

Growth and opportunities in unexpected places

PRIVATE EQUITY QUARTERLY | MAY 2019

Deal story

A RARE COMBINATION

In the recent purchase of Best Version Media by Bertram Capital, each party brought something unusual to the deal.

Growth and profitability are two attributes not normally associated with print media businesses these days. But Best Version Media (BVM), a network of community-based magazines throughout the United States, offered both these qualities to a potential buyer, which is why its auction attracted strong interest from strategic and private equity buyers alike.

As rare as growth and profitability are to media businesses, the winning bidder, Bertram Capital, offered BVM something not typically seen in the world of private equity — a battery of in-house engineers and digital specialists who work with the firm's portfolio companies to address technological challenges, amplify strengths and get to market faster.

BVM "is less a print business and more a local marketing and media company," says Ryan Craig, the Bertram Capital partner who led the deal. "Local is the key word. It is very tough to reach local markets, and that's true in old and new media."

BVM's formula, however, works well. Launched in 2007, BVM publishes community-themed magazines in the US and Canada. Content is geared to the local interests of the roughly 3,000 people that comprise each magazine's community, with wedding announcements, a pet feature and local activities. A family from the community — which includes areas in Connecticut, South Carolina and Wisconsin, is featured on the cover of every issue.

(CONTINUED ON NEXT PAGE)

"With more competition for private equity deals than ever before, firms need trusted advisors who have relationships with the most strategic targets and buyers for their portfolio companies. At Oaklins, we have 800 mid-market M&A professionals in every key global financial center, giving our clients true industry- and region-specific expertise, an extensive C-level contact network and in-depth knowledge of M&A opportunities. As you will see from this newsletter, our competitive advantage — the ability to deliver significant, high-quality, sector-specific deal flow — is also our clients' competitive advantage."

FRANK DE HEK
OAKLINS PRIVATE EQUITY SPECIALIST



But the real story is where BVM can still go. According to Oaklins' president Reed Phillips, BVM could expand to another 2,400 potential markets in the US alone. BVM has tested in some international markets, for example in the UK, and is developing new product offerings. It recently launched a magazine targeting sport-heavy communities, for instance.

“Because of its sticky local advertising — which renews year after year — and the fact that it is not impacted by national advertising, as it enters new markets BVM’s EBITDA could easily more than double,” says Phillips, who served as BVM’s banker on the deal.

Craig agrees. He says Bertram Labs, the firm’s tech unit, can significantly enhance the complexion of BVM’s business with the digital tools and solutions it can build to connect local brands and customers. “There’s so much opportunity,” he says.

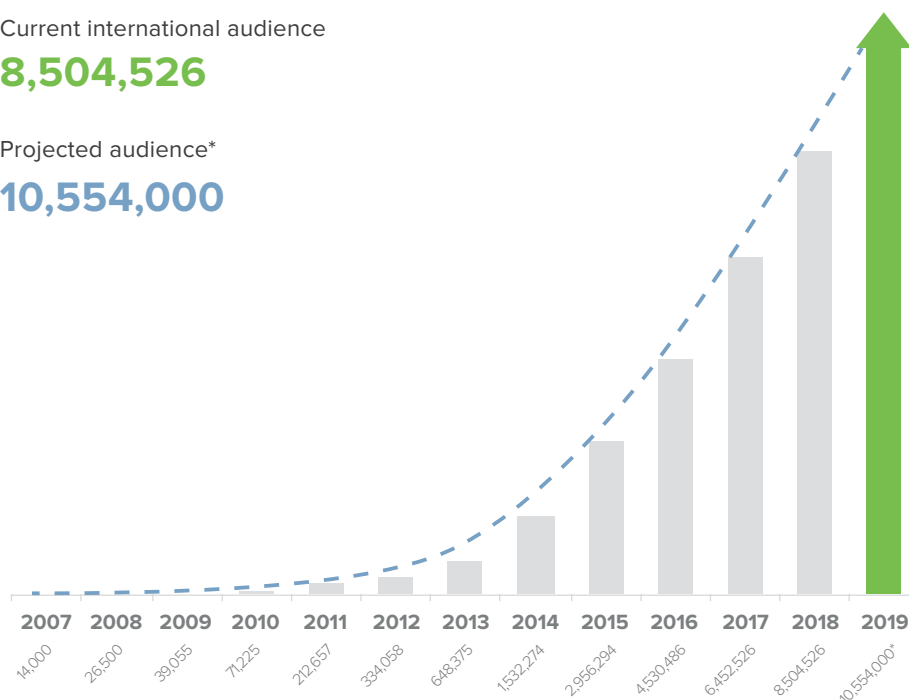
Clear growth potential for BVM

Current international audience

8,504,526

Projected audience*

10,554,000



*Yearly estimate includes a margin of error (MOE) of +/- 0.9 people per household, due to changes in birth rates, retirement, and other socio-demographic variations and changes market by market.

