would you describe Hearst?

We're 137 years old. Our first media product, was a newspaper, the San Francisco Examiner, in 1887. But I would also say that it was a vital source of news, information and entertainment for the community. And, 137 years later, we have broadened what it means to be a news, information and entertainment business. But we have stuck broadly to those three main areas. We are a vital provider of news, we provide all kinds of information, data and, and increasingly, software to help companies or medical institutions or whatever, manage that software. And, of course, we are still a very important source of entertainment. We have a very strong mission that started with the founder and what it means to be a journalist and serve the communities.

Is it ironic that the founder of one of the most collegiate and admired media companies was William Randolph Hearst, a very polarising figure in the early twentieth century?

What the founder gave the company was its mission. His father, Senator Hearst, was one of the great miners of the Western migration in the US. So William Randolph Hearst did not have to work. But he had this sense of wanting to do something productive with his life, wanting to serve and taking over a newspaper that his father had come to own. It is that mission of journalism that continues in Hearst today and really impacts every area of the company. You look at the mission of Fitch to look at the relative safety of bonds. Well, who buys bonds? Pension funds, retirees, and university endowments. You

look at our health businesses that have the mission of making healthcare more effective and more efficient. That sense of mission carries over from the founder's decision to move into the newspaper business. That's why we are here.

Have acquisitions been more important than organic development?

The whole consumer media sector, not just at Hearst, but everywhere, is in a state of constant transformation. We're almost constantly re-making the business model, looking for long-term sustainability. This is a continuing process for most consumer media businesses. It's change and transformation on an almost daily basis, rather than some big victory. But it's real innovation, nonetheless. I would say that most of our businesses have been very good at creating new products. Many are not necessarily massive in themselves but it's what our success is all about. In some ways, it's the same in our B2B companies where we don't necessarily look at the company that way. But our healthcare and transportation businesses are constantly adding new features and new products. So that's a big focus. And we're constantly asking our consumer businesses what what can they learn from from that kind of organic approach in B2B.

What is the primary focus of your B2B strategy?

Our focus has been on the data and software that is vital to the day-to-day business of the customer. We try to buy companies that generate this vital data because that is what protects you in downturns: having information the client absolutely needs and cannot do without. That's where our focus has been. We're unquestionably in great B2B sectors that are very important to the global economy. But we do constantly ask ourselves whether we have diversified enough or whether we should consider other B2B sectors. We will keep considering our options but we also keep getting the opportunity to make bolt-on acquisitions in our existing sectors and have lots of scope for new products. So far, therefore, we have not seen the need to go into new B2B sectors. But we would never say 'never'. One of the features of Hearst is

that we always have a strong sense of pragmatism. In some ways, it's our USP. We're always open to opportunities.

Will Hearst become more international?

Although we started in some uniquely local businesses like newspapers and TV, we do have an international magazine company. But some of our businesses, like ESPN, are increasingly international - although they have been extraordinary successful in the US. But they (and our other businesses) could become bigger internationally over time.

What makes Hearst special?

I think it's just the longevity of the company and our willingness to try new things while rarely giving up on anything that we've been doing - even if that business is hitting a tough patch. If we think we've been good at it, we're going to stay at it. Our very strong balance sheet also gives us patience with some of the businesses that need more investment and more time to adapt to a changed environment. Again, this sense of mission and evolution is key to Hearst which, after all, started with one newspaper and evolved into this highly successful company.

Is Hearst Ventures' activity primarily for investment, or for learning about other businesses, or for getting to know companies you might want to own?

All three! We have a large portfolio of investments in interesting and exciting businesses and we also have 'adventures' with a more defined mission. We started Hearst Lab to incubate and mentor technology businesses started and led by women. And we also started Level Up Ventures, focused on businesses started and led by people of colour. One thing they all have in common is that we find some great entrepreneurs. They inspire us and we learn a lot from them. We bring to the financing of these ventures the same sense of mission as with our own businesses and I think a lot of our people - especially in regard to Hearst Lab and Level Up Ventures - get a great sense of fulfillment from

helping to mentor these young companies. We're very proud of them. It's a very satisfying process and also great learning for us all.

Hearst was an early investor in BuzzFeed and Vice. What did you learn from that lossmaking experience?

Well, they are very different because the Vice investment was made by our partnership with Disney so it wasn't part of Hearst Ventures. But BuzzFeed was. As I said, one of the things we try to do is learn. So, in in the early days of these new digital-only, free-to-the-consumer, ads-supported media businesses, our venture group was one of the first investors in BuzzFeed. It was a very small investment by our standards. We learned a lot but it's important to say that you you can't go into venturing if you think you're going to have a perfect record. That's not what our venture fund (or anyone else's) can expect to achieve. Some things work out and some don't.

Even Warren Buffett doesn't have a perfect record.

If you look at our whole track record, we have invested some $12-13bn in acquisitions and we've been very fortunate to buy some great companies. The important thing is we're willing to try things. We're always learning.

Can printed magazines and newspapers survive?

I think our traditional businesses like newspapers and magazines go a long way to making Hearst a special company, as do the combination of consumer and business media. And, yes, there are advantages to being a private company, able to take a longterm, patient view of the prospects and opportunities.

But some of the print business gets increasingly challenging - depending on which sector you're talking about. One of the things that a great local or regional newspaper can do - that most consumer magazines can't - is command a significant price for the print and also the digital editions. I think printed newspapers still have a good run because subscribers are willing to pay that full price. But consumer magazines, particularly general interest brands, became big and powerful by having relatively modest prices and, and monetizing mostly through advertising.

Obviously, in the digital world, that's much harder to do than in print. That's why we think that - in consumer magazines - print can become an important part of membership. Our strongest consumer proposition is a membership scheme where the member gets daily and weekly digital content and then - depending on the magazine - they might get a printed product four or six times a year. So the print will be playing a different role, but will still be very important.

How important is eCommerce for magazines?

Well, Good Housekeeping has been in the testing and recommendation business with its reviews for over 100 years in the US and UK and that's why we're doing well in the digital world today. People trust the brand and the beauty of technology is that anything our editors believe is the best can be purchased by our readers digitally. So I think eCommerce can be a very strong business - if you have the credibility of Good Housekeeping. But that is just one part of our view of eCommerce. Because our magazines are trusted curators of all kinds of things that people want to purchase, we see an opportunity to build our own marketplaces, our own digital stores. Amazon, for example, is a very good partner for affiliate eCommerce but there is a real opportunity for our own retailing. We have some real experience from our Elle Shop in Japan where it's been successful for years and that insight is helping us to launch an eCommerce initiative later this year in other markets.

What have been the milestones of your first 10 years as CEO?

It's not all about me, of course. But I think the fact that we are still growing. We had our second best year ever last year and 2022 was a record year. I'm so proud of the fact that that we are continuing to innovate in newspapers, magazines, local and cable television, and B2B. We couldn't be prouder of ESPN, A&E, the global credibility of Fitch and the rapid progress of our healthcare and transportation businesses. I'm so proud of our company and our great teams of people because we're doing so many interesting things across many

swathes of the global economy - and there's so much more to come. It's fun to come to work every day.

What's the best advice you've had from Frank Bennack?

Frank is my predecessor and, of course, the man who really rebuilt Hearst for the modern age. He's still just down the hall. I was chatting with him an hour ago. I get a lot of help from him. I seek his advice almost every day. I will only say that its been my great fortune to have someone of his unique talents as a mentor, both in business but also in how to try to live a good life and be a good person. I've been very fortunate.

What are the best lessons you have learned?

I think putting yourself in a position where you can have mentors, people who teach you and can help you. As I said, Frank Bennack has been my principal mentor. But, as a journalist, I got a chance to work with Norm Pearlstein, Paul Steiger and Jim Stewart at the Wall Street Journal. And John Mack Carter at Hearst helped teach me about magazines. You've got to put yourself in a position where others will take an interest in you and teach you what you don't know. That's the best way to push your career forward.

How I Do It: Adam White, Front Office Sports

8 March 2024

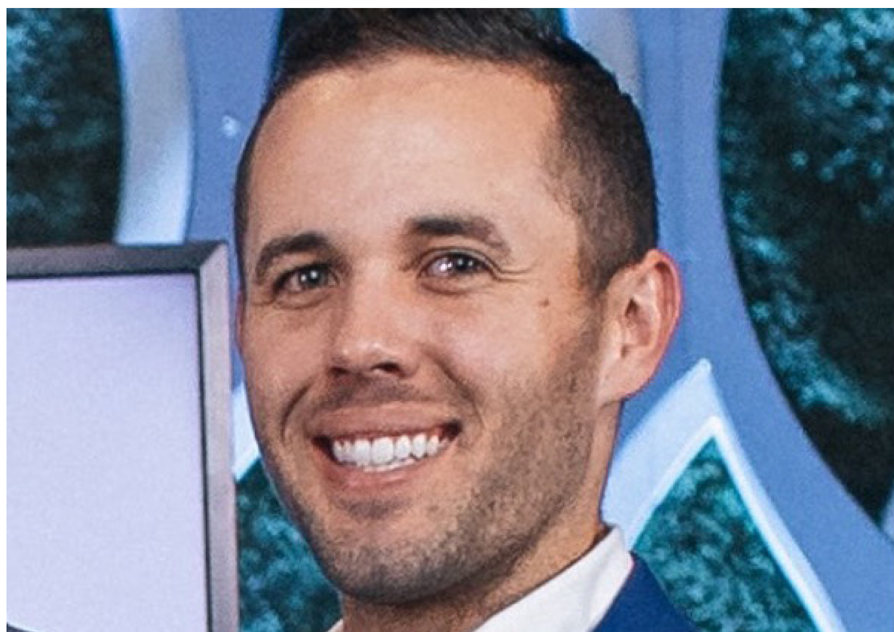
Adam White is CEO and co-founder of Front Office Sports (FOS), the fast-growing US media company covering the business of sports which celebrates its 10th anniversary this month. He started the site as an undergraduate at the University of Miami who had no idea to guide his future career other than the love of sport. That had prompted him to study Sports Administration: "Front Office Sports started after I did a class project in my freshman year. The summer after that year, I wrote a post in the University of Miami sport administration Facebook group asking if anyone wanted to be involved in this idea that I had." As a result, he was joined by former Miami classmate Russell Wilde, now the FOS chief operating officer.

On his return home to Phoenix, Arizona for the vacation, White pondered the idea of a web site about the sports industry, paid a friend to make the logo and launched it on Wix. The early incarnations of FOS were based on the long-form Q&A interviews of his university class project. For a few years, Wilde was his only colleague in a New York-based company which now has a headcount of 46 (about half are journalists).

They had started to think big in 2019 with the first external funding, from Jason Stein's SC Holdings (whom White had befriended on Twitter). The revenue lift-off was delayed by the pandemic but audiences grew strongly during enforced working from home. In the last five years, FOS is believed to have raised a total of less than $10mn. In 2022, family-owned B2B Crain Communications (publisher of AdAge, Automotive News and Modern Healthcare) acquired a 20% stake for a total of $5mn. Some 18 months later, in October 2023, Jeff Zucker's RedBird IMI acquired what is believed to be some 35% of the equity (now on a

par with SC Holdings) which included buying-out Crain at what is thought to have been a profit of almost 100%. White, his colleagues, advisors and angel investors are believed to hold the remaining 30% of the shares.

FOS now seems set for ambitious times. We estimate the company - 80% of whose audience is in North America - will this year increase its advertising/sponsorship revenue from $6mn to $14-15mn, producing its debut profit, having become cash positive last month. With an estimated $3mn in investment cash, that breakthrough is likely to propel the company's international ambitions, presumably in 2025, and - eventually - some paid-for subscription services too. Its fledgling education courses could also become a more significant business.



"If we had raised money from the start, we wouldn't be here today."

Meanwhile, Adam White claims 800k signups for the free, twice-daily newsletters, 40mn platform opens, 10mn video views, and 2mn page views every month: "We did 250mn social impressions in January and we'll probably do close to 750mn in the first quarter. We did 'only' 2bn in the whole of 2023." The learn-as-you-go CEO comes down to earth: "At the end of the day, we are two

people who had no money, no experience, and no audience. And we've built a business that's really meaningful and very impactful in our space."

These are our estimates for how FOS will break through into profit this year with a likely 2.5x increase in revenue:

Front Office Sports SnapShot $mn*	**2024**	**2023**	**2022**
Revenue	14.0	6.0	5.5
EBITDA	2.0	–	–
Margin	14%	–	–
Headcount	46	40	10

**Flashes & Flames estimates*

How do you describe Front Office Sports?

We like to see ourselves as the leading media news organization covering the business of sports. In some ways, when we describe it to brands, our idealistic space is:'How do we build the Wall Street Journal of Sports?' It's a unique space and opportunity because there's this conversation around enthusiast media and niche media. I think the issue that people don't really see is that "niche" means focused and does not have to mean small small - because we're not small: in January alone, we did a quarter of a billion social impressions. We have a million cross-platform social followers. And these are real people who are engaging with us across all platforms. We're the number one sports publisher on LinkedIn from an engagement standpoint. Editorially, we cover the influence of sports on business and culture.

Our audience is made up of prosumers. They're professional consumers who work in white-collar industries like tech, finance, media, real estate, and marketing. And that's our whole thesis: all these athletes want to be business people and all these business people were athletes or are connected to sport in some way or are interested in it. And people now really, really care about

what happens off-the-field because owners have become larger-than-life personalities. Athletes are now billionaires.

The stuff that's happening off the field is really driving what's happening on the field. We don't want to take a traditional 'trade magazine' approach to this because I think there is a meaningful audience outside those people who just work in sports. We are building a media organization driven by real news, scoops and analysis by our journalists. I always tell people, when they talk about Bloomberg, the Financial Times and Wall Street Journal, that these are not trade publications for business. They're just enterprise business publications. They do have things that are more 'trade' and they have paid subscriptions and events. But, if you look at their footprint, it's hundreds of millions digitally. Then you bring that down into how many people pay. For Dow Jones, I think it's 10mn. Then how many people attend their events? Thousands. It's just like you have to have that ability to funnel things down. I think that's the same with us. In my ideal scenario, we will have a large top of funnel audience that then gets funnelled down and is more of a hub and spoke approach where the hub is the digital brand and the spokes are things like our education business, our events, awards and our (eventual) subscription business.

Why is this an attractive market?

People now care so much about the business of sport. The biggest stories in the NFL last year were about who was going to buy the Washington Commanders. Even 15 years ago, I don't think that would have been the case. Nobody even knew who the owners were. It's a really interesting time to be covering this space and we're the only ones taking this purposeful approach.

What are your ambitions?

Our goal is to scale domestically and then internationally. This is a meaningful opportunity because everyone else just kicks around the edges of it. CNBC and The Athletic have some of this coverage and The New York Times now has a sport business group of four or five people and Wall Street Journal covers

it too. But it's not their full business. That's where you start to see the real opportunity in media. You take these big brands and say: "I'm going to do a single part of what they're doing as my full-time focus, and I'm going to do it better than anyone else". That's the opportunity for us.

It's a bit like what The information has done that with tech. They basically said 'We're going to take tech out of all of these publications, and we're going to cover it better than anyone else'. Like Craig Fuller with FreightWaves. Focused specialists are the real opportunities in digital media. The New York Times bought The Athletic, because The Athletic was better at sports. Could it next buy Food 52? Obviously, food is already big at The New York Times, but is someone doing it better than them?

What's your audience split between B2B and B2C?

I think in a way, it's probably 50% or more prosumer because there's not that many people actually working in sports. If you take our followers on LinkedIn, which is a good cross-section of our audience, it's finance, real estate, technology, marketing, media and entertainment. For example, the CMO of Carter's, which is the kids brand, who I just talked to the other day because I saw him on LinkedIn sharing our content. He told me he loves our stuff because he's a super-interested former athlete. Is he a B2B reader or a B2C one?

Our pitch to the brands is that our audience is higher quantified consumers who buy cars, houses and airline tickets. When you look at our ads business, it reflects that - whereas, say, in media, there are trade sites and publications - there's not the same in sports because the're relatively small businesses employing sometimes only a few hundred people; they want to be part of our wider audience.

That's why we've taken this prosumer approach which we've been doing five years as a full-time business, although we're actually now 10 years old as a brand. We need to make sure our publication feels good for big brands. You can see our newsletter yesterday was sponsored by Acura. Today, it's Apple and has been Autotrader. We have Hulu running on the site.

We have a great affluent, influential, unduplicated audience for those brands and they're engaging with our content in a way that's much different to other people. That's the pitch, and its worked.

How did you launch FOS?

I started as a sophomore in college in 2014. Really, at the time, it was just an interview platform. I would sit down, have informational interviews and publish them. My idea was that, by the time I graduated, I wanted to make sure I had enough relationships to get me a job. I did total of 110 interviews.

Through those, I spoke to bunches of different people, and they basically all told me what they wanted: 'We need more of this and that'. It's so funny. I always tell people, we didn't have any money until the first investors in 2019... and then Covid hit. Those first four years, actually having no money, was the best thing that happened to us because I could try a bunch of things and, basically, we did four years of market research where people told us all of the things that they needed to see and wanted to see from a publisher in this space. And then, once we had the money, we could do it. And then, over time, I've got a lot of my inspiration from other media companies. I'm not normally looking at people in our competitive set because it doesn't really matter to me. I'm focused on what the Wall Street Journal, Politico, the Financial Times and Bloomberg are doing. Because we want to be those people. How do their events look? Of course, we're not anywhere near them in terms of size, scope and resources but they're the inspiration.

The best and worst thing about building a media company is you're 'working-out' naked, because everyone can see all of your imperfections and mistakes. But, as you get better and better, people share the joy and feel how amazing it is that you've come this far, because they can see you're now fit and strong. The're part of the club and help you develop.

When we were trying to pivot our approach on Instagram, just a year ago, we sat in Zoom meetings every day for an hour, and worked out what the content that would drive the most engagement on that platform would look like. And then - all of a sudden - we started doing it. Next thing you know,

the audience started to snowball. We now have 250k followers on Instagram alone and, in some cases, we're driving 200,000 likes on our posts.

How did you get funding?

I met Jason Stein, of SC Holdings (which invests in sports, media and advertising businesses) on Twitter! We had been messaging each other and one day (incidentally, after my girlfriend and I had broken up) I messaged and told him about my approach to the business. I was 23 years old and didn't expect it to result in anything. But he invested $750k for 51% of the business at the end of 2019 and they've been amazing partners ever since. At that time, we staffed up to five or six fuilltime people and our revenue went from zero to about $800k. And then Covid hit. We actually went up to about $1mn in revenue during Covid but we hugely built our audience because, suddenly, the only things happening in sports were off the field. It was the catalyst for us and really helped drive audience growth across all platforms. Then, in early 2022, Crain invested <an estimated $5mn for 20%>, buying some of the SC Holdings share that had become about 70% and also putting some money on the balance sheet. They were really good partners. But, last year, RedBird IMI and Jeff Zucker came along and gave Crain the opportunity to exit the business with a meaningful gain in a year or so. Redbird was a huge stamp of approval for us.

How important are the social media platforms?

Many traditional digital publishers are so focused on bringing people back to their owned and operated sites. They don't think about the fact that many people consume content differently on different channels and platforms: you need to build content for each of those platforms. Many publishers either went super-hard for the Facebook-like platform traffic or, alternatively, just for their own sites. They never found the balance we are always working on. You've got to be everywhere.

What's behind this year's acceleration in revenue?

Economic conditions are better. People understand how to buy us in the market. When you start to deal with big brands and agencies, you have to spend an entire year educating them about how to buy you, where to buy you and get into the RFP flow. And, quite frankly, we didn't previously even have the solutions to offer these brands. Our audience wasn't scaled. We were mostly a newsletter business. A year and a half ago, we pivoted the business to be multi-platform, focused across all channels, delivering scale, meaningful engagement and reach. And then we decided to really focus and go into brands and agencies. We now have a real sales team. We're soon going to have seven full-time sales people and a head of sales. We have a creative strategy team that's making all of our decks. We have built a commercial team and our overall market awareness and the economic headwinds have now become tailwinds. We know our audience. We've had to really build a ton of trust and relationships and deliver for brands and campaigns - and it's happening with 97% of those brands spending $100k+ coming back for more.

Most of your revenue is advertising?

Yeah. 99% of our business right now is ads-supported but there will be opportunities to diversify our revenue. We'll develop meaningfully into events and a few other things. I think that's a big part of the investment from Jeff Zucker which is allowing us to really focus on diversifying the revenue beyond just advertising. So we have our education business. That's been really successful, but its been brand-supported so far. We're going to be doing some production, working with the Netflixes of the world, so we're really excited about that.

What's the future?

The focus will continue to be on how we can invest in high-quality journalism and then drive audience brands, opportunities and additional revenue streams. I think there'll be opportunities for us to do a lot more in podcasting. We're also looking at opportunities to work with more athletes and creators.

We've already started some of that, but it will be a deeper presence in North America and there'll be either an international version or international coverage, and the expansion of awards and events. My 'pie in the sky' goal is $25mn revenue by 2025.

There's so much room to grow. I tell people all the time, if we had a staff the size of WSJ or Bloomberg, we could probably write 400 or 500 articles a day. There's so much going on in this space across-the-board, internationally, globally, between what's happening in college athletics, soccer and the Olympics. I think there's a meaningful business there of perhaps eight or nine figures.

What about subscriptions revenue?

The only reason why we started without subscriptions is because, 10 years ago, I was nobody and we were nobody. I didn't spend 15 years at a publication. I hadn't worked in the media. How are you going to charge someone for something if you've never worked in media? People don't know who you are. We had no audience and no brand.

I think we're now at the point when we could envisage subscriptions - and we just hired a new editor-in-chief, our first true newsroom leader. Really, over the next 12 months, we need to get to the point where every piece of content we put out feels like a subscription-worthy piece of content, whether it's news or a quick hit or a scoop. How do we make sure that we become indispensable over the next 12 months?

Do we actually need subscription revenue? No.

Our ads business is healthy enough to support the business without subscriptions. But we - and every media outlet - know the value of revenue diversification. Our ads business is healthy enough to support us without that. But, at some point, there will be paid-for revenues, something that is structured and appropriate.

We now have an established authority. The brand matters to a lot of people. Now, with the right journalistic people in place, we'll nail all of these things. I just want to do it right. It's not the right time to rush out a subscription or anything like that. I would rather continue to build brand equity and audience and bring as many people into the funnel as possible. We have a registration

wall that's been meaningful for us. And it's a first step into getting an understanding of first-party data. Who's registering? What are they reading? What are they seeing? We'll probably continue that pace and have close to 100,000 people registered on the site. The way we have it is 'first visit free', 'second visit, you have to register' and on. I would say probably within the next 12 to 18 months is the plan.

Is it all about getting more exclusive content?

Well, we've had some really good scoops. But nowadays, because there's so many people who quickly curate and aggregate - which isn't a bad thing, as long as they link back - it is what it is. But those stories can be commoditized pretty quickly. I think scoops, news and analysis matter. But the analysis is what helps you really crush it. We did this story the other day around pickleball and how it's basically China's new national sport. They have this whole thing around pickleball and diplomacy. I think we had some 750k opens just on that story, and that includes people forwarding it. It's the stuff that works but is it a scoop per se? Probably not, but it's just smart and sophisticated. It's a point of view that people aren't going to see elsewhere. That's why I think Puck, for example, does a really good job. It definitely breaks some news. But they have very interesting third-wave stories where wave one is breaking news, wave two is a scoop but wave three is the next-day analysis of what happened and what it means.

What are the best lessons from your first 10 years?

Every business is always a people business but media is 100% a people business. And your audience are people too. You can always learn. I've never sat in a newsroom or in a sales organization. I only sat in my dorm at the University of Miami. That's where I learned all this stuff. That's where all these things happened. And so you just learn along the way. I've learned not to be afraid to reach out to people and ask about their business. That has been super-beneficial to me.

Then there's leadership.

It's weird when you start the business from zero of zero of zero and you do everything. You have to find ways to pull yourself out and allow people that have been hired to do some of the stuff that you have always been doing. That was a really hard challenge for me early on. I remember I still had the keys to our social account for the 18 months after we got funding because I had always run all of our social when we first started - and now obviously I don't. You've got to get really good at firing yourself, and it's uncomfortable but that's fine.

I have learned that your business is never going to grow without taking some risks but you just have to be financially prudent. We obviously have great investors but we're not just sitting on piles of cash that we can throw around and have a fun party with. You get to create that sense of discipline; you're not born with it. Many of the digital news startups show that you can't just throw money at media. It just doesn't work. It's a true grind every day 24/7 and 365. Now we have a real audience, brand and understanding. Someone, somewhere might think they can throw millions at it and have the best journalists and everything. But we know they're wrong.

The whole thing about these kinds of businesses is if you work at getting it right, it doesn't require that much money. But having done that, money can then help you scale it.

Did you benefit from starting small, raising little money and taking your time?

100%. I think, again, the blessing at the beginning of our business is we didn't raise any money at first. I always tell people that, if I had the money in the first year we started the business, Front Office Sports would not be here today because I wouldn't have known what to do with it. We had four years of understanding where the white space and opportunity was. And, look, I was lucky in the sense that I started in college and I was working and doing all this stuff, so I didn't have to worry about those things outside of college. But, if we had even just the $750k that we later raised, it would just have never been successful. When we did get investment for the first time, I knew that what we needed to do with it...

How I Do It: Austin Rief, Morning Brew

15 March 2023

Austin Rief is CEO of Morning Brew, the newsletter-centric media business that aims "to empower the modern business leader with engaging and accessible content". It is nine years this week since he and Alex Lieberman, fellow students at the University of Michigan, launched the business newsletter targeting people like themselves. It quickly developed a loyal audience among business-minded millennials, first at university then in their professional post-graduate lives.

Lieberman, who had already accepted a job as a trader at Morgan Stanley when he started a campus email recapping the day's business news as a brief for friends looking for finance jobs, says: "I asked students how they kept up with business news, and they all had the same canned answer. They read the Wall Street Journal but had no time to read it cover to cover. After spending three hours a day preparing friends for interviews and providing companies with my view on the business world, I decided that there had to be a more productive platform to quickly inform business-interested college students."

That was the 2015 start of a smartly bootstrapped venture which became Morning Brew and only raised its first funding (some $750k from 15 family members and friends) some three years later. The Morning Brew founders carefully kept "comfortable" majority control. By 2018, their fledgling business was profitable with $3mn revenue and 10 full-time employees. One year later, revenue had jumped to $13mn.

In 2020 (with 60 employees) revenue reached $20mn with some $6mn of EBITDA. That was the year Business Insider (which itself had been bought by the €4bn-revenue Axel Springer in 2015) acquired just over 80% of Morning Brew,

reportedly valuing it at $75mn - 12x EBITDA. Lieberman (as chair) and CEO Rief retain just under 20%.

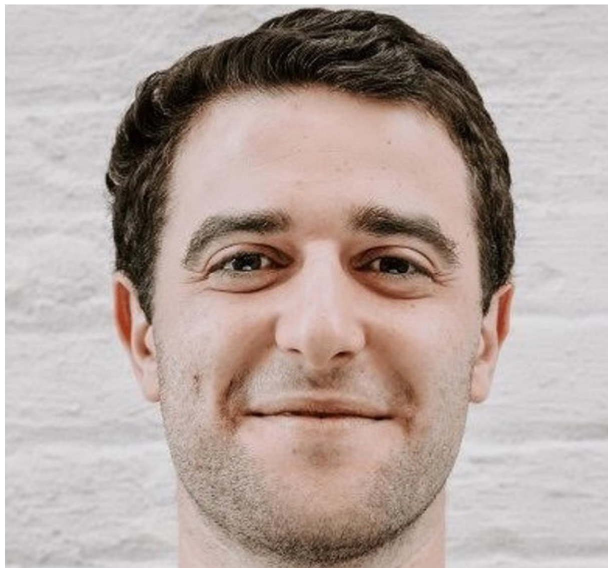
The advertising-funded Morning Brew is - with Business Insider and Politico (acquired in 2021) - part of Axel Springer USA which claims to be one of the country's four largest digital publishers, alongside News Corp, the New York Times and USA Today. But Morning Brew has maintained a high degree of autonomy.

Austin Rief graduated in finance from the University of Michigan.

