

ENTREPRENEURS THE **LIFEBLOOD** OF THE GLOBAL EVENTS INDUSTRY

Richard DW Mead, SISO, April 2018



SOME JEGI EVENT AND TRADESHOW TRANSACTIONS A WELL WORN PATH FOR ENTREPRENEURS



PennWell
HAS BEEN SOLD TO
CLARION
A PORTFOLIO COMPANY OF
Blackstone

PennWell is a leading integrated B2B events and information company serving the energy, safety, technology and healthcare sectors.

MFV
expositions
HAS BEEN SOLD TO
COMEXPOSIUM

MFV Group is a leading global event organizer for the franchise industry.

BECKER'S HEALTHCARE
RECAPITALIZED BY
PAMLICO CAPITAL

Becker's Healthcare is a producer of industry leading events and cutting-edge business information for healthcare industry leaders.

Connect
HAS BEEN SOLD TO
Tarsus

Connect Meetings is a leading US business travel and meetings event organizer.

LightReading
HAS BEEN SOLD TO
informa

Light Reading is a leading, innovative content-driven media business focusing on the telecom industry.

BISNOW
(ALMOST) NEVER BORING
HAS BEEN SOLD TO
WICKS

Bisnow is North America's leading producer of commercial real estate news and events.

BjI
HAS BEEN SOLD TO
UBM

BJI is an integrated media company with extensive trade show, digital and other marketing assets.

FC Business Intelligence
HAS SOLD
Automotive
TO
Penton
Inform • Engage • Advance

FCBI's TU-Automotive is a global leader in the B2B automotive technology events and information sector.

IMAGO
TECHMEDIA
HAS BEEN SOLD TO
CLARION
A PORTFOLIO COMPANY OF
PROVIDENCEEQUITY

Imago Techmedia is a leading enterprise technology tradeshow organizer.

Money 20/20
HAS BEEN SOLD TO
A SUBSIDIARY OF
The Right Group

Money20/20 is a leading event company for innovators in the payments and financial technology services sector.

AGENDA
... agendahow.com ...
HAS JOINED
Reed Exhibitions

Agenda is the leading event for the streetwear and action sports industries.

Black Hat
HAS BEEN SOLD TO
CMP
United Business Media

Black Hat is a leading producer of information security conferences and training.



THE ATTRACTION OF ENTREPRENEURIAL EVENTS BUSINESSES



- Three reasons why major strategic event operators are attracted to Entrepreneurial Businesses
 - **Growth, Growth and More Growth**
- And a few more “Assets”
 - **Market Knowledge, Vision, Speed of Action, Other Skills and Management Talent**
- Acquisitions are essential to the major strategic operators competing for investors and capital
 - 2017 organic revenue growth rates for the public strategic companies were 6.0% (2016 5.0 %)
 - Scale is important for margin growth and cash flow
 - Niche acquisitions are not transformational but nevertheless can be very strategic
- The only dependable source of potential acquisitions is the Entrepreneurial sector
 - Private Equity supply is drying up compared with the last ten years
 - Associations are infrequent sellers
 - Mergers between strategic companies – Informa/UBM – but limited number of merger partners



WHY SELL?

- For most entrepreneurial owners, their events business represents a significant portion of their personal wealth and therefore potentially a significant risk
 - Few entrepreneurial businesses remain in family hands over multiple generations
- The most common reasons for deciding to explore selling your business
 - Taken the business as far as it can go with your current management and financial resources
 - No obvious internal management successor
 - Next recession in sight – the last one was no fun
 - Retirement looming
 - Changes in personal circumstances
 - Inbound enquiries from potential buyers
- Is your business worth more to another owner than its worth to you?



WHEN TO SELL?



- Ideally, when the stars align
- External factors
 - Positive economic and political background
 - Solid growth prospects in the sectors you serve
 - Active buyer pool with lots of affordable investment capital
 - With a current strategic need for growth – don't miss the boat
- Internal factors
 - Historical business performance shows good growth and margins
 - Pacing for the current year supports a valuation based off full year forecast
 - There is a deliverable organic and acquisition growth plan for the foreseeable future
- Unanticipated personal factors
 - A key factor that can eclipse all others, but if buyer senses urgency, it may negatively impact valuation



“Timing is everything
in life and in golf.”

