

FRANKFURTER RUNDSCHAU SALE MARKS ANOTHER STAGE IN GERMAN NEWSPAPER CONSOLIDATION

The sale of a controlling stake in loss-making Frankfurter Rundschau by SPD investment vehicle Druck- und Verlagshaus Frankfurt am Main GmbH (dd_vg) to M. DuMont Schauberg (MDS) Group marks another stage in the consolidation of the German regional newspaper market. MediaFinance talks to Dr Gernot Wunderle, Head of European Media & Entertainment at Goetz Partners Corporate Finance, buy side adviser on the deal, about why the deal makes sense and what implications it has for the sector as a whole.

MF: What was the rationale behind MDS' investment?

GW: Frankfurter Rundschau is a hybrid between a national daily and a regional newspaper which is a difficult combination, and it has been loss making for several years. This is the reason why it only made sense for a strategic buyer to come in and shore up the business.

M. DuMont Schauberg Group is a regional news group in the area of Cologne and will continue the restructuring programme started by dd_vg, developing the newspaper within the group. There won't be any major changes editorially but rather hard work and cost savings in infrastructure and printing.

MF: What about editorial resources?

GW: The newspapers at M. DuMont Schauberg Group have a very different editorial focus so it would not make sense to share editorial resources. What we will see happening though is the group sharing functions such as web sites and other value added services.

MF: Are we going to see further consolidation in the German newspaper market, or was this more of an opportunistic deal on the part of M. DuMont Schauberg?

GW: The German newspaper market is slowly starting to consolidate and this is a step in this direction. Last year we saw Burda selling Zeitungsverlag Schwerin to Schleswig-Holsteinischer Zeitungsverlag, and Berliner Verlag and later hamburger Morgenpost to Mecom and Veronis Suhler Stevenson.

We'll see other transactions over the course of the year, possibly with Suddeutsche Zeitung, where several shareholders have indicated they want to exit, but also there will be smaller transactions on the regional side. This is a mature market - there is no growth potential but there is scope for cost savings: ebitda increased by 30% in the first year following the sale of Zeitungsverlag Schwerin, for example. On the revenue side, there are no growth prospects in the core segment, but there are some opportunities from new business lines, selling books, CDs, travel, etc., which is something Suddeutsche Verlag did very well. To do this, businesses have to learn new skills, which can be difficult for the smaller players, as there is no management expertise of these areas.

MF: Will we see foreign newspaper businesses, or the larger German groups, entering the market?

GW: I don't think foreign press groups will invest but I believe Mecom and Veronis Suhler Stevenson and other sponsors have a good chance of participating in this consolidation. The first stage is already done: today, it is not impossible like it was two years ago for a newspaper to be sold to a private equity firm.

As for larger German groups, such as Holtzbrinck, NRZ and WAZ Media Group these have all restructured their businesses and are really profitable now. They are all private and none of them want to sell. Germany still has strict anti-cartel rules, and it would also be difficult for them to grow their market share further than it is currently.

Ireland

Irish Times buys MyHome.ie

Property internet site MyHome.ie has been acquired by the Irish Times Group for E50m following a sale process run by *IBI Capital*.

MyHome's price comprises E40m upfront followed by a cash earn out of a further E10m deferred over a 5-year period.

MyHome will continue to be run as a standalone entity, under the management of current CEO Jim Miley, and has secured advertising commitments from the three estate agents, Sherry FitzGerald, Douglas Newman Good and Gunne Residential which founded the company in 2001 and were its largest shareholders. Allied Irish Bank is another major shareholder.

The Irish Times, like almost every national newspaper in the western world has been growing its online portfolio of

classified-style assets in niches such as property, cars, travel, dating and jobs. MyHome.ie currently has a client list of 850 estate agents in Ireland and its valuation has been described as in line with other market valuations. The five year earn out is at the long end of industry averages however.

MyHome mandated IBI Capital back in April to investigate possible exit routes with a trade sale or AIM listing both under consideration. Other bidders thought to have looked at the business include Independent News and Media, Thomas Crosbie Holdings and Johnson Press.

ADWALKER STEPS INTO UK AIRPORTS

Adwalker, the Dublin-based wearable advertising specialists, have signed an agreement with JCDcaux Airport UK to provide its patented advertising solutions at selected UK airports.

Aim-listed Adwalker kits out individuals with wearable interactive terminals that are used to advertise products and services as well as directly generate leads via their host's