Here's our SnapShot estimate of the Morning Brew financials since acquisition by Axel Springer:

Morning Brew Inc **£mn*** **SnapShot**	**2024**	**2023**	**2022**	**2021**	**2020**
Revenue	75	60	70	46	20
EBITDA	15	9	10	9	6
Margin	20%	15%	15%	20%	30%
Headcount	200	250	300	230	60

**Flashes & Flames estimates*



"Mark Zuckerberg chose us because we're exciting."

What is Morning Brew?

We started out as a daily email newsletter and that was our marquee product for about six of this last nine years. But, if you really look at it, our goal now is to own and operate the most beloved brands in business media. We think that, with all of the changes coming to media, AI, the death of the cookie and all those things, what matters the most is that audiences truly love the content you create and seek you out. We do that on two different sides of the business.

In one half of the business, We have eight industry verticals, news publications including marketing brew, retail brew, and HR brew that make people better at their job. We send newsletters and we have live and virtual events,, all in the Morning Brew ethos and witty, conversational tone. On the other side of the business, we have this house of brands. We have a bunch of different brands in business news, money, productivity, and work life. Really, it's just a house of brands looking to create brands people love that help educate them in the business world in a very witty, conversational, engaging tone.

What's special about it?

We're talking to people in a different way than legacy media. We're talking to people in the way they want to be spoken to, in a conversational, witty tone. It is not stuffy like legacy business news, whether publications or TV that is clearly not done for the millennial generation. We're creating content that's fun, engaging and that people want to consume.

How were you acquired by Axel Springer?

We're coming up on almost three and a half years. We were talking to Business Insider about doing some kind of partnership, and it just evolved over time. They were excited about our business. We had bootstrapped the business and had taken only very little amounts of funding. What we have found exciting about Springer is that they gave us the capital to invest and grow the business. We thought that, okay, a partnership with Insider didn't necessarily make sense, but an acquisition has made total sense.

How did the sale change things?

It really made very, very little difference for anyone's day to day, other than we're just doing more. We've grown a ton. We went from a single newsletter to a suite of multimedia properties. And so nothing day-to-day is different. We run very independently from all the other Insider publications, but also we operate independently from Axel Springer itself.

Have you become more 'corporate'?

I understand why you might think that, and that was one of our big concerns going into this. But Axel Springer has kept up their end of the bargain. They have let us really run independently and do our thing. I think you're absolutely right in thinking that's a concern. But we've been lucky in the fact that we agreed to stay independent and not to be sucked into a huge corporation. We've had a really great relationship doing that.

Where does your revenue come from?

About 95% is from ads. There's a very large mix in those ads. We have a lot of newsletter ads. About a year ago, we launched the Morning Brew Daily Show, which is our daily podcast and is now the number one business podcast in America. It gets a couple of million downloads every single month, so we have a lot of podcast ads and branded content on social channels and YouTube. We're looking to grow our ads business. There's always a desire – as any media company - to have diversified revenues. But, right now, there's a lot of room to grow and perfect our ads business before we do that.

While we have readers internationally, we're focused on North America.

What's the competition?

What I worry about are the independent people, the long tail of TikTok creators, Instagram creators, Substackers who are creating conversational business content. I worry very little, to be honest, about legacy media because I don't

think anyone so far is true competition for our audience. We have all the data that our audience is not reading the New York Times or the Wall Street Journal. There's very little overlapping consumption.

I don't think about the big media players as competition, nearly as much as I think about thousands and thousands of Substackers who, if we don't do our job right, can start to take off small portions of our audience. These independent media can be really, really powerful. Flashes & Flames is a great example of this. The cost to create content is zero. Everyone is going to try and the vast majority of people aren't going to succeed. But some of these independent people have more audience and more revenue than some of the largest media companies in the world. They're the people we watch closely.

Do your B2B verticals have a similar relationship to trade publications as Morning Brew itself has to mainstream business media?

Yes. There are a lot of great trade publications, magazines or websites, but I think most simply don't deliver content in the way that people want to consume it. We are not trying to replace those publications. For some consumers, we will. For some, we'll be additional. But what's interesting is that we're seeing very senior people at the largest companies in the world, CFOs of Fortune 500 companies, for example, now reading CFO Brew, CMOs of Fortune 50 companies reading CMO Brew.

When we started Morning Brew, it was very much to capture the college audience and grow with them, and we were very successful with that. But what's fascinating is that, while we are capturing a younger audience, not college students but people maybe 25 to 34, we're also attracting a lot of C-suite executives who also enjoy reading our content and especially the delivery of our original reporting.

Will legacy players, ultimately, acquire these independents in order to recapture millennials?

It's possible. What we're doing is not impossible for them. It's not even complicated. But I think it's very challenging. It's totally possible they could. We've

been saying this for 10 years now and no one's done it yet. I really can't think of one legacy business which has succeeded in creating a conversational, engaging business publication. Not one.

What does this mean for your owner which is, after all, Europe's largest news group?

That's above my pay grade. I'm just focused just on growing Morning Brew.

In 2022-3 you laid-off up to 100 people. What had gone wrong?

We want to build a sustainable company. We want to build a great business. When we were almost 300 people and the ad market dipped, we weren't a great business anymore. It made sense for everyone to cut back. Like a lot of other companies, we had grown with the ad market. But media companies are not, unfortunately, like tech companies. They just don't scale. But we have to scale with the ads growth and, as advertiser demand pulled back, we had a lot of direct response advertisers who weren't advertising a lot. We were forced to readjust our business and figure out where it was right to invest and where it wasn't. That was important for us. It was very painful. It was a very rough time. But ,in hindsight, we are a leaner, more efficient, stronger company than we've been. We had a lot of middle managers. I think what we get to do now is ensure our younger employees get more interaction with senior executives… there's fewer layers of management. It's more democratized, and there's more opportunity. In hindsight, the change was a really great thing for us. Obviously, very painful to go through, but I just think we're a more efficient, better company. I think it's now more enjoyable to work at Morning Brew because of the change.

What's your own primary role in the business?

It depends on the time of year and what we're focused on. But a couple of things. One, I'm looking to grow our ads business. I'm meeting with advertisers and articulating our business to them. I'm understanding what big brands

want. I'm then working with our sales team and our revenue org to translate that into products that can make us money. I also have a ton of affinity for the editorial side of the business and also spend time, especially with the newer parts of the editorial business, this multimedia part I was referring to, our investing content we're launching this year and our newer business news, multimedia content. I'm spending time understanding how we can grow there. But growing revenue and growing audience are the two most important things.

What have been the key milestones since acquisition?

Where do I start? I think the growth of the news to over 6mn subscribers from all newsletters has been really big for us. I think the Daily Podcast becoming the number one business podcast in America, has been really great. We are, if you look at our competitive set, by far the fastest growing business brand on social. Our Instagram is growing incredibly quickly.

What's the future?

The platforms change, the media change, but – as Jeff Bezos has said – you have to focus on what doesn't change.. With Amazon, people want faster delivery and cheaper prices. Those things are never going to change. In content, I think people are always going to want to seek out and consume the things they love. We're just going to have more content and more different franchises that people love and rely on every day for their entertainment and education. Today, we have eight industry verticals and maybe six to eight different franchises covering business news, money, and productivity. We might have 30, 40, or 50 in a few years. All those audiences are going to grow in size themselves to become a much, much bigger ecosystem of all the content we're creating.

What about the international prospects?

At some point, maybe. We certainly have readers in every English-speaking part of the world. But, for us, there's just not enough synergy to expand internationally today. But we just have so much room to grow in North America.

We're just scratching the surface in terms of news. We're getting into money and maybe personal finance. Our readers are getting older and wealthier, and they want advice not just on the news, but how to invest, save and spend spend their money as well as how to be more productive in their day. I think we have a much bigger opportunity in giving more to people who already love us versus trying to find more people, new people across the globe who might come to love us.

What are the best lessons you have learned?

I think there's a few things. Everything is always harder than you think. It's really, really challenging to scale a media company, especially in the volatile advertising environment. It's really challenging to do that. You have to be really thoughtful. We didn't have clarity on that 10 years ago when there was less competition in this newsletter space. We just assumed that, if we just keep doing what we're doing, people will love us forever. But we've really had to spend a lot of time thinking about and evolving all of our products to make sure they are the absolute best thing for our audience.

That key vision, that aspiration point of owning and operating the publications that people love in business is just so important because it gives you a North Star. Then I think the other thing is just how important it is to get your key hires right. You make a few key hires in building a business, a few key executives as you scale from 30, 40 employees to 200+. Getting your key hires, your chief content officers, and your chief revenue officers right, allows you to take the business to the next level. When you get those wrong, you you take an 18-month step-back. So getting those hires right is really, really important for the success of the business.

Does it still feel as exciting for you?

Some days, even more so. It just depends. There are downs. And, look, there are huge differences in running a small company where every small thing that happens goes right; the volatility is higher when you're a small company.

But we have so much more impact today. Take what happened just a few weeks ago.

If you remember, Mark Zuckerberg had tried Apple's new $4,500 Vision Pro goggles. He made this video on Instagram about why he thought that the Meta product was better. It went viral. He emailed us the next day inviting us to do the first interview with him live on our podcast. That 45-minute interview was one of the most viewed piece of content we've ever created, across both audio and video.

That never would have even been a hope five years ago. It wouldn't even have been a question. He would have given the interview to the New York Times, wouldn't he? He gave it to us because we are relatable. He thinks we're interesting and exciting. It was great. It was really one of the best moments ever at Morning Brew for me. It was one of the proudest moments of my life. Not because we interviewed Mark Zuckerberg, but because we are the type of place that he looks to go to speak to a generation of people. That never would have happened five years ago, and that's just incredible.

How I Do It: Jed White, Andi AI Search

12 April 2024

Former tech journalist Jed (Jeremy) White is co-founder of Andi, self-described as "the next generation of search using the power of AI". Others have called it a mashup between Google and chat-emulating challengers like ChatGPT.

White dropped out of the University of Sydney, in Australia, to become a journalist. Soon after he should have been graduating in english and computer science, he became the endlessly inventive editor of Australian Personal Computer, the magazine he had been reading since schooldays. Even in the last years of the 20th century, before the explosion of the web, he pioneered the simultaneous publishing of content in print and online. But he always wanted to be a tech entrepreneur.

After some startup struggles in Australia, White decamped to the US. With co-founder Angela Hoover, he has secured the support of Y Combinator (YC) in San Francisco, the 19-year-old tech startup accelerator and venture funder whose 5,000 startups have included Airbnb, Stripe, Reddit and Dropbox.

Andi has so far fundraised $2.5mn including $500k from YC. The co-founders own some 70% of the shares, although this will be subject to dilution by existing share pledges and future funding. YC has its standard initial 7% shareholding but this too will be subject to increases as the company fundraises. In a nod to the egregiously over-funded failures of BuzzFeed, Vice and others, the YC dictum is: "too much money will kill you". It urges startups to stay lean and raise only the minimum they need.

The three-year-old Andi's most recent valuation is believed to be some $50mn. But the potential for valuation - as well as for competition - may be guaged by the fact that the four-year-old You. Com (in which Salesforce founder

Marc Benioff is an investor) has raised $45mn and has an estimated valuation of $215mn. The 20-month-old Perplexity (backed by Jeff Bezos) is rumoured to be valued at $1bn in a current fundraising - doubled in just four months on the back of claimed growth to more than 10mn active users.

Buckle up.

"YC says startups are like chewing glass, and learning to like the taste of your own blood."

What were your earliest ambitions?

When I was a kid, we lived in a little town called Bli Bli on the Sunshine Coast in Queensland, Australia, a land of sugar cane fields and beaches. I was always more interested in silicon than sand. Thanks to my Dad, I became obsessed with computers early, and started programming when I was eight. By the time I was 12, I was selling computer games I'd written on floppy disks at hobby meetups. I was addicted to Australian Personal Computer magazine (APC - now the longest-running computer magazine in the world, and published by Future). I inhaled each issue when it came out. Instead of The Clash or Joy

Division, I had a poster pinned to my teenage wall of Silicon Valley, marked out with the names of startups stretching up the Bay Area, from San Jose to San Francisco. Some names are icons now, like Apple, with a big pin in Cupertino. Most are long gone. I was hooked. I wanted to build tech startups.

How did you get into media?

I've always had a dual love for media as well as tech. I was editor of my high school magazine, wrote for street media and tech publications freelance (well, just free really), and studied English and Computer Science at the University of Sydney, where I was an editor and then Director of Student Publications. I computerized the student council with desktop publishing, and connected them to the Internet for the first time, before there was a Web.

I spent very little time on studies. I paid my way through uni working four part-time jobs, including doing IT admin every night. I wrote code for my startup idea. And I wrote as much as I could for the student publications. I was also acting president of the student council. I did everything but go to class.

When I was offered a journalism cadetship at Computer Publications, I jumped. It published Australian Personal Computer magazine, and had just been bought from the founder Sean Howard by the late Kerry Packer's ACP Magazines (then Australia's biggest publisher).

I loved APC. The idea of working on it was thrilling. I had planned to drop out of uni to do a startup like my heroes Gates and Jobs. But, instead, I dropped out to work on computer mags.

How was your journalistic career?

I didn't plan to stay at a big company for long. Startups were the goal. But I loved Australian Personal Computer and magazines, and I thought it would be useful to learn how big media companies work. I was about to learn a first lesson about the counter-intuitiveness of startups: You don't learn anything about startups from big companies.

When I started on PC Week, it hadn't yet been tamed by ACP Magazines. They'd recently been moved into an almost hidden corner on Level 6 of

Packer's 54 Park Street, central Sydney office building. Luckily for me, our unit was a bit of a law unto itself and still had a scrappy startup vibe, quite separate from the big-selling women's magazines that dominated the mighty ACP. My first desk was a packing crate. I had a kitchen chair. I had to borrow a computer to write on from a PC company. My clever and gentle and (to me) quietly terrifying editor chain smoked in the office. I loved it.

I could write. I knew tech. I loved magazines. But my plan was a startup. Mike Udabage, the managing director brought in to tame the computer mags was a 20-year ACP veteran who convinced me to stay. At the age of 23, I became Editor of APC, the magazine I'd been reading since I was 12.

Udabage saw something promising in the wild bunch of tech cowboys and girls on level 6 and, rather than taming us, he gave us enough cover with ACP management to create an "intrapreneurial" new media skunkworks, and evangelized and took the heat for us on costs with senior management.

We went all-in on the Internet early and became one of the first magazines on the web. I wrote content management systems and coded websites and search engines. We built wildly popular user forums. And we launched a tripartite model where the magazine was equal parts print, web and cover-mounted CDs. We saw that the era of licensing international content was over with the web: we built local testing labs and switched to 100% local Australian content. We tripled paid print circulation, sold record ads, and launched a fleet of online titles, eventually gaining more than 3mn users. We started helping the other magazines in ACP to move online. We even sent over a young journo as a Silicon Valley Correspondent to cover startups in detail.

But, all the while, startups called.

I'd been appointed Publishing Director of a new group called ACP Tech, but I couldn't resist the call any longer. In the meantime, ACP had become part of PBL, a public company across TV as well as magazines. But it memorably divested its online rights to the Ninemsn joint venture with Microsoft, which was then spun-off into the listed company Ecorp. It was the first dotcom boom and the spin-off made another fortune for the Packer family - but essentially killed the publishing business's online future. (As was also lamented by another young ACP Magazines editor of the time, Mia Freedman, of Cosmopolitan.)

What was your startup journey?

Startups are hard. The world's most successful startup investor and accelerator, Y Combinator (YC) - which has backed a portfolio of startups worth more than US$600bn including household names like Airbnb, Doordash, Coinbase and more - says that startups are like "chewing glass, and learning to like the taste of your own blood".

They also say that if you knew how hard startups were, you would never start one. They also have the insight that startups are counter-intuitive. All the regular rules of business that you learn in college or in a large business do not work when you're launching a business that scales from two coders in a dorm room to a trillion dollar company in 10 years.

I did not know. I did not have Y Combinator to learn from. I had to learn the hard way.

Australia now has successful startups that have blazed the trail, like Canva and Atlassian. That has helped to start a change in the culture. People grow startups better now. And it created some venture capital and startup infrastructure in the country. These things did not exist when I left ACP and started a startup. I had no savings, no funding, and no idea.

Startups are critical to Australia's future. We can't go on forever digging things out of the ground and flogging them overseas with minimal value-add as the lucky country blessed by natural resources. Australia has a well-educated, technically-literate population and decent infrastructure. But, culturally, it struggles with innovation and risk. And startups are high risk. Most fail. One in 100 really work. The one pays for the 100 many times over. My friends at ACP Magazines told me I had rocks in my head.

I tried building what would now be called a Media B2B SaaS business - essentially software and machine learning for media businesses. It endured the ultimate startup failure - where a software startup turns into a zombie client services business. You start charging for performing custom services work rather than selling a pure software product.

We broke all of YC's cardinal rules without even knowing them. Never do services or custom paid work because attention goes to where the money

comes from. Tick. Focus on just one thing rather than lots of projects. Tick. Hire too fast rather than stay lean. Tick. Do fake work (like conferences or speaking) rather than just write code and talking to users. Tick. Company building rather than product building. Tick. Marketing before product market fit. Tick. Tick. Tick.

At the same time, Google and Facebook between them have laid waste to the media industry's economic model, taking more than 90% of all digital ad revenue and leaving publishers with the scraps. I watched as our media industry clients shrivelled or went into liquidation (with huge unpaid bills), my journalist friends all lost their jobs and "content marketing" took over.

I started reading Paul Graham's essays on Startups around 2006. He was a computer scientist and programmer who created the first SaaS startup Viaweb, which he sold to Yahoo. He used the funds to start Y Combinator as an experiment in angel investing. The very first batch, incidentally, included Reddit which was bought by Condé Nast and IPO'd just last month.

I realized I had to get to the US. It's obvious today that YC has deep insights into what it takes to scale startups, after backing more than 4,000 founders and a string of IPOs. But I went to the wrong place (Colorado rather than the San Francisco Bay Area). And the startup network I engaged with was old school rather than YC. I also continued the same mistake of trying to bootstrap, continually returning to doing services work to pay the bills. The result was two more zombie startups with interesting AI and search tech, but no path to product market fit - the YC startup term for when customers are begging for what you're making.

By the end of 2018, I was able to put together enough cash to leave most of the client work behind, live off ramen, and focus nearly 100% on code. I started building Orac, a content quality ranking and topic detection AI. Orac was able to detect good and bad content - including content marketing spam, misinformation, hate speech and clickbait.

I spent most of my time in Silicon Valley, and attended YC's Startup School, which is a feeder for its investment program. It was transformational. With encouragement from YC, I launched an early alpha of Orac and got great feedback. I didn't have product market fit, and didn't know exactly what it

could be used for. But the AI models were clearly powerful and there was something there.

How did Andi come about?

Andi happened by serendipity. I met my co-founder Angela Hoover at Denver airport. We talked about what it would take to build a new type of search engine. Angela had just returned to the US from a year in Australia where she had worked with Microsoft on Azure. She had the idea for a search engine for Gen-Z with a messaging interface and a visual feed like Instagram or TikTok. Gen-Z hates Google because it's old and overwhelmed with SEO spam and advertising. Gen-Z spend their lives on their phones in messaging apps.

We realized that AI and the models I'd been coding offered a new way to build a search engine that was based on understanding content and the quality of sources, rather than on page rank signals that could be easily gamed by spammers with backlinks and keyword stuffing. We built an initial "minimal viable product" and took Andi (then called LazyWeb) through YC's Startup School program. Angela won the pitch comp, and we did office hours in front of the entire Startup School community with YC Group Partner Jared Friedman. We kept them updated, and based on fast progress and enthusiastic engagement from early users, applied and were accepted into YC for their Winter 2022 batch.

YC is incredibly competitive, with more than 40k applications a year from startups, and an acceptance rate of around 1% - lower than Harvard or Stanford. They invest $500k, and put startups through an intensive three-month program that culminates in Demo Day which acts like an auction to maximize fundraising from Silicon Valley investors. They then mentor and support the company directly through all its stages to IPO and beyond.

Google is an ad tech company with a browser distribution monopoly. It steals content with minimal attribution, competes for advertisers, promotes low-quality content farms ahead of high quality media, and holds publishers to ransom. AI makes this worse.

Our mission with Andi is to un-break the Internet, fight spam and ad tech, and create a new economic model for search that heavily promotes sources and shares search revenue with publishers.

How's it going?

Andi is still pre-product market fit, but we've definitely made something people love. We hit 1mn users for the first time in December, and use is growing at around 30% a month, purely by word of mouth with no paid marketing.

Our user base is technical Gen-Z - 46% under 25 years old (70% under 35). They're highly educated (19% postgrad), high income (20%), 69% male and and 94% highly technical. More than 88% are on mobile. Like computer magazine readers, these are the people other people turn to for tech advice and help. They're also the smart users who give us great feedback to keep Andi improving, and who evangelize us - so we're spending our early funds on building rather than marketing.

With YC's backing, we've raised $2.5mn in venture capital funding from high profile investors like Goodwater Capital, Gaingels, K20 Fund and Acacia, as well as prominent angels. We're blessed to have some early investors and advisors from the Australian media, including some of my former bosses at PBL/ACP: Nick Chan (now COO of Andi), Tim Trumper, David Gyngell and Peter Zavecz.

We've been covered by the New York Times, Wall Street Journal, Forbes, Fortune, Bloomberg, TechCrunch, Fast Company and more. And, as CEO, Angela has spoken at the White House, and in the US Congress and Senate.

What's so special about Andi?

Andi was the first search engine to use a conversational interface with AI summaries and answers, connecting AI to the Internet. But it has more than a chat UX - showing search results in a rich visual feed like Instagram or TikTok, with full branding promoting the sources. Instead of a list of blue links with truncated web text snippets from publishers, Andi gives you answers and

quotes, while also letting users go deeper to explore the rich variety of great sources online.

Our competitors are 1st generation ad tech-based search like Google, full of spam and sponsored results. And 2nd generation AI answer bots like ChatGPT and Perplexity, that are “good until you use it”, rife with wrong answers, and which hide or make-up sources.

What’s your vision?

The big problem with AI and large language models (LLMs) is that they “lie like truth” - they’re not only wrong, but they are convincingly wrong. They make up facts. They make up sources. 94% of AI answers from chatbots like ChatGPT contain information that is inaccurate, misleading or incomplete. And they make it cheap and easy to produce misinformation - 40mn+ items of AI spam are being posted to the Internet a day. There is a tidal wave of AI rubbish coming. And 56% of people say they do not think they can identify when an AI is lying to them.

We are obsessively focused on accuracy and content quality - finding high-quality material from the best sources and publishers, identifying accurate information and answers fast, and heavily promoting interesting sources.

To do this, we’re building a content engine (named Trantora) that deeply understands content and sources using AI. This is how we can build a much better type of search engine that helps users to “find and explore the best of what the web has to offer”, as Search Engine Journal put it.

What’s the business model?

We plan a freemium model where searching anonymously will always be free - but without ads or tracking. We will offer paid plans with premium features, such as the ability to connect to your personal data (like email and documents) for search, question answering and text generation, or access to premium content through partnerships.

Our goal at the moment is to keep working on nailing factual accuracy and speed, and improving Andi’s AI models and content understanding week

after week. We will keep iterating based on user feedback. We're not there yet, but we have some very strong indicators that we're approaching it - including high user scores and strong retention among "activated" users (people who use Andi for at least a week and do at least 30 searches).

The real test will be trying paid plans to see if we've built something people will pay for; we will test that soon.

YC describes product market fit as being like pushing a boulder up a hill. You can't see in front of you, and you have to just keep inching upwards. Once you reach PMF, you're chasing a boulder down the hill. That's when things are taking off like wildfire and your servers are burning down. So the right time to switch to marketing and promotion is when that change happens - so you're pouring fuel on to the fire. We're somewhere on that uphill push right now.

What's it like being a startup in San Francisco?

AI is the next major revolution in tech - as big or bigger than the rise of the PC, the Internet or the smartphone. And San Francisco is the heart of the AI revolution.

We're based in Cerebral Valley <aka Hayes Valley, described by a local paper as "San Francisco's nerdiest neighborhood">. There is an intense concentration of talent, ideas and energy around AI here that is unlike anything I've ever seen. Every week you can hop in a self-driving car to get help from a YC group partner, or go to one of the dozens of hackathons and open source community events and co-working sessions on every day. There are a thousand opportunities to connect, learn, engage, and "make luck happen" as a startup. With interested new users. With technology partners. With investors. And with potential recruits who could become part of the Andi family as we grow, and who are excited by the promise of building new tech with AI that can help people and make a real impact.

Which companies do you most admire?

We're in awe of Y Combinator and our group partners there. They have built high-scale startups themselves, are insanely incisive and blunt on the reality

of things, while also the warmest and most encouraging people you could ever work with.

We're fans of some of YC's biggest hits, who we've been lucky to learn from. Brian Chesky and the team at Airbnb are inspiring because they are relentlessly resourceful, and absolutely obsessed with making users happy. Coinbase has been inspiring for maintaining focus through ups and downs in the crypto market.

I'm also a fan of DuckDuckGo, which pioneered caring about user privacy while building a popular search engine. And - although it's contrarian and I wish he wasn't distracted with right wing politics - I think Elon Musk's first principles thinking and relentless execution with SpaceX and Tesla and Neuralink are genuinely inspiring.

What are the lessons?

I can't take credit for these lessons. They're all YC. If I had a time machine, I would go back to Bli Bli and give myself the YC User Manual which would (more or less) tell me:

1. Make something people want.
2. Write code, talk to users. Repeat.
3. Attention goes to where the money comes from. Don't do services work.
4. Be relentlessly resourceful.
5. Avoid fake work. Stay lean.
6. Startups die by suicide not homicide.
7. Be nice.

How I Do It: Natalia Gamero del Castillo, Condé Nast

5 January 2023

Natalia Gamero del Castillo is Managing Director of Condé Nast for Europe. She was appointed to the Europe-wide role in 2020 and, more recently, assumed overall responsibility also for Mexico and Latin America. Her appointment was seen as part of CEO Roger Lynch's strategic shift away from the company's tradition of autonomous local fiefdoms towards greater centralisation.

She is a 20-year Condé Nast veteran and was latterly digital managing director of its Spanish subsidiary whose audience she grew to 30m unique users (equivalent to 60% of the country's population). Condé Nast is headquartered in New York and London (where Gamero del Castillo is now based) and operates in more than 30 global markets with some 25 brands including Vogue, New Yorker, Vanity Fair, GQ, Glamour and Wired.

While the journalism of magazines like Vanity Fair has long spawned fact-based movies and TV programmes, it has taken the 2019 appointment of non-publisher Lynch (ex Sling TV and Pandora music streaming) to move the centre of gravity away from print. Last year, the disclosure that the company's digital audience was five-times the 70m of its magazines, prompted him to declare that Condé Nast was "no longer a magazine company". The privately-owned company is well on the way to achieving its target of generating revenue equally from: print and digital advertising; video; and readership (eCommerce and subscriptions). It was said to be on track last year to beat 2021's $2bn worldwide revenue and to have been profitable for the second consecutive year.

In 2021, the European operations across the UK, Germany, France, Italy and Spain had aggregate revenue of £265m and £18m EBITDA. Its 1,600 headcount is some 15% down in two years.

Prior to joining Condé Nast, Gamero del Castillo held various editorial roles in Spain, including as editor of the culture supplement of the El Mundo newspaper. She had graduated in law from Autonoma, in Madrid, and the General Management Program at IESE Business School.

"Print is still very relevant but most of our revenue is digital."

What were your earliest career ambitions?

I studied Law, but from a young age I always wanted to work in a creative industry. Curiosity and creativity have been the main drivers of my career. They still are. I'm always curious about what will come next, where it will take me and what I will learn in the process. I'm fascinated by the power of creativity to improve our lives and make them more meaningful. For this reason, I feel very fortunate to work in a company where creativity is at the core of everything.

What was your first job in media?

My first proper job in media was as an editor at El Cultural de El Mundo, the main cultural supplement in my country, Spain. I was lucky to be given the opportunity as my training was as a Lawyer. In Spain, as opposed to the UK, career evolution tends to be quite linear. It cannot be said that what you study determines you but it definitely conditions you. What I enjoyed most about El Cultural was working with the most intelligent and cultivated people in the country, learning from them; the depth of their ideas opened new doors for me. The experience taught me resilience (we worked extremely hard) and to always pursue excellence. I'm not a fan of the minimum viable product or the concept of perceived quality.