-Arnold Palmer-



HOW TO PREPARE FOR A SALE?



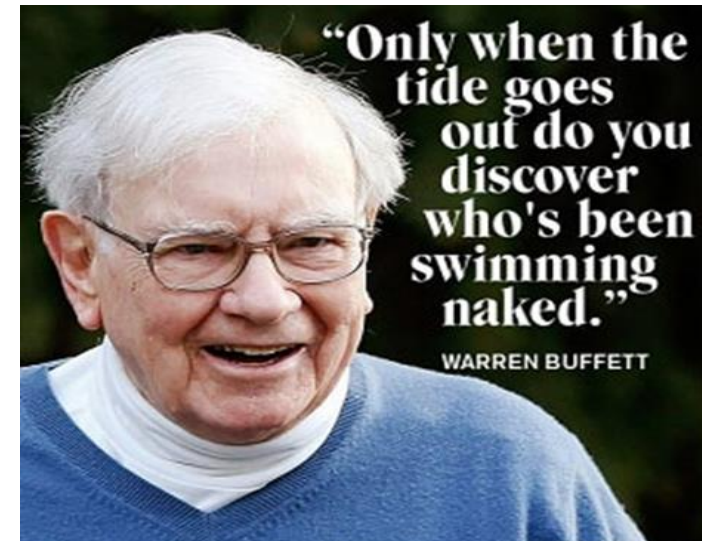
- Planning is critical to success and time invested pays dividends – don't rush to market
 - Buyers respond well to a well-prepared business
- Internal Factors
 - Business plan –what can be done with the current business and then with a buyer's resources
 - Financial tune-up – historical, current year and projected
 - Organizational aspects – key management retention bonuses
 - Legal review and tax planning
 - Fixing your website – your first point of contact with potential buyers
- External Factors
 - Socializing with potential buyers
 - At your events
 - At industry events eg SISO



TYPICAL DEAL TIMETABLE



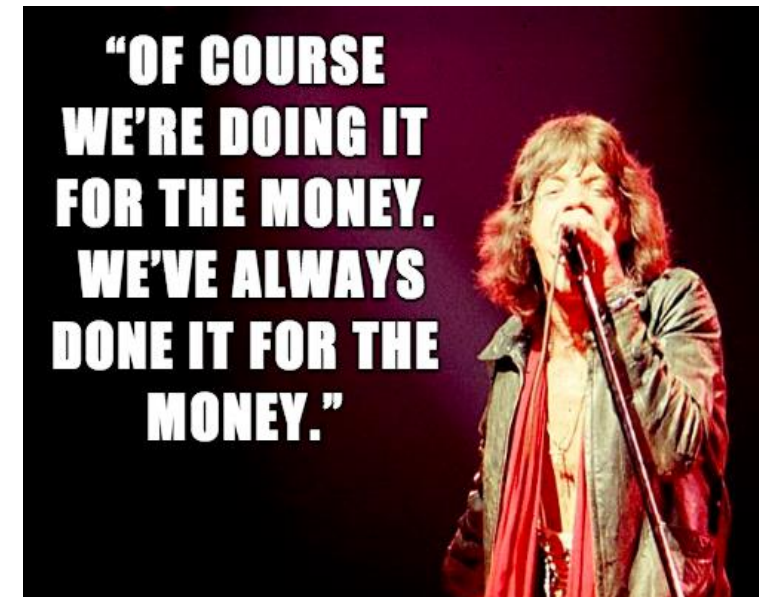
- Typical timetable for the sale of an entrepreneurial events business - four months or less
 - Phase 1 - Preparation of confidential memorandum and distribution to qualified buyers
 - Phase 2 – Buyer indications of interest, management meetings with selected buyers, data room
 - Phase 3 – Buyer revised bids, selection of preferred buyer(s), negotiation of major deal terms
 - Phase 4 – Confirmatory due diligence, closing the transaction
- Other factors impacting the ideal timetable
 - Timing of your events and your gross proceeds at closing
 - Buyer’s ability to deliver speed and certainty of closure
 - Commercial and financial due diligence by outsiders
- Buyers respond to a tight, well-managed timetable
 - Time is not your friend in a transaction
 - Quicker the better for you, your business and your buyer



