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M&A Activity Continues to Soar

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With a handful of publishing companies looking for buyers and media and acquisition firms closing deals weekly, the proof continues to pile up that 2006 could be the best deal market since 2000. Still investors are divided on the opportunity.

The Jordan, Edmiston Group closed its 20th deal this week, more than double it did in the first seven months of last year, representing Reed Elsevier's Reed Business Information division in the sale of its New Product Division, which includes a portfolio of B2B magazines and online properties for the manufacturing and scientific industries, to Advantage Business Media, a new company supported by private equity firm Catalyst Investors. Advantage was recently formed by Richard Reiff, former president of the publishing division of Cygnus Business Media, which is currently shopping for a buyer.

Michael Alcamo, president of M&A firm **M.C. Alcamo & Co., Inc.**, said he believes the deal market has been robust for four reasons. "First, we're in the strong side of the cycle that followed the drought of 2002," he said. "September 11 had deep effects on media; everyone thought a long recession would follow the destruction in lower Manhattan. Secondly, there's clearly an oversupply of private capital in the market, with quite a few generalist investors getting involved -- Investcorp, Topspin, North Castle, Summit Partners, Riverside.

"Third, on the supply side, there's a cadre of smart executives who persuaded their companies to make strategic decisions this year -- Reed to sell non-core assets, Conde Nast to emphasize its core competency in consumer, and Advanstar to grow its licensing business," **Alcamo continued**. "In these cases, supply is creating its own demand. Finally, buyers are realizing that traditional print has intrinsic value as a platform for growth into online."

In JEGI's July Client Briefing report," several private equity firms and media bankers weighed-in on whether they're looking for acquisitions and what they believe the best performing media and information sectors will be in the remainder of 2006 into 2007.

Walter Florence, managing director of private equity firm Frontenac Company, said Frontenac is looking for new investments in partnership with experienced management teams. Florence says his company is bullish on most media and information sectors, with the exception of television and newspapers. "As long as the economy remains healthy and real growth continues, there is no reason values should not hold at current levels," he said in the JEGI report. "We are focused on finding good companies and avoiding overleveraging them."

Michael J. Angelkis, managing director of Providence Equity Partners, which sold F+W Publications to Abry Partners for \$500 million last year, only to buy back a portion of the company this year to settle a lawsuit [Abry](#) filed against it charging Providence padded revenues for the sale, said his firm believes the best performing media and information sectors will be online markets. "We believe the worst performing sector will be trade publications," he told JEGI.

Likewise, Karen Dorn, senior vice president of Wells Fargo, also sees online driving growth in the publishing industry, but disagrees with Angelkis take on trade publications. "In our observations, content publishers with an online component appear to be driving activity," she said.

"This includes well-branded B2B publishers, specialty and niche publishers, and business information services companies," she told Jordan, Edmiston. She said lenders are looking to invest in companies with a diversified content strategy that spans print, online, and events, among other offerings.

Alcamo says print is necessary to the success of online products. "To get high-margin electronic growth, you have to start with a tangible print product or trade show—and with advertising clients who are already getting results with you," he says. "Once you have the traditional print-based revenue model, you can layer on the innovations: online trade shows and purchasing, users' groups, fresh audio or video content, and you can sell your clients the additional online frequency and reach they need. The happy outcome of all this is a bonanza for owners who probably never thought they'd see demand like this."

Gross says the company expects the market to be strong at least through the first quarter of 2007. "We've got a very active pipeline of deal activity and we're talking to a number of companies indicating there is still activity that needs to be done," he said. "So we're bullish heading into 2007."

"I see the current pace of deal activity continuing into 2007, with pricing cooling off only slightly if interest rates continue to rise," **Alcamo adds**.