The reason I left was because I didn't see myself doing that job all my life. It's like when you meet someone that you like very much at an early age. It's very tempting to remain there. However, in a very unconscious way, I have always searched for the new.

What were the key learnings of your previous digital roles?

I learned how important it is to have a plan that defines what success looks like in a very specific way and to measure towards it. Also to be flexible and open to change if some aspects of the plan prove to be wrong or the circumstances vary.

Over the years, I also evolved my concept of quality related digital media. I found out that it meant similar things to what I learnt in my previous experience: originality, creativity, depth, a point of view. But also new things such as innovation, speed, technological excellence, etc.

And finally and most importantly, I learned to operate and lead in highly volatile environments which required constant innovation, not only from a formal perspective (new products, features, etc) but also from an internal one, forcing us to re-consider things constantly without losing track of our ultimate goal which was generating value to our audiences and partners. These learnings have been extremely valuable in my new position which

requires adaptability more than any other skill. I have always led transformation projects but the scale of what we have done in the last two years was unknown to me.

What were the milestones during that part of your career?

When I look back to that moment in my career, what I feel most proud of is how my team managed the pandemic. We managed to transform the company radically in only a few months: we adapted our editorial strategy to advance the big changes the world was experiencing (can you imagine how it was to write about travel at Condé Nast Traveler when everyone was locked in their homes?), we found alternative ways to engage our audiences which felt like opening windows in a very tall wall, and we explored new ways to support and interact with our teams in times of pain and uncertainty. In those times, we didn't have an instruction booklet - no one did. But, looking back, I feel very proud of what we did and how we did it.

What are the primary challenges of expanding in digital media while still being heavily engaged in printed magazines?

If you ask me, I only see opportunity although it's important to acknowledge the dependencies necessary in order to make the most of it. The best situation a company can be in is where there's huge demand for its product. This is what we have experienced in the recent past, especially since the pandemic. There's a new eagerness for content; consumers spend more than eight hours per day in digital media.

What has been instrumental to amplifying and diversifying our audiences has been the understanding that content consumption is now borderless (both from a geographical and platform perspective). European audiences are as interested in Korean cinema or fashion as in hyper-local information. Also, audiences move fluidly between platforms craving the best content. Consumers seek content, not platforms, and our content fosters engagement in each and every platform.

We produce content for more than 80 platforms and most of our interactions - as well as most of our revenue - are digital. Print is still a very relevant part of our offer: look how our emblematic covers foster conversation every month. But it is not exclusive, we are not limited by any platform or media. And you can see it in the numbers. Look at the huge demand there is for our content. Take Vogue, for example: it has more than 170m followers on social media and reaches over 86m unique users per month.

What's special about Condé Nast?

What's unique about Condé Nast is that we shape culture like no other media company in the world. Our brands and creators are the ultimate influencers. We have more audience, more influence, more impact and better content than anyone. Look at the very recent Vogue Met Gala, which had a huge impact rivalling leading events around the globe. We prioritise inclusivity and recruitment of extraordinary people and talent. It is not only the pages or articles we are publishing but the people making it at every level of the company, every single day.

What are you most proud of?

I feel proud of what we have achieved in the last 24 months. Only two years ago, we were a collection of countries which operated in a very siloed way with barely any relationship among us. But now we are real network of creative talent co-creating the best content on every platform and format; print, video and film, digital, audio and social, and where the majority of our revenue now is digital. We invested massively in the field of video and, in May, we announced the largest video programming slate ever for the 2022-23 season, with 250 new and returning series across 55 global brand channels, including major investments to live programming following the record-breaking success of Vogue's exclusive livestream of the Met Gala red carpet, Vanity Fair's Oscars party and Venice Film Festival coverage.

What's most important is that our culture and workplace values have been at the centre of the transformation since the beginning. In 2020, we created

the Condé Code, a global guideline that explains what we believe in and on how we want to work together, and huge advances have been made since then. Our success is inextricably connected with these sets of values which define who we are as a company.

What is your own primary role?

My primary role in the company as Managing Director Europe (and more recently also overseeing Mexico and LatAm) is leading the region in the direction set by our Global Executive Leadership team and our Global Strategic Plan. When doing so, it is important to identify what can be easily implemented and what needs further adaptation. The strategic plan is a framework that needs to be interpreted to reflect the cultural nuances and business peculiarities of each territory. We are now a 'matrix functional' organisation and the Managing Director plays a fundamental role joining the dots between functions and countries.

What do you most enjoy?

What I enjoy most doing is spending time with the teams when I'm in London or travelling to the countries I manage. I love how culturally diverse Europe is and I take every opportunity to understand what motivates and engages our teams in each of these countries, what fosters conversation and what drives culture . We have the most extraordinary talent in each of our countries and I'm grateful for that.

What are you best at?

It's better you ask my CEO and my team :)

I try to live up to the best advice I received. One that resonated very strongly with me was from Leonard Lauder, President Emeritus and former CEO of Estée Lauder, who told me: "You only have to do three things: listen to the teams, show them that you care and don't forget who you are". I have thought about his advice many times in the last two years.

What are the most valuable lessons you have learned?

Still a work in progress, as with everything else...

- Not underestimating the different points of view and sensitivities.
- Asking (instead of assuming you know) how someone else is feeling.
- Creating the space for real dialogue.
- Framing the questions so you can change your mind.
- Being open to change and the reconsideration of beliefs and perspectives.

Which other companies do you most admire?

I admire companies that use their influence to drive positive change. I can think of many examples. On the luxury ground, I'm very interested in how Dior has pioneered feminist fashion gathering artists, philosophers and activists under the creative leadership of Maria Grazia Chiuri. I also admire the work Inditex is doing through the Amancio Ortega foundation in education and health. And, in general, how large global companies are evolving workplace values in order to ensure inclusivity and equal opportunity and treatment for everyone.

Will Bookazines Replace Magazines?

3 May 2024

The continuing survival of many print magazines has as much to do with the wealth of the large companies who have long published them as with any kind of reversal in the 15-year decline in print readership and advertising. On both sides of the Atlantic, publishers continue to seek 21st century ways to leverage their best-known magazine brands and to (sort of) hope for a return to the golden days. That's why merely counting up the number of 'births, marriages and deaths' of magazines does not tell the story of a sector that, for more than 50 years was one of the media industry's most profitable. Big-selling weeklies and advertising-stuffed monthlies generated the kind of profits that can never be matched by the specialist magazines that are now among the most resilient. Magazines are a smaller sector but they're still populated by big companies with long, happy memories.

We don't need to debate whether magazines (and newspapers) were corrupted by the advertising boom which dislocated the direct relationship between readers and publisher profits. But we know what happened when advertisers and readers found quicker, hotter and more powerful media - online.

Many magazine business models were shattered by the web.

That explains the shrinkage of publisher profits. There are still major magazine winners in print as well as digital, of course. But the lengthening tail of under-profitable and/or lossmaking publications with fewer pages and lighter paper are a painful reminder of how successful they once were.

It is also inevitable that a diverse media sector once defined by its shared use of print and paper should now be seen as something other than a single

sector. Inevitably, the publishers which once prospered from large-scale magazines and three revenue streams (advertising, subscriptions and newsstand), will increasingly focus on the specialist, narrow-cast magazines whose smaller markets have been less ravaged by the web - or get out completely. Even rich companies with a proud magazine history will eventually succumb to reality.

That's why so many are turning to bookazines.

It's all of 40 years since a scientific organisation defined its "bookazine" as a readable, non-academic magazine-style publication. That was (sort of) the start of a transatlantic publishing genre now responsible for more than 50mn copy sales and some $500mn of revenue. And, while there are still some scientific publishers involved, many of the 3,000+ bookazines on sale in the UK and North America are focused on the glories of Taylor Swift, the British Royal Family and Air Fryers.

Bookazines are single-topic, deepdive magazine-like books that are trusted because they are "contextually relevant". The pandemic may have added to the stress of struggling magazines, but it boosted the success of bookazines, publications with higher cover prices and a shelf-life of up to three months. But, to publishers, they're still mostly an ancillary.

Taylor Swift: queen of the bookazines (Anthem Publishing UK)

In the UK, bookazines were (more or less) invented by the longtime publishing retailer WH Smith - essentially as “own brand” publications. But the longtime leader was Dennis Publishing which achieved worldwide sales of 500k for its ipad and iphone bookazines. They were branded as “MagBooks”, managed by Dharmesh Mistry whose London-based Catalysed Productions is now a custom bookazine producer for publishers in the US, UK and across Europe. Imagine Media (once also the largest UK publisher of bookazines) and Dennis were both acquired by Future, which last year generated an estimated £10mn (5% of its total print revenue) from 743 bookazines.

In the US, bookazines were formerly known as Special Interest Publications and were originally branded by existing magazines. They were dominated by tech guides, crafts and motoring but have now expanded to cover almost every subject that once captivated magazine readers and many others too.

Future published no fewer than three different bookazines to mark the UK’s coronation of King Charles. There were at least 10 others published in the UK and the official programme (as much a bookazine as anything else) last year sold almost 50k copies at £10.

According to Future CEO Jon Steinberg, bookazines are successful “because they cover passion points or cultural moments that people want to hold onto or reference from time to time. In some ways, you can compare a bookazine to a coffee table book, cookbook or reference book: they cover topics that interest people so much that they want them in printed keepsake format”.

In the US, the longtime leader is Meredith which - before its acquisition by Dotdash in 2021 - was selling some 20mn copies of its 300+ bookazine brands - accounting for $130mn of revenue, equivalent to 6% of the former company’s $2bn magazine group revenue.

A360 Media which sold 8.5mn copies of its 500+ bookazine portfolio in 2023 is no.2 in the market. The company – formerly known as American Media Inc – acquired Centennial Media LLC, a bookazine specialist and also the US interests of Bauer whose portfolio included 100 bookazines.

Debi Chirichella, president of Hearst Magazines says her company “leverages the authority and voice of its strong portfolio of brands including Cosmopolitan, Delish, Food Network Magazine, Good Housekeeping, Men’s Health and Oprah Daily to create bookazines that resonate with loyal and

new readers alike. Our Town & Country bookazines about the Royal Family attract a large readership, and part of our success is due to market timing. We're able to get on sale quickly as we have a significant portfolio of content at the ready. The latest in our royal collection, "Kate: Grace Under Pressure", has just gone on sale. At one point, Delish and Good Housekeeping had a 25% share of the Keto bookazine market."

Bookazine sales in the US and UK are now back above their pre-pandemic 2019 level.

The UK revenue in 2023 was a record: 3% ahead of 2019, and 8% ahead of 2022, with a 21% year-on-year increase in the number of issues. There are estimates of 10%+ revenue growth in 2024 and some predictions of a doubling market within 10 years. Encouragingly, the average price of a UK bookazine has increased from £8 in 2019 to £9.30 in 2023 (about twice the price of a monthly magazine).

Bookazines 2023 **SnapShot**	**Issues**	**Retail value** (% of mag mkt)	**Unit sales**	**Prices**	**Leaders** (market share)
USA	1,200	$700mn (60%)	50mn	$12.99-18.99	A360 Media (30%), Dotdash Meredith (50%)
UK	1,916	£19mn (4%)	2mn	£9-12	Future (50%)

2023 estimates by Flashes & Flames / Marketforce

The growth has been fuelled by music (Harry Styles in 2022 and Taylor Swift since). It is clear that a publishing category once dominated by specialty brands in tech, history or science is now increasingly driven by consumer-trend publications. It underlines the scope for flexible publishers to lean into the latest trends and ride each wave for however long it lasts.

Magazine academic Samir Husni says: "Bookazines are everywhere and they are changing the nature of magazines and the retail space magazines used to occupy. Whether at the checkout counters or the mainlines, bookazines are

taking over and those magazines with a regular frequency are taking a back seat, if any seat at all."

This last decade of bookazines refutes the view (shared by some publishers) that they are a passing fad. In the US, the boom in celebrity weeklies had created a substantial retail market for magazines (especially at supermarket checkouts) in a market previously defined by advertising-funded, low-cost subscriptions. Those same newsstands are now dominated by bookazines. Soaring sales mock the declining fortunes of magazines whose annual subscription prices - even when advertising is so much less plentiful - are frequently less than the cover price of a single bookazine.

In the UK's newstand-dominated magazine market, the trend seems less pronounced. But supermarkets (which account for the majority of retail magazine sales) are increasingly attracted to bookazines. The country's largest supermarket Tesco and WH Smith together currently account for a full one-third of all bookazine sales. It is assumed that the four other supermarket chains will fight harder to increase their share of the growth market - which might be expected to depress further the availability (and sales) of regular magazines.

Ultimately, the appeal to publishers of bookazines is easy to summarise: they are relatively cheap to produce, include a substantial volume of re-useable content, are premium-priced have a long shelf-life and give "fans" an internet-like deepdive into their favourite subject without the hassle and intrusion of the web. Some of the US bestsellers are said to have been produced (outsourced) for as little as $20k (pre-printing) in just six weeks.

Bookazines also offer strong volume and price growth in a magazine-related market characterised by inexorable decline.

UK research among Tesco bookazine buyers shows that a majority are not even buyers of magazines. But the two worlds may more obviously collide as monthly magazines continue the trend toward reduced frequency. Monthlies are starting to become quarterly or even half-yearly.

But publishers must remember that bookazine readers are enjoying the no-waste content of 'luxury' publications exclusively focused on their passion. The boom signals a post-digital desire for content whose presentation and style exudes authority, the very antidote to fake news and trivia. Enthusiast

bookazine audiences are paying for specific reflective, reference content not general magazines padded with 'news' freely available online. That's why we might expect this very 21st century media phenomenon to increasingly adopt some kind of frequency, many becoming more like the 'partwork' serial publications of earlier times. This emerging trend is already in evidence in the UK with Future's Curious Minds series of history and science titles - now being published every four weeks.

Bookazine fans could become members, sharing their passion with each other. Such special interest clubs could become great outlets for podcasts, eCommerce, travel and events - and members might even start to connect digitally. Suddenly, we can see how bookazines could become the reader-funded community brands that battered magazine publishers have been dreaming about since the explosion of the web.

Might we, ironically, expect the digital-focused Dotdash Meredith (whose rich portfolio of bookazines are a hardly-mentioned print legacy embarrassment) to experiment with membership initiatives? Or will Hearst create the case study by building a print-digital-events membership community round a serial bookazine, perhaps in its cooking heartland?

Bookazines really can become the successor of magazines for many more people than they have yet reached. But magazine publishers wanting to turn them into a new, mainstream business must decide to do just that. They must remember the digital-era lessons of half-heartedly building a new rival while trying vainly to defend yesterday's brands and business models against agile low-cost operators. If they ignore the disruption lessons of the recent past, the new world of specialist media will be owned by….specialists.

Welcome back to the glamour of print.

How the FT Became Much More Than a Newspaper

5 May 2024

The Financial Times is on top of the world. Twenty-two years after introducing an almost-revolutionary paywall, it has 1.4mn paying subscribers, 93% of which are digital and 70% are outside the UK. That's a 35% increase in subscribers since 2018, when its 1mn subs breakthrough marked the highest number of paying readers in the newspaper's history. Nine years after it was acquired for £844mn by Nikkei, Inc, of Japan, the FT generates some 70% of its revenue from readers..

That's a mirror of the New York Times which increased revenue by 30% during 2019-23 - but the FT achieved almost 50% growth.

The UK economic pains of Brexit (which the FT strenuously opposed) helped to turbocharge the UK-based business news brand just as the Trump presidency did for the New York Times. And Covid / WFH helped too: During the first UK lockdown, the FT's weekly page views increased 97% and it achieved its annual digital subscriptions target in just three months. But neither of what are, arguably, the leaders in the race to be the world's news brands, have succeded simply because of the tailwinds. Both have been building subscriptions by painstakingly managing the customer data, and producing vertical newsletters, personalised content and networking across print, online text, video, audio, and events.

The Financial Times under 18-year CEO (and former FT journalist) John Ridding has had a distinctive strategy.

Among all else, it has sought to measure the levels of subscriber engagement based on how Recently, how Frequently and the Volume of content they have consumed (RFV). Its become expert at tweaking, nudging and evolving

the “right” experience for readers and tracking the performance of content. Live data has been at the heart of the FT digital transformation including “Quality Reads” which identify the content where readers have read more than 50% of the article. Editors get weekly reports of how they’re doing. They are also working hard to get the attention of under-weight readership groups like women (one-third of all subscribers) and millennials by targeting them with print and multimedia content, especially audio. Nobody doubts that AI tools can enhance this drive for reader-user engagement and FT executives (and their journalists) are all over that too.

That strategy has produced the readership and revenue growth of the last five years. It has also, incidentally, supported an aggressive pricing strategy under which “premium digital” UK subscribers are paying almost £600. In 2023, Press Gazette named the FT as the most expensive digital news subscription in the UK and US for the second consecutive year:

Financial Times £mn **SnapShot**	**2023***	**2022**	**2021**	**2020**	**2019**
Revenue	505	458	438	370	345
Op profit	45	29	31	(21)	1.0
Margin	9%	6%	7%	---	---
Paying readers mn (% digital)	1.3 (92%)	1.2 (91%)	1.1 (88%)	1.1 (87%)	1.1 (87%)
Headcount	2,900	2,669	2,296	2,182	2,130

** Flashes & Flames estimates*

Behind the financials and steady growth in digital subscriptions are other strategic milestones:

International: The UK, which as recently as 2016 accounted for 50% of revenue, is now 36%, not much more than North America which has more than doubled revenue in the past five years. Some 280k (20%) of FT subscribers are now in the US which is also the FT’s biggest audio market (notably with

FT News Briefing and Unhedged), with 800k regular listeners - tripled in less than two years. It is now targeting similar growth in India.

Headcount: In addition to increasing staffing steadily (with no reduction in journalist jobs) during five years of almost universal news industry retrenchment, the FT group's total remuneration costs have increased by double-digits in each of the last three years.

Payback: In 2023, the FT (which had been acquired for 2.5x revenue and 35x operating profit) accounted for 23% of Nikkei's £2.3bn revenue - up from 14% in 2018, a trend likely to be perpetuated by the FT's international growth. The UK-based business is becoming an increasingly important global partner for its parent.

But something else is also happening at the FT.

In 2023, when the revenue is known to have exceeded £500mn for the first time, more than 20% - and likely most of the 11% increase - came from beyond the Financial Times itself, notably:

FT Specialist: The c£70-80mn-revenue division publishes 19, mostly-digital brands for 430k paying subscribers in 10 audience groups. It is thought to generate some 70% of its revenue from digital subscriptions - 50% from the US, with the UK next. Less than 20% of its revenue comes from advertising. Its major brands include: FDI (foreign direct investment), MandateWire, Ignites, FundFire and Endpoints. The US biopharma newsletter Endpoints, which is believed to have a revenue of some $15mn, was acquired last year and seems to signal a step-up in acquisitions of digital-only B2B media after a track-record of £2-3mn deals. Although FT Specialist continues to publish The Banker and the consumerist Investors' Chronicle out of London, it has closed or sold almost a dozen other magazines in the past decade; print is now only about 5% of revenue. The development increasingly resembles that of other media in B2B verticals, which is one reason why we might expect it to increase events revenue (with FT Live) beyond the current 10%. Interestingly, the Endpoints founders were former executives of Fierce Markets - like the founders of Industry Dive, acquired by Informa for $389mn in 2022. That would have been too rich a deal for the FT at this stage (not least with its

dependance on advertising, although the single-sector Endpoints resembles Industry Dive in this respect). But you can see the direction of travel for the FT's expanding B2B newsletter portfolio which is believed to have tried to acquire The Informationtech newsletter.

FT Live: The c£30-40mn-revenue division is the organiser of some 200 events, including: Commodities Summit, Banking Summit and Future of the Car but the portfolio includes other strong brands including: Global Banking Summit, The Global Boardroom, Hydrogen Summit, Women in Business, and the FT Weekend Festivals in London and Washington DC. It also organises highly-profitable, one-hour webinars on behalf of sponsors (some of which are said to pay £40k+ for the privilege). Separately, the FT's TNW ("the next web") annual conference and exhibition in Amsterdam next month will attract some 10,000 delegates and 200 exhibitors, a 16-year-old mecca for European startups and investors.

Together, these B2B divisions are believed to account for £100-120mn (20-25%) of the FT Group revenue and (maybe) more than 50% of the operating profit in 2023. They both share a double-digit profit margin and growth rate.

Their combined revenue may exceed £120mn in 2024, spearheading the group's growth in North America. They have a combined headcount of some 500 (15% of the FT group total). FT Strategies (consulting) and FT Longtitude (thought leadership) account for a further 120 people. So, although the extended FT network of owned companies and investments totals some 2,200 people, it is clear that more than 40% of direct employees are now accounted for by the group's non-news businesses.

The importance of what were once ancillary businesses is underlined by the fact that their 1.2mn global audience now almost matches the reach of the Financial Times itself - and produces the whole group's eye-catching "global paying audience" of 2.6mn.

The salmon-pink newspaper is the brand platform for the group's worldwide expansion with its reputation for quality journalism far beyond the financial services. But it's no longer all about a newspaper.

FINANCIAL TIMES

TUESDAY 21 MAY 2024

UK £3.50; Republic of Ireland €3.90

Mexico's cartel wars and risk of a failed state
BIG PAGE, PAGE 21

Ties binding Xi to Putin are not easily undone
GIDEON RACHMAN, PAGE 23

ICC requests arrest warrants for Israeli and Hamas leaders

Ebrahim Raisi 1960-2024 Iran leader's death stokes uncertainty for turbulent Middle East

Briefing

▸ **Anglo break-up proposal wins top investor's backing**
Legal & General Investment Management, one of Anglo American's largest shareholders, has come out in support of the miner's break-up plan as BHP has just two days either to raise its takeover bid or walk away.— PAGE 8

▸ **Hints at summer rate cut**
Ben Broadbent, a deputy governor, has said that the Bank of England may be ready to cut interest rates this summer if its policymakers' forecasts of easing inflation are borne out.— PAGE 2

The FT's latest audited numbers in the UK show that, on weekdays, the newspaper is now selling just 12k copies (4.9k of them paid single copies, 7.4k subscriptions) – about 20% less than two years ago and 50% down since 2019. The promoted numbers are embellished by some 31k "multiple" copies, provided free for travellers at airports, rail stations, and hotels. But weekends are another story. The distinctive FT Weekend edition sells some 65k copies, at a cover price of £5.10 (compared with £3.50 on weekdays). The Weekend's 5x sales at a 45% higher cover price and advertising-stuffed leisure supplements and magazines (including How to Spend/ Save It) means the FT's average revenue on Saturday is more than the combined revenue for all five weekday editions.

Like other UK daily newspapers, the FT makes virtually all its profit on Saturday. They all deny thoughts of reducing the papers to just the profitable days around the weekend but you can imagine the scenario planning.

The FT is still printed at sites across Europe, North America and Asia, and distributes some 60k copies around the world each day, in addition to the 40k (paid and free) in the UK. It continues to be the home of so much great journalism even as its parent company shifts the emphasis to specialist business services.

The FT has a history of ancillary publications (its published The Banker and Investors' Chronicle for almost 100 years) and has long dabbled in B2B magazines and newsletters. But this time it's different. The shift in the group's revenue from a UK-centric daily business newspaper to global digital

information services has brought a new focus on business and professional audiences, notably through the vertical products and services of FT Specialist and FT Live.

These divisions already account for much of the group's growth and are spearheading the expansion in North America in particular. That's why the double-digit purchase of Endpoints may have been so significant. The FT's overall performance since its own pricey acquisition has persuaded Nikkei of the potential for a step-change in the operations especially in Asia and the Americas. That might be expected to lead to many more investments across FT 'home ground' sectors including energy, law, technology, education and public policy - as well as global expansion of the existing brands in pharma, insurance and finance. There's a lot of room to grow and insiders have long hinted at a £100mn fund for acquisitions.

The B2B emphasis is further cemented by the three-year-old FT Strategies, a subscription consultancy that works with media and other companies world-wide. It tells customers: "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."

With the FT group's increased emphasis on B2B verticals, we might expect a more unified approach to its global operations. This might include a broad membership network, enabling subscribers seamlessly to access the whole range of FT products, services and events. It could become the ultimate, content-rich membership organisation for business people worldwide. It could be a big step-up from existing training courses for board directors and member-only communities for company chairs and women.

Such a move towards "One FT" could provide the impetus to create a single, group-wide content platform to maximise the sharing of resources and the development of proprietary data services and reader-user networks. It is notable that, although FT Specialist media share the branding and editorial code of the Financial Times, they seldom share either content or people.The prize of 'unification' might be the equivalent of the dominant and all-knowing Bloomberg Terminal, to create the ultimate membership dependance. For the FT in its third century, the rapid change might have only just begun.

How The Spectator Became UK's Most Valuable Magazine

7 June 2024

Would-be buyers of the UK's Telegraph Media Group (TMG) are preparing for the result of the July 4 general election and with it, presumably, some clarity about who the government (new or old) will permit to acquire the country's most profitable daily news brand. The handful of suitors may need to be a bit more patient, given the expectation of a Labour Government whose leaders might not be in a hurry to resolve the future of TMG, as a constant political opponent..

There is, of course, the little question of the outgoing Conservative **government's 5% restriction** on foreign investment in newspapers and the impact that this might have on the price that the Abu Dhabi-backed RedBird IMI will get for the business they are being forced to divest. We may assume that shutting out foreign investors (especially if it obstructs a prime prospective buyer like the privately-owned Daily Mail) reduces RedBird's chance of recouping the estimated £600mn it has paid for TMG. (Ironically, the RedBird price is almost exactly what the debt-laden Barclay family paid for the company 20 years ago this month.)

Whatever the election outcome, the focus may soon switch to a much smaller publication caught up in the legal battle that began when the Barclay family creditors seized its publishing assets in June 2023.

Enter The Spectator.

It's the world's oldest magazine which had been acquired by the Barclay family, along with the Telegraph. After acquisition, the secretive new owners quickly established the 196-year-old political and cultural weekly as a separate

company, chaired by Andrew Neil the all-singing UK media executive, political journalist and commentator.

That separation silenced speculation that Neil (former chair of Sky TV, editor of News Corp's Sunday Times and of The Economist) would be managing TMG as well as The Spectator. In the event, it led Fraser Nelson - the magazine's now 15-year editor-in-chief - to pay a rare 2021 compliment to the owners whose "method was to apply the three most valuable commodities any publication could ask for: patience, investment and editorial independence. We will leave readers to judge whether the magazine has improved under their ownership. But our sales have almost doubled, in a market that has more than halved, and we have had the resources to embrace the digital age with relish."

Nelson said the owning family's opinions on the politics of the day were a mystery, even to him: "No hints were dropped, no editorial favours asked. In the history of proprietorship, this is unusual, even unique. The only remit passed down was that The Spectator, the world's oldest magazine, was at its best when serving its readers, and no one else."

His words of praise were part of an obituary tribute to one of the Barclay brothers who had paid so handsomely for TMG in 2004. But, two years later, RedBird IMI's plan to acquire control of the company by paying off debt secured on it, provoked Nelson to protest that the United Arab Emirates would become "the first government in the world to buy a national newspaper in another country, so it's a test case. ...Until now, sovereign wealth funds of

foreign governments have been allowed to buy airports, shopping centres and even football clubs. But to buy newspapers, even through a vehicle like RedBird IMI, raises certain sensitivities. At least, it does if you think that a free press is important."

The editor was making a fair point that the issue wasn't foreign ownership (familiar enough to UK newspapers and other media) but ownership by a foreign government. But, although the UK government responded to the protest, the distinction between the two was lost (or not) on the drafters of legislation effectively shutting out foreign investment in a UK daily newspaper. That (to the Daily Mail and others) was the unintended consequence of a campaign which stopped Redbird IMI in its tracks and will, eventually, lead to divestment of both the Telegraph and The Spectator.

That's where it gets interesting.

Just as would-be investors are getting bearish about TMG and a potential valuation that has been touted as anything from £400mn to £700mn, many believe that The Spectator itself might be sold for as much as £100mn. That possibility reflects the simple reality of the "trophy premium" that may be paid by someone who values the publication for much more than its current earnings. That's why TMG is likely to be valued at more than the 8x average EBITDA of recent years (ie £400mn). The premium for that "trophy asset" might be £100-200mn - or 25-50%.

