

# ENTERING NEW MARKETS

**Steve Monnington**, CEO of acquisition broker Mayfield Media Strategies, talks to ITE CEO Russell Taylor about the thinking behind the organiser's acquisition activity

**W**e often talk about the acquisition strategy of the international exhibition organisers forgetting that their very nature – a vendor deciding to sell their business and then deciding who to sell their business to – means that it is impossible for the purchasers to be in control and map out exact targets in advance.

However, given issues faced by ITE in Russia and Ukraine, the company will be happier than most with the success it has had with acquisitions over the last couple of years, which have strengthened their position in other key markets such as Turkey and laid the foundations for growth in new markets such as India, South East Asia and China.

I asked Russell Taylor, ITE's CEO, when it was that the group decided to embark on a strategy to reduce reliance on Russia by targeting new markets. "We started to focus on new markets in 2008 and initially did so by growing sector strength where we already had a presence," Taylor recalls. "Asia was always a target for us as ITE had already tried to launch in China a couple of times. However I do remember attending an UFI conference that highlighted the growth potential of the east, and that was probably the watershed moment."

The company's move into India started when it acquired Expomedia's business in 2009, followed by the acquisitions of conventions and fairs and a minority stake in leading Indian organiser Asian Business Exhibitions and Conferences (ABEC).

In 2013 ITE moved into Southeast Asia. Taylor explains the logic: "Southeast Asia was attractive because of its multiple markets and their collective potential for future growth. For a 'late to market' entrant like ITE it seemed to offer more (smaller) opportunities than, perhaps, the Shanghai exhibition scene."

ITE's first port of call in the ASEAN region was Malaysia with the acquisition of a 75 per cent stake in Trade Link, organiser of a number of industrial shows - Metaltech, Automex and Weldtech focused on machine tool technology and metal fabrication.

What was the thinking behind this as a first



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acquisition in the region?

"We fast became aware that what works in Russia does not always work in Asia," he says. "Because of the strong manufacturing base in Asia, metalworking/machine tool sector events are a much bigger part of their world. We knew we would have to operate in a different profile of events that work for Asian markets."

This was quickly followed by the acquisition of Asian Workboat and China Maritime, held in Singapore and Hong Kong together with a 50 per cent stake in Malaysian organiser ECMI, organiser of Cosmobeaute and Lab across Malaysia, Indonesia and Vietnam.

The ECMI acquisition partnership was seen as the main vehicle for the development of ITE's business in the ASEAN region and has resulted in a number of launches: Cosmobeaute in Myanmar and Thailand, Paperex in Indonesia and Oil and Gas in Myanmar.

This quick succession of deals, all taking place in the first four months of 2013 laid the foundations for

ITE's expansion into Asia and it established their Asia HQ office in Singapore. The acquisition of half of Indobuildtech, Indonesia's number one series of events for the construction materials sector in 2014 is ITE's largest acquisition in Southeast Asia, but creates yet another joint venture.

I asked Taylor if he thought that growth potential was compromised by having a number of parallel joint ventures in businesses that were targeting the same countries particularly where the partners are focused on the development of new projects. "It certainly hasn't inhibited development as you can see from the progress of ECMI, and we have benefited through having the local knowledge and skills of a number of different partners" said Taylor. "We are actually finding it opens up more opportunities for us through the capability to run events in different markets although it's true that joint ventures do slow up full integration and require a higher level of management involvement."

Southeast Asia is a crucial market but even market-leading shows are relatively small and are often constrained by the size of the venues. The real prize lies in China with its mega exhibition halls and, recognising this, ITE rounded off a busy 2013 with the acquisition of 50 per cent of Chinacoat, the largest coating and finishing show in Asia, held in Shanghai.

ITE has been successfully trading in Turkey since the early 2000s, and the company acquired two more market-leading events in 2014. In August it acquired Beauty Eurasia, which complements the Cosmobeaute brand, and just before the end of the year it bought Eurasia Rail. This further consolidates its position as one of the leading organisers in Turkey and brings them into transportation – a relatively new sector for the company. Unlike Asia, both of these were 100 per cent acquisitions reflecting the fact that their existing Turkish business is of a size to be able to immediately integrate further businesses.

Is there further expansion in Turkey? "We will look to develop our existing business and remain watchful for potential opportunities in areas of our industry expertise," he said. "I think Turkey has the potential for more growth in exhibitions through regional events and also from a venue expansion in Istanbul. I hope that at some point one of the mooted venue projects will develop."

ITE's final acquisition in 2014, the purchase of Breakbulk, was a departure from country-specific businesses and at up to \$42m, is their largest acquisition

since ABEC in 2012. Breakbulk is a global business for the cargo and logistics market. It comprises three major exhibitions in the USA (Houston), Europe (Antwerp in Belgium) and Asia (Shanghai in China) and a further three congresses in South Africa (Johannesburg), Turkey (Istanbul) and Brazil (Sao Paulo).

Taylor explained the reason for ITE's interest. "Firstly Breakbulk is a great business with lots of potential to expand in markets where we have relevant events and good experience. Secondly, it reflects an evolution of strategic direction for ITE – into developing our business down industry vertical lines rather than building strong market positions on a geographic basis. In line with this, we could well end up acquiring businesses in USA, Mainland Europe, Brazil or South Africa – if it makes sense from an industry portfolio perspective."

As the largest exhibition organiser in Russia, the political and military issues and resulting devaluation of the rouble have had a significant effect on ITE's business. Its investors' reaction to the exposure is seen by the massive impact on ITE's share price which fell



by 50 per cent in 2014. I asked Taylor why he thought that the fall was so dramatic. "Russia is our principle trading market and there has been a lot of uncertainty about its prospects following trading sanctions and an oil price collapse. All of these are reflected in the rouble's exchange rate and much of ITE's share price volatility relates to currency rather than trading results. Fortunately we have a great quality business in Russia, and we expect it to recover along with the oil price and the rouble."

I asked Taylor whether he expects to see expansion in 2015. "Asia remains high on our list of places to develop our business because of its potential for future growth and its growing trading relationship with Russia," he said.

"However, ITE could acquire businesses wherever it fits well into our plans for portfolio expansion." **EW**



Russell Taylor  
CEO, ITE Group