TYPICAL DEAL STRUCTURES

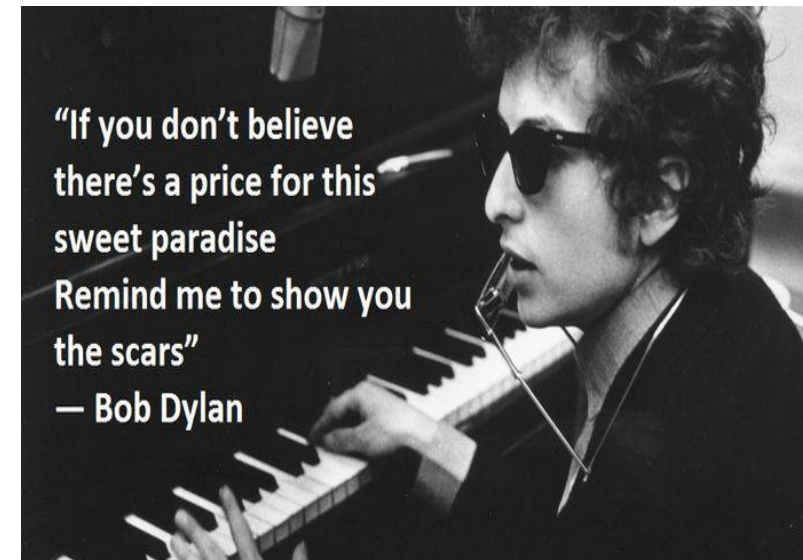


- “When you’ve seen one, you’ve seen them all”
 - Not true! Each deal structure has its quirks ie buyers, lawyers and accountants
- Financial deal structures aka Buyer Risk Minimization
 - All Cash At Closing - depends on future factors
 - Mostly Cash At Closing - with Short Term or Medium Term Earnout based on delivering growth
 - Some Cash plus Seller Finance – rare and to be avoided
 - Roll Over, Beethoven – rolling the dice
- Other Purchase Agreement aspects that need watching
 - Working capital – valuation leakage if not careful
 - Reps and Warranties insurance
 - Non-competes and Non-solicitations
 - And the very small print!



WHAT IS MY BUSINESS WORTH?

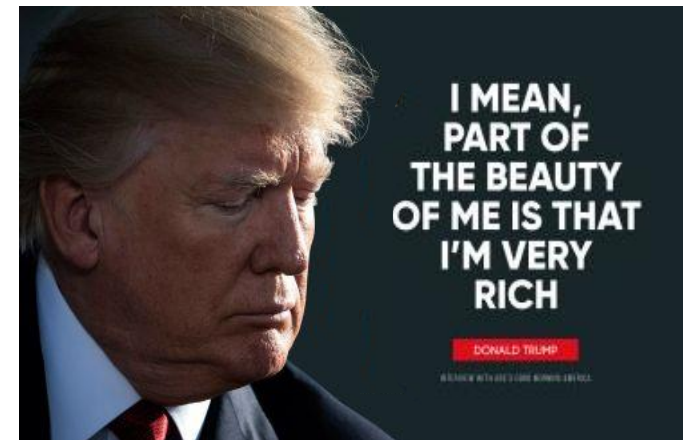
- Value is a function of what the market will bear – willing buyer and willing seller
 - There is no rate card for valuations but prior transactions aka “comparables” can be a “guide” only
- Buyers will value your business taking the following into account:
 - Strategic fit ie industry sector and competitive position
 - Financial Performance of your business
 - Revenue streams and client concentration
 - What happened in the Great Recession?
 - Current year pacing compared with prior years
 - Projected organic growth
 - “Merger benefits” to the buyer – revenues and costs
 - Tax benefits – “goodwill amortization”
- A well-run process should add value to the “market” value