Source: <https://www.bestversionmedia.com>





MARKET TRENDS & DEAL DRIVERS


BVM's publications turned the traditional magazine business model on its head. Rather than selling ad pages and starting from zero every month, BVM's national team of publishers were instead trained to sell 2–3 year, monthly recurring sponsorship contracts to small businesses. The company was able to demonstrate that focusing on building a strong brand image in key target markets was a better use of resources than buying expensive advertisements in local media channels. The clear benefit of this approach is that BVM enjoys stable, long-term, recurring revenue.



“We are thrilled to partner with Bertram Capital. Not only do they understand our company’s differentiated approach to media and marketing, but they also bring a wealth of relevant capabilities, including Bertram Labs. BVM is one of the fastest-growing private companies in Wisconsin and among the fastest-growing publishing companies in the United States. Through our partnership with Bertram, we will be well-positioned to accelerate our growth.”


DAVE DURAND
CEO, BEST VERSION MEDIA, USA

A SELECTION OF RECENT TMT TRANSACTIONS WITH PE INVOLVEMENT



Best Version Media™


has received an investment from



BERTRAM
CAPITAL


M&A SELL-SIDE

Private Equity/TMT




CapMan

has sold



INFOCARE
Technology Services

to




KATALYSATOR

M&A SELL-SIDE

Business Support Services/Private Equity/TMT

DefisoMedia


has been acquired by



Adelis Equity


M&A SELL-SIDE

Private Equity/TMT



Exponent

has acquired



Kiplinger

M&A BUY-SIDE

Private Equity/TMT



IRIDIUM
TECHNOLOGY

has been acquired by



POLARIS
PARTNERS

M&A SELL-SIDE

Private Equity/TMT



Trust

has been acquired by



EGERIA

M&A SELL-SIDE

Consumer & Retail/Private Equity/TMT

A SUCCESSFUL INDUSTRY TRACK RECORD BEHIND THESE DEALS

Our Oaklins team has over 30 years of collective experience, with continued dedication to the PE and TMT markets. Our clients' aspirations and challenges are what make us tick, so for us it's natural to develop market expertise and transactional excellence.

Trending: grow your own way

Population growth, consumer and investor demands, and digital innovation make PE investment in agriculture worth watching.

The seeds private equity firms planted in the agriculture industry over the last few years have started to bear fruit.

A confluence of factors, from global population growth and increased investor focus on sustainability to digital transformation and a declining labor force, are increasing the attention on agriculture businesses. At the same time, the PE industry's current dynamics — more competition for deals, higher valuations, more pressure on returns — make them attractive investments.

Frank de Hek, a partner with the Oaklins team in the Netherlands, says agriculture businesses offer PE firms three distinct advantages in today's market. The first is that they represent a good hedge for firms pursuing a diversification strategy, in part because agriculture businesses have a different cycle than the general economy. When the financial crisis hit, for instance, agriculture businesses didn't get hurt as badly as

other industries. Or, as de Hek says, "The world is becoming more global, and everyone needs to eat and drink. Generally speaking, there is less upside, but there is also less risk."

Secondly, the agriculture industry is quite fragmented, which coincides with the buy-and-build trend firms are pursuing for their portfolio companies. As Bain Capital notes in its 2019 Global Private Equity Report, "While buy-and-build strategies have been around for as long as private equity has, they have never been as popular as they are right now." The reason is simple: if done right — and that's a big if — they create value that make the current high deal multiples more digestible over the long term.

The last reason plays into the buy-and-build strategy. The emergence of artificial intelligence, data analytics and other digital innovations is professionalizing the agriculture industry in a way never seen before. The industry's professionalization comes as it loses older generations to retirement. Younger generations with the skills needed to run a 21st-century agriculture business are not filling the void, creating a leadership vacuum.

