THE ACQUISITION TRAIL

WHEN OPPORTUNITY KNOCKS

Tarsus Group MD **Doug Emslie** talks to Steve Monnington about the thinking behind the organiser's global acquisition activity

> **"WE'RE ACCELERATING OUR LAUNCH PROGRAMME, TAKING OUR TURKISH BRANDS INTO OVERSEAS MARKETS"**

This month we focus on the thinking behind the M&A activities of the Tarsus Group, which helpfully labels its strategies for us so investors know what is likely to happen. In 2010, Tarsus announced its '50/13' strategy; to achieve 50 per cent of revenues from emerging markets by 2013. I asked Tarsus Group MD Doug Emslie about the thinking behind this.

"Our business is all about growth and we wanted to focus on markets that were in transition and therefore growing faster than the West," he explains. "At the time we identified a number of geographies to move into, including Turkey, China, South East Asia and Mexico which had larger populations, a growing middle class and a good exhibition structure and culture"

The UK-based organiser's biggest play in the last four years, in terms of acquisition spend, has been in Turkey. I remember a call from Emslie in late 2010 wanting to know the best way in. "We first started looking at Turkey in 1998 but decided that the timing wasn't right. However, in 2010 I saw that the market was moving and that if we didn't move quickly we would lose out. In hindsight our strategy was absolutely right as internationalisation happened very quickly."

The "best way in" turned out to be IFO, an Istanbul-based organiser that had all the attributes required for a platform deal. "We liked IFO because it had a varied portfolio of good market-leading industrial shows (Sign, Elevator Technology and Recycling). The owner wanted to retire in around three years time and there was a good management team below him, meaning we had a clear succession plan." Tarsus acquired 75 per cent and recently bought out the remaining stake.

Three further joint ventures followed with the acquisition of 70 per cent of Life Medya (housewares/giftwares), 70 per cent of CYF (flowers, construction) and 60 per cent of SADA (construction machinery). CYF was acquired through the IFO joint venture but, like SADA, is based in Ankara. I asked Emslie whether four parallel businesses in two separate cities without any obvious economies of scale created management issues.

"Not at all," he says. "We have a board that includes the four company heads, which means that we get show launch ideas coming from four different areas. There is a full-time dedicated manager based in London and we achieve economies of scale through a central finance department and with the shows cross promoting each other where appropriate."

As with IFO, Tarsus negotiated the terms for the buyout of the remaining shares for the other Turkish joint ventures at the time of acquisition. Are they prepared for the day when they will own 100 per cent of all of the businesses? "We have already mapped out how we will bring the businesses together in the long term and this will reflect the two separate locations," he says. "SADA and CYF already have co-located offices in Ankara."

I asked Emslie about his ongoing strategy in Turkey. "Turkey now represents just over 13 per cent of our total revenue so we are likely to allocate future acquisition funds to other geographies, especially given that we are now one of the top three international organisers in Turkey," he points out. "We will continue to grow our existing shows, and this is helped by the continuing expansion of the Tuyap exhibition halls. We are also accelerating our launch programme and we have started taking our Turkish brands into overseas markets. Now that we have made the investments, I think that this is the smart way to grow the business further."

While Turkey has yielded a number of quick wins for Tarsus and a number of other organisers such as Reed, UBM, ITE and Hannover Fairs International, everyone has found China a slower and more challenging place to build a business. Tarsus originally entered the China market in 2003 with Labelexpo, followed in 2008 by the

acquisition of 50 per cent of Hubei Hope, a company operating a diverse portfolio of shows in second-tier cities; not the most obvious starting point.

"I agree it's not where many organisers would start but at the time there were not many acquisitions available in the main cities," Emslie concedes. "We considered Hubei Hope to be a good opportunity because the other international organisers weren't focused on second-tier cities and we were able to buy out some local competitors in the medical sector. Overall we have achieved double digit annual growth since the acquisition."

It wasn't until 2012 that the next major acquisition – 50 per cent of AAITF, the Auto Aftermarket show in Guangzhou – came along followed by the acquisition of 50 per cent of SIUF, the Shenzhen-based branded underwear fair, in 2014. "Our China strategy has two strands. With China becoming a consumer economy we wanted to focus on sectors that service consumers, and both AAITF and SIUF fit into that category.

"Secondly, whereas labour costs are increasing at 20 per cent a year in the main cities, there is still surplus labour in the second-tier cities so we will continue our investment in manufacturing sectors there."