M&A MARKET AND BUYER POOLS

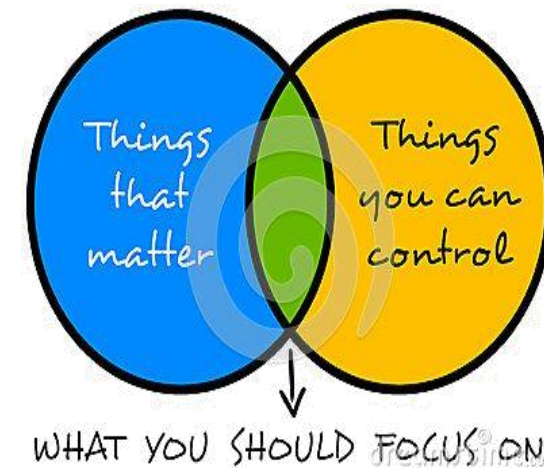


- Current M&A market conditions
 - Strong for the foreseeable future – 2020?
 - Access to affordable capital for all buyer types even though interest rates are creeping up
 - Public companies have a strategic growth imperative
 - “Trumping” other buyers for attractive trade show businesses of all sizes, as long as they fit strategically
 - Non-trade show businesses are gaining valuation momentum to complement trade shows
 - Other event models and content models
- Active Buyer Pools – no shortage of buyers
 - Public event companies – UK, EU and USA
 - Private event companies
 - Private Equity platforms



WHAT CAN GO WRONG?

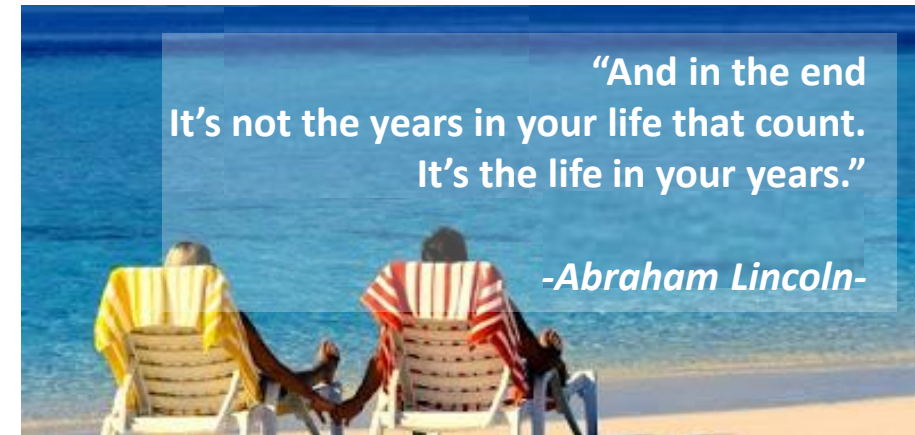
- Under-estimating the amount of time that the sale of your business can swallow up
 - Lean on your professional advisors so that you can focus on running your business
- Confidentiality is important
 - Consider carefully who needs to know in your organization, and when?
 - What do you tell your major customers, and when?
- Not sweating the “small stuff”
 - The battle begins when the buyer starts its “confirmatory due diligence”
 - Use all the external help you can get to be bullet-proof
- Focus on what you can control in relation to:
 - Your business
 - Your potential buyers – what do you really know about them?



LIFE AFTER SALE?



- Planning for life after sale starts well before the transaction closing
 - Do you want to do it again ie the serial entrepreneur – or quit while you’re ahead ie retirement?
- Be clear on how the proposed transaction fulfills your objectives
 - Do you have a financial target for the amount of your net of tax proceeds?
 - How realistic is that target?
 - Do you want to stay involved – transition period and beyond?
- Selling means replacing an annual earned income stream with a capital lump sum
 - Do you have a financial advisor?
 - Do you head for Florida?
- World cruise, golf or whatever?
 - Just plan to enjoy – you have earned it





**KEEP
CALM
AND
CLOSE
THE DEAL**



KENNY ROGERS, SHOW ENTREPRENEUR AND HIS M&A ADVISOR



It's Your Song

You got to know when to hold 'em,
Know when to fold 'em,
Know when to walk away,
And know when to run.

You never count your money
When you're sittin' at the table.
There'll be time enough for countin'
When the dealing's done.



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THANK YOU!

Richard DW Mead, SISO, April 2018