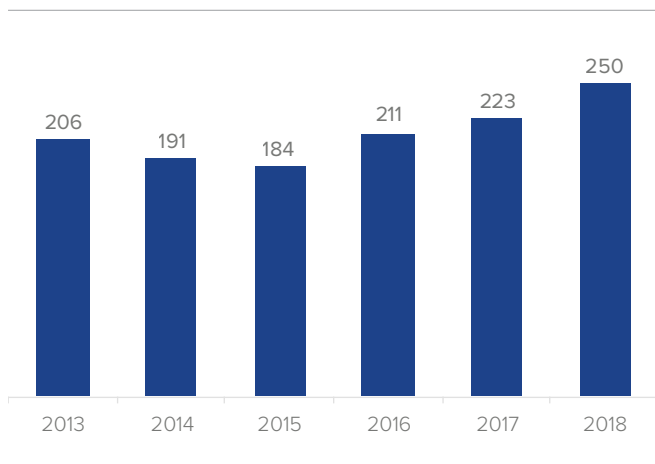
"A lot of companies have succession issues, so PE firms can make acquisitions with the possibility of installing their own leaders," says de Hek.

As the transaction graph below shows, M&A in the agriculture sector has increased in each of the past three years. This is expected to continue. The second graph shows that this is matched by an increase in the number of funds specialized in food and agriculture.

"As the global population grows, consumer and investor demands evolve and digital innovation advances, we anticipate more PE investments in agriculture businesses around the world."

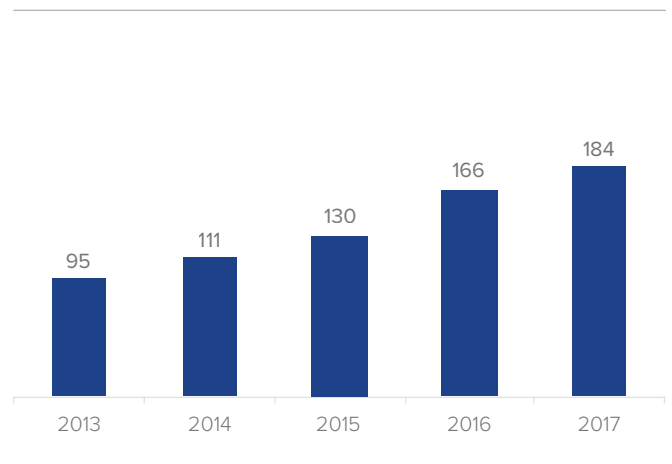
FRANK DE HEK
OAKLINS PE SPECIALIST

M&A activity in the agriculture sector in Europe and North America (in #of transactions)




Source: Mergermarket

Number of private equity and venture capital funds specialized in food and agricultural assets




Source: Valoral Advisors

A SELECTION OF RECENT AGRICULTURE TRANSACTIONS WITH PE INVOLVEMENT



has sold a majority stake to



M&A SELL-SIDE
Agriculture/Private Equity



has sold a majority stake to



M&A SELL-SIDE
Agriculture/Business Support Services/
Private Equity



has sold



to



M&A SELL-SIDE
Agriculture/Private Equity



has been acquired by



M&A SELL-SIDE
Agriculture/Private Equity



has been acquired by



M&A SELL-SIDE
Agriculture/Consumer & Retail/Private Equity



has been acquired by



M&A SELL-SIDE
Agriculture/Consumer & Retail/Food &
Beverage/Private Equity

DEALS BENEFITING FROM **DEEP INDUSTRY EXPERIENCE**

We stay on top of market developments because we love what we do. Private equity and agriculture are two of many industries where we have experts driven by a passion for their sector and ready to support you.

Our private equity transactions in the past five years

With over 500 active M&A mandates, we provide the leading private equity funds with tremendous deal flow. As global advisors with a local presence in over 40 countries, we work hand-in-hand with funds to realize great acquisitions and achieve remarkable exits.