But The Spectator premium may be much higher and you can see why.

The magazine has doubled its profit, print-digital circulation and online audience in the last six years and has hugely enhanced its reputation as a multi-platform (and increasingly international) political and arts brand. So, even though its revenue is not much more than £20mn (less than 10% of the Telegraph), it appears to carry none of the risk inherent in a daily news brand still dependant on print and may (given the low-cost expansion in the US and Australia) even have better growth prospects. That's why buyers might be prepared to pay £100mn. Given a 15x multiplier of The Spectator's £3k EBITDA (ie a value of £45mn), a £100mn price tag would mean a "trophy premium" of more than 100%.

Suppose, then, that the Telegraph is sold for £500mn and The Spectator for £100mn. That would be about what RedBird IMI have paid and, presumably,

the least they will want to accept. But that would also mean The Spectator was being valued at about 20% (and who knows, perhaps more?) of TMG's value. These calcs imply, of course, that the two publications are likely to be bought by different people for different reasons, which seems increasingly likely.

But the fact that serious would-be buyers can be heard discussing The Spectator's value in these terms says something about its almost secret success during a period of inexorable decline for magazines everywhere:

The Spectator Group **£mn** **SnapShot**	**2023***	**2022**	**2021**	**2020**	**2019**	**2018**
Revenue	22.0	20.8	20.3	16.3	14.2	13.2
EBITDA	3.0	2.9	3.2	1.9	0.7	1.5
Margin	14%	14%	16%	12%	5%	11%
Headcount		86	74	65	65	61
Monthly uniques		3.3mn	2.9mn	2.5mn	2.2mn	1.7mn
Ave print/digital copies		130k	130k	102k	88k	62k

** Flashes & Flames estimate*

The steadily increasing financials, readership and online audience are only part of the story for the world's oldest magazine which claims 2mn monthly downloads for its 10 podcasts, 430,000 newsletter signups and 350k signups for its programmes on YouTube.

But it gets better.

The Spectator's twice-daily political newsletters (Lunchtime Espresso and Evening Blend) are each read by an estimated 60-80k people in the UK and around the world. Its economics brand has some 30k readers while the uniquely insightful Ukraine in Focus (written by a Kyiv journalist now working in London) is regularly read by 9% of The Spectator's subscribers. That's in addition to the magazine's growing editions in the US and Australia.

All this comes from a total worldwide team of 86 (about 60% in the UK). That's really the secret sauce of a magazine which has only 4-5 staff writers in the UK but a legion of established columnists some of whom may write for

The Spectator almost for the honour of it. Yes. In many ways, that has been part of the history of a magazine whose pages have been decorated by the writings of George Bernard Shaw, W.H.Auden, Kingsley Amis and C.S.Lewis.

That tradition has produced a business model based on the staff team being largely commissioners and editors. It works so well.

To say that The Spectator punches above its weight is not the half of it for a brand which - across the world - claims a credible print-audio-digital audience of more than 5mn. As if to reinforce the point about "trophy value", its regular readership is said to include 44% of all UK members of parliament. Although its floating political viewpoint might be described as "soft right" and the weighty arts and culture coverage competes with politics for the attention of readers, previous editors have included leading UK politicians, not least the former prime minister Boris Johnson who memorably helmed The Spectator during 1999-2006.

The Spectator's mushrooming multi-media output helps to define the future because this explosion of new products and services has been delivered by a small and largely self-taught team. YouTube TV programmes, podcasts and newsletters are all presented and produced by people whose main job is the magazine.

In a new investment scenario, you would expect at least some of the existing brands to be developed in their own right, not merely in order to boost magazine subscriptions. Despite the US and Australia editions (which include local content alongside UK material), the almost accidental internationalisation of The Spectator is underlined by how 25% of the magazine subs and one-third of the UK web audience comes from outside the UK.

That's why the next ownership of The Spectator could be especially interesting.

For all the fact that the most successful news brands like the New York Times channel almost everything into a subscriptions "bundle", the eventual future seems certain to be focused on giving readers the choice of which sections or brands to read - and pay for. However many cooking, sports and games digital products they launch or buy, the current "cord cutting" experience of cable TV bundling is that digital readers-users-viewers eventually "demand" their choice and only their choice. That may, indeed, be part of

what the Axel Springer-owned Politico has proved in the US and, increasingly, across Europe. Arguably, The Spectator (which already competes indirectly with Politico) could compete more strongly - at a fraction of the cost.

That's a prompt for The Spectator (and others) to develop self-standing, 'pick-and-mix' print-digital-audio verticals - as well as offering a well-priced bundle to those do want it all.

While the team at the world's oldest magazine may worry about the identity of their next owner, a "trophy premium" might signal the arrival of an individual or company which can "afford" to reinvest the current profits. On the recent track record, that £3mn EBITDA per year for, say, three years could help to develop subscription revenues for de-merged products and services and accelerate the growth on both sides of the Atlantic. For the thrifty Spectator, £9mn could go a long way in transforming its profile and longterm profitability.

It's an exciting prospect for what may already be the UK's most valuable magazine. Coming soon.

10 Sept, 2024: Hedge fund owner Paul Marshall has acquired The Spectator for £100mn, promising to keep the conservative magazine as an independent part of his growing British media empire which includes GB TV News. Longtime chair Andrew Neil has resigned but Fraser Nelson remains as editor-in-chief.

Is This the Future of Weekend Newspapers?

21 June 2024

It's five years since Graydon Carter, legendary 25-year editor of Vanity Fair, said his new Air Mail digital newsletter would provide worldly, cosmopolitan readers with "a jaunty, entertaining, but also serious weekend edition, delivered to your in-box every Saturday morning".

It would be a weekend edition of an imaginary international newspaper: "The idea is to keep well-heeled globalists up-to-speed on the latest fads, fashions, arts, riots, scandals, and political upheavals in Europe and Asia. Think of it as a bit like The Economist with attitude…"

The founder had also suggested the new venture would be like the weekend edition of the Financial Times, which he loved, but "is hard to get — you've got to be in the metropolitan city, it's $7, or at least it is where I spend the weekends in the country, you've got to get out of your pajamas to get it."

Carter says Air Mail grew out of a habit of tearing up global magazine and newspaper articles to share with friends. Its offices are a townhouse in New York's Greenwich Village, populated by a repertory company of journalists, photographers, designers, and celebrities he had built up at Vaanity Fair - and some of its upmarket advertising. Named after the red-and-blue-ringed envelopes (remember those?) that Carter had used for decades as bookmarks, Air Mail promised to bring Vanity Fair's buzzy sophistication to the web. He said he would bring "magazine-quality editorial and aesthetics to internet publishing".

Five years later, Carter's distinctive cocktail of name-dropping and witty insider gossip was clear when the world's most successful media entrepreneur married for the fifth time: "Rupert Murdoch, 93, having previously been

married to Patricia Booker (1956–67), Anna Murdoch Mann (1967–99), Wendi Deng (1999–2013), and Jerry Hall (2016–22), and engaged to Ann Lesley Smith (2023), was married last week to Elena Zhukova (2024–?), with whom he'd been linked after vacationing with her on the *Christina O*, a yacht that once belonged to Aristotle Onassis, whose first wife, Tina, later married Stavros Niarchos, whose grandson—Stavros Niarchos III—married Elena Zhukova's daughter from her previous marriage, Dasha, who had once been married to Roman Abramovich, a chum of Vladimir Putin, who'd allegedly had an affair with Deng, who helped reconcile an estranged Jared Kushner and Ivanka Trump, and who introduced Zhukova to him (Murdoch)." Phew.

Carter's obessession with the foibles and failings of the rich and powerful dates back decades - before he became one of them. He had moved to the US from his native Canada 45 years ago, joining Time and Life magazines as a writer. In 1986, he co-founded the satirical magazine Spy (based on Private Eye in the UK) and, in 1992, succeeded Tina Brown as editor of Vanity Fair. After an award-winning quarter-century of plaudits, star-studded Oscars parties and - to judge by his own constant references - Conde Nast perks including frequent Atlantic crossings on Concorde, he tired of a "swipe card" corporate life.

He launched Air Mail in 2019, funded by $14.5mn from: TPG private equity, the Standard Industries roofing giant (both of which also backed Puck, launched by Carter's former protege Jon Kelly) and the UK's Daily Mail. Two years later, he topped it up with $17mn of funding by Standard, TPG and new investor RedBird Capital Partners.

The editors explain what it's all about: "We sensed that there was an audience of readers who were tired of overly earnest news publiications and found the ceaseless churn of the daily news cycle predictable, unnerving and, quite frankly, unmanageable….this audience was a driving part of the world's affluent intelligensia - catholic in its tastes and cuious about the world, not just the country they live in. How were we so sure? Because we counted ourselves among that group. Our aim is for Air Mail to unfold like the weekend of a great international daily - of the kind that doesn't exist any more."

Carter: "bringing magazine-quality editorial and aesthetics to internet."

In addition to the Saturday "edition", Air Mail subscribers can opt for individual newsletters and podcasts about the arts, beauty, books and also Air Supply, eCommerce, billed as "A Highly Selective Storefront," selling a high-end list of curated goods from $595 Lanvin sneakers to $18 retro cycling hats, with gift recommendations for all occasions. But, in an echo of Tyler Brulee's Monocle, Air Mail has also opened real shops (Air Mail Newsstand) in New York, London and Milan, selling selected books, magazines and stylish merchandise. Carter sees retail as "an inevitable adjunct to publishing".

The company now employs some 55 people and is said to generate 40% of its revenue from luxury advertising and 15% from eCommerce. Ironically, therefore, just under 50% of revenue comes from its affluent readers who may be paying anything up to $80 for a subscription, with a first-year offer of just $20. It is believed to have some 300k subscribers.

In February, it became known that Standard Industries (a 40-year-old, $11bn revenue, family-owned industrial company which has so far invested

some $30mn in various media enterprises) was interested in acquiring Air Mail at a value believed to be about $50mn.

In 2019, the Daily Mail had paid $1.5mn for its 5% share in Air Mail LLC, which implies that the providers of the initial $14.5mn funding received some 50% of the shares, valuing the company at about $30mn. We don't know the detail of the 2021 cash injection but, as a $17mn equity raising, it might have valued the company at $40-50mn, with Graydon Carter and his team retaining perhaps 15-20% of the shares. A Standard Industries bid of $50mn may, therefore, give all shareholders (even the latest ones) some profit on their holdings.

Whether/if the proposed sale proceeds (presumably with Graydon Carter and his crew staying onboard) the not-yet-profitable Air Mail is significant for at least two reasons.

First, of course, it is part of a shift in the US digital market away from general interest, mass market companies like BuzzFeed, Vox, Vice and BDG to specialist (almost B2B) niche operators like Politico, Morning Brew, Axios, The Information, Semafor, Punchbowl and Puck. After more than a decade of bloated media startups targeting huge traffic, suddenly it's all about reaching not the the most readers but the right ones.

The trend mostly reflects the value of specialist, well-targeted audiences to advertisers and (frequently) as potential for building subscription revenue and durable communities. It took daily news brands more than a decade to realise that, far from mitigating their decline, pouring free content onto the nascent web was self-destructive. Arguably, it has also taken even the most savvy digital investors a further decade to realise the value of specialised media. The relatively low levels of investment required by The Information, Morning Brew, Axios et al tell their own story about where the best returns are to be found.

Second, it's no accident that Graydon Carter cites his inspiration as the FT Weekend and other such newspaper supplements. In the UK, many of whose national daily newspapers are surviving into their third century, the weekend editions may account for 100% of the profit. While dailies everywhere have contemplated reducing their frequency to delete lossmaking editions, the UK market tantalises publishers with the possibility of much higher profits "just" by publishing for, say, three days across the weekend. It is not, of course, a

simple calculation due to considerations of print, paper, distribution and, of course, the risk that breaking the daily reading habit might actually reduce copy sales and advertising even at the weekend.

But this could be another example where digital disruption torments incumbents which dare not meet the changed requirements of customers for fear of accelerating the decline of existing profitmakers. Carter's approach may be influenced not just by the content but by the fact that the FT Weekend has 5x the sales of its daily UK edition at a 45% higher cover price - along with advertising-stuffed leisure supplements and magazines which deliver more revenue than the combination of all its five weekday editions.

This and the equivalent calcs of other UK dailies may mean that some news brands are almost are at the peak of their profit-earning with the benefit of: large digital audiences, high-priced print editions, and print advertising that would not readily transfer online. It is almost another way of saying that advertisers are keeping print going while readers mostly want digital. The reality is a slightly more complex piece of economics but you get the point.

What is slowly becoming clear, of course, is that news brand readers (which are being stubbornly offered only the full "bundle" in digital because anything else "might" accelerate the print decline) are choosing the verticals of their choice whenever that is available. How else would you explain the success of Politico? The Athletic might also have proved the point before the New York Times expensively wrapped it into the daily bundle.

There is a proven weekend (digital) market for the range of entertainment, culture, gossip and newsy comment in Air Mail and - with Carter's flair for such things - this is content that can build a strong community to generate eCommerce and upmarket advertising. Air Mail is not simply a newsletter, it is a community of newsletters, events, and eCommerce. It even tells readers it's not actually a newsletter: "The Saturday morning emails are simply a reminder that a new issue has been published. You can always view the latest edition by going directly to our website."

While many individual newsletters are successfully exploiting the consumer demand (and willingness to pay) for specialist content, the big opportunity is to build this kind of versatile community with diversified

revenues and the scope for many more media channels. That's why newspapers should get into it.

Join up the dots and you can believe that, in many countries, there is scope for large-scale verticals on many of the core topics of daily papers. We might, therefore, expect many more vertical newsletters in sports, culture, politics and the rest.

The fact that many such digital verticals could be tied to the weekend might be an opportunity or challenge not only for daily newspapers but also for magazine publishers. It's an opportunity for growth in new business models. What are you waiting for?

Air Mail LLC **SnapShot**				
Rev	**Subs**	**People**	**Investors**	**Investment**
$15mn	300k	55	TPG, RedBird, Daily Mail, Standard Industries	$32mn

Flashes & Flames estimates

Preqin Exit Multiple Gets Them Thinking

5 July 2024

The £2.6bn ($3.2bn) acquisition of UK-based data provider Preqin by BlackRock, the world's biggest asset management firm, has sparked search for the next big deal in financial data. A price of 13x revenue tends to have that effect, especially when the topline itself has trebled in just five years..

BlackRock said Preqin would complement its Aladdin tech business by bringing together data, research, and investment process for fund managers: "Together with Preqin, we can make private markets investing easier and more accessible while building a better-connected platform for investors and fund managers."

The deal accelerates the US firm's push to become a major player in alternative assets and follows its agreement in January to acquire Global Infrastructure Partners for $12.5bn

Preqin tracks the performance of private equity firms, hedge funds and others for some 200k investment professionals in 48k companies and 90 countries and its financials illustrate how it has grown on the back of the 21st century boom in private equity:

Preqin Ltd £mn **SnapShot**	**2024***	**2023***	**2022**	**2021**	**2020**	**2019**
Revenue	209	170	115	86	70	56
UK			16.4	12.9	9.8	8.4
Europe			12.1	10.7	8.8	7.1
RoW			86.3	62.6	51.3	40.1

EBITDA	50	40	19.3	12.9	13.1	13.4
Margin	24%	23%	17%	15%	19%	24%

**Flashes & Flames estimates*

Preqin was co-founded in 2003 as 'Private Equity Intelligence' by Mark O'Hare, a Cambridge University math graduate and MBA from London Business School. He has never worked in banking or private equity but began his career at Boston Consulting Group before becoming a serial entrepreneur who started Citywatch in 2993 and sold it to Reuters five years later. He knows all about financial data and its role in the changing face of business media.

Preqin started by listing private equity performance data, initially relying on the UK's Freedom of Information Act disclosures. The company expanded to collect data for more investment classes and now covers private equity, venture capital and private debt with its data coming primarily from market participants. It helps customers invest in assets that do not have shares or bonds listed on the world's stock markets - but which are becoming an increasingly large part of the international financial system.

It's the largest of a handful of principal companies supplying data and intelligence in private investment markets. The next may be the $290mn-revenue Pitchbook, which was acquired by the US-listed $13bn Morningstar in 2016. It has been growing at 20-30% in recent years. That may be why all eyes are now turning to what is probably the no.3 player, a smaller UK-based private equity-owned rival, With Intelligence.

The company was formerly called Pageant Media and started out as a B2B magazine publisher in financial markets. It has come a long way since being co-founded by closet British aristocrat **CEO Charlie Kerr.** Despite holding onto a patchy portfolio of magazines and small events for almost 20 years, the company had always worked hard at acquisitions and snaffled no fewer than six different, mostly self-funded deals (totalling £10-15mn) from the former Euromoney. Low price multiples were made cheaper still, in cash terms, by the not-very-onerous task of taking on the "liability" of paid recurring subscriptions. Kerr did some great deals.

But the CEO's strategy has been shifting towards the subscriptions data (and international customer base) of its larger competitors - especially the one that this week made Mark O'Hare a billionaire.

Its been a dramatic 12 months since a majority of the 26-year old With Intelligence was acquired by Motive Partners for an enterprise value of £410mn. That price was 18x the projected EBITDA for 2023 and 3x the £135mn value in 2020 when Intermediate Capital Group (ICG) had taken control. ICG is believed to have retained a 10% shareholding (and also has mezzanine debt in the company) alongside Motive's 77% and CEO Kerr (13%).

The move has helped to consolidate the company's international strategy: in 2020, it was a wholly UK business, whereas it is now 80% international, with a majority of revenue from North America. A more visible measure of the qualitative improvement is its 36% EBITDA margin in 2023; it was just 12% in 2019:

With Intelligence Yr end Feb £mn **SnapShot**	**2024***	**2023**	**2022**	**2021**	**2020**
Revenue	95	63.7	43.9	31.1	27.6
UK		20%	23%	22%	100%
N America		63%	57%	58%	---
EBITDA	35	23.0	15.0	10.2	9.2
Margin	37%	36%	34%	33%	33%
Headcount	550	481	420	300	165
Enterprise value	640	410			135

**Flashes & Flames estimates*

Last year's £410mn enterprise value (9x previous revenue) and Preqin's price (13x revenue) might suggest that With Intelligence (which has spent less than £70mn on acquisitions since 2022) would be valued at some 10x revenue (ie £950mn) when Motivate brings it back to the market, anytime after 2024.

Presumably, even its current value is £640mn - 50% up in a year or so. It's getting better all the time.

But its multiple discount to Preqin is based not just on a US market valuation or the difference in scale but - probably - on the composition of its revenue. Preqin's revenue is almost wholly recurring (ie subscriptions), whereas With Intelligence is about 60% subs (up from 23% in 2020), still with many events and one-off products. Preqin's "purity" is also underlined by the high proportion of its revenues from powering private equity firms rather than from less robust hedge funds. With Intelligence's acquisition of Highworth Research, Camradata, FolioMetrics - and its recent divestment of Captive Review publication and events - makes clear its hungry push towards the Preqin strategy - and valuation. This week's news might just help to accelerate the "Preqin-isation".

Beyond all else, however, the BlackStone splash reminds us more generally of the soaring value of high-value data and subscriptions revenue. It's only just begun.

Will Fastmarkets Get Its Dream PRA Deal?

12 July 2024

AI is accelerating the commoditisation of so much news and information and nobody needs reminding of the soaring value of subscription-funded data services. But the "must have" information claimed by many B2B publishers is often less "exclusive" than it seems - and will increasingly be exposed by the voracious new tech. The survivors and winners will, inevitably, be those whose data really is proprietary and becomes indispensable to user workflow systems: data they can't do without.

Those are the prized resources which will attract increasingly high valuations.

Nowhere is this clearer than in the Price Reporting Agencies (PRA) which provide the "official" prices governing trading in the world's commodity markets.

PRAs are the exclusive information providers, most of which began as specialist news businesses and still often employ journalists to research commodity prices. They now facilitate transactions and generate additional revenue from consulting and research. Although more than 50% of the revenue of these pricing companies comes from oil and gas, their profits are soaring on the back of new energy sources and processes.

It's 100 years since Ohio journalist Warren Platt tapped into the information hunger of the exploding oil industry and created Platts, the world's first PRA (now owned by S&P Global) which has operated across the world's commodity and resources markets ever since.

Even in a (slowly) decarbonising world, the price of oil - specifically the two leading price benchmarks, Brent and West Texas Intermediate - are

probably the most monitored stats, with price changes driving the capital flows of oil exporting countries and of inflation everywhere else. A change in the methodology for calculating Brent crude, uncontroversial in itself, last year underlined how a single commercial operator - Platts - is responsible for one of the world's most influential statistical benchmarks.

Previously owned by McGraw Hill, it has long been sensitive about the egregious profitability of its dominant PRA. Of course. But we have some first-hand evidence.

Former Platts president Larry Neal has disclosed (on his Linkedin profile, of all places) that: During 2009-16, the company achieved "15+% annual revenue growth, expanding revenues from $260mn to $750mn, grew EBITDA six-fold, and more than doubled EBITDA margins. It outpaced Platts' nearest competitors' growth 3x and increased enterprise value nearly 7x…"

No wonder that others took the hint, including Platts' main rival Argus Media (formerly Petroelum Argus) which was launched by former Reuters journalist Jan Nasmyth, just ahead of the 1973 Arab oil embargo. The $450mn Argus has almost doubled its revenue in the last five years.

Some have suggested that the two companies are a cosy duopoly in a world where oil and gas are far from the only industries in which PRAs wield such influence. They are operating across most of the global markets where pricing is opaque, and buyers and sellers need dependable reference data to help decide fair values for dealmaking. PRAs cover many of the most-traded mined and farmed commodities and also include, for example, the burgeoning new markets for electric vehicle battery components.

Our list (below) of the eight leading PRAs tells the story of a booming information market where - for the first time - the revenue of Platts, the long-running market leader, is being matched by the aggregate of the other seven US-UK companies, four of which are wholly or partly owned by private equity.

The picture is burnished by the emergence of the 10-year-old, UK-based Benchmark Mineral Intelligence (currently the smallest of our PRA league table) which specialises in price data on battery components including lithium, nickel and cobalt. A 2023 sale of 20% to Spectrum Equity valued the company at $500mn - at least 10x revenue. We might, therefore, expect it to achieve

some very rapid growth. But, then, most PRAs are managing that and Platts still has an estimated 40-50% share of PRA activity. That share is, of course, well down on its onetime monopoly of what is now a $3bn-revenue market, with average EBITA margins estimated at 40%:

PRAs **SnapShot**	**Key sectors**	**Revenue***	**Owner**
Platts	Energy	$1.3bn	S&P Global, US
Argus Media	Energy	$450mn	Private equity, UK
ICIS	Chemicals	$260mn	RELX, UK
Fastmarkets	Metals/ mining	$170mn	Private equity, UK
OPIS	Energy	$150mn	News Corp, US
Expana (Mintec)	Food/ farming	$110mn	Private equity, US
CRU	Metals/ fertiliser	$ 90mn	Robert Perlman, UK
Benchmark Mineral Intelligence	Lithium, cobalt, nickel	$ 60mn	Simon Moores, UK/ private equity

**Flashes & Flames research*

The ownership of these leading PRAs - three of which have changed hands in the last three years - inevitably give the clues to future M&A.

The ownership of the three leaders seem unlikely to change in the near future. Platts' owner S&P acquired IHSMarkit in 2021. For Argus, some reduction in private equity stakes may have resulted in the family of chair Adrian Binks holding a 60% stake.

The no.3 player, the chemicals specialist ICIS (acquired by RELX 30 years ago) also seems unlikely to be divested, even though it is an almost invisible part of the media-tech company's scientific, legal and business portfolio. But, with a share price that has gained 44% in the past year and now gives RELX an enterprise value of £73bn (8x revenue), there will be no pressure to relinquish such a high-performing business, however non-core it seems. The only question may be whether the powering RELX might one day choose to target PRAs as a growth sector - and make a sizeable acquisition to diversify beyond its chemicals powerhouse.

But, for now, it seems safe to assume that the big three PRAs are unlikely to be buying or selling anything significant - and any potential deals might face opposition from competition regulators in Europe and the US.

It's so different for the five chasers.

With total revenue of some $600mn - maybe also doubled in the last five years - we might expect substantial consolidation.

News Corp acquired OPIS in 2021 for $1.2bn (9x revenue) and followed up with the $295mn Base Chemicals, both divested as a result of the S&P-IHS Markit combination. The Murdoch-controlled US-UK-Australia group hailed OPIS as "a cornerstone for a rising commodities, energy and renewables digital business", projecting 10% annual revenue growth and 50% EBITDA margins. It has helped to make the Dow Jones business and financial portfolio (including the Wall Street Journal) the fastest growing division of News Corp, accounting for some 30% of profit. Amid prospects of a bonanza News Corp breakup (sometime, surely), a de-merged Dow Jones might seek to become a yet more significant PRA with further acquisitions. Or not.

What seems more likely, though, is that the private equity-owned Fastmarkets and food and farming specialist Expana (ex Mintec, which acquired AgriBriefing in 2023) will be chasing deals that will burnish their expected sell-offs in the next few years.

Fastmarkets is the one to watch.

It's the $170mn-revenue division of the formerly listed Euromoney, a strategic highlight of the legendary B2B company which had been laid low by the pandemic paralysis of events and the tortured failure to sell its asset management division. As a result, Euromoney was acquired for £1.6bn by two pe companies: Astorg paid £735mn for Fastmarkets (24x 2022 profit) and Epiris paid £865mn (13x profit) for 'the rest of Euromoney' (now named Delinian).

Fastmarkets had begun with the £200mn acquisition some 18 years ago of Metal Bulletin, the pioneering PRA which had begun life in 1913 as a spin-off from The Ironmonger magazine, servicing the global markets using the London Metal Exchange (LME) for price discovery. In recent years, it came to account for some 40% of Euromoney profit and much of the growth, helped by bolt-on deals covering metals, mining, agriculture and forest products. The scope for further rapid growth for PRAs - despite the gradual move away

from hydrocarbons - is underlined by Fastmarkets becoming a leader in the provision of indices for lithium, cobalt and nickel - key ingredients of the booming battery market.

In 2022, Fastmarkets had accounted for 25% of the former Euromoney revenue and increased by 19%, primarily through the growth of subscriptions (88% of revenue). Events were 9%.

Fastmarkets **£mn SnapShot**	**2023***	**2022**	**2021**	**2020**
Revenue	112	106.8	85.5	83.7
Op profit	42	39.2	30.4	31.7
Margin	38%	37%	36%	38%

**Flashes & Flames estimate*

It is believed that the company will now seek to acquire one of the best PRA independents, the privately-owned CRU Group (formerly Commodities Research Unit). CRU last year grew revenue by 18% to £66.1mn, with EBITDA of £14.6mn. The London-based company has PRAs across mining, metals and fertilisers.

The 55-year-old company is privately-owned by Robert Perlman, a former Economist journalist who chairs the Institute of Archaeo-Metallurgical Studies at University College London which focuses on "the role of metals in the development of civilisation". His company, founded in 1969, generates some 30% of its business from steel and the raw materials that make it (coal and iron ore). It has teams in key locations, including in hard-to-reach markets such as China and 11 other countries. It has regularly acquired £2-3mn bolt-on businesses including solar energy specialist Exawatt in 2023.

In the last four years, the debt-free, cash-generative CRU has increased revenue by 63% and has almost trebled profit:

CRU Group **£mn SnapShot**	**2023**	**2022**	**2021**	**2020**	**2019**
Revenue	66.1	55.8	46.5	41.2	40.5
EBITDA	14.6	13.4	11.6	7.6	5.7
Margin	22%	24%	25%	18%	14%
Net cash	54.0	50.2	37.8	29.3	28.3
Headcount	361	295	279	293	269

CRU is a highly-rated specialist but was not always as impressive. In the 1980s, it seemed to lose much of its expertise (and some key staffers) on the copper market in which it had long specialised. It was also, ironically, once relatively slow to develop PRAs, as opposed to research and consulting. But it's now growing rapidly.

Euromoney was believed to have been involved previously in abortive negotiations to acquire CRU, but the prize now would be the formation of what would be the world's fourth largest PRA. A combination of Fastmarkets, CRU and food-farming specialist Mintec would create a $400mn+ challenger for Argus Media - and a great platform for IPO.

