

# Digital Out-Of-Home

## The Best Kept Secret in Media

words by J. Jefferson

Or so says Jason Pinto, a partner at Amadeus Capital, the company that recently participated in the \$18M funding round of global digital signage software provider EnQii Media. For him, whilst everyone else in the investment industry is talking about digital media opportunities on the internet, his firm has been lucky enough to get involved in an even more exciting industry - that of providing the infrastructure for the rapidly growing Digital Out-Of-Home industry.

This was just one of the many insights from The Screen Forum's Investor Conference, held alongside ScreenMediaExpo 2009 in London. The conference, held on the morning of the 8th April, featured some of the leading financial figures from the UK DOOH investment market. As Richard Cobbold, Chairman of The Screen Forum (and a director of conference sponsor Digital View Ltd) described, 'all with practical, relevant and recent experience of either founding, investing, merging, exiting or running real businesses in our industry'.

That collection included Brian Dusho, CEO of BroadSign Inc. Brian's cautionary tale explained how BroadSign built themselves up for an IPO in 2007 - only to be left stranded by impossible market conditions and having to go back to existing investors. His story showed the dangers inherent in leveraging a business for IPO, when the outcome is never certain. BroadSign have an enviable business, over 26K software licenses on recurring revenues and over 140 customers globally - but the fund raising process had not only forced huge costs on the business, but also proved huge distraction for management.



Panel Insight - Martin Cunnison, Henry Scott, Brian Pohl, Andy Collins, Jason Pinto, Andy Tsao...

Following on Brian Pohl, an active investor and follower of the digital signage market, presented a range of slides showing how the listed digital out of home companies' share prices were suffering in the current downturn. He showed how the investment cycles in most of these companies was already approaching 5-6 years, and how still there were very few 'strong' exits to point to. In his opinion right now was a tough time to be talking to private equity and venture capital providers - whose current view of valuations and exit timescales is extremely cautious, and for many of whom the 'new' concept of 'profitability' has been added to an increasingly long list of basic conditions.

Andy Collins, from media corporate finance advisors Results International was more positive and, said that although things were tough - there was still plenty to play for. He felt that with the low exchange rates, the £ offered real value to overseas investors. He also suggested that other larger media companies were still interested in building up their exposure to this 'growth' market - even if they were cutting staff and operations in other areas. The main thrust of his presentation however was that equity investment and IPO is not the only route and that there are plenty of different angles to explore. From Angel finance, to new UK Government schemes to back business (with guaranteed loans upto £1M), to merging with other businesses, to supplier and customer trading arrangements. Its all about the numbers and the team - and that the right people, the right vision, and being able to show real financial rigour would still secure suitable backers, even in this market.

Andy Collins and Richard Cobbold then lead a fascinating panel session with Jason Pinto of Amadeus Capital and Andy Tsao of Silicon Valley Bank. Amadeus Capital and Wellington Partners recently collaborated to invest upto \$18M in EnQii Media, and EnQii recently added to these funds with a \$3M credit line from Silicon Valley Bank.



(Above Photo, Left to Right) - Brian Pohl, Vincent Letang, Brian Dusho, Richard Cobbold

Both Jason and Andy Tsao were eager to say that their organisations were very much still open for business, (though for Jason - Amadeus had now made 'their investment' into this sector and so would not be actively looking for more). They did however feel this industry offered real potential, a fact that was only just now being recognised by the investment community. What the market needed to really fly though, was a good, strong EXIT. As for when that might be, the only answer was 'hopefully soon!'. Technically they both also commented that deals were getting harder to do - with valuations low and a lack of debt and appetite from other partners for syndication - they were faced with being left with too significant equity stakes, and therefore to greater risk too participate.

This later stage funding panel was followed by a panel more focused on the early stage - the first £1M. On this panel, Henry Scott of highly acquisitive UK media specialist Simply Media and Martin Cunnison, an advisor to the angel investor and structure finance market - both gave their view of the options available to smaller companies. Henry Scott's Simply Media has been involved in more than 11 transactions in the last 18 months - and his viewpoint was that the industry needed to come together to deliver a more usable experience for customers (and of course a more profitable experience for providers). Simply are still actively looking for ways to scale their business, and he was clear that he would talk to any company that could prove it had a digital out of home proposition that really added value to the consumer and the location (though it would inevitably lead to them taking a majority stake)

For Martin Cunnison the challenge was more related to presentation - he felt that the money was there, but that most small companies don't have any idea how to present themselves in a way that allows external investors to get on board. For these his solution was to approach the pool of entrepreneurs out there who have already made some money, who are keen to get back into a business and who understand the challenges associated. These individuals are more comfortable with risk, are likely to be more flexible with regard to how the money is invested (as equity, loans, structured finance) and are also likely to add more value to a start up than a private equity fund can.

In summing up the morning - Richard Cobbold turned his attention to the audiences opinions. The majority of 60-odd present were involved with external investors and around one third of them were actively looking for finance. Only one company in the room had raised more than £5M - and that was EnQii Media, and when CEO Ajay Chowdhury was asked why he felt EnQii had succeeded - his modest reply was simply 'luck'.

Well we say that you've got to make your own luck. The morning showed that the industry is now at least on the radar of the major funders, that you don't have to go to the USA to raise significant sums of finance, and though it might be tough out there - where there's opportunity, the money still flows.

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