



Expo Summit India

The economics of partnerships

May 2011

Mayfield Media

- Merger and Acquisition (M&A) specialists for the exhibition, events and publishing sector
- Strategic Business Development Consultants
- Operate worldwide
- Specialise in working with local entrepreneurs to create partnerships with international organisers

MMS

This Presentation

1. Factors affecting the value of an exhibition business.
2. Methodology behind valuations.
3. Maximising the valuation.
4. Current trends in valuations

Famous Sayings – Part 1

“I want £10m for my company - £1m for each year I’ve been running it”

UK organiser – March 2002.

(Pre tax profit - £450,000).

Famous Sayings - Part 2

“I’m retiring and I’ve worked out that I need \$15m so that I can do everything I’m planning to do”

US organiser – November 2010

(Pre tax profit \$1.1m)

Famous Sayings – Part 3

“A Business is worth what someone will pay for it”

Steve Monnington – Constantly

What are you selling?

- Number of years established has no relevance
- Amount of hard work (sweat) has no relevance
- Profit levels 5 years ago have no relevance
- Strength of Brand, market leadership and future growth are what matter,

Factors affecting valuation

- The size of the business - *critical mass*.
- Portfolio risk – *single show vs portfolio*
- Portfolio mix – *exhibitions vs publishing vs online*
- Maturity of the business – *early vs late stage*

Factors affecting valuation

- The historic growth trends – *exhibiting strong growth*
- Continuing growth potential – *leaving growth in the business*
- Strategic fit with the purchaser's business – *maximising the growth potential.*
- The Sector – *rapid change and development*

Factors affecting valuation

- The country of operation – *economic and exhibition growth*
- Competitive landscape – *market leader*
- The percentage that the seller is willing or sell (or the buyer is willing to buy) – *100% vs 50% vs 49%*
- Who the Purchaser is – *All purchasers use different valuation methods. Strategic worth.*

Methodology behind valuations

- Multiples x EBITDA
- Profit annualisation
- Add backs
- Generally Accepted Accounting Principles
- Pre-show/Post-show

Maximising the valuation - preparation

- Purchasers are buying the future
- BUT – they can only look at the past
- Previous 3 years of information is important
- Demonstrate that the business is well run – commercially and financially
- Logical company structure

Maximising the valuation - information

- Quality of budgeting and forecasting
- Contracted sales patterns – sales graphs
- Long term agreements where it counts
- Good financial data including KPI's

Maximising the valuation – the sale process

- Leaving growth in the business
- Best partner may not be the one who offers the most money upfront
- Added value is the key
- Do your research on potential international partners
- The importance of a formal process

Maximising the valuation – deal structure

- Percentage to sell
- Earn out Periods
- Ongoing involvement of former owner
- Options for sale of remaining shareholding

Current trends in valuations

- The move towards smaller, strategic deals
- Pre and post economic crisis
- Supply vs Demand - Shortage of good businesses = more competitive bids
- Multiples are increasing BUT
- Purchasers will not over pay



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