But, first, Fastmarkets must persuade the CRU owner either to sell or merge. Maybe News Corp / Dow Jones would get involved? Fastmarkets and CRU might have a combined revenue of £300mn+ ($390mn) in 2024 which would make it the world's third largest PRA - even before any other M&A.

A tempting prospect for Fastmarkets and, perhaps, also for CRU...

The soaring value of PRAs and subscription data businesses imply that CRU - which may achieve £70mn revenue and £18mn EBITDA in 2024 - might attract a price of more than £400mn ($520mn). Will CRU owner Perlman be tempted to choose 2024-5 as the time to sell, after a quietly glorious 55 years?

It's what the private equity owner of Fastmarkets is dreaming about right now.

What Will Burda Do Next?

25 October 2024

Bauer and Burda are family-owned media companies founded more than 120 years ago as printers in Germany. Both made the inevitable journey into publishing and also became among the largest magazine groups in the UK.

But there, the similarities end.

As recently as 2016, the two German media companies each had revenue of €2.2bn. But, within eight years, Burda had grown to €2.9mn while Bauer is still at €2.2bn.

In the intervening years, Bauer had exited once-profitable magazine operations in the US and lost an estimated €350mn on the disastrous acquisition of ACP Magazines in Australia and New Zealand - at a time when the company was proclaiming its global ambitions and an undiminished confidence in the future of print. Meanwhile, Burda, whose international expansion had been largely confined to the UK and Eastern Europe, was forced to exit from once-buoyant magazine publishing in Russia and the Ukraine.

But, even with a German economy battered by its regretted dependence on Russian energy, the Munich-based Burda still achieved 2023 revenue of €2.7bn – some €500mn ahead of Bauer.

Over the past 121 years, Hubert Burda Media has grown into one of Europe's largest and steadiest media groups.

Its real rise to prominence began in 1949 with the launch of Burda Moden, now called Burda Style, a sewing pattern magazine published in 15 languages. Burda now has one of the world's largest databases of digital sewing patterns. Its Burda Create! is the umbrella for the company's international crafting media with products available in 12 European markets and the US.

The company is increasingly international.

Across Germany and 17 other countries, Burda publishes more than 400 print and digital brands, including the newsweekly Focus, celebrity magazine Bunte, and local editions of Elle, Glamour and Harper's Bazaar. For the past 20 years, its also been profitably funding digital startups across the world. Its prized, early investments include: Vinted, Bloom & Wild, Nord Security, BaubleBar Billease, Oddbox, Skillshare, NotOnTheHighStreet, Zapp, and Ninjavan.

Owner Hubert Burda multiplied his inheritance many times during 25 years of running the company. In 2010, he handed day-to-day control to its first non-family CEO, former McKinsey consultant Paul-Bernhard Kallen who is now chair of the company he had joined in 1996. He had been responsible for the expansion of international and digital business and spurred investment in what is now a portfolio of some 50 internet companies and more than €1bn revenue.

In handing over control, Hubert Burda had said: "Throughout our 26 years of working together, Paul-Bernhard Kallen and I were always of one mind, striving to lead our family enterprise with courage, unremitting optimism and creative drive so that we could hand it over in outstanding shape to the next generation. Every single day during those many years, I could be certain he would take the correct decisions – based on his entrepreneurial instinct and with this goal in mind."

Kallen's subsequent success is reflected in a company with a reputation for not meddling in the management of subsidiaries (with a headquarters team of just 30). The visible evidence is in Burda's steady financials which reveal scarcely a trace of the turbulent times of the past six years for its activities across consumer media, B2B services and digital commerce:

SnapShot Hubert Burda Media					
€bn	**2023**	**2022**	**2021**	**2020**	**2019**
Rev	2.7	2.9	2.9	2.8	2.8
B2C	41%	38%	41%		
B2B	18%	17%	17%		

eCom	41%	45%	41%		
People	10.0k	10.5k	10.5k	10.9k	12.3k

While profits are not disclosed, we believe that Burda has EBITDA margins of 5-7%.

Behind the relatively steady revenue is the growth of international operations. Germany now accounts for some 85% of Burda revenue. The international balance is generated by almost 25% of the 10k total headcount. In 2023, two-thirds of the international revenue was accounted for by Immediate Media, the £182mn-revenue, UK-based company acquired in 2017 for £270mn (6x EBITDA).

The price of that UK acquisition was (almost inevitably) depressed by the Radio Times. What had been the world's first listings magazine accounted for a majority of the profit. But it may still be the UK's most profitable magazine-centric brand. The success of Immediate, under Burda's ownership, can be illustrated by:

- EBITDA during 2017-23 equal to the acquisition price Burda paid in 2017
- Consistent 16-18% EBITDA margins and some £20mn of annual cashflow
- Radio Times still accounts for some £70mn of multi-platform revenue (35% of the Immediate total)
- UK headcount of 750 is some 30% below 2017
- Unrivalled 1.1mn subscriptions in a UK magazine market which has traditionally been newstand-dominated

Many of the UK company's acquisitions have also been good value.

BBC Good Food was acquired for £32mn (2x revenue) in 2018. Its estimated 130k subscriptions and a substantial worldwide free web audience makes clear the strength of this brand even without the BBC prefix which was withdrawn this year, as agreed with the vendor at the time of the acquisition. The £45mn

acquisition in 2022 of Nutracheck (a calorie tracking app) is a similarly strong performer. It may now be generating £40mn revenue/ £15mn ebitda from subscriptions which are believed to have climbed to 450k from 300k in the two years since acquisition.

Even Immediate Media's disastrous foray into home shopping TV (with total losses of some £30mn) was 'compensated' by the rich divestment of its wedding magazine-event interests for £40mn in 2020.

The UK success owes much to Tom Bureau who had been the company's CEO, first under private equity ownership and, then, with Burda. In the early years of the 21st century, when magazines everywhere were being shattered by the growth of web platforms and social media, he was one of a smallish group of media bosses who combined the experience of traditional media and digital insurgency. They were the people who had a better chance of getting the balance right.

Bureau himself had seen the potential of online in the early 1990s, and co-founded Business & Technology magazine. When they sold it to the magazine mogul Felix Dennis in 1996, he and his partner cannily kept the online technology with which they then developed the Silicon B2B tech site. The Silicon Media Group had a glittering launch in 1998 among the dinosaurs at London's Natural History Museum – intended to symbolise the death of print journalism. Yes. But, four years later, Silicon itself fell victim to the (first) dotcom collapse and to some disastrous expansion in France and Germany. In 2002, the company's assets were sold to CNET for a small fraction of the £30mn that shareholders had invested.

Bureau bounced back as UK managing director of CNET. In five dramatic years, he steered the US-owned company from a single business information site to become the UK's biggest online-only publisher. Its five UK web sites (CNET, GameSpot, silicon, ZDNet UK, and AtLarge) had a reach of 10mn unique users – and were highly profitable. The whole CNET international business was acquired by CBS in 2008. But not before its CEO had left to become "a digital entrepreneur".

In 2007, he teamed up with Exponent private equity to bid for the specialist division of EMAP consumer magazines, alongside Hearst which had wanted the company's mass market magazines. Hearst's consolation in losing out

to a Bauer knockout bid both for EMAP's magazines and radio stations was being able to watch (relieved) the ensuing collapse in the profits of the mass market weeklies it had so wanted to acquire.

Bureau, meanwhile, became CEO of the specialist magazine-turned-digital publisher Magicalia, owned by Exponent. Then, in 2011, came the acquisition of BBC Magazines for a pro rata price some 50% less than Bauer's eye-watering purchase of EMAP four years previously.

The former CNET boss declared that the newly-formed Immediate Media was "geared towards developing its e-commerce proposition and shifting the business away from print to a content and services platform. Retailers have been good at becoming publishers, it's about time publishers got good at becoming retailers. We want to think more like a retailer and having the right database environment to underpin this is important. It's about engaging our customers and developing a relationship with them, creating a rich, scaled single customer view. Our ambition is to change our centre of gravity from print towards being a content platform and services business, which means putting brands at the centre of our strategic development and looking at the business models beyond print."

Bureau's reward for integrating Immediate into Burda and steering it safely through turbulent economic times, was to be made chair of the UK company and CEO of the parent company's operations outside Germany. Sean Cornwell (more digital than media) became CEO in 2023 and his predecessor turned his sights to growing Burda's interests especially in Poland, Czech, France and South East Asia.

Poland - where Burda acquired the digital interests of Edipresse and the highly successful eCommerce platform Cocolita - has been the primary focus for an Anglo-German operating team which have been building a multilingual platform to enable the exchange of content across the world. It is easy to see how AI will add power to these strategies to re-purpose content. In many ways, it is the logical sequel to the once so-profitable international licensing of magazine editions which was wrecked by the web.

Bureau is also chair of the €300mn-revenue (30% EBITDA margin) New Work recruitment and professional networking platform which de-listed from the Frankfurt stock exchange this year. We might assume that the 18-year-old

business with 21mn members will have ambitions to expand beyond Germany, Spain and Portugal under 100% Burda ownership. Could it become a real competitor with LinkedIn, Glassdoor and others across the world?

Burda is the story of a quietly ambitious media company which has made its earlier investment mistakes (printing operations in India and Africa, for example). But its comprehensive performance contrasts with its Hamburg-based rivals.

Bauer is famous for its micro-management - and also for the way that its whole executive team has regularly changed ever since Yvonne Bauer succeeded her father in 2010. She took over two years before she led the gung-ho plunge into Australia. The fiasco cost some of her longterm executives their jobs. Bauer's whole top team has changed again recently, with the departure of former COO and longtime UK CEO Paul Keenan. Among other things, he led the growth of the radio-audio group that has become Bauer's largest (and most international) business.

Who knows what comes next for Bauer and its revolving door of executives?

But, for the settled management of Burda, we might expect yet faster international growth. Its content platform for use across all Burda and all languages may already be starting to pay dividends. But it might also become the route by which the German media group could build multinational alliances and JVs with increasing numbers of operators around the world. It really could become the 'new" digital licensing business to replace those hundreds of international editions of global magazines once published by local partners.

Is this just the start of a new, very global Burda Media Group?

How a Malta Gaming Event Went Global

8 November 2024

Next week, some 27,000 delegates and 1,000 sponsors and exhibitors will descend on a former shipbuilding yard 2km from Valletta, the Malta capital. It's the venue for the 10th anniversary of Sigma Europe, an indoor-outdoor festival for the online gaming industry, featuring 550 speakers, waterfront parties on mega yachts, dinners, awards ceremonies, and networking sports competitions.

The anniversary marks a new peak for the €50mn-revenue Sigma Group which - just four years after organising its first trade shows outside Malta - is a world leader, with gaming events in six countries attended by 80k industry delegates. Its been a rapid climb from startup to global enterprise - and the claim now to be "the world's leading authority in igaming".

But it all began in Malta.

The Mediterranean island nation (population: 550k), located between Italy and Libya, is the birthplace of Sigma Group and of its founder Emanuel (Eman) Pulis. He grew up in a family of five whose teacher father earned just €1,000 a month. The family were poor but so was their country.

It's different now.

Malta is effectively the European capital of gaming business, having been the first EU state with a legislative framework on remote gambling - and having lower corporate and gambling taxes than most others. Vice Media once described what is the smallest EU country as "to online gambling what Hollywood has been to the movie industry".

Nobody understands that better than Eman Pulis who says: "My background is not gaming or conferences or exhibitions. I used to be a party

organiser but I soon realised the only people who were spending money buying bottles at my parties were the gaming crowd." He also realised that his free-spending customers were mostly Scandinavians and other Northern Europeans drawn to Malta by the online gambling law that provided the new industry with unprecedented legal protections. As he said in 2021: "You can come to Malta and have the peace of mind that we're not going to arrest you next day because you're operating illegally."

Pulis: from parties to gaming festivals

Word got round.

Europe's gaming companies moved in and thousands of coders, marketers, game designers and gambling fanatics flocked to Malta and helped to create a formidable ecosystem for the world of online betting. The gaming gold rush was also the springboard for the international growth of Sigma, which was an acronym for the "**S**ummit of **Ig**aming in **Ma**lta". It had begun in 2014 with an iGaming conference attended by1,500 delegates. It was bootstrapped by Pulis, with a little help from advanced sponsorship and delegate payments.

The Valletta event grew rapidly. But the transformation came in 2020. After seriously exploring the possible divestment of Sigma, the pandemic brought everything (including the founder's exit plans) to a halt. The worldwide shock became a Eureka moment for Pulis who - after organising virtual summits in South America and Asia - decided to go global with live events. The upshot was the 2021 launch in Dubai, followed 18 months later by Brazil, then Cape Town, Budapest and the Philippines.

It's all thanks to Covid.

Sigma now employs more than 200 people and focuses on online gaming, emerging technologies and affiliate marketing through: its seven international events (principally in Malta, Dubai, Philippines, and Brazil); Sigma Play (a 10-language site for online casinos, featuring reviews and guides for players); Media (magazine, digital news, podcasts, video streaming, and online gambling); Alternative Dispute Resolution services; Ikigai Ventures (a 10-year, €20mn venture capital fund for tech startups especially in gaming); Poker Tour (live poker events for both professional players and industry enthusiasts); Brokerage (M&A services for igaming); and Sigma Foundation (a charity which has launched new schools in Ethiopia). Sigma has also acquired a 30% share of Affiliate World whose events now operate alongside its summits, and a majority stake in iGaming Academy, providing industry education and training.

It's some mushrooming of activity for a company which - until four years ago - operated only in Malta. Sigma Group's revenue has grown 3x and profit almost 6x since 2022, now with 57% margins:

SnapShot Sigma Group					
€ mn	**2024**	**2023**	**2022**	**2021**	**2019**
Rev	**49**	**38**	**16**	**9**	**8**
Malta	48%	48%	68%	73%	100%
Dubai	7%	7%	12%	17%	---
Brazil	17%	14%	7%	---	---
PH*	16%	20%	---	---	---
Other	8%	6%	5%	---	---

Media	4%	5%	8%	10%	---
Ebitda	**28**	**20**	**5**	**4**	**3**
Margin	57%	53%	31%	44%	38%
People	202	158	122	80	40

**Philippines*

It expects to increase revenue by 22% to €60mn in 2025 with €30mn EBITDA.

But, beyond Pulis' endless ideas for more events in more countries is the coveted diversity of revenues. For his Malta flagship event - still generating almost 50% of total revenue - 60% comes from booth sales, with sponsorship (17%), acommodation and hospitality (11%), and visitor tickets (6%).

While the longstanding leaders in gaming exhibitions - Clarion Events and RX Global - do not disclose the scale of their operations in the sector, their revenues are estimated to be some €25mn and €20mn respectively. In just two years, Sigma has gone from being the third player to the market leader - with gaming event revenue that may already equal the aggregate of both Clarion and RX.

But there's something else.

Pulis is determined to build on the B2C audience which is currently attracted to Sigma's media and game playing sites. He reckons online gaming is one of those 'prosumer' markets where many of the consumers are interested in the business side of things as well as the gaming itself. Apart from contributing to Sigma's knowledge of its customers and their market, the B2C involvement might also be expected to create consulting, advisory and research revenue. That's why he is targeting some 10mn consumers - alongside the 100k B2B people for the events - in the next few years. He expects to be growing the Media revenue (in the table, above) which includes B2C-targeted activity: "That edge, having those 10mn players close to us is what, in the future, will give us the edge over the other event organizers. It will persuade operators to come with us rather than going to competing events. And we're already seeing it working. We've seen an uptick in operators coming to us - just because we have the traffic to send them."

At this stage, he sees a clear distinction between the B2B events and the B2C digital services (and lead gen) in online gaming. But it is easy to imagine that - just like some of the entertainment-focused events on the waterfront at Cannes - the increasing festival-isation of Sigma events might encourage attendance by 'prosumers', arguably any market's most influential consumers: "If you're a player, you come to our site and read a review and then you're watching the CEO speaking on the Sigma stage and involved in a discussion about the game. That is all going on with with Sigma branding giving us more authority; the B2B and B2C sides are helping each other."

At a time when many trade show organisers (including world leader Informa) are looking to the festival atmosphere (blending business, education, networking and entertainment) in order to captivate B2B markets, the Sigma idea of developing its events in the view of B2C audiences may become an important ingredient.

For the founder who - but for Covid - would have sold his Malta event and never expanded across the world, its been an amazing journey that may have a long way still to go. You sense his burning ambition to expand into other areas of technology. But, as he prepares to launch this year's 10th anniversary festival in a former shipyard, he also knows that his birthplace would benefit from a purpose-built convention center; he'd love to tackle that: "I've explored in the past owning expo venues across across the globe. But, in order to do that, you need a big backer. It seems like the world is hungry for more and more conferences and shows, not fewer."

That may be why Eman Pulis will (sometime soon?) start thinking again about attracting investors, partners or collaborators. After all, Sigma's EBITDA of some €70-80mn (in, say, three years) could attract a valuation of more than €1bn. A safe bet?

Will CloserStill Be a £1bn Trade Show Star?

1 November 2024

The world's third largest trade show organiser, Clarion Events, may provide a benchmark for 'post-pandemic recovery' valuations when/if it is sold, possibly early in 2025. There continue to be worries about the 30% of revenue from China, a political and economic vulnerability in the US. But the 77-year-old exhibitions group is targeting a valuation of more than £2bn (15x EBITDA, 4x revenue) which would be the biggest trade show deal since 2018.

That might be a relief for Blackstone which, in 2017, had become the fourth private equity owner when it acquired Clarion for £600mn - 3x the price paid by Providence Equity Partners two years previously. But the £2bn target needs to be considered in the context of a seven-year investment holding which has made 10 acquisitions, two of which (Global Sources and Penwell) together cost £350mn, and the two years of Covid losses. You can sense the agony that Blackstone investors may face as their peers (including, reportedly, KKR and CVC) try to squeeze the price.

Just down the road, things are a bit different.

A few minutes away from the Clarion headquarters in London's Fulham, executives of the 16-year-old CloserStill Media (CSM) might be feeling more confident,with their forecasts of 50% growth in revenue and EBITDA, more than half of which is estimated to be organic. Equally important, is its rapid internationalisation. As recently as 2023, CSM derived 58% of revenue from the UK; this year, it will be 28%, with substantial growth in the EU and the US:

SnapShot CloserStill Media					
£mn	**2024***	**2023**	**2022**	**2021**	**2019**
Rev	215	143	104	31	72
UK	28%	58%	54%	71%	58%
US	27%	17%	21%	16%	17%
EU	34%	16%	16%	13%	15%
Asia	11%	7%	9%	---	4%
Ebitda	65	42	27	(3)	22
Margin	29%	29%	26%	---	31%
People	839	603	384	277	297

**Flashes & Flames estimates*

Beyond the emphasis on targeting growth sectors (of course), CSM's distinctive strategy is focused on "content" and on a whole team motivated by share ownership (employees own 35% of the company, Providence 65%).

In an industry whose standout cashflow and profit margins can sometimes seem to correlate with poor 'net promoter scores' from grudging exhibitors, CSM initially targeted the healthcare, veterinary and cloud computing sectors with content teams designed to win the support of trade association sponsors, visitors and, hence, exhibitors.

High-value seminars, lectures and conferences for medical doctors, pharmacists and veterinary surgeons were sold upfront instead of (as traditionally) in the last few months before a show. In what have become major major growth sectors, this content-rich/ CPD-angled strategy quickly won support for the new CSM shows. All these years later, the strategy translates into thousands of visitor professionals re-booking their places for the following year's event – at the same time as exhibitors are re-booking their display space.

The London Vet Show was the first launch, in 2009, when CSM also acquired small UK Pharmacy and Dentistry Shows. The company now has more than 150 B2B exhibitions in five main groupings:

Medical & Healthcare (27% of revenue) – The primary care, pharmacy, therapy and dentistry brands include the Care Show, Dentistry Show, and Pharmacy Show Show, in the UK and France.

Transport & Infrastructure (23%) – The recent, estimated £135mn acquisition of both UKI Media & Events and the associated Hydrogen Tech Expo and Carbon Capture Tech Expo includes 19 transport-tech exhibitions in the UK, US, Germany, China and South Korea, and 13 magazines.

IT / eCommerce (22%) – The Singapore Technology Show in Singapore is CloserStill's largest single event with an estimated revenue of £9mn. Big Data & AI World and Data Centre World, Cloud Expo Europe and Devops Live also take place in Germany, Spain, the UK, France.

Learning technologies (19%) – The brands include DevLearn and HR Technologies in the UK, US, France, and Germany.

Veterinary (9%) – The Vet Show takes place in the UK, US, Germany, and Singapore, a total of 13 events worldwide.

In simple terms, therefore, the CSM revenue divides about 60:40 between technology and healthcare/ veterinary. In the five years since Providence (previous owner of Clarion) acquired CSM for an enterprise value of £340mn, it will have trebled both revenue and EBITDA.

CSM was the 14th largest trade show company in the Stax top 20 last year (up from 20 in 2022). It may be in the top 10 for 2024 and may soon be valued at some £1bn (15x EBITDA). I

The multi-layered funding of pe companies makes it difficult to estimate prospective investment returns. But Providence's initial cash outlay of £165mn, its £32mn of Covid support and some £200mn of acquisitions (60% of which was for the UKI portfolio of transport-tech exhibitions in 2023) suggest that a £1bn price for CSM may represent a 3x return. Providence would consider that a great result for six years of investment, one-third of which was the Covid shutdown.

The transformed geographical spread of a portfolio so clearly focused on the two big global growth areas of tech and health gives the pe owner confidence that CSM might just produce a yet more stunning auction price when the time comes. Perhaps in 2025...

Nobody is saying that the company is for sale - yet. But the trigger could be the outcome of the Clarion process.

Whether or not CloserStill's London neighbour attracts bids close to 15x EBITDA, the end of Clarion's current sale process could prompt Providence to sell. To add to the excitement, Clarion executives were recently heard telling their own prospective buyers that CSM would be a perfect fit for them. Mmm.

You can hear the drums.

How RELX quietly reinvented B2B

15 November 2024

RELX, the listed data and analytics group, previously known as Reed Elsevier, is on top of the world. The company, whose share price has doubled in the last five years, is the UK's fifth largest, with a market cap of £69bn. Last year, it increased revenue by 8%, operating profit by 13%, with 4%+ growth right across the global portfolio.

. In the first-half of 2024, the 15-year CEO Erik Engström reported revenue and profit ahead by 7% and 10% respectively, with growth everywhere including the sometimes pressured STM (+4%) and Legal (+7%). But, beyond the impressive post-pandemic rebound of RX trade shows (+13%), the spotlight is increasingly on the Risk division whose financial crime detection tools will this year increase underlying revenue by at least 8%. It's now the largest and fastest-growing division of RELX, the result of a 13-year strategy that began with the £343mn acquisition of the US-based Accuity payments data service (which absorbed the long-established Bankers Almanac) and was consolidated in 2018 with the £580mn purchase of the ThreatMatrix digital identity network.

The most striking aspect of the Risk strategy - which now accounts for 35% of RELX revenue - was the far-sighted way it exploited the potential of Bankers Almanac which had been a printed directory for most its 179 years, albeit as a reference staple for the world's banks. It had long been an almost invisible part of the Reed Business Information (RBI) subsidiary whose best days had, seemingly, been the pre-internet boom in classified advertising which had buoyed its B2B magazines for more than 25 years.

RBI had been the world's largest B2B publisher with hundreds of magazines on everything from farming and transport to computing and hospitality. Its best-known UK brands included: Farmers Weekly, The Caterer, Computer Weekly, Flight International, Community Care, and Commercial Motor. In the 1960s and 1970s, it had consolidated the "trade magazine" business just as its one-time Reed sister company IPC had done in consumer media. Its weeklies were turbocharged by the UK boom in national recruitment advertising. In 2001, RBI was brought together with Reed's Cahners subsidiary in the US, with a combined revenue of £1bn.

Then came the internet explosion.

By 2011, profits were down by one-third, with just 25% from the US. By the time, it sold the legendary Hollywood trade newspaper Variety in 2012 , RBI had exited all B2B magazines in the US and divested a total of more than 150 print titles in 14 countries that - just four years previously - had represented almost 50% of its portfolio.

The divestments were the sequel to a'will-they, won't-they' attempt by the parent company to sell-off RBI. In a model of 'how not to motivate your managers', the then Reed Elsevier decided to auction RBI in the dogdays of 2008. It was a painful year for the management, put through the hoops by private equity and being de-invited from parent company conferences, before the banking crisis depressed valuations and abruptly ended the process - just as private equity was ready to do the deal.

Reed withdrew from its abortive auction in the worst way - saying it would, instead, try to sell RBI again "in the medium term," when conditions were more favourable. So the rumours continued for a further year. The upshot was a 35% slide in 2009 profits and what the then newly-appointed CEO Mark Kelsey (who had joined RBI as a MBA graduate in 1983) has described as "absolute crisis..In many ways, we felt like an orphan, not wanted, not quite sure what to do."

But Kelsey knew exactly what to do.

Having spent more than a decade wrestling with the post-classifieds decline of free circulation B2B magazines, unlocking the database opportunities of property weekly Estates Gazette and of the international aviation

market, and - in 1999 - launching the digital recruitment site TotalJobs, Kelsey was energised by the 2009 appointment of RELX CEO Erik Engström.

With a background in private equity, Engström waved away previous doubts about the risk to short-term profits of selling-off magazines. He urged RBI to calculate the value of the brands over 3-5 years and, therefore, the benefit of selling sooner rather than later. Kelsey says: "That was the eureka moment. We went through all the assets trying to work out for which ones we could see a route to success and which ones we couldn't."

In the 15 years since, RBI has sold 70 magazines and narrowed its focus to sectors with real digital prospects - including banking.

After the Accuity acquisition, Kelsey became CEO of the LexisNexis Risk Solutions Group (now described as the Risk division of RELX) whose principal operations are based in Georgia, US. In 2023, it had revenue of £3.1bn (ahead of the STM division for the first time) and operating profit of £1.2bn - a 37% margin. Some 80% of its revenue (60% transactional, 40% subscriptions) is from the US

The Risk group has more than 11,000 employees and customers in 180 countries including 92 of the Fortune 100 companies, nine of the world's top 10 banks and and 21 of the 25 leading insurers. It claims to have delivered more than 500mn US consumer credit assessments in 2023 and to have detected more than 1bn "human initiated attacks" and 2bn "automated bot attacks" for customers in 2023.

It's all a long way from the RBI that the would-be CEO joined more than 40 years ago. But that's only part of the story.

Kelsey's post-magazines strategy has, in the past 15 years, developed into a portfolio of digital information businesses, mostly in sectors where RBI had once published weekly magazines:

1. ICIS – chemicals, energy and fertilizer
2. Cirium – aviation and travel
3. BrightMine – HR
4. Nextens – tax (Netherlands)
5. EG - commercial property

RELX describes the portfolio (listed above in order of revenue) as "specialised industry data services". They are all strong verticals with seams of proprietary data, and funded variously by subscriptions, consulting and events. They are high-value, 21st century information businesses.

Almost hidden in the financial reporting by the Risk operations, these verticals now account for at least 10% of the division's total revenue and have grown by 40% in the past five years, with profit up by 30%. The results have been turbocharged by the ICIS price reporting agency (PRA) - brought together by the former RBI 30 years ago. The chemicals market leader may account for some 60% of the revenue and even more of the profit, if its margins are anyway near the 50% commonly achieved by PRAs

Significantly, revenue of the former RBI (which has been renamed "LNRS Data Services Ltd") is almost double that of 20 years ago in the B2B magazines heyday.

SnapShot RELX 'specialised data services'					
£mn	**2024***	**2023**	**2022**	**2021**	**2020**
Rev	380	345	309	284	271
UK		29%	30%	31%	31%
EU		38%	37%	37%	36%
APAC		22%	22%	21%	21%
RoW		11%	11%	11%	12%
Ebitda	105	95	83	82	80
Margin	28%	28%	27%	29%	30%
People	1.5k	1.7k	1.5k	1.5k	1.5k

**Flashes & Flames estimates*

Although the B2B media market has changed beyond recogition in the past decade, it is clear that the 'specialised industry data services' - even though it is almost an afterthought in the powering RELX - has (again) become one of the largest B2B groups - with 70% of revenue from outside the UK.

But how does it fit into RELX?

You can tell from the occasional references in RELX annual reports (only to some of the five 'specialised' groups) that they are not in the parent company's strategic mainstream. But the listed company has, arguably, made sense of its disaparate divisions - Risk, STM, Legal and Exhibitions - by investing strongly in technology systems and people at a time when that is increasingly important.

