



## AllNovaScotia.com: Success or Anomaly? Epilogue

On June 24, 2013, readers of *AllNovaScotia* learned that co-owners David Bentley and Caroline Wood had sold 14 percent of the online publication to 12 existing employees and former colleagues. The story quoted Bentley as saying, "It is a great comfort to Caroline and I that the publication is now also in the safekeeping of the splendid team of journalists who work so hard every day to produce our content."<sup>1</sup>

The story offered a small peek inside the tightly guarded financials of the private company. According to the story, *AllNovaScotia* had 7,400 paying subscribers at the time of the deal. Subscriptions made up 75 percent of *AllNovaScotia's* total revenues, with the remainder coming from advertising. Shares were offered to 10 fulltime employees, as well as to columnist and former Managing Editor Kevin Cox and to Lyndon Watkins, former managing editor of the *Daily News*.

An evaluation based on seven times trailing earnings put the value of the company at \$2 million. Cox says he was surprised that the company was worth only \$2 million, though as a purchaser he wasn't going to argue that the price should be higher.<sup>2</sup> Previously he had heard that the valuation of an online news organization was typically \$500 to \$1,000 per subscriber. The \$2-million valuation suggested that *AllNovaScotia's* net income was less than \$300,000 a year. Bentley and Wood consistently refused to discuss the company's finances, but the \$300,000-a-year net income figure was consistent with a company that plowed profits back into the operation and that paid a salary to its owners. The new owners would receive an annual dividend of 6 percent on their shares, paid in monthly installments.

Cox speculates that Bentley sold shares to trusted employees to ensure that the editorial mission of *AllNovaScotia* would be upheld after his retirement. Managing Editor Judy Myrden

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<sup>1</sup> Janet Whitman, "News Team Buys Into AllNovaScotia.com," *AllNovaScotia.com*, June 24, 2013.

<sup>2</sup> Author's telephone interview with Kevin Cox on November 27, 2013.

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*This epilogue was written by Associate Professor Kelly Toughill and contributed to the Case Consortium @ Columbia. Prof. Toughill is a faculty member at the University of King's College, Canada. Victoria Cate May Burton provided research assistance as part of the Student Assistance Program at the University of King's College. (1213)*

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agreed. She was quoted in the story: “While we all felt committed to the publication before, this now makes us feel part of the company. When everyone has skin in the game, everyone is working that much harder at putting out a top-notch publication every day and revving up the company’s profitability.”

Cox also hopes that the equity deal will make the business less attractive to outside buyers. “David fixed it so that even if he wants to sell, even if he’s tempted, now it’s really hard,” says Cox. “It’s crafty, and really smart. He has removed temptation.”

Cox notes that *AllNovaScotia* seems to be changing as it grows. There appears to be more structure in the newsroom—understandable given how many reporters create stories every day. “When I was editor, I asked people at 11 o’clock what they planned to do and then checked at 4 o’clock to see if that was what they did,” he says. “I’m not sure you can run things that way when you start to get 10 or 12 staff, or more. Avoiding top-down management will be a challenge as they grow.”