"I SEE MEXICO AS A PROXY MARKET FOR THE USA WITH MANY AMERICAN COMPANIES OUTSOURCING THEIR PRODUCTION TO MEXICO"

Like Turkey, the China business has a number of parallel joint ventures based in different cities. So is Emslie adopting the same approach to management as Turkey? "We have a similar board structure to Turkey but with one difference; the majority of our joint ventures don't have buyout terms so we won't own 100 per cent of everything in the next few years. Therefore, we have adopted a more corporate structure with a full time CEO in the country pulling everything together."

The environment for international organisers in China has become more difficult recently. The new 400,000sqm government operated venue in Hongqiao, Shanghai, has started flexing its muscles with a well-publicised head-to-head launch against UBM's furniture show after UBM refused the invitation to share ownership of its show. Tarsus hasn't been unscathed by aggressive venue tactics having to move their Auto Aftermarket show from the Pazhou centre in Guangzhou (which is under the same management as Hongqiao) to Shenzhen for similar reasons.

How does Emslie view the current political climate for international organisers in China? "China is a high-risk, competitive environment but the venue issues we are seeing are, I believe, an isolated issue albeit with a very influential venue owner/organiser. There is a definite desire from the Chinese government to encourage local organisers but I don't see this as a concerted attack on the internationals."

South East Asia was the next stop with Tarsus setting its sights on Indonesia. With more than 50 per cent of the total ASEAN region population, it has been cited as a hot market for international organisers and at the end of 2012, Tarsus acquired 51 per cent of PTIA, organiser of IIICE – the Indonesia International Infrastructure Conference and Exhibition – as its platform deal. The lack of follow-on acquisition opportunities has meant that the subsequent focus has been on organic development and Tarsus has leveraged a number of their other joint venture relations to help them.

"So far we have launched five new shows through PTIA in the last two years including Connect Expo-Comm as a JV with Krause, a geo-clone of GESS, our Dubai Education Show and a JV with DMG for its Big 5 show. We also formed a separate Joint Venture with Dyandra for the launch of our Housewares show Zuchex (from our Life Medya acquisition in Turkey) and AAITF from China".

Tarsus' joint venture in Mexico, with US organiser EJ Krause, came as a bit of a surprise. Having refused to play the M&A game in Brazil ("overheated both economically and in terms of M&A activity"), Tarsus saw Mexico in a different light. "I see Mexico as a proxy market for the USA with many American companies outsourcing their production to Mexico, meaning a closer integration," says Emslie.

Why didn't Tarsus follow the usual route of a joint venture with a local organiser? "EJ Krause is number one in the market with a portfolio of good industrial shows. We wanted a platform to launch shows and Krause wanted access new product and it was also interested in Indonesia, and we could give it this access via our PTIA JV".

The 50/50 partnership initially involved the buy-in to two Krause shows – Plastimagen and Expo Manufactura – followed by the launch of the Industrial Print Expo show and GESS.

Doug Emslie

"In terms of future strategy, we are looking for further expansion together and, if an acquisition opportunity comes up we would probably do this through the JV."

However it's not all about emerging markets. Emslie has been spending a lot of time in the USA. Last year Tarsus acquired HealthScienceMedia, organiser of the Cardiometabolic Health Congress, followed by South Beach Symposium, which is a leading event for Dermatologists, Plastic Surgeons and other physicians. "The medical sector in the USA represents a sixth of the county's GDP and is in transition from disease management to preventative techniques. We already owned a series of anti-ageing events and these acquisitions, covering Heart Disease and Cancer, together with the launch of Neurology events, gives us representation in the four main areas of preventative medicine."

One country that Tarsus has avoided is the UK. "We prefer the USA as a counter to emerging market risk. It's much harder to get sufficient scale to make money in the UK," says Emslie. The one exception to this was the recent acquisition of the 3D Print Show, although the primary reason to acquire this was to expand the show beyond its footprint in London, Paris and New York with seven launches already planned. In countries where Tarsus has no presence, such as Germany and Spain, these will be generic shows but elsewhere they will launch vertical events co-located with existing shows. "3D print is focused on applications in the Aerospace, Manufacturing and Medical sectors so we will be launching within Expo Manufactura in Mexico, AAITF in China and a medical 3D print show in California," he comments.

Having achieved the 50/13 strategy one year ahead of time, in 2013 Tarsus announced the next strategic phase 'Quickening the Pace'. "We have now established a footprint in the six geographies we initially identified – China, South East Asia, Turkey, Dubai, Mexico and USA. The next part of the strategy is to build on this with organic growth from the existing portfolio, replication of existing shows and bolt-on acquisitions to accelerate the organic growth."

Finally, I ask Emslie if he has anything radical up his sleeve. "We will stick to the strategy in a consistent and focused way and we don't intend to target any new territories. However, all of our activity to date has been opportunistic so if a game changing deal comes along, then…". **EW**

– Steve Monnington is the CEO of acquisition broker Mayfield Media Strategies