The growth is proving the point.

At a time when RELX's listed pe is something like 40x (yes), it is clear that investors support the strategy - and the divestment even of seemingly non-core businesses will mostly be unattractive. (Unless or until such operations lose their growth momentum). That may mean that the B2B powerhouse quietly built by Kelsey will continue as part of the Risk division.

Or maybe not.

This year's divestment of the company's ProAgrica (a reinvention of RBI's longterm involvement in agriculture) may reveal a potential appetite for streamlining even the 'specialised' portfolio. We may expect that EG (formerly Estates Gazette) will eventually be divested because: it is an exclusively UK business, still publishes a weekly print magazine and is the smallest vertical in the portfolio.

By contrast, ICIS (often referred to by RELX as "commodity intelligence" as if to downplay its success) is a fast-growing PRA in a market where businesses have been valued at more than 20x EBITDA. For ICIS, this might be almost £2bn. Not that RELX seems likely to divest ICIS. It might actually decide to invest in the PRA as the focus of a new mainstream division - with or without the other verticals.

Any kind of slowdown or reversal in RELX's fortunes could, of course, change the calculations. Perhaps, a show-stopping offer for ICIS from a PRA-salivating pe firm might yet prompt the breakup of the UK business (almost a 'side hustle') that Mark Kelsey built from the ruins of a once-gilded magazine publisher. Maybe he (65 next year) will retire after more than four decades of intra-company revolution. Wow.

Informa's 6 Steps to Transformation (So Far)

26 July 2024

Informa Plc has made a recommended £1.2bn cash offer (568p per share) for Ascential Plc, the UK-based organiser of Cannes Lions and Money 20/20. The price is 17x EBITDA and 6x revenue for 2024, and a 53% premium to the share price on July 22. The bid seems certain to be accepted by Ascential shareholders whose doubts about future strategy have been illuminated by a weak share price. For all the undoubted strength of Cannes Lions and even the stuttering Money 20/20, there is no disguising the listed company's status as being left over from the Ascential sale of the WGSN and Flywheel Digital in 2023.

After the breakup, the two quite distinct festivals did not seem a sufficiently strong strategic rationale for a listed company and its recent assertions of no major M&A seemed to deny the "new" Ascential the kind of growth opportunities that motivate shareholders. The company had become an obvious target for hedge funds who have been starting to sense another auction opportunity.

But Informa got there first.

Informa executives mingling with investment analysts at Cannes Lions in June, will have heard seasoned Ascential CEO Phil Thomas making the uphill case for his company's independence as owner of two "large and fast growing addressable markets" with "multiple levers for organic growth" and a growing proportion of revenue from delegates. But the longer his team's (over-running) presentation continued, the more the hard-bitten audience could see the contrast between the brilliant Cannes Lions and the vulnerable Money 20/20 which had seen 2023 revenue declining due to industry

"headwinds" and 2024 forecast at zero growth, even with the addition of the new Asia launch in Bangkok.

This final chapter of the Ascential story (that had begun as the fabled EMAP) is best summarised by the fact that - in 2022 - its two brands divided revenue and profit almost 50:50. But this year, Money 20/20 (40% of whose revenue is from sponsorship) accounts for 40% of revenue and 30% of total profit. Two well-managed festivals had been left defenceless after the sale of WGSN and Flywheel.

It's all about to change.

The striking thing about Informa's acquisition case is that it seems to prioritise the potential for Money 20/20, not its high-performing stablemate. It hopes to re-energise the fintech brand, not least by launching in Saudi Arabia, where Informa "has established a leading position through its joint venture partnership Tahaluf, and where the financial technology sector is the focus for major investment and growth". It sees similar prospects in Africa.

By contrast, its advocacy for Cannes Lions seems to disregard the recently-announced plans for an online MBA for marketers and wants to make the advertising-media-marketing event the centrepiece of "experience-led, festival brands" including its Monaco Yacht Show, London Tech Week, and Black Hat (cyber security). Smart.

Even before you factor in Informa's heavy investment in first-party data and analytics across its portfolio, the acquisition of Ascential looks pretty undemanding, especially if you add back, say, £10mn of central overheads which might increase the 2025 EBITDA by 13% to £86mn, before the hard work begins:

New' Ascential Plc **£mn** **SnapShot**	**2025***	**2024***	**2023**	**2022**
Revenue	230	213	206	191
EBITDA	76	70	56	70
Margin	33%	33%	27%	37%
Headcount		700	703	737

**Flashes & Flames estimate. Includes £13mn central overheads.*

But there's more to it.

The £1.2bn acquisition of Ascential is but the sixth major step in Informa's transformation in the 10 years since Stephen Carter became CEO.

The company had been formed in 1998 from the merger of International Business Communications and Lloyd's of London Press. It has never been shy of M&A, perhaps encouraged by its bargain-priced, all-paper "merger" with the Taylor & Francis academic publisher in 2004. In the early days of the web, that deal created a £500mn-revenue B2B company with 2,500 subscription-based products and services, 2,800 events per year, databases of almost 10million names - and the claimed scope to extend its science journals into conferences. The nil-premium merger was a steal for Informa under chair Peter Rigby and CEO David Gilbertson. But they were just getting into their stride.

The following year, they splashed £768mn on Irvine Laidlaw's grandly-named Institute of International Research (IIR) - the world's largest conference and training business with revenues of £300mn. After a bumpy integration, IIR produced the results for Informa. So, two years later, it paid £513mn - 27x forecast 2008 profits and 7x revenue - for Mike Danson's first business information and research group Datamonitor.

That was the deal too far.

The egregiously over-priced acquisition was the end of a long honeymoon for Informa's founding executives and was followed by failed merger talks with UBM and Springer Nature. Shareholders were getting restless; so too were Rigby and Gilbertson.

Then, in 2014, along came Stephen Carter who had been an Informa non-executive director after a precocious career spanning advertising, telecoms and public service. He settled shareholders down with a revitalised management team and almost two years of M&A calm. It was followed by the six-step campaign of deals which have transformed the company:

1. Acquisition of Penton (2017)

Following the 2014 acquisition of 17 construction trade shows from Hanley Wood, Texas, the UK company declared its transatlantic ambitions by paying £1.2bn for US exhibitions and B2B group Penton Media.

2. Acquisition of UBM (2018)

It became the world's largest trade show organiser with the £3.8bn acquisition of UBM which itself had signalled ambitions to become a pureplay events group. The acquisition, which more than doubled Informa's market value, boosted revenue by almost 40%. Then came Covid.

3. Pandemic sell-offs (2021-3)

It moved quickly to finance the trade show paralysis, less than two years after the UBM acquisition. The eventual reward for shareholders was the divestment of its £200mn-revenue pharma, maritime, transport and finance Intelligence portfolios for £2.5bn (an EBITDA multiple of 28x). The deals, coupled with share buybacks, came to signal Informa's bounceback from the pandemic.

4. Acquisition of Tarsus (2023)

It paid £800mn to acquire the £180mn-revenue, pe-owned Tarsus Group with a strong trade show presence in China and the Middle East. The price was some 14-17x EBITDA.

5. 'Merger' with TechTarget (2023)

It is injecting the InformTech business (including its Industry Dive newsletters) and will pay $350mn in cash for 57% of the Nasdaq-listed TechTarget. It completes later this year.

6. Acquisition of Ascential (2024)

Announcement of the Ascential deal came this week as Informa reported first-half 2024 revenue and operating profit growth of 12% and 13% respectively. It noted strong growth in all sectors but especially in Taylor & Francis academic publishing.

It is not just that these latest results (and also the previous ones which accompanied the TechTarget announcement) show Informa is firing on all cylinders. But everything about the performance is preparing investors for a continuing rush of opportunity for a listed company whose strengthening balance sheet

has led to upgrades by the rating agencies, just a few years after what had seemed like the ill-timed UBM deal.

Now that trade show organisers everywhere are reporting financials ahead of pre-pandemic 2019, nobody needs reminding just how relieved the world's B2B markets are to be back with 'live' events. They really have been missed. That's why we should expect the Informa events portfolio to keep growing and buying.

But there's more.

Buried in the company's financials this week was a reminder that the global exhibitions market is worth some £33bn and that Informa - even now as the runaway leader - has "only" a 6% share. Given that the runner-up (and former leader) RX has almost 4%, even the combination of the two leaders might not unduly worry regulators, especially given a relatively low overlap of shows, geographies and sectors. It's still the heavily-fragmented, fast-growing global market that originally attracted Stephen Carter.

Across London, it's a bit different.

Every strategist employed by parent company RELX will have asked the obvious question about how exhibitions can belong at the heart of the powering global provider of information-based analytics and decision tools, which itself has reported fine first-half results (+7% revenue and +10% in profit). The RX trade show division was RELX's fastest-growing, with profit 29% ahead. With RELX's continuing growth, a £70bn market cap, a share price that has all but doubled in the past five years and increased by 20% YTD, Informa (and all the rest) may never get the chance to acquire one of the world's best trade show companies: RELX has no reason (and is under no pressure) to change its strategy.

But, meanwhile, the seventh step in Informa's global events strategy may be coming into view.

Over the last few years, it has transformed Taylor & Francis academic publishing, first through digitalising what had been largely a print journal and books business and, now, by growing revenues from AI partners (+7.5% in the latest financials). It has managed to turn the onetime horrors of Open Access into subscription growth for pay-to-read products. But the division, which will this year account for (at least) 18% of Informa revenue and 23% of

profit might, ironically, be as non-core to the Informa Markets trade shows as RELX exhibitions are to its own academic and analytics divisions.

That's why so much comes back to the share price.

In stockmarkets everywhere, management discretion, self-confidence and deal-making ability stem - apart from all else - from success (or not) in proving the value of its portfolio. As measured, inevitably, by share price performance. So it is that the Ascential events now being acquired by Informa are "available" because - like the earlier incarnations of its portfolio - shareholders don't "get" the strategy. Which is not something you can say about RELX.

Informa might not (yet) have earned the kind of investor support enjoyed by RELX. Its shares have increased by 11% so far this year but have bounced around a bit since the Ascential bid. The challenge of the share price is clear when you consider that the current Informa enterprise value (including net debt) is £13bn but the market value of Taylor & Francis might just be £5bn - or 38% of the Informa total. While such valuations are imprecise and the markets fickle, it does seem from the recent funding search by Springer Nature that such subscriptions-led academic publishing might be valued at 18-20x EBITDA -ie £4-5bn for Taylor & Francis. At least. The AI data access agreements which are said to have added $75mn to Informa annual revenue might just signal that this is becoming almost the perfect time to auction a highly-attractive business with a number of competitors and collaborators on both sides of the Atlantic - including RELX.

Consider that Informa's majority stake in the listed US company TechTarget is essentially becoming an investment rather than the owned and operated business that InformaTech has been. An attractive divestment of Taylor & Francis could, therefore, change Informa into a pureplay events business (with 69% of the 2024 revenue from Informa Markets and Informa Connect conferences). Arguably, that single-minded events focus would create the opportunity to re-rate the shares and create even greater opportunities to expand worldwide. Everyone's a winner.

Will Step no.7 in the Informa strategy be the juicy divestment (or IPO) of its academic publishing? Let's watch.

Informa Plc £bn **SnapShot**	**2025***	**2024***	**2023**	**2022****
Share of total revenue				
Markets	48%	49%	51%	40%
Connect	24%	20%	18%	17%
Tech	----	9%	12%	13%
Tech Target	12%	3%	----	----
T&F Academic	17%	18%	19%	25%
TOTAL REVENUE	**4.0**	**3.5**	**3.2**	**2.4**
Share of total profit				
Markets	54%	54%	54%	32%
Connect	18%	15%	13%	11%
Tech	----	7%	8%	11%
Tech Target	6%	2%	----	----
T&F Academic	21%	23%	25%	39%
TOTAL EBITA	**1,076**	**958**	**846**	**535**
Margin	28%	27%	27%	22%
Enterprise value	**£11.0bn**	**£11.5bn**	**£11.7bn**	**£11.0bn**

Flashes & Flames estimates Excludes divested Informa Intelligence*

Informa on Nasdaq. What's next?

6 December 2024

Informa this week completed its acquisition of a 57% shareholding in the Nasdaq-listed TechTarget. The deal involved the transfer of many of the assets of the InformaTech division and also a $350mn payment to existing TechTarget shareholders. It gives Informa control of the company now known as Informa TechTarget (ITT) which aims to become "the leading B2B growth accelerator for the technology industry".

The deal has been in negotiation since July 2023. It was announced in January this year and approved by TechTarget shareholders last week.

It brings together the 25-year-old TechTarget - which primarily provides purchase intent-driven marketing and sales data for enterprise tech vendors through some 150 websites and 1,100 webinars - with the six-year-old InformaTech operations including: Omdia tech research; NetLine, lead gen platform; IndustryDive newsletters; digital media brands InformationWeek, Light Reading, Dark Reading, Network Computing and AI Business. In addition, through a license agreement with Informa's proprietary B2B platform IIRIS, ITT will have access to data from events (which had formerly been part of informaTech) including Black Hat, Enterprise Connect and Data Center World.

The 'new' business has 220 digital brands and more than 8,600 customers operating in over 20 countries, 60% in North America and (an under-weight 20%) in the AsiaPacific. The combination is expected to increase the former TechTarget's addressable market 10x to reach more than 200k global customers. Crucially, it has a permission-based, first-party audience of some 50mn.

Informa CEO Stephen Carter says: "Over the last three years, Informa has built a proprietary first-party data platform, IIRIS, and expanded our position

in the B2B Digital Services market. Now, through a majority shareholding in US-listed TechTarget, we are positioning this business firmly where the customers and the value are."

The CEO of ITT is Gary Nugent, former CEO of InformaTech, who has a background in tech firms including Alcatel-Lucent, Oracle and Sun, before joining Informa in 2014. He told Flashes & Flames that - although there were identified annual cost savings of $45mn within three years - the two companies have been complementary with relatively little overlap.

Nugent explains: "TechTarget had a relatively small intelligence and advisory capability, a medium-sized content and brand capability. But what they were really known for was their intent-based lead generation with a crucial emphasis on knowing not just a customer's intent to purchase but also the timing. On the flip side, InformaTech business, in addition to events, had been building a relatively large intelligence and advisory capability. Then, through the acquisition of Industry Dive, we'd also amassed a relatively strong brand and content capability across B2B markets. With our own tech media properties, we had a relatively niche intent and demand lead gen business. Bringing the two companies together gives us leadership scale in all those areas. and a nice, balanced portfolio in what is actually an incredibly fragmented marketplace. For me, the thing that really attracted me to TechTarget was our shared belief and investment in that permissioned, first-party audience. Informa TechTarget is a story of the huge potential to grow the business."

He notes that the tech industry divides between the 'horizontal' enterprise players where the tech is general purpose and required by every industry and the 'vertical' markets with specialised tech. The new company will compete (more or less) directly with Ziff Davis, IDG and also some 50 other specialists with an estimated total revenue of £8bn. But ITT claims to be a pioneer in bringing together both parts of the industry and B2B marketing where CEOs and many senior executives are increasingly involved in tech strategy and procurement.

The TechTarget deal is a neat piece of strategy for Informa which had realised that a straightforward 100% acquisition would have required a lot of capital and reduced the UK listed company's scope for investment elsewhere. It would also have demanded a big premium to the share price and

the company might have lost many of the enriched management as a result. It would also have lost the US listing "which is not the reason to do the deal but it's not unhelpful to have a minority listing on a market that values data-driven tech companies highly because, if we get it right, you'll see that reflected in the valuation".

But that's for the future. The priority now is building revenue and restoring profit growth.

Although ITT has said it expects to achieve revenue of $1bn within five years, the recent history reflects the macroeconomic headwinds and shows that the doubling of 2025 revenue by 2029 will be far from easy:

SnapShot Informa TechTarget Inc.			
$mn	**2025***	**2024***	**2023**
Revenue	510	495	505
TechTarget		240	230
InformaTech		255	275
EBITDA	128	118	120
Margin	25%	24%	24%

**Flashes & Flames estimates*

Those unspectacular financials and the negative shareholder reaction which cut the TechTarget share price by 15% this week is a reminder that ITT has (of course) yet to prove itself. That must be the sentiment at Informa which effectively paid some $600mn for its 57% shareholding (the $350mn payment to TechTarget shareholders + the 43% 'donation' of the c$600mn InformaTech). Its ITT shareholding is currently worth some $450mn (57% of the $790mn enterprise value) - close to the $525mn Informa paid just for Industry Dive in 2022.

More reassuring, however, is the fact that ITT, in the US, is currently valued at 50x EBITDA, compared with Informa's own 15x enterprise value in London. It's all about the future of, course, and may open the possibility for the UK company to transfer more of its assets (and/or future acquisitions) into the Nasdaq-listed company. But, equally important, Informa Plc itself is

promoting itself to investors in the US where the company currently generates more than 50% of its events revenue. Who knows where that might lead?

As if to underline questions about the value of what seems a momentous deal, Informa's own share price scarcely moved this week. But the bold US move is consistent with the gutsy approach of a company which has consistently demonstrated:

- A robust strategy and an eye for opportunity. The longtime conference organiser identified the fragmented state of trade shows in about 2015 and, three years later, became the global market leader with the £3.8bn acquisition of UBM and a string of other deals. Even the pandemic outbreak, less than two years later, did not deter Informa which placated investors with the £2.5bn divestment (at 28x EBITDA) of its coveted market intelligence businesses. The company proved as adept at selling as buying. Coming out of the pandemic, it swooped on the £800mn Tarsus trade shows and, last year, it acquired Ascential, organiser of Cannes Lions and Money 20/20 for £1.2bn. The TechTarget deal is but the latest example of Informa's bold dealmaking
- Tech investment. The pandemic spurred Informa to invest in the development of the IIRIS platform and in digital systems across the group
- Strong, consistent leadership. The 11-year CEO Stephen Carter leads an executive team who average 10 years with Informa

Informa has recently said it would manage its three events businesses (Informa Markets, Informa Connect and Informa Festivals) together. It helps to explain the company which next year is expected to exceed £4bn in total revenue for the first time. Grouping together the events divisions will help to tackle the traditional scourge of trade show companies whose dependency on large events can restrict growth simply because of the limits of venues; it's not like other media business where inventory can expand endlessly. That's where Informa Connect (with its emphasis on content-led live and on-demand

"experiences" especially in the life sciences and finance sectors) creates the opportunity to maximise and diversify event-related revenues.

But the Informa track record encourages us to believe there will be yet more surprises as it seeks to stretch its lead in trade shows. In a market which continues to be fragmented (Informa has an estimated share of only 6%) it would seem possible for the market leader to acquire the number 2, RX, with few regulatory problems. The powering RELX is, however, under no pressure to divest its fast-growing exhibitions company, although who knows whether a listed pureplay events group might make a attractive combination for both parents?

For that (still unlikely) scenario to stand a chance, other things must happen. Apart from whatever the future holds for Informa TechTarget in the US, the following table shows, not only that Informa's Taylor & Francis academic publishing seems beautifully out-of-place and, perhaps, even more valuable than we are saying. The possible breakup value of Informa - as early as 2025 - could be at least 50% higher than its current £13bn enterprise value.

Whether Informa's portfolio of riches will add to the pressure on CEO Carter as/when trading wobbles, it may present him (once again) with an opportunity to reward investors for their patience. If the result of an Academic divestment (for which would-be buyers might just include RELX) is to create that world-beating pureplay events company, it too might enjoy a premium rating. Lots of options.

Informa 2025* £bn	**Revenue**	**Ebitda**	**Margin**	**Value?**
Events	3.0 (73%)	0.9	30%	£14bn (15x)
Academic	0.6 (15%)	0.25	33%	£3.7bn (15x)
TechTarget	0.5 (12%)	0.1	25%	£0.8bn (est EV)
TOTAL	**4.1** (100%)	**1.2**	**29%**	**£18.5bn**

**Flashes & Flames estimates*

EasyFairs Shock for M&A

7 June 2024

A full year since it became clear that trade show revenues had rebounded powerfully after the paralysis of covid, organisers have been awaiting signs that valuations too had resumed their 2019 levels. Private equity firms, which currently own six of the 20 largest independent B2B exhibition companies (and two of the top five), have been waiting for the time they could conduct what are, for some, long-overdue asset sales.

The whole industry has been holding its breath while the pan-European, privately-owned Easyfairs completed its auction over the last few months. Last week came the result: it sold some two-thirds to Inflexion private equity (former owner of CloserStill) and Cobepa, the €4.7bn Belgium-based equity fund. Easyfairs founder and 85% shareholder Eric Everard retains an equal one-third share with his two investment partners.

In 2022, Everard told us his story: "I launched my company when I was 22 during my final year at university. Not in a garage, like many others, but in a small student flat. I started publishing a monthly magazine for students. A business in a small country with two cultures and two languages. From publishing Belgian Student magazine to organizing the Student Fair seemed to be a logical move in order to serve the community properly. I launched the show a year after the magazine and suddenly discovered the the power and profitability of a good exhibition. I immediately knew it would deeply impact my life. My startup funding was just 1 euro. Start-up mode. Fighting every day to survive – until 80,000 students came to the first show. All my financial problems disappeared overnight. We were saved. We then cloned

the show in Barcelona. Three years later, we sold the company to Reed Exhibitions (now RX)."

He stayed with Reed for six years as a director, responsible for the Cannes-based Mipcom and MipTV. In 1997, he went back to being an enterpreneur and founded Artexis (venues). He 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.

Everard: Easyfairs founder sells down to 33%

Easyfairs executives have claimed that 80% of the group's profits have been reinvested in launching and buying shows and that the company has, therefore, been able to grow throughout the past 20 years as it became progressively more international. It has been particularly successful in geo-cloning its packaging and storage exhibitions. But the step-change came with the 2016 acquisition of the Dutch group Evenementenhal which organised more than 70 B2B trade shows in agriculture, transport, logistics, automotive, shipping and construction. The deal largely accounted for a 39% increase in revenues and catapulted Easyfairs into the trade show big league.

It's now one of the world's top ten events companies employing 820 people and organising 110 event titles in 12 industry verticals, including packaging &

logistics, manufacturing, industrial processing, hospitality and construction. It also manages (and sometimes owns) eight multi-function venues in Belgium, the Netherlands and Sweden which host events both for Easyfairs and other organisers. Founder Everard says: "More than 25 years of own investment has grown Easyfairs from a small Belgian start-up to a place in the global top ten. Now is the time to write the next chapter in our history with this exciting three-way partnership."

That three-way deal is intriguing, to say the least. It brings together Inflexions (and a customary 3-5 year funding timescale) with Cobepa whose family office-style longterm portfolio includes investments first made 16 years ago and many of more than five years - and Everard himself. That's a distinctly non-standard combination whose strength and/or weakness will, presumably, become clear as the trade show group invests in the coming years.

But the deal is a shock for other reasons:

- The Easyfairs enterprise value is €680mn (€610mn+ €70mn debt) – 12.5x €55mn EBITDA for the year ending 30 June 2024. That's significantly less than the 15-18x debt-free multiples recorded during 2018-19. For 2024-25 (starting on July 1), the Easyfairs price is likely to be only 11x - even though the company is believed to have more than 70% of its revenue already booked. That puts the multiple into perspective.
- The under-bidder is known to have been the €190bn CVC. The private equity firm with little previous involvement in trade shows is believed to have bid 12x EBITDA (2023-24 basis)
- The two bids were the only ones to make the final round and the other non-binding offers from pe companies and trade investors are believed to have disappointed Easyfairs shareholders and their advisers. Some of the rejected indicative offers were as low as 10x EBITDA - a long way behind what we have come to expect from the acquisition of trade show companies with solid market positions and track records of growth.

There you have it.

Despite the powerful rebound in trade show revenues, Easyfairs - which has increased its revenue by 26% in the current year and has averaged 10% growth across the past five years - has been able to attract only a 12.5x valuation. The multiple might send a shiver through pe owners of trade show organisers including the world's third largest, Clarion Events, which was acquired by Blackstone all of seven years ago.

But it gets worse.

Easyfairs is, arguably, not just another exhibitions company in a changing investment market. Beyond the fact that it claims to have launched 50 new shows in the past three years, the Belgian company's distinctive model is made for a world increasingly focused on sustainability. Most of its shows are two-days and serving national not international markets. The secret sauce is that Easyfairs doesn't allow exhibitors to build their own stands, and the largest bookable space is 4 modules of 12 sqm. This means that the average per-exhibitor revenue is a claimed €9k which may be somewhere between one-third and one-twentieth of exhibition industry norms.

That low cost of participation at Easyfairs exhibitions can clearly be highly cost-effective and easy - and it may create relatively high barriers to entry for would-be rivals. But, more important, it enables the organiser to guarantee that 100% of all materials used in the events are re-used. If you add to this the claim that the company has reduced its carbon footprint by 33% in the past five years and estimates that only 50 of its 23,000 exhibitors come from China, you can conclude that Easyfairs is future-proofed to a relatively high degree, perhaps ahead of demands that other organisers should follow.

So why has it fallen to Easyfairs to demonstrate that - for all the stunning recovery in trade shows worldwide - they are simply not as highly-valued as they were when revenue and profit was (mostly) lower than now?

It's clear that the major headwind is the cost of capital, which has increased by some three times since the heady days of zero interest rates. Additionally, there are stubborn fears that the world economy has not yet seen the last impacts of covid and that ESG issues, in particular, might be expected to encourage smaller local/ national shows - with a corresponding reduction in profitability and margin.

Those headwinds - especially the cost of capital - should not really be a surprise. But what may be is their effect even on the valuation of a sustainability warrior like Easyfairs which increased profit by 41% this year and its margin by 20%. It's a new world.

Easyfairs Yr end 30/6 **€mn SnapShot**	**2025***	**2024***	**2023**	**2022**	**2019**
Revenue	270	240.0	189.8	162.5	166.8
EBITDA	62	55.0	35.5	28.9	32.1
Margin	23%	23%	19%	18%	19%
Headcount		820	727	591	702

**Flashes & Flames estimates*

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Powering UK Podcaster Eyes US

30 August 2024

It's a long time since consumers became accustomed to the ready availability of print media brands, for example, on smartphones, tablets and laptops. Now, they equally expect to find their favourite content in video and audio almost everywhere on social media. Alongside ads-free subscriptions, 'Total Media' is what 21st century consumers demand.

A whole generation of consumers increasingly identify their favourite brands by, say, the podcasts, TikTok or Instagram posts - even though the original incarnations of the brand might have been in print, digital text, or video. What once were ancillary 'new' media can now become the primary brands. But, for traditional media, it means new competitors coming at them from different directions.

That's why media everywhere should watch a London-based company that has not only become, arguably, the fastest growing podcast producer in the UK but is also diversifying its portfolio in ways that may be subtly creating competition for traditional news and magazine brands.

Goalhanger Podcasts is a two-year-old, c£20mn-revenue company co-founded by Gary Lineker, the UK's best-known sports presenter who had been a star footballer in the UK, Spain and Japan. He's a controversial if highly popular personality for Brits, most of whom can tell you he is the BBC's best-paid employee and someone whose liberal political views have periodically irked his employer. But there seems surprisingly little scuttlebutt about the way that the former footballer – still fronting the BBC's Match of the Day prime time TV show – has built a podcasting business that, at least partly, competes with one of the public broadcaster's own podcasts. Although it is all of 20 years

since the BBC produced its own pioneering podcasts, Lineker's company now produces the Match of the Day podcast on their behalf – featuring the same ex footballer presenters (including Lineker himself) as Goalhanger's own The Rest is Football podcast. As in his days as a world-class goalscorer, Lineker is running rings round the opposition.

But Goalhanger now has bigger targets than merely the football which made its co-founder famous.

It produces two of the UK's most popular podcasts: The Rest Is Politics and The Rest Is History with six other brands covering money, entertainment, the former British Empire (yes) – and football. The almost accidental company, which stumbled into podcasting from sports films, now claims to be the UK's largest independent podcast producer with an estimated 50mn audio downloads and full YouTube episode views per month. In this week's Apple Podcast chart in the UK, Goalhanger occupies the top three and five of the top 10.

Lineker told the FT: "I think we started early, recognised that podcasting was going to be interesting, got a bit lucky and made some good choices… The business is performing staggeringly well."

