

# News puts spotlight on emerging markets

by Oliver Cann

The running five-way battle between RTL, MTG, News Corp, SBS and CME to carve up Emerging European media markets moved to Turkey this fortnight, where News Corp last week was successful in closing the acquisition, along with its partner the local entrepreneur Ahmet Ertegun, of TV station TGRT for US\$98m. The seller was local conglomerate Ilhas Yahin Holding, which was advised by *Goetz Partners* in the transaction. News Corp used in-house advice.

Due to local media ownership rules, which limit foreign shareholdings to 25%, Ertegun, founder and chairman of Atlantic Records, will be the 75% owner of the company however News Corp will take operational control of the company and use its expertise and content to build the channel into a worthy competitor to Dogan TV, in which Deutsche Bank made an investment in 2005. The Turkish government is keen to revive competition in the country's media sector and country sources said that, even though the president vetoed an attempt by the government to lift foreign ownership above 25% last year, this status quo will not remain in place for long.

## News Corp shows faith

One banker told MediaFinance: "This deal shows News Corp's strategy, which is to go into the internet in markets where they buy a mature business, and to invest in emerging markets. Rupert Murdoch was very much involved in this along with Marty Pompadour. They don't believe in their core businesses any more, they don't deliver growth." However, News Corp was not alone in bidding for the asset. In an exclusive conversation with MediaFinance, Central European Media Enterprises (CME) CEO Micahel Garin admitted his company had also looked at the business and were indeed partnered with News Corp before pulling out in frustration at the sale process.

He said: "We partnered with News Corp and we had the opportunity to go back in with them because it [the sale process] was one of the most unprofessional processes I've ever been involved in. I have a lot of respect for Marty [Pompadour] for sticking with it through to the end."

## Where next for News?

Supporting the hypothesis that News is increasingly focusing on new emerging market territories is its recent investment in Polish Catholic TV station, TV Puls, plus its current attempts to woo Zygmunt Solorz-Zak, owner of national broadcaster Polsat, to sell him a minority stake to himself over RTL.

In this event, Murdoch is likely to come off second best, as Solorz-Zak, a Germanophile who does not speak English, is known to favour a sale to RTL above News Corporation, said sources. See our Poland file, Eastern Europe section, for more on this story.

## CME to focus on new media

Meanwhile, along with developing cable properties in Ukraine, Czech Republic, Romania and elsewhere, Garin said a lot of CME's focus will be on developing its online offerings within its geographical footprint, while it will take an opportunistic approach to further M&A.

"We expect to organically double our revenues and more than double our EBITDA in the next four to five years so we are in the position where we can deliver exceptional returns without having to look to M&A activity. I don't know any other media company that is on our position and it means we can take a more rigorous approach to M&A than other companies." Garin pointed to CME's acquisition of TV Nova in the Czech Republic as a model for its acquisition strategy, where targets must have a clear path to profitability mapped out in order for them to qualify as suitable candidates.

CME reported a 38% increase in revenues quarter on quarter between April and June and a growth in operating income of US\$37.2m to US\$44m. In the first six months of this year, net revenues increased by 71% while operating income grew by US\$55.6m to US\$60.2m as figures for TV Nova started delivering meaningful returns.

On the subject of M&A, Garin also commented that while there is currently a lot of interest among Western media companies in the region, only a few are serious competitors. There's a lot of talk but talk is cheap. Companies are looking but only a few are focused on making on doing serious business as opposed to offering a paid vacation for some of their employees.

Garin, whose contract as CEO was extended from 2008 to 2010 yesterday as the company announced its results, also admitted that while there remains attractive investment opportunities in the region, they are often difficult to win as the sellers tend to be powerful local media barons with whom negotiations can often be difficult. Should the right acquisition come along however, CME's low debt gearing, currently 1.2 x EBITDA, puts it in a good position to play a leading role, he said.

Pressed on whether or not CME might make another move in Turkey, he said: "This country remains very interesting to us - hopefully we can do something very soon."