

# FINANCIAL REVIEW

**SE** Companies and Markets  
**HD** **D'oOh! ... A tale of two outdoor sales**  
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Inside the deal Confidence in the IPO process may not have served CHAMP as well as they'd hoped.  
CHAMP Private **Equity** lost a crucial bet on Melbourne Cup day.

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One of Australia's most renowned buyout firms was pursuing a dual track **sale** process for its outdoor advertising business oOh!Media, including talks with free-to-air television group Nine Entertainment. The vendor already had boutique **firm** Highbury Partnership, Macquarie Capital and JPMorgan in its corner.

On the day of the race that stops the nation, a meeting was scheduled at the Sydney office of Nine's adviser Greenhill & Co just prior to the starting gun. The parties sat around the negotiating table, while most leading executives sipped champagne at Flemington's flamboyant Birdcage Enclosure or one of many other functions.

Nine chief David Gyngell had flagged several times throughout the year he was keen on outdoor assets and this was the last major one on the block after Quadrant Private **Equity** had sold APN Outdoor to the public market a few weeks earlier.

Nine tabled an offer, believed to be just under \$400 **million**, to buy oOh!Media. Nine was confident it had arrived at the table with a fair bid, but another side of the story says the bid was flaky, non-binding and basically unacceptable.

Nine was told that CHAMP had an offer from another suitor worth more than \$400 **million**, with no strings attached. This was likely referring to interest from US private **equity firm** The Carlyle Group, which was also in the mix. Carlyle tabled an indicative bid, but in a stop-start trade **sale**, didn't get as far as complete due diligence.

The oOh!Media board went into the process with a preference for a float, unbeknownst to suitors, and it wasn't going to accept anything bar a bid that would shoot the lights out. The priority was to have a deal done in 2014.

CHAMP executives were not all that interested in negotiating with Nine. They were so confident in a potential initial public offering, they did not even take Nine's written offer – which conceivably could have been used as a bargaining tool with other parties – when they left Chifley about half-an-hour after the Cup's conclusion.

There was an 11th-hour attempt to re-engage with Carlyle, but the float was well under way.

oOh!Media's chief Brendon Cook and right-hand man Peter McClelland embarked on a roadshow that spanned Sydney, Melbourne, New Zealand and **Hong Kong** to front investors.

Herbert Smith Freehills provided legal advice on the transaction and KPMG steered the accounting work. A strange outcome

Fast-forward three weeks from race day and CHAMP's joint **lead** managers Macquarie and JPMorgan closed an institutional book-build for the oOh!Media float at 7.5-times forecast earnings before interest, tax, depreciation and amortisation, or an enterprise value of \$365.5 **million**.

While the details of any negotiations are a grey area, this is surely a strange outcome. What makes it even more curious is that Quadrant was able to sell APN Outdoor for 9.4-times EBITDA to the public market about a month prior to the oOh!Media book-build.

It appears CHAMP was outmanoeuvred by Quadrant's managing director Chris Hadley, who saw the value in beating CHAMP to the **sale** in order to dictate price.

The oOh!Media **sale** was led by CHAMP director Darren Smorgon and dubbed "Project Bradman" by the **firm** because when it paid around \$200 **million** to take the **company** private in 2012, it called the operation "Project Pigeon" in reference to the moniker of former Australian cricketer Glenn McGrath, who, while playing often drew the chant: "ooh ahh, Glenn McGrath." The **sale** name followed the theme and channelled the near-perfect Don Bradman. CHAMP paid another \$110 **million** to Ten Network Holdings in 2012 for outdoor business Eye Corp, which was folded into oOh!Media.

Unfortunately for CHAMP, the oOh!Media **sale** had a few bumps.

The major pitch from CHAMP and Quadrant revolved around the digitisation of billboards and signs, which makes outdoor companies more profitable because they are able to rotate ad inventory more quickly and efficiently.

The benefits of the digital investment are clear, with APN Outdoor and oOh!Media both generating strong earnings growth in recent years. Transactions in the traditional media space since 2010, not including APN Outdoor and oOh!Media, have been completed at an average multiple of 8.1-times EBITDA.

There is no doubt the market was suffering IPO fatigue at the time of oOh!Media's book-build last month. Floats like Aconex and Green's Foods were pulled around that time, while SurfStitch had to be repriced. There was also some bad news circulating on the loss of key contracts, which hit oOh!Media's earnings.

An indicative price range of 8.2- to 8.8-times EBITDA was set. Macquarie's pre-marketing suggested oOh!Media could be worth up to 9.8-times. The lacklustre debut from Medibank Private also didn't help investor sentiment. Despite offering shares at a significant discount to APN Outdoor, the book-build, held on November 27, was re-priced at 7.5-times. The float was well supported at this price and managed to attract some big investors, with Perpetual expected to be a substantial shareholder when oOh!Media lists on December 17. And nobody could question that CHAMP has put its money where its mouth is. The **firm** did not sell down into the IPO and will maintain 32.2 per cent of the listed entity, until at least after the release of oOh!Media's 2015 full-year result. This would give the indication they believe there is significant upside to come.

On numbers alone, CHAMP may have lost the Melbourne Cup wager with Nine and Carlyle on the valuation of oOh!Media. But like the big race the focus is on the horses that stay the distance.

<b>CO</b>	amezza : Castle Harlan Australian Mezzanine Partners Pty Ltd   aotdpl : APN Outdoor Group Ltd.   greeh : Greenhill & Co Inc   mcqbnk : Macquarie Group Limited   pitwo : OohMedia Group Ltd   qpeqpl : Quadrant Private Equity Pty. Ltd.   humant : Human Therapeutics Pty Limited   prvnw : APN News & Media Ltd
<b>IN</b>	iinv : Investing/Securities   ifinal : Financial Services   i814 : Banking   i81502 : Trusts/Funds/Financial Vehicles   i8150203 : Private Equity   i831 : Financial Investments   i83101 : Investment Banking   i838 : Advertising   iadv : Advertising/Marketing/Public Relations   ialtinv : Alternative Investments   ibcs : Business/Consumer Services   ibnk : Banking/Credit   imark : Marketing   imed : Media/Entertainment   ioutad : Outdoor Advertising
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