That's the slightly self-deprecating style that BBC viewers will recognise. But Goalhanger has brought a style of its own to podcasting and not just the "The Rest is…" branding of their four biggest productions. The Rest is Politics is a twice-weekly, good humoured, fast-paced and insightful production (in audio and video) presented by Alastair Campbell, (former UK prime minister Tony Blair's spin doctor) and ex Conservative government minister Rory Stewart. Like some other Goalhanger productions, the star presenters don't receive a salary but share two-thirds of the revenue, with the publisher taking the other one-third.

While not all its podcast hosts have the same rich deal, the company says "it's fair to say that in general the presenters are heavily incentivised in the back end". At this stage, most of the revenue is advertising (many of the messages are voiced by the presenters) but it is now building £35 per year subscriptions which entitle members to a newsletter, ads-free listening, access to growing numbers of live events and to book discounts. Campbell and Stewart are now political rock stars and have been on tour with a live show. Tickets to their 2023 appearance at London's historic 5,000-seat Royal Albert

Hall were said to have sold-out in 24 hours. The brand has now spawned a US edition featuring the BBC's ex US correspondent Katty Kay and punchy former Trump communications director, Anthony Scaramucci.

The Rest is Politics is the largest podcast in the UK but The Rest is History - presented by Brit historians Dominic Sandbrook and Tom Holland - has a larger international footprint, claiming to to be the world's most popular history podcast, with less than 40% of its audience in the UK. Launched in 2020, it covers everything from the killing of Julius Caesar to the rise of the Nazis and the Roman invasion of England. The podcast is downloaded 6mn times a month. Its £60-200 member subscription includes invitations to parties and discussion groups.

Campbell & Stewart: political rock stars behind the UK's no.1 podcast

Goalhanger's distinctive approach to costs, revenue and membership is clearly paying dividends. In six weeks this summer (across the UK general election campaign), The Rest Is Politics and its companion show, Leading, achieved 21.6mn audio and video downloads and 22mn all-platform views. The Rest Is Football also witnessed a substantial surge in popularity during the Euros competition, netting 19.6mn downloads and 22mn views.

Goalhanger managing director, co-founder and former BBC producer Jack Davenport marked what seemed to be the podcaster's first PR announcement with an upbeat statement: "These numbers show that 2024 is the year Goal-hanger evolved from an audio production company to a mass media publisher,

speaking to tens of millions of people worldwide. We want to reach audiences wherever they consume content—whether they prefer podcasting, watching on YouTube, social media, linear TV, or even in print—you can find us there."

Fellow co-founder and sports film producer Tony Pastor reinforced a message likely to attract the interest of investors and would-be collaborators and partners: "The success of our shows proves that the so-called TikTok generation only wanting short-form content is a myth. Half of our audience is under 33 years old and enjoying long-form conversations between intelligent people, discussing everything from history to politics to sports and entertainment."

In 2013, Pastor had left his job as controller of sport at the UK's leading commercial channel ITV to form a production company, Goalhanger Films with Lineker. One thing led to another and they dabbled in football podcasts before Davenport joined in 2022. The three co-founders jointly own the company.

This year, with the lucky combination of the Euros and the recent UK general election, the Goalhanger business has taken off, helped by the US launch of The Rest is Politics in presidential election year. In 2024, the company is expected to double its revenue to £15-20mn (some £2-3mn from its c85k subscriptions). About 60-70% of revenue comes from the UK. Goalhanger employs 39 people (up from a headcount of 10 this time last year and just one in 2022). Most of the team are in production, with Spotify accounting for the majority of the advertising and sponsorship revenue.

At a time when relatively few podcasts are making solid profits, we should not miss the point that Goalhanger's revenue is turbocharged by combining the audio with YouTube video, which generates the audience, analytics - and advertiser budgets.

Davenport says: "Many of our recent hires have been in the 10-person video team…long-form video for YouTube and then cut-downs for social and all the production needs that go around that. Social producers, video editors… That's essentially a new department that we didn't have a year ago. This time last year, we probably had two big shows and three or four growing shows, and now we have probably double that on both counts. Each show tends to have a dedicated producer with executive producers and assistants working across two shows".

The Goalhanger managing director gives some clue to the ambitions of the fledgling media company: “We’re in the process of evolving from a podcast production company to a multimedia publisher, and would like to become the leading English language provider of thoughtful, long-form content. The US is a major priority, and we think there’s a few content areas in which we can make a mark. In terms of diversification, we’re experimenting with other models. But, outside advertising and sponsorship, by far the most interesting is our subscription business - people paying for additional benefits around the content: ads free, early access, bonus content etc. It’s already a significant contributor to overall revenue and hopefully will continue to grow at the rate we’ve seen so far.”

The transatlantic ambitions have been fuelled by the success of the US edition of The Rest is Politics (which gets some 500-600k downloads per episode), the US 25% of the audience for The Rest is History and, you suspect, the soaring appeal of the UK’s premier league soccer-football. Surely football must be high on their export list? The fast-moving company is clearly searching for ideas (presumably along with Spotify) and, perhaps even potential partners and investors. But its distinctive approach to audio, video, subscriptions and events still has a long way to go in the UK. And the neat idea of using celebrity presenters might just awaken publishers to the magical memories of Oprah Winfrey’s once-bestselling US magazine.

Publishers everywhere should study the rapid ascent of Goalhanger. Its approach may help others to create powerful new audio-video-event “verticals” that could dwarf the audiences and even the revenue of, say, the lifestyle, health and money sections of newspapers and specialist magazines. The use of big name podcast presenters may be an opportunity even for B2B media groups.

Not for the first time in his life, Gary Lineker has become a role model.

Indy Keeps Making the Point But...

11 October 2024

The UK-based Independent doubled its EBITDA profit in 2023 despite a slight fall in revenue. But it seems set to achieve revenue of £53mn this year (+15%) - almost double the £27mn in 2019. The all-digital news brand has been consistently profitable since scrapping its print edition in 2016. It's the sixth biggest news site in the UK and has built an audience of 29.4mn in the US.

It remains one of the few daily newspapers anywhere to have become consistently profitable by going all-digital and has been able to develop a diversified revenue model with growth in eCommerce, events and 'Independent TV', its online video with 100mn views per month. This year, it agreed a license deal whereby it has become responsible for BuzzFeed and its associated brands in the UK, expected to contribute some £5mn to revenues by 2025.

So far so good.

But there is no mistaking that - after a 36% revenue rebound from the 2020 pandemic and a creditable 12% rise in 2022 - the 'Indy' lost its growth in 2023. It is, though, expected to regain momentum with revenue increases of 15% and 13% respectively, forecast for this year and next. The growth is expected to be strongest in the US where some 20% of employees are based:

SnapShot Independent Digital News & Media						
£mn	**2025***	**2024***	**2023**	**2022**	**2021**	**2020**
Rev	60.0	53.0	46.1	46.3	41.2	30.3
UK			70%	63%	57%	50%
US/Ca			18%	19%	19%	33%

RoW			12%	18%	24%	17%
Ebitda	6.5	4.2	4.2	2.1	5.7	2.9
Margin	11%	8%	9%	5%	14%	10%
People	360	345	299`	304	244	214

**Flashes & Flames estimates*

It is noticeable that UK media reporting this month of the Indy's 2023 results all managed to emphasise the future growth rather than last year's slowdown. The FT even managed to confuse the 15-month result of its change in reporting year, by incorrectly saying the Indy had increased revenue "to £56mn, from £46.3mn in the year before, with about a quarter generated in the US".

But there was meaning in the supportive commentary because it sensed a defensiveness by the news brand's management at what the 40% largest shareholder Evgeny Lebedev may choose to regard as a slightly disappointing 2023.

That's where it gets interesting.

It is 15 years years since Lebedev (and his Russia-based father, Alexander) acquired both the London Evening Standard and The Independent. It seemed like a promising start to a media empire for Evgeny Lebedev, forever described as the son of a former KGB officer, who had been educated in the UK while his father was based in the London embassy.

The Lebedevs had previously co-owned (with former Russia President Mikhail Gorbachev) Novaya Gazeta, often described as one of Russia's few pro-democracy newspapers, when they acquired the Evening Standard in 2009. But Alexander Lebedev seemed especially thrilled, a year later, to acquire The Independent: "I invest in institutions which contribute to democracy and transparency and, at the heart of that, are newspapers which report independently and campaign for the truth to be revealed. I am a supporter of in-depth investigative reporting and campaigns which promote transparency and seek to fight international corruption. These are things The Independent has always done well and will, I hope, continue to do."

But it was actually the Standard that gave Evgeny Lebedev a real platform in his adoptive city, including for his patronage of arts, charity organisations - and the then ruling Conservative Party. He befriended Boris Johnson, then

mayor of London, who - controversially - awarded him a peerage in 2020 after being elected Prime Minister.

For proprietor and newspaper alike, it was a golden time.

Lebedev's media business reputation was burnished momentarily by his decision to turn the Standard into a free newspaper for the city's commuters, with a daily circulation of 700,000. The bold strategy almost instantly made the tabloid profitable - for the first time in decades. That was the spur for the proud new owner to increase its headcount by more than 50% during 2012-19. He was not the first media proprietor to enjoy the impact and influence of print. But the good times didn't last and the Evening Standard profits had vanished long before the pandemic took hold in 2020, and all but eliminated London's commuter traffic.

It meant that, during 2013-22, the the perennially lossmaking (but highly rated) evening paper incurred a net operating cash loss totalling at least £175mn. The heavy losses were punctuated by two other significant developments in Evgeny Lebedev's business life: investments, by Saudi Arabian interests which gave them 30% shareholdings both in the Standard and the Independent; and the sanctioning of his father (who had long since left the boards of the UK companies he once controlled) following the Russian invasion of Ukraine. After decades of London-living Russians, the UK capital became much less friendly.

Until then, the image of the Russia-born media entrepreneur and "Lord" hosting lavish parties in his 18th century house in Hampton Court, west of London, recalled nothing so much as The Great Gatsby.

The image didn't last.

Even in the few years during which the profits of The Independent and (eventually) of Lebedev's local TV channel London Live had just about matched the Evening Standard losses (before a sharp rise in post-Ukraine costs), it was becoming clear that the situation was becoming unsustainable. For one, the Saudi shareholder was expecting a return on his investment. In May this year, it was announced that the Evening Standard would cease daily publication and become a weekly. The first weekly edition was published on 26 September 2024, under the new name of The London Standard.

It seemed inevitable that something about “Lord Lebedev of Hampton in the London Borough of Richmond upon Thames and of Siberia in the Russian Federation” (as he is known in the UK’s parliamentary House of Lords) died with the Evening Standard. In a rare interview with him, the FT reported: “We discuss the Standard, and he comes near to admitting that he was pushed into ending the daily print edition due to losses by Sultan Mohamed Abuljadayel, a Saudi investor who holds a 30 per cent stake. It was, “primarily, the shareholders’ decision… I really should have done it four years ago, but I didn’t… I tried, I tried, I tried, and it just didn’t stack up.”

You can feel the pain of the decision to close what had been the very foundation of the media empire envisaged by the Lebedev family 15 years ago, the Gatsby-like dream. Even if it proves possible to make a success of the new weekly newspaper, its profile and scale can never match that of the former London newspaper. Even the pioneering profitability of The Independent is insufficient to repay the loss of hard cash and prestige suffered by Lebedev.

There may be some disappointment with the Indy performance, not least the failure (so far) to get back to the £5.7mn of EBITDA in 2021. But that’s the price of investing for growth and escaping a dependance on social media traffic. There’s no shortage of media and investment people who have noted the way that the Independent team (under veteran newspaper executive, five-year chair John Paton and CEO Christian Broughton) has created a distinctive role as an emerging global news brand. It has been almost entirely self-funded. Apart from consistently positive EBITDA, the company has been cash positive since 2017, generating ‘net operating cash’ of more than £17mn since 2017. In that sense, the business of The Independent has been everything that the London Evening Standard has not: profitable, growing and with a clear strategy.

But Evgeny Lebedev may have alternative thoughts. What’s next?

In earlier times, you might have expected Reach (UK publisher of the Daily Mirror and Daily Express who would love to have the US audience and £12mn revenue this year) to be interested in the Indy. Telegraph Media Group (a bit preoccupied right now) might also have been in the chase. Both would have relished the global expansion, and so might the Daily Mail Group...

The Independent is not, of course, for sale. But private equity firms have been admiring its quiet success for a long time. They may be just waiting for Lebedev (and his Saudi partner) to call time on their UK media ambitions and turn their back (lest we forget) on this one undoubted success. Just wait.

4 Nov. 2024 update: *The Independent claims to have become the biggest UK-based news publisher in the US, passing Daily Mail/Mail Online and The Guardian. September audience data from ComScore reveals The Independent has more than doubled its US audience to 41.4mn, and is generating over 5.4x the page views "compared with the closing figures for 2023". The figures that the Independent has secured over 21.7mn new US readers and added over 120mn more page views per month. The Independent now claims to be the 5th news brand in the US, behind the New York Times, USA Today, NY Post Network and Washington Post.*

The Guardian in a Spin

17 September 2024

The Guardian is in a spin. It made losses of £37mn in the year ended 31 March 2024 - the worst for eight years. The full financial results for Guardian Media Group (GMG) have themselves been delayed for a month by preparations for a reorganisation plan which is expected to involve cuts in staffing and operating costs. It is almost too ironic that the 2022-3 results (announced in July last year) had boasted of revenue growth, careful cost management and commitment to a three-year strategy to become "more global" with more jobs. Fast forward to 2024 and the company is braced for cuts.

It's a surprisingly sudden setback for the gifted UK-based news brand whose £1bn endowment fund is intended to enable parent charity, The Scott Trust, to fulfill its role of "protecting the financial and editorial independence of The Guardian in perpetutity".

The 203-year-old liberal newspaper was - until 1959 - known as the Manchester Guardian and based in the UK's industrial north-west. The big breakthrough came after its longest-serving editor Charles (C.P.) Scott bought the paper which - over 57 years - he had built into a nationally-recognised daily. He bequeathed it to a charitable trust pledged to maintain its independence and liberal politics and to re-invest whatever profit it made. The pledge has survived the trust's conversion into a limited company which now also publishes The Observer, the world's oldest Sunday newspaper.

The way that this unique ownership structure emboldened the flagship paper was highlighted by the 20-year-editorship of Alan Rusbridger who took over in 1995, the year of its first, pioneering web site. Its journalists led the 2011

exposé of phone hacking and criminality by News Corp reporters in the UK, which helped to define the news brand for its growing international audience.

Four years earlier, it had launched Guardian America which sought to capitalise on an already substantial online readership in the US. The audience had spiked among Americans seeking an alternative viewpoint to the almost universal support of domestic media for the US-UK invasion of Iraq. The US growth continued in 2010, when The Guardian and others produced reports on the war in Afghanistan based on a huge cache of classified documents from WikiLeaks. In 2013, it won a Pullitzer Prize for coverage of the US National Security Agency documents leaked by Edward Snowden. The revelations made the The Guardian one of the world's most visible news services. It was described by The Economist as "the most stylish paper in the hyper-competitive British quality pack, the wittiest and best-designed, the strongest for features, the one most likely to reflect modern life."

The zeal with which Rusbridger attacked the US market has been compared with the way that his nemesis Rupert Murdoch launched the Fox Network in the US or Sky TV in Europe. The Brit might even have allowed himself to think he had some of Murdoch's financial advantages. But, symbolically, The Guardian descended into perennial lossmaking immediately after a record 2011 EBITDA profit of almost £50mn. Its expansion seemed more like a mission than a business plan. It was all about a free web site, with no plan to sell subscriptions and only a vague idea of how to grow digital advertising sales in the intensely competitive US market.

Rusbridger's later summary of his 20 years at the helm, said it all: "The big picture was it's an amazing newspaper full of the cleverest, most delightful, moral, ethical, fun people. It was just a great community. We didn't have a proprietor. The Guardian is owned by no one, so our only relationship was with each other. And being on that journey with them, of not only producing cracking stories and amazing investigations that ricocheted around the world, but also this business of reinventing journalism from a standing start was the best possible fun."

But the fun came to an abrupt halt.

In 2015, Rusbridger retired after two decades punctuated by stand-out investigative journalism but also by a profligacy that saw the newspaper

dramatically increase its staffing and costs throughout times when even its sleepiest competitors were doing the reverse.

GMG was soon disclosing that its "unsustainable" losses totalled some £300mn during 2014-16. It was a crisis.

Katherine Viner was elected (yes) as editor-in-chief by the paper's staff, after establishing its operations in the US and Australia. It did not take her and then CEO David Pemsel long to start dismantling the Rusbridger legacy as part of what quickly became a plan to save The Guardian and the then £700mn endowment fund which, they admitted, could be wiped out in 6-7 years unless losses were stopped. They planned to reduce the £268mn cost base by 20%, to breakeven by 2019, and push hard for membership and subscriptions revenue. They also announced plans for reducing the global headcount that had increased by 32% since the previous redundancies in 2012.

It was easy to consider that - but for its £1bn endowment - GMG might have gone bust. The financial safety net had been built by Bob Phillis, a former CEO whose investment in digital winner AutoTrader eventually produced a profit of more than £600mn. The windfall dwarfed lesser proceeds from radio, local newspapers and B2B media. Onetime chair (and former government minister) Paul Myners later took the far-sighted decision to cash in the investment portfolio (soon worth more than £1bn) in order to provide a financial guarantee for GMG.

Alan Rusbridger had always believed that the investment gains would help fund The Guardian's global digital development until it became profitable. But that was before newspapers got caught in the avalanche of falling print revenues and low-yielding online advertising. After almost 10 years of pretending that the promise of a bright new future was somehow guaranteed by soaring (free) web audiences, dailies everywhere started to freeze. The Guardian (whose pre-digital revenue had long been turbocharged by classified jobs advertising) was more reluctant than most to charge readers for online access. During the 2008 banking crisis, government cutbacks "cost" it some £100k of revenue every single day in jobs ads for social workers and teachers; it never came back.

But, by 2022, The Guardian made its - best for years - operating profit of £11.7mn and its first 'net operating cashflow' surplus for a decade, with

its highest revenue for 14 years and costs reduced by 14% in the previous five years. At a time when many UK dailies were targeting the US market, a major impact on the GMG performance was international subscriptions and advertising which had come to account for 31% of total revenue, especially from all-digital editions in the US and Australia.

In the US (where last year The Guardian had a headcount of some 120), it had an average 42mn monthly uniques, almost 50% of the powering New York Times and ahead of the long-dominant Daily Mail Online. Of The Guardian's 1mn digital subscriptions worldwide, more than 25% are now in North America. In Australia (170 headcount - doubled in the previous three years) it has some 7-8mn monthly uniques - about one-third of the adult population. That's substantial progress in a market long dominated by News Corp and Fairfax. It illustrates the power of The Guardian as a distinctive liberal/progressive news brand - and also the ability of relatively small, all-digital news brands to compete with larger incumbents, albeit with support from 'home'. These two 'local' operations accounted for 24% of all Guardian revenue (and 77% of its international revenue) in 2022 - and had doubled to £61mn in the previous four years.

But that positive cashflow in 2021-2 was reversed the following year when even the increased revenue was swallowed by a 16% increase in people costs. What seems like almost perpetual lossmaking had been justified by "targeted" deficits of up to the £25mn expected investment return from the Scott Trust endowment. Instead of acting as a fallback for GMG to withstand the occasional disappointing year, the endowment seems to have encouraged an unrealistic approach to expenditure. How else would you explain why costs during the past four years have risen by 50% more than the increase in revenue? And, if you doubt whether employees in a £250mn worldwide media business could be unworldly, you really can find current Guardian journalists who believe their employer shouldn't take any advertising. Yes.

Given the fact that GMG is about to embark on its third wave of redundancies and cost cutting in the past 12 years, you might wonder whether the rationalisation is so against everything this charity-owned publisher believes that its executives just cannot wait for any signs of recovery that will enable them to reverse the cuts. How else would you explain the headcount leap in

2023, coinciding with increased revenue, only to run headlong into his year's crisis? This time last year, GMG was gung-ho and - on the same day as the 2022-3 financials were published - announced the creation of 18 editorial jobs, including 11 for its new European edition.

What a difference a year makes.

This is the same high-quality news brand that, by many measures, seems to have become a substantial global winner. In the UK and across the world, it has made an undoubted success of its readership promotions and now generates some 75% of its revenue from non-advertising sources. It has more than 1mn paying digital supporters. The Guardian's online readers everywhere now contribute more money than readers of its UK print newspapers. It is the sixth largest news website in the world with 365mn monthly visits and is in the UK top four. It can fairly claim to be "one of the top reader-supported news publishers in the world, while ensuring our journalism remains open to all" and is in head-to-head competition with the New York Times to become the leading quality news brand in the English speaking world.

One advantage of The Guardian's all-digital editions in the US and Australia is that they don't have to manage the decline of print; they can be the all-out insurgents with no traditional media to defend. While GMG does not publish operating costs separately for these international operations, both had (perhaps until 2023) become profitable, perhaps making an estimated £13mn EBITDA from the £61mn revenue in 2022. In the latest financials, all "territories" except the EU have lower revenue. Readership revenues. Readership (print and digital) now accounts for 60% of total revenue. The UK still accounts for 65% of revenue, despite the emphasis on GMG's global ambitions.

But the most striking numbers in the following table are the headcount which, in 2023, increased by 10% - and a further 3% during 2023-4.

At a time when most other traditional media have continued to reduce headcount, GMG has been doing the opposite: staffing now accounts for an estimated 56% of total GMG costs, compared with 49% in 2020. It's as if the previous wave of redundancies was some kind of aberration because - after a brief cutback - GMG went back to employing more people than ever. The one-time cashflow surplus in 2022 seemed to fill executives with euphoria - and that's how they got to what we might view as a disastrous 2023-4:

Guardian Media **£mn** Yr end March **SnapShot**	**2024**	**2023**	**2022**	**2021**	**2020**
Revenue	258	264	256	226	224
UK	65%	65%	69%	61%	75%
US/Canada	18%	17%	15%	15%	12%
Aus/NZ	10%	11%	9%	7%	6%
EU	6%	6%			
RoW	1%	1%	7%	7%	7%
Digital reader	88	82	76	69	43
Print reader	67	69	72	71	76
Ads	62	71	74	61	71
Other	41	43	35	25	34
Costs	295	285	249	242	252
Net cashflow	(37)	(17)	7	(16)	(29)
Endowment	£1.3bn	£1.2bn	1.3bn	1.1bn	0.9bn
Headcount	1,684	1,636	1,489	1,497	1,495

But there's more.

In the past few years, Google and Meta has negotiated a series of secret deals with publishers which began with News Corp in Australia. Google alone says it has spent $1bn on journalism deals in 22 countries. While no companies have disclosed their own revenue from these deals, the Australian government has said that its news outlets there have received more than A$130mn (£65mn) during the past 2-3 years. The issue has come alive again because Fairfax, the second largest Aussie newspaper publisher, has disclosed bleakly that its own three-year "licences" with Meta and Google have ended. It is believed that many other deals expire during 2024 and are unlikely to be renewed.

That may hit The Guardian hard.

We can't be sure but it seems likely that GMG's stand-out £10mn increase in "other revenue" in 2022 (in above table) may have accounted for all or some "content royalties" paid by Meta and Google. If GMG has been receiving as much as £10-15mn in these "royalties" during 2022-4, that's an additional slice of cost saving that must be found as the company again seeks to bring its finances under control. It may be a major part of the challenge for 2025.

But the most obvious test for The Guardian is the headcount which in 2023-24 increased to 1,684 people. Of these, 907 were journalists (up from 865).

It's always difficult to compare such statistics among peer companies but we'll try.

Telegraph Media Group - with similar revenue to GMG - has a headcount of 1,130 (at least 30% below GMG) of which 757 are described as "editorial and production" (17% less than GMG). But Telegraph insiders say the actual number of journalists is just 522 - about 58% of GMG. That company's total remuneration cost is £100mn (one-third less than GMG). The Daily Mail Group has virtually the same news brand headcount as GMG - but more than double the revenue. News Corp UK's The Times of London and The Sunday Times have 50% more revenue but about half GMG's number of journalists.

Despite what seems like over-staffing, editor-in-chief Viner said in May that The Guardian was targeting "a small number of voluntary redundancies" among its journalists because it was "in a much stronger position" than during the previous downturn and GMG was targeting 4-5% annual cost savings. But the delay in the 2023 results and the fact that a 5% (£14mn) cut in costs would scarcely improve the 2025 financial prospects sounds like GMG is shrugging off its latest crisis in a tactical refusal to recognise an underlying problem.

For all the fact of its charity ownership, GMG must find a way of operating much more as a business where a one-time spike in revenue does not immediately 'justify' an increase in operating costs. For the past decade and more, the management has chosen to interpret its traditional mission as the justification for becoming a global operation. But there's more to it. While protecting The Guardian as a UK news brand might – even in post-digital times – be a viable objective for The Scott Trust, a worldwide business might just need to be, well, a business.

The current challenges of GMG as it expands internationally - while continuing to support the UK daily newspaper - resemble nothing so much as those facing the country's publicly-owned broadcaster with whom it shares an enviable reputation for high-quality journalism. The widely-admired, taxpayer-funded BBC is periodically accused of applying its traditional mandate to quite different times with hugely increased cost, competition and risk. Like the way the Scott Trust has subtly added GMG's global role to its original UK-only mission, the 100-year-old BBC has quietly morphed from a domestic broadcaster and online operator via exporting its programmes to being an owner of channels worldwide in competition with formidable international streamers. The new activity might seem to "fit" the traditional mandate but there is only so much that it can afford to do on a worldwide basis.

That's how it is also for The Guardian. The publisher might need to recognise that:

1. Newspapers are a diminishing market. Even if print survives longer than some might predict, it may become insignificant as a business for daily news brands in 10 years or less. Whether or not The Guardian newspaper is managed semi-separately from the global digital service, the print cost base needs to reflect its continuing decline. That is something more like than making The Guardian "digital first" as it did years before many other daily news brands because talking to many its journalists will convince you that the printed newspaper is vital to the ethos. It seems to easy to believe (whatever they say) that the reality of the soaring headcount is that the "core" has been relatively static while additional recruits are added to areas of growth.

2. All-digital media should be different to print. The traditions and production of a daily newspaper dictate the broad menu that it must provide for readers. Even before you reflect on the fact that digital readers might tend to read "less" than their predecessors in print, the ability to choose should, presumably, result in a post-print 'unbundling' and narrowing down of the content.

3. It must - eventually - become almost wholly dependant on readership and philanthropic revenues. The 13% fall of advertising revenue to £61mn (just 20% of the total in 2005) is a reminder that ads are no longer a dependable source of revenue. Having lost so much of their advertising, it is illogical for news brands to assume it has bottomed out. Imagine how much sicker the GMG financials would now look if 2024 advertising had fallen 40% to, say, £40mn. It might happen.

4. The only way to guarantee that The Guardian (in print and/or digital) can continue in perpetuity is for it to be self-financing, not permanently propped up by the endowment. It is unrealistic to manage GMG on some kind of "sustainable" lossmaking basis as they have been trying to do this past five years. You can see how difficult it has been to meet these "limited loss" targets, notwithstanding the difficulty anyway in ensuring that inevitably variable investment returns are sufficient to cover any shortfall. The endowment should, of course, serve as a backstop in tough times and also provide funds for major investments and acquisitions. But GMG needs to be a business, albeit one that has the benefit (lest we forget) of not having to pay dividends to shareholders. *<UPDATE: Although it was couched in terms that made it seem like unchanging policy, the Scott Trust chair Ole Jacob Sunde's "letter" introducing the latest financials represents an unmistakeable shift in emphasis at a crucial time: "The Scott Trust has provided a bridge through challenging economic periods. But it is not there to fill gaps in annual operating budgets. We still require the Guardian to be a sustainable business on its own terms – and we must be honest about areas of the business that are not part of our future growth and adapt.">*

As one insider said this week: "Everyone is better at running The Guardian than the people running The Guardian. The challenge of managing a newspaper-centric business is compounded by the GMG's historic role and purpose."

How Business of Fashion Made It

13 September 2024

Time was when most businesses were owned and managed by specialists who would spend a lifetime steeped in their industries and reading 'trade magazines' focused on their own craft skills. It all started to change with the growth of investment markets, business education, technology and international trade: people, funding and tech became transferable.