Closed deals

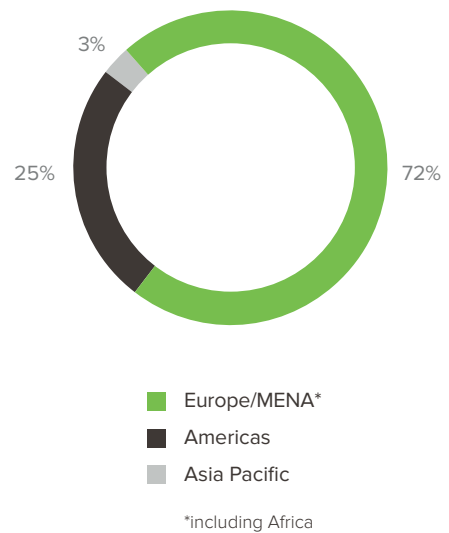
352

transactions closed
2014–2018

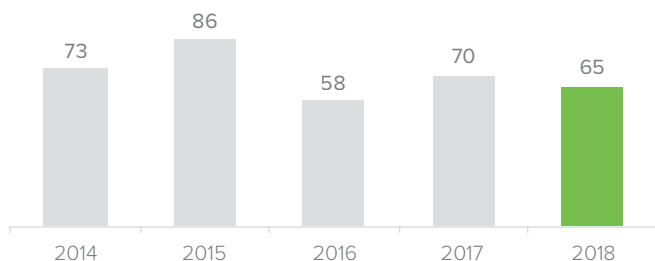
39%

cross-border transactions

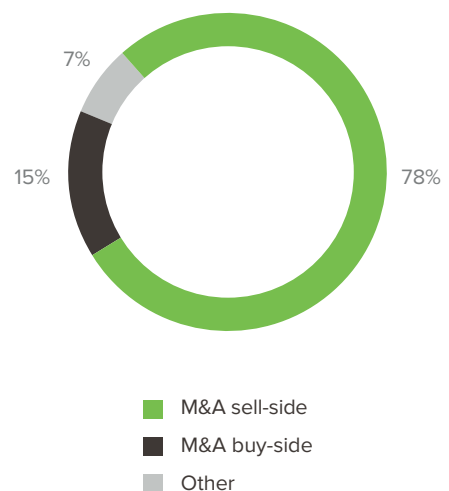
Geographic split



Number of transactions per year



Advisory role



Deep local roots, global commitment

Oaklins brings you opportunities from across the world and we meet you with our expertise wherever you are

OAKLINS OFFERS A COMPREHENSIVE RANGE OF SERVICES

- M&A advisory (buy- and sell-side)
- Growth equity and equity capital markets advisory
- Debt advisory
- Corporate finance services

Private equity is one of our focus areas. Combining comprehensive sector knowledge with global execution has led Oaklins to become one of the most experienced M&A advisors in the PE sector, with a large network of relevant market players worldwide. This results in the best possible merger, acquisition and divestment opportunities for PE companies.

If mergers, acquisitions, or divestitures of businesses or business units are part of your strategy, we would welcome the opportunity to exchange ideas with you.

OAKLINS ADVISORS FEATURED IN THIS PUBLICATION



✉ **FRANK DE HEK**

Partner

Amsterdam, Netherlands

T: +31 20 416 1303

Frank has advised many clients in the private equity sector and completed transactions with BC Partners, H2 Equity, AAC Capital, ABN AMRO Participaties, Standard Investment and Synergia, among others.



✉ **REED PHILLIPS**

Managing Partner

New York, United States

T: +1 212 651 2606

Reed has advised hundreds of media clients on M&A transactions for magazines, newspapers, events, market research, advertising services, information services, digital media, book publishing, and healthcare media and communications.

Go to www.oaklins.com/private-equity.html for a full list of private equity contacts.

Oaklins is the world's most experienced mid-market M&A advisor, with 800 professionals globally and dedicated industry teams in 40 countries worldwide. We have closed over 1,500 transactions in the past five years.

Oaklins disclaimer

This report is provided for information purposes only. Oaklins and its member firms make no guarantee, representation or warranty of any kind regarding the timeliness, accuracy or completeness of its content. This report is not intended to convey investment advice or solicit investments of any kind whatsoever. No investment decisions should be taken based on the contents and views expressed herein. Oaklins and its member firms shall not be responsible for any loss sustained by any person who relies on this publication.

© 2019 Oaklins. All rights reserved.

Oaklins is the collective trade name of independent member firms affiliated with Oaklins International Inc. For details of the nature of affiliation please refer to www.oaklins.com/legal.