

INTRODUCTION

A significant amount of investment activity in digital media content over the past three months has been in companies whose business consolidates related content across delivery channels. Just under a third (9) of the 31 digital media companies involved in transactions during the last three months have been in this category. The technologies for delivering content are maturing, both in terms of reliable function and in terms of how the consumer uses each delivery channel. This is causing investment/acquisition activity to shift toward content- and audience-centric models, which can leverage the same production capability across multiple delivery devices and channels. There was only one channel specific transaction (in online video) during the same timeframe.

THE TRANSACTIONS

Location – We’re in the Book!

There is a lot of interest in the “last mile” of local media—local advertising and content centers around local commerce. Four local online/offline yellow pages producers in different geographies were purchased by strategic or financial investors. Significantly, the strategic transaction (SureWest Directory acquisition by GateHouse Media, Inc.) represents a cross-channel local content player. GateHouse is a publisher of 423 community publications including both print and online offerings.

It is interesting to note that all of these transactions were acquisitions, showing that there is real current value associated with local media and advertising, and in separating the medium from the content. Now that telephone service is open to wider competition, the reason for local directory information to be linked to the local carrier has disappeared, but the merchant need for enhanced local directory listings remains, and can be combined with other local properties, as in the case of the GateHouse/SureWest transaction.

Interests and Affiliation: All Together Now!

Interest and affiliate groups unify the content provided by the other players in this market. It is telling that this area is more populated with venture investment, since this represents a new phenomenon: the ability to deliver the same content across multiple channels, independent of geography.

Three of the transactions were acquisitions serving South Asian expatriates, the corporate aviation industry, and gay and lesbian travelers. Four were private placements in companies aimed at people with chronic medical conditions, independent musical talent content and production, photo sharing across channels and multi-channel affinity content creation itself. LifeMed Media, Inc. is a particularly good example, with its integrated television, radio, online content and newsletter aimed at the chronic diabetes sufferer. Together these transactions represent the value the investment market is placing on businesses which can provide useful multi-channel content to specific groups.

CONCLUSIONS

As content production gets increasingly de-coupled from channels used to consume it, both existing content producers/owners and new entrants will need to have a seamless, multi-channel delivery capability, based on some audience-centric production capacity, rather than being tied to the delivery mechanism. We also think that in the long term this points to even the larger, more mainstream producers of all media (television, movies, traditional print media, music producers, etc.) distributing most of their content through companies that are specialized not by delivery technology, but by location or audience/affinity group. Opportunities for investors and entrepreneurs alike will concentrate on defining and delivering the content needs of a focused population.//

As reported from Capital IQ, Private Placement and M&A Transactions in the US, where the target company is classified as both “Media” and “Internet Software and Services”, during the 3 month period ending 14-Feb-07.

THE PAST THREE MONTHS IN DIGITAL CONTENT INVESTING



LAYNE AINSWORTH
Managing Director, Progress Partners

Layne Ainsworth is Managing Director of Progress Partners—“the Entrepreneur’s I-Bank”, a Boston-based firm that sources investment capital and executes M&A transactions for tech and new media companies. With more than 15 years in IT and business process consulting experience, Layne was one of the first private investors in the arena of contextual internet advertising (2000-onward). Layne was Director of IT for Sapient Corporation (SAPE), joining as its first employee in 1991 and staying until 2004. Ainsworth has a BS from Harvard, and is an MBA graduate with honors, Beta Gamma Sigma, of Columbia Business School and London Business School.
<http://www.progresspartners.com>

