

THE DEALMAKER

As large mergers and acquisitions continue to make headlines, Steve Monnington takes a moment to reflect on the unprecedented wave of deals in 2018



There were three deals announced in the last few days of 2018. CloserStill Media swapped private equity partners, with Inflexion selling to Providence Private Equity for an enterprise value of £340m. Providence is CloserStill's fourth PE partner since its inception.

Reed broke its acquisition silence with a joint venture with Shanghai Forever Exhibitions, organiser of the Automotive Manufacturing Technology and Material show, China's leading automotive engineering exhibition. Industry sources say that the multiple was in excess of 13x EBIT which seems to be the expected multiple from most organisers in China these days. Reed also started the new year in style with the acquisition of Mack Brooks, one of the few remaining long-term family-owned businesses in a deal that has echoes of the UBM acquisition of AllWorld at the end of 2016.

ITE Group is investing further in the education sector with a \$1m investment in Learnit, a new event for global learning which will take place in the same week as Bett, which was acquired by ITE as part of the £300m Ascential Exhibitions acquisition made in May 2018.

These final acquisitions brought the total number of announced transactions in 2018 to 87, the highest number since we started tracking deal activity in 2010. There were also 53 different purchasers, which was a new high. The value of transactions was at its highest in 2018 thanks to the Informa/UBM deal. The trends over the last five years are shown below.

As well as the number of buyers increasing, the type of buyer has also changed. Back in 2012, the two main buyers were Reed and UBM. Adding in Informa for consistency – now that it owns UBM – between them they acquired 25 businesses,

which represented 36 per cent of the total transactions. In 2018 the comparative number was 11, which was 13.5 per cent of the total.

In contrast, the main private equity-owned organisers – Clarion, CloserStill, Comexposium and Emerald (which is still 65 per cent owned by Onex, despite being publicly quoted) – made no acquisitions in 2012 and peaked at 19 in 2017 (28 per cent) when they were in full acquisition mode, although this dropped to nine in 2018 as Clarion and Comexposium started to concentrate on larger deals.

There has also been a significant change in the geographical make up of acquisitions. Five years ago, the internationalisation of emerging markets was in full swing with private companies in Turkey, Brazil, Mexico, China and South East Asia being snapped up by the international organisers. Now, the emerging market activity has quietened down partly because of economic conditions in countries such as Brazil and Turkey and partly because there are very few good businesses to buy in those markets. In 2018, the majority of the transactions were in the UK and USA.

At the beginning of 2018, in my future outlook for *Exhibition World* magazine I wrote: "There is a combination of circumstances making 2018 the year to sell. A lot of committed buyers, relatively strong economic conditions in the world's major economies, even ahead of the uncertainties around Brexit, and good growth in most exhibitions generally making it one of the preferred sectors for investment.

What remains is for entrepreneurs to take advantage of this and make that life-changing money." This is exactly what has happened, and there are a few key drivers behind the doubling of the number of UK and USA transactions from 2014 to 2018 and

why this trend is likely to continue.

- Multiples have been at a high, originally driven by the competition amongst the private equity-backed businesses for follow-on acquisitions as they seek to deploy capital. With exit multiples for companies such as Comexposium and CloserStill up in the 14x and 15x range, PE can afford to buy small businesses at high single digit multiples – what we call multiple arbitrage.
- Although PE-backed acquisitions fell off in 2018, there are a number of private equity firms intent on entering the exhibition sector with serious amounts of capital to spend. We saw an example of this in December with Phoenix Equity (which originally invested in CloserStill and sold it to Inflexion) buying Nineteen Events.
- There are a lot of entrepreneurs who, over the last five years, have left the larger organisers to set up their own businesses. The large number of buyers and high multiples mean that many are considering selling earlier than usual. We are seeing several businesses coming to market that were set up three or four years ago.

The key transactions in 2018 were:

- The acquisition of UBM by Informa for approximately £4bn, with the combined business leapfrogging Reed to become the world's largest organiser.
- ITE's acquisition of the Ascential Exhibitions for £300m, which required a share rights issue to fund it.
- The acquisition of the NEC by Blackstone for approximately £810m.
- The acquisition of Pennwell by Clarion for \$300m, which was followed by 100 redundancies at Pennwell's head office and speculation that its publishing business will be sold.
- The changes in PE ownership of CloserStill Media (from Inflexion to Providence) and Questex (from Shamrock to Mid Ocean)

In terms of outlook for 2019, here are some things that I expect to happen:

- There will be continuing offloading of non-core exhibitions from some of the larger



“There has been a change in the geographical make up of acquisitions”

organisers. We already saw UBM sell a number of exhibitions at the end of 2017 and ITE sell its two Malaysian businesses plus a chunk of its smaller Russia shows and we know that Centaur intend to dispose of three of its main exhibition divisions.

- At least one more PE firm will enter the exhibition market, acquire a platform business and embark on a buy and build strategy.
- We will see an acquisition or investment from a non-traditional business, probably data-driven.
- Multiples will remain high, underpinned by the private equity buyers.

It looks like 2019 will be another busy year for M&A with no doubt a few surprises along the way.