Even, ahead of digital disruption, the hard walls between industries had started to come down, spawning a new generation of business information services to supplant once-dominant "technical" journals.

Apart from meeting the needs of 21st century executives, the new information businesses have increasingly attracted the readership of "prosumers" who share an interest in a specific industry alongside their own work in areas like tech, media, finance and marketing. It's the opportunity for single-sector media businesses to build profile, profit and influence well beyond their own industries.

There may be no better example of this 'consumerisation' of B2B media than The Business of Fashion (BoF). The London-based news, information and events brand was founded 10 years ago by Canada-born former management consultant Imran Amed. He had graduated from from McGill, in Canada, and completed an MBA at Harvard before spending entry-level years at McKinsey in the UK. His unlikely journey to journalist-publisher has been via an ill-fated incubator for young fashion designers and a blog. The experience of trying to inject "business" into the creativity of fashion startups proved to be perfect schooling for Amed, as did his learn-as-you-go journalism. After five years of increasingly insightful and well-followed blogging from his apartment in

London's Notting Hill, in 2013 he started to focus fulltime on his embryonic media business.

He was launching into a B2B fashion world still largely dominated by trade journals: Drapers (in the UK) and Women's Wear Daily (in the US) and there was a clear dividing line between B2C magazines and B2B information. As traditional revenue dried up for magazines and new digital services began to blur the lines between B2B and B2C, Amed sought to blend the two and soon gained a global must-read following among the fashion executives, creatives and entrepreneurs who tell the rest of us what to think, wear and do.

Amed: a 10-year breakthrough into profit

From the start, the fresh-thinking BoF sparked a new kind of dialogue in the $2.5trillion fashion industry then emerging as a force in global business and popular culture helped by the rise of social media.

The fledgling media entrepreneur was gaining in confidence but his first pitches to investors, during the early mayhem of the internet, were not encouraging. BoF eventually raised its first £1.5mn seed funding in 2013, followed two years later by a £12.5mn series A led by Frederic Court's London-based Felix Capital (which also had fashion-focused investments in Goop, Farfetch, Castore and Ami). The investments led to the launch of BoFCareers (2014)

and - crucially - to the first paid subscriptions (2016), as well as sought-after global events (BoFVoices), and a sometime print product for luxury advertisers.

The inventive portfolio has played well in a global fashion market that - for all the general economic disruption - is now predicting annual growth averaging 9% over the next five years. Just this week, The Economist noted the sharp acceleration in the funding and sponsorship of TV and streaming shows by haute couture firms. The fashion industry is booming.

Since BoF was seen to compete with everyone from WWD to The Economist and the Wall Street Journal, it was not surprising that its series B funding round was led by the Financial Times, which bought a 7.9% stake for £4.4mn in 2019. For both partners, the synergy seemed undeniable: it bolstered the FT's luxury and fashion business credentials, and gave BoF investor credibility and the funds to grow globally and diversify into beauty, watches and jewellery. Although nobody will say so, even now, BoF is just the kind of business media brand that the FT itself might once have launched alongside its Business of Luxury conference and the How To Spend/ Save It weekend magazine. The FT's enthusiastic investment in 2019 might have indicated its wish, one day, to own the startup.

But it might just have missed its chance.

BoF daily and weekly newsletters and podcasts are said to circulate to 1mn people in more than 125 countries but its growing financial strength is based on the estimated 100,000 people who pay an average of £120 per year (with executive membership at up to £1.5k per head). And its reputation, as something like the Bloomberg, Economist or Wall Street Journal of global fashion, is burnished by its annual State of Fashion, sponsored by McKinsey, and the BoF 500 listing of the industry's most influential people. The team is variously based in London, New York, Paris and Shanghai, overseeing the BoF Professional ("the world's largest community of fashion professionals"), BoF Careers (a marketplace for fashion talent), summits, VOICES (an annual invitation-only event for big thinkers), and (as part of its widening ambition) The Business of Beauty Global Forum.

That's only part of the progress that keeps Amed (who hosts a weekly podcast) smiling as he works his way through the six "fashion weeks" taking

place this month everywhere from New York (just ended) to London (next week), Milan, Paris, Seoul and Tokyo.

He has something to celebrate.

Following the parties, catwalks, interviews and air kisses, the BoF founder will soon be filing his 2023 accounts which are expected to show the company's first positive EBITDA profit. A big breakthrough.

After 11 years of losses totalling some £18mn - funded cautiously by short-term loans and equity issues to its 30 fashion-focused shareholders - the company bounced back from pandemic events paralysis by growing revenue 49% during 2020-22. Notably, subscriptions (accounting for 69% of all revenue in 2022) have increased by 54% since 2019. During that same four years, non-UK revenues (once the minority) have increased to become 60% of the total, consolidating the company's global footprint.

The breakthrough came courtesy of a 30% revenue increase in 2022 which reduced the company's deficit to just £300k after a decade of annual losses peaking at £5mn. It means that an expected revenue increase of at least 25% in 2023 will have produced its first EBITDA profit (maybe up to £2mn).

Business of Fashion **£mn** **SnapShot**	**2023***	**2022**	**2021**	**2020**	**2019**
Revenue	20.0	16.1	12.4	10.8	12.2
UK		6.6	5.5	4.5	6.3
RoW		9.6	6.9	6.3	5.9
Subs		11.1	9.5	9.2	7.2
EBITDA	2.0	(0.3)	(1.4)	(2.2)	(5.0)
People	100	88	88	93	84

**Flashes & Flames estimates*

Apart from the stand-out patience of the knowledgeable investors best able to guage BoF's growing influence, the financials reveal a relatively cautious approach to staffing (c50% of total costs). During the five years estimated above, the 64% increase in revenue has been marked only by a 19% growth in

headcount. The strong growth in paid subscriptions has, of course, helped to support the company's liquidity and its repayment of short-term loans. But, despite the market euphoria, it has kept its costs under control.

That, of course, is only a small part of why The Business of Fashion is a great role model for a new generation of B2B-B2C specialist media, perhaps in sectors like sports, banking and tech.

With its breakthrough into profitability, Imran Amed's "passion project" might already be worth at least £60-80mn. But he really has only just begun.

How $125mn Hola! is Still Growing at 80

2 August 2024

Almost everything about the magazine called Hola! in Spanish-speaking markets and Hello! (in English) defines successful publishing against the odds. Launched 80 years ago next month, in a country that had been ravaged first by the Spanish bloody civil war and then by World War 2, Hola!/ Hello! have become truly global print and digital brands. They have managed this during 25 years in which the internet has shredded magazines everywhere.

But they have always been a different sort of media brand.

Back in 1944, Hola! had sought to offer nothing but good news and uplifting content for a country still in the grips of dictatorship. It was created by a young newspaper journalist, Antonio Sánchez Gómez, who dreamed up a weekly picture magazine devoted to "Espuma de la vida" ("the froth of life"), showing readers the lives of the rich and famous. It was light relief from the horrors of war.

In that grim climate, it effectively created celebrity journalism a full 30 years before People magazine in the US and more than four decades before the once-gilded UK magazines Now and Heat. But Hola! wasn't just the first of what - during the early years of the 21st century - became an exploding world of celebrity magazines. It was, arguably, the only magazine to stay positive and provide celebrity gossip, filth and scandal - without any filth and scandal. And that's how it's been for 80 years of welcoming readers into the homes of stars of screen, music, royalty, politics and fashion.

In 1956, it had chartered a plane to bring back pictures of Grace Kelly's wedding to Prince Rainier of Monaco. The magazine subsequently earned a reputation for paying high fees for photo-packed interviews. Its former

longtime fixer, the Marquesa de Varela, travelled the world laden with cash to get the scoops. In 1990, she is said to have paid £250,000 for a profile of the since-disgraced Prince Andrew and his wife, Sarah Ferguson.

In 2024, the third generation, family-owned Grupo Hola has some $125mn of global revenue and employs 400 people in Spain (60%), UK (30%), and US/ Mexico (10%). There are 21 editions of Hola! and Hello! in eight languages and more than 120 countries, with a global print circulation of over 3mn. Six editions are wholly-owned, the rest published under licence. Five are weekly magazines, three fortnightly and the rest monthly.

The largest revenue is from the weeklies in Spain, UK, Canada, Argentina and Thailand. Hola! in Spain has a weekly circulation of 225k copies and 9mn digital uniques. In the UK, Hello has a circulation of 155k weekly - some 50% down in 10 years with a £3.15 cover price that is 60% higher. The gobal digital audience is claimed to be some 45mn (25mn through Hello and 20mn through Hola).

The twin brands are one of the world's most successful print and digital magazines.

Critics have variously sniped at Hello!s "grovelling indulgence towards people temporarily gilded with stardom or luck or the arrival of a new partner in love". Its objective always seems to put a brave face, and positive construction, on what has been described as "the slow-motion highway crash of famous people's lives". What is clear, though, is that the magazine has always put a premium on

exclusive photography and formulaic Q&A interviews. The approach makes it easy both for inexperienced journalists with tape recorders, and for readers who want to skip through long conversations. Readers and "subjects" like the high production values and even the clunky page designs.

In an era when gossip is all over the web, not least on the sites of celebrities themselves, the unchanging format has, arguably, come into its own because exclusive photography has yet greater value and the plonking Q&A format has more apparent authenticity than unattributed, online "news".

The New York Times said:"In many ways it is a throwback, recalling the mid-20th-century American movie magazines in which stars were dreamily photographed with their glamorous houses, adoring spouses and rosy-cheeked children." It added: "The magazine has served as a de facto public relations agency, exchanging reverential coverage (and payments that can run to six figures) for intimate, if carefully choreographed, access to elusive celebrities".

Many of the biggest stories (like celebrity weddings and births) are products of "chequebook journalism". Even those celebs (and Royals) who don't send their agents to negotiate a price, know that Hola!/ Hello! will be kind and allow them to approve the interviews and retouch the pictures. But - as Hola!/Hello! prepare to celebrate 80 years of cosy content - the numbers underline the enduring success of a media brand which is still exemplified by a printed magazine. For millions of people around the world, Marilyn Monroe, JFK, Princess Diana and Queen Elizabeth have been immortalised on the pages of Hola! and Hello!.

But, for almost 50 years, it was exclusively Spanish.

Globalisation of the 80-year-old magazine brand came with UK and US launches either side of the arrival of the internet. It was a strategy of the founder's late son Eduardo Sánchez Junco who was described by the Financial Times as "the man who globalised the exclamation mark. Having watched his parents create a hugely successful magazine based on reverential gossip for the crowned heads of Europe, Junco oversaw the expansion of ¡Hola!'s distinctive style of 'soft fawn' into an international brand – spawning imitators across the world". The UK, with its globally-recognised royal family, was an obvious stepping stone in the internationalisation of Hola!:

UK 1988: The launch of Hello! in London introduced the Hola! traditions to English-speaking audiences. It started with an exclusive photoshoot with Princess Anne in Buckingham Palace (perhaps the first such interview at home given by a British Royal). The magazine was soon selling almost 1mn weekly at the premium price of £1.85.

Then came trouble.

Five years after the Hello! launch, punchy Brit publisher Richard Desmond launched the imitative OK! magazine. It signalled the start of a cat-and-mouse chase for high-priced .celebrity stories. OK! quickly paid £2mn for pop star Michael Jackson's baby pictures and £1mn for footballer David Beckham's wedding.

Desmond says that OK! sold 6mn Beckham-related copies at £2 each and - in 1999 - achieved a higher circulation than Hello! for the first time. But the culmination of the bitter rivalry was Hello! pirating OK!s exclusive (£1mn) coverage of Michael Douglas' wedding in 2003 which resulted in the Spanish publisher paying millions of pounds in legal damages and costs.

OK!s average annual circulation (like Hello!s) peaked at some 750k but it is notable that Desmond's former magazine is now selling just 40k, less than one-third of its 2018 circulation when sold to news publisher Reach Plc as part of a £200mn package including the Express and Star national daily newspapers.

The fierce rivalry is no more.

For Hello!, Princess Diana had been the symbol of its early UK success. The owner was said to have paid $1mn for paparazzi photos of her sunbathing topless, which he destroyed, thus winning her trust. The magazine's unusual relationship with the UK royals was underlined by the way that some of the lesser members sold their stories and pictures for hundreds of thousands of pounds, while the most valuable content of all came - gratis - from Diana herself. While Hello! had become a substantial media brand in the UK, waspish newspaper commentors couldn't help narrating "the curse of Hello!". In the first 10 years of the century, it was claimed that 20% of the weddings featured on the magazine cover had ended in divorce.

US 2016: The digital-only launch turbocharged the growth of Hola! among Hispanic audiences in North and South America, which had started

with the 2010 launch in Argentina. The Americas had become - with Canada, Thailand, Spain and the UK - one of Hola!s five largest markets. With some 45mn Hispanics, the US represents major digital growth both for Hola! (4mn monthly uniques) and Hello! (11mn). They also operate the 11-year-old Latam TV, a 11-year-old, Miami-based Hispanic broadcaster reaching 20mn homes. The publisher says: "The US Latino market represents the 13th largest global economy in the world. That alone is a really big statistic in terms of opportunity and why this market matters. The US Latino market is incredibly under-served and under-represented."

Hola!/ Hello! is a distinctive media platform. But, perhaps the real standout is the durability of its business model, propelled by something like five major (big fee) exclusives each year. It is this blockbuster content which fuels the growth of digital traffic, sells millions of magazines and has created a media brand which generates 60% of its revenue from print and 40% from digital.

That and the fact that advertising still accounts for almost 75% of the $125mn revenue is explained by the way the magazine competes so effectively for the upmarket advertising shared, for example, with Vogue and Elle. Having once competed fiercely with mass market gossip weeklies, Grupo Hola now enjoys the luxury of substantial advertising revenue **and** premium-priced weekly copy sales. This is encouraging digital experimentation with its free-mium sites now building substantial subscriptions as well as "per issue" passes.

More than anything else, the Hola!/ Hello! secret sauce is its Spanish-English versatility in content, marketing and distribution. Many digital readers alternate between the two languages; the tech makes it seamless and simple. You also don't have to ask Hola! executives about the future of print because it is clear that magazines remain a vital (and highly profitable) part of their business. And they have invested in revenue and content-sharing technologies across the world. In some ways, this ultimate specialist business has solved the puzzle of how to develop large-scale (and paying) digital audiences while preserving the promotional power and profit of print. Presumably, the future will include even more video.

After decades of sneers from their peers, the Hola! family (led now by the founder's grandson and two grand daughters) have built a powerful, longterm

media business which is, well, as heartwarming as much of its journalism. After 80 years, perhaps it has only just begun. Happy Birthday.

How a Legendary B2B Brand Just Died

13 December 2024

In an era of diversifying B2B brands, UK media people were stunned by the announcement last week that the 166-year old Estates Gazette (branded as EG since 2017) would close "during 2025". It is believed the weekly magazine (which launched in the year that Darwin published his theory of evolution) will close on 25 January but the data services may continue beyond then.

The decision to close was a surprise for at least three reasons:

First, it had long one of the UK's most profitable B2B magazines. In 1990, it had been acquired by the then Reed Business Publishing (RBP) for £59mn (10x EBITDA), believed to be the highest price then paid for a B2B brand in the UK. Our estimates of its peak performance in 2006 are that it accounted for 11% of the 2,000-person RBP's revenue and 35% of the total EBITDA. Its standout 44% profit margin had even increased in the first year of Reed ownership, amid jokes that the company had simply bought a second fax machine in order to increase the volume of unsolicited ad bookings. In the following decade, the largest issues of the weekly magazine were more than 200 pages. Estates Gazette really did seem like 'a licence to print money'.

SnapShot Estates Gazette (RELX)				
£mn	**1991**	**2006**	**2019**	**2023**
Revenue	15	27	19	12
EBITDA	7	12	6	---
Margin	47%	44%	32%	---
People	75	150		115

Flashes & Flames estimates

Second, it had been the first of Reed's magazines to develop profitable digital media. Estates Gazette Interactive (EGI) was launched in 1996 by managing director Mark Kelsey (who has, since 2012, been the transformational CEO of the LexisNexis Risk Solutions Group, of RELX). He had realised that, while subscribers spent longer reading Estates Gazette than many other B2B brands, they spent even more time (and money) on databases that collated the real estate deals which populated the magazine's pages and archives. At the dawn of the internet, Kelsey led the building of a database of every significant commercial building in the UK, including land which might be built on. EGI now has decades of data on sales, prices, rents, tenants, and leases for the industry of agents, brokers, lenders and investors. It was a far-sighted initiative which became the template for all-digital services in Reed's best remaining B2B verticals after a sell-off of 60+ print magazines. In 2023, the data is believed to have accounted for two-thirds of the revenue of what had become the company's last magazine.

Third, the publisher is closing EG, having failed to sell the business (even to its closest competitor and other would-be buyers) throughout much of 2024. The owner of what has so recently been one of the largest B2B brands in the UK has given up, even though it had an estimated £12mn revenue in 2023.

Kelsey: "Estates Gazette was a foundation stone of our data strategy"

For almost three decades, Estates Gazette was the ads-stuffed, 25,000-circulation weekly flagship of what was successively RBP, Reed Business Information and, now, Lexis-Nexis. As Kelsey said two years ago: "It led to one of the key foundation stones for RBI later transitioning to a data and analytics business. In 1994-5, we were thinking a lot about what else we could deliver to our commercial property readers (EG was a real bible of the industry and avidly read for over 60 minutes each week by the readers). There was a catalyst moment.

"We were getting back the results from our research on a 'day in the life' of our readers and they talked about how many hours they spent working through databases of deals and people in the industry – something we touched on each week. We would get thousands of press releases and PR bits on "deals & people" and published just a few highlights and we realised we could build these comprehensive databases. I can remember employing a team of six young chartered surveyors to work on a six-month project to map out this future business proposal. We built up the business case to have comprehensive databases on deals, leases, buildings, ownership and a who's who of the industry – together with a real time news service.

"It researched incredibly well – with our 'hello brand' giving it real authority. We called it "EGi" and launched in June 1996. Interestingly we had a completely separate team for EGi from Estates Gazette …. some 30 new people on a completely different floor from the magazine, in Wardour Street, in London's Soho. This was essential to create a new culture (Estates Gazette was very traditional and its people saw EGi as a real threat to its future). So this was the first of our 'paid for online data services'."

It was a far-sighted strategy. But what happened in the intervening three decades?

Last week's announcement was stark: "The group's parent company has taken the tough decision to start the process of withdrawing all EG products and services from the market during 2025. After serving as a partner to the UK commercial real estate industry since 1858, the decision to close the EG business, which includes the EG magazine, EG Radius data business and EG Propertylink listings business, has not been taken lightly. However, the headwinds that have struck the whole of the commercial real estate industry

hard have had an irreparable impact on the EG business." But, although the market had been depressed by the pandemic and its subsequent impact on the demand for business property, industry insiders have doubted that this was the reason for EG's apparent descent into losses. EG managing director Chris Fleetwood, said: "The past few years have been very difficult for the real estate industry as a whole, and EG has been caught in these headwinds too. We have worked hard to fortify the business but have unfortunately had to make this extremely difficult decision."

But the market is actually said to be growing again.

The EG collapse to the point when the company couldn't find a buyer after almost nine months of trying (said to include abortive negotiations, with another publisher) has not been explained. Nor is the reason why the RELX subsidiary seems to be preferring now to close the business instead of trying to protect at least some parts (say, the data services) and some jobs.

But the reasons are clear. For all its pioneering data strategy, the Estates Gazette group has, in recent years, been outpaced by newer, all-digital competitors, one in particular.

Green Street Advisors (GSA) is the five-year-old, UK real estate information subsidiary of a long-established US-based, private equity-owned parent. It has proved to be a formidable competitor for the once-mighty Estates Gazette and operates in North America and across Europe. In the UK, it claims to be market leader in real estate analysis and research and - since its £23mn acquisition of React News in 2021 - has been competing strongly with EG on news. That's in addition to its growing portfolio of high-quality research reports.

It has trebled revenue in just four years and (with 80% from subscriptions) now has almost double the EG group revenue:

SnapShot Green Street Advisors UK				
£mn	**2023**	**2022**	**2021**	**2020**
Rev	22.7	16.9	12.3	7.7
Ebitda	3.6	(2.6)	(2.2)	(0.6)
Margin	16%	---	---	---
People	147	83	68	39

The fact is that GSA's £22.7mn all-digital revenue in 2023 compares with a mere £8mn of digital revenue for EG (the magazine and events contribute the remaining £4mn). The RELX brand has been lagging behind GSA since 2020-21: a guilty secret which remained unmentioned this week amid the shock and tears. Managers have claimed that the legendary B2B brand's problems have been the competition with Metropolis, publisher of longtime print and digital challenger Property Week. And, of course, there are those claimed "headwinds", a code for issues seemingly beyond their control.

The dying Estates Gazette is still claiming to be the market leader and "the property journal of choice...the first contributory database for the UK property sector." But it is being beaten on data, news and research by GSA (and also by another US data operator, CoStar) and on events by Property Week. It has been a fight for which the once-formidable B2B brand has seemed ill-equipped. GSA's 2021 acquisition of React News (led by a former EG executive) had doubled the pain for the longtime leader which was already losing the battle for data subscriptions.

In the heat of the pandemic, it was losing muscle and money too.

It's ironic that the RELX subsidiary's last print publication (of a portfolio that had once comprised literally hundreds of them) might actually have blunted the EG group's competitive edge (and even made it complacent) almost 30 years after Mark Kelsey had created the post-digital role model.

Ultimately, it's an ignominious defeat for the same Estates Gazette that had been a B2B powerhouse for so long. Wonder no more about this month's curious, untimed decision to close the business with no explanation of why it couldn't even be sold and what had gone wrong. It's all too painful.

Future in a Spin

15 November 2024

Future Plc has had more than its share of near-death experiences in an eventful 39-year history. But the company - which seemed to have escaped its troubled past with almost a decade of spectacular growth under former CEO Zillah Byng-Thorne - is looking vulnerable again.

The causes for concern inevitably revolve round Byng-Thorne's successor Jon Steinberg who plans to quit after two years in the role. It's not just that the former BuzzFeed executive is leaving without any stated reason. Saying only that he would be returning to the US with his family, sounds slightly unconvincing for the CEO of a listed company whose transatlantic focus would, presumably, permit him to live there anyway. Especially having spent two years getting to know operations in the UK.

So why is the CEO going?

Maybe Steinberg - who was recruited specifically because of his US and digital advertising experience - has quietly decided that the transformation he and the Future board have envisaged is just not achievable in a reasonable timeframe. The company is not quite what it seems. For all the sizzle of highly-valued, content-rich specialist brands with 480mn reader-user-viewers across lifestyle, entertainment and technology, Future is three distinct businesses:

- Magazines
- Digital media
- Price comparison

The clear objective has been to turn it into a digital media company, not least by leveraging the content, brands and relationships of the magazines. The trouble is that - as a result of the £500mn+ spent on magazine acquisitions in the past 15 years - the largest slice of Future's revenue and the majority of its 2,200 people are in print publishing and in the fire-fighting necessary to slow the declining profit of a long-tail portfolio.

While just 12 magazines are regarded as "hero" brands (generating 50% of the revenue and maybe 75% of the profit) and, therefore vital to the planned digitalisation, there happen to be 100+ others which also need managing. While the financials show magazine revenue growth during 2021-4, the £70mn increase across those four years is the equivalent of about 50% of the revenue of Dennis Publishing before Future acquired it for £300mn in 2021.

The price comparison site Go Compare was acquired for £557mn in 2021 with Future proclaiming its high value as a database alongside its existing UK subscribers. But the country's ever strengthening regulations insulating such financial organisations from broader commercial exploitation have ensured that GoCompare remains a separately-managed business with limited potential for integration and synergy. Its strong growth - now accounting for almost 30% of all Future revenue and profit - has been shrouded in the company's financials under eCommerce. But separating it out, shows that affiliate eCommerce (which accounted for 15% of all revenue in pandemic year 2021) will this year be some 40% down on 2022.

As if to emphasise the way that Future's mixed portfolio may be impeding the digital ambitions, the total digital revenue (ads and eCommerce) will - in 2024 - be some 17% down on 2022.

SnapShot Future Plc				
£mn Yr to 30/9	**2024***	**2023**	**2022**	**2021**
Revenue	786	789	825	607
Magazines	256	274	290	184
GoCompare	205	158	147	109
Digital ads**	253	246	263	207

Ecommerce	72	111	127	107
Ebitda	225	277	294	215
Margin	29%	35%	36%	35%
Acqns net		(48)	(417)	(241)
Net debt	(265)	(327)	(424)	(176)
People		2.2k	2.5k	

** Flashes & Flames estimate. **Includes events*

The numbers tell the story of how GoCompare will have accounted for more than 100% of the profit growth during 2021-24. The fact that Future's performance is so heavily dependant on what must now be regarded as a "non core" activity may emphasise Jon Steinberg's almost impossible task.

Mixing some fact with rumour and logic, we can speculate that the outgoing CEO may have wanted to: effectively 'securitise" a large slice of his magazine portfolio by divesting it to an independent publisher which would guarantee the expected cashflow for, say, five years; and de-merge or sell GoCompare in order to fund acquisition of a US-based digital operation. The upshot would be a radical switch from print to digital - and from UK to US. But the Future board had already rejected offers for its non-core B2B portfolio which had fallen short of its £100mn acquisition price. They may have decided that a real upheaval was just too problematic.

Steinberg might have a view also on what the recent revenue decline of its Money Supermarket market-leading competitor may mean for GoCompare. He knows that price comparison sites are high-margin but cyclical - and might fear the implications of a 2025 downturn in his steadiest business. Maybe.

He might also have a view on the share buybacks which reflect the board's view "that the businesses making up the group are significantly undervalued". Having established that Future is three distinct businesses, we might consider that the board's response to its undervalued share price should be to consider a breakup - like Ascential in 2023.

But it might not work.

The magazines may have a value of about £300-500mn (with or without some of the associated digital activity) and there's room for GoCompare to more than recoup the £557mn Future paid for it. But, even with the pure digital assets to consider, it is difficult to believe that the comopany's "fair" value in 2024 is much more than its current £1.3bn enterprise value - especially on current, low-growth projections. Perhaps the board just can't rid itself of the golden memories of three years ago when the listed company was momentarily valued at some £4.5bn.

You can see the dilemma and what might just have motivated the resignation of the CEO whose most recent changes have been the closure of some small magazines and - curiously - dividing management of the portfolio not between magazines and digital or even between the UK (60%) and the US (40%) but between B2C (90%) and B2B (10%).

But there's more.

As if the Future board hasn't enought to worry about, the company's largest shareholder, Sir Peter Wood, this month called for the resignation of the seven-year chair Richard Huntingford, "to avoid making another mistake" when appointing the next CEO.

Wood, who was the founder-investor and chair of GoCompare, has a 6.2% share in Future. He told the Times of London that he (and, allegedly, at least one other large shareholder) had "run our of patience" after his apparent concerns about the risks of appointing a relocating CEO who, reportedly, was paid relocation expenses of up to £260k.

Wood has good reason to feel disappointed. His Future shares - worth some £130mn when he sold GoCompare - have lost 55% of their value in the past three years.

He is said to believe that Kevin Li Ying (now VP of all Future's B2C activity having previously been the CTO) would make a "fine choice provided he was supported by an excellent chairman". Li Ying is said also to be a consultant to Wood's investment vehicle. But, significantly, former Future CEO Byng-Thorne is now the CEO of Dignity, a £800mn funeral company whose major investors include - Peter Wood.

The fact that Wood had mounted his de-listing takeover of Dignity backed by Phoenix private equity has Future shareholders believing that there may,

after all, be a pay-off at the end of the tunnel. Perhaps soon after the 2023-4 year-end results on December 7. Just wait.

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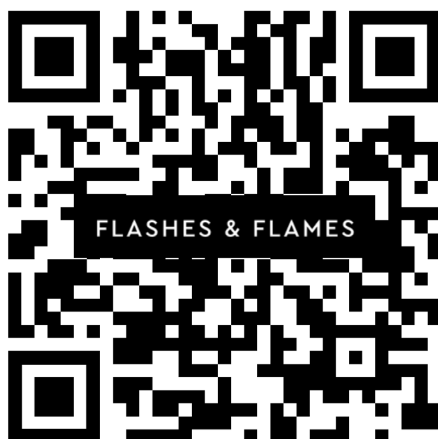

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