



## PRIVATE EQUITY

### Reilly acquires two B2B publishers

by Richard Morgan

Updated 05:40 PM EST, Nov-10-2006

Business-to-business veteran Bill Reilly has not only returned to the market with a new financial sponsor, Wind Point Partners, but snagged two coveted B2B companies to form the core of his latest roll-up operation, Summit Business Media LLC.

Last week's announcement of Summit's formation also revealed that Reilly, the Primedia Inc. co-founder who'll serve as his new B2B company's chairman and CEO, had acquired both Erlanger, Ky.-based Highline Media LLC and Cleveland-based Pfingsten Publishing LLC. Although financial details weren't disclosed, sources put the total price around \$200 million, with about \$100 million attributed to each acquisition.

The acquired companies both had private-equity backing: Highline from New York-based Spire Capital Partners LLC, and Pfingsten from Deerfield, Ill.-based Pfingsten Partners LLC.

BMO Capital Markets represented Highline in the sale, while New York-based Jordan, Edmiston Group Inc. provided financial advice to Pfingsten.

Reilly was most recently associated with Aurelian Communications, which he formed a year after being bounced from Primedia in 1999. In 2002, with backing from Providence Equity Partners Inc., Aurelian acquired F+W Publications Inc., a publisher of enthusiast magazines and books based in Cincinnati.

Reilly's team sold F+W to Abry Partners LLC for \$500 million in August 2005, only to be sued by the Boston-based buyout firm for allegedly inflating revenues. But with the suit amicably settled in May for undisclosed terms, many thought Reilly would return to the B2B market as Providence's point man.

But that wasn't meant to be, as Reilly had set his sights on the small-to-middle market for his next media platform. "He saw opportunity in doing a lot of smaller deals," a source said.

Providence, with more than \$9 billion in equity commitments, targets investments from \$20 million to \$500 million — a much greater range than many of the under-\$20-million transactions Reilly and Wind Point plan to pursue. Hence the split, which a source pinned on business strategy rather on relationship issues between the operator and his financial sponsor.

JEGI, meanwhile, saw a parallel between Reilly's refined vision and Efrem "Skip" Zimbalist III's Active Interest Media Inc. El Segundo, Calif.-based AIM, formed in October 2003 with backing from Wind Point., currently publishes a dozen enthusiast titles ranging from American Cowboy to Yoga Journal.

The investment bank, which was already representing Pfingsten in its sale, not only brought Reilly and Wind Point together but encouraged them to acquire Highline after quietly wrapping a deal with Pfingsten.

The simultaneous announcement of both deals, which technically closed within four days of each other, gave real credibility to the assertion by Wind Point managing director James TenBroek that a Reilly-run Summit would emerge "a major force in the business-to-business information community." Wind Point, with \$2 billion in capital under management from offices in Chicago and Southfield, Mich., also said it plans to fund product launches by Summit as well as finance roll-ups.

Highline president Andy Goodenough and Pfingsten president Joe Bennett are expected to join the Reilly's team, which includes Aurelian stalwarts Eric Baum, Linda Constantine and Reilly's son Anthony. Reilly said the acquisitions gave his team plenty of synergies to exploit.

"Highline has a very strong position in electronic publishing, while Pfingsten has significant experience in trade shows, conferences and seminars," he said. "The fact that both are information providers to the insurance industry, for example, is a major plus."

Highline, with sales around \$50 million, focuses on the insurance industry. Pfingsten with sales around \$40 million, produces publications for insurance brokers, and the home decorating and construction industries.

Reilly called the two companies "classic affinity marketing businesses" that rely on print products for much of their media mix. Yet he also noted that print accounted for "only a little over 50%" of combined sales.

The Summit acquisitions extend a red-hot mergers-and-acquisitions market for B2B properties — a market that last week had Penton Media Inc. being acquired by Prism Business Media Inc. for \$530 million in cash. Whitestone Communications, a media M&A advisory firm, recently estimated 148 third-quarter deals in the publishing, information and training industries, which represented an increase of what the firm called "a sizzling 42% over last year's third quarter total of 104, which itself was up 35% over the same period in 2004."

When asked to account for the activity, **Michael C. Alcamo** of New York-based media boutique **M.C. Alcamo & Co. Inc.** said private equity was busily consolidating the sector in anticipation of "growth coming from economies of scale and from online or electronic publishing."