

The Simba Report on Strategic & Tactical Intelligence for Directory Publishers

DIRECTORY PUBLISHING

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Directory Merger And Acquisition Activity At Unusually Low Level In First Half Of 1999

The first half of 1999 saw an unusually low number of directory-related mergers and acquisitions due to the fact that most of the available directory companies have already been bought by larger companies in recent years, two media buyers told RDP.

Only four directory mergers and acquisitions valued at a total of \$5 million to \$8 million took place in the first half of 1999, compared with 13 deals at an estimated \$40 million in the first half of 1998 and nine for an estimated \$155 million in the first half of 1997.

"The well is dry," said Baran Rosen, president of New York-based Whitestone Communications. "Right now the demand far outweighs the supply and although people are always looking to buy, there is not much action because there is very little out there."

Buyers are always interested in acquiring specialty directory companies because they have high operating margins, usually more than 20%, and these companies will be at a premium for the remainder of 1999, Rosen said, although he declined to predict if the merger and acquisition pace would pick up in the second half.

"The economy is too good right now--people are making money and having fun and are not interested in selling their directory companies," said Stephen Kerr, president of Business Marketing Consultants (Carlsbad, CA). Kerr said he is having a difficult time getting listings of directory companies that are for sale.

"When the economy has a downturn people get worried and look to sell," Kerr said. Right now there are virtually no directory companies for sale in the \$10 million to \$15 million range, because most of them have been acquired by the big conglomerates, said Kerr, who noted that what little directory business he now has is in the \$1 million to \$2 million range.



Directory Mergers And Acquisitions, Jan. 1 - June 30, 1999

(\$ in millions)

<u>Date</u>	<u>Company</u>	<u>Property Acquired</u>	<u>Price</u>
Jan.	Harris InfoSource	Database Publishing Co.	\$5.0 (E)
Feb.	IHS Group	CentOR Database	N/A
April	Grey House Publishing	Universal Reference Publications	N/A
May	Grey House Publishing	Int'l Directory Venture Capital Funds	N/A

E=Estimate

Source: Simba Information

In the first six months of 1999, only two companies changed hands. In January, Harris InfoSource (Twinsburg, OH) acquired Database Publishing Co. (Anaheim, CA) for an estimated \$5 million (RDP, February 1999), and Grey House Publishing (Lakeville, CT) acquired Universal Reference Publications for an undisclosed amount in April (RDP, May 1999).

Both acquisitions were designed to expand the reach of the acquiring companies in their markets.

The other acquisitions were IHS Group (Englewood, CO) buying the *CentOR Database* from CentOR Software and Grey House buying the *International Directory of Venture Capital Funds* from Fitzroy Dearborn.

SIIA Expresses Concern With Revised Database Protection Legislation

HR 354, Collections of Information Antipiracy Act, came out of a House sub-committee last month with several changes that raised some concerns from the Software & Information



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