

3i completes Local Press sale

3i has sold its stake in newspaper publisher Local Press, owner of the Belfast News Letter and Derry Journal, to Johnston Press in a deal worth €96m*.

The sale was an excellent result for management and 3i – 3i received proceeds of €59m, representing a money multiple of 1.7x, and an IRR of 39% on its original investment.

Historical roots

Local Press came into existence in January 2004, when 3i completed a management buyout of the Trinity Mirror Group. Trinity Mirror was selling its shares in Century Press and Publishing Ltd and The Derry Journal Ltd and 3i and management set up Local Press to buy them.

The combined business publishes a total of seven newspapers in Northern Ireland and the Republic of Ireland. These include the world's oldest continuously published English language newspaper – The News Letter In Belfast – first published in 1737; The Derry Journal and the Donegal Democrat.

Regional press is the second largest recipient of advertising spend in the UK after television and has increased its share of the market every year for the past ten years. This trend is expected to continue as advertisers become increasingly sophisticated at reaching their target audiences.

An influential backer

3i was one of a number of private equity and trade buyers invited to bid for the business in a formal auction organised by UBS Warburg. It was selected as the preferred partner by management because its bid was backed by David Montgomery, who purchased the titles when he was chief executive of the Mirror Group. Montgomery has a high profile in Northern Irish media circles and was able to establish a rapport with the management team. The team was also impressed by 3i's track record in the media sector and its ability to fund potential further acquisitions.



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Raising profits

During the lifetime of its investment 3i worked closely with the management team, led by CEO Jean Long, to implement a profit improvement programme. Ken Beaty, partner UK buyouts, 3i, explains: “David Montgomery came on board and worked with the management team to develop a profit improvement plan. We then put the right team in place required to make the changes.”

A new finance director was sourced through 3i's network and a manager was appointed to head up Local Press' advertising division. In April 2004, 3i introduced a new chairman, Alan Cornish, to the company.

Cornish is a retired CEO and CFO and has held senior positions with Eurobell, Deutsche Telekom and Hilton International. Ken Beaty also joined the board as a non-executive director.

In only 20 months the team reduced costs, improved operational efficiency, and increased advertising and contract print revenues. As a result, profits rose by more than 50% over the same time period.

A strategic purchase

During the sales process, 3i met several potential acquirers before being approached by Johnston Press. Johnston had just acquired Score Press – a rival to Local Press – and wanted to establish an even stronger foothold in the Northern Ireland newspaper industry.

Alan Cornish, chairman, Local Press, said: “3i has been a valued partner over the last 20 months and has given us strong support to develop the business. The timing of this sale to Johnston Press is right for both businesses and will create a major force in the regional newspaper sector in Northern Ireland.”

**Converted at a rate of £1 = €1.47*

For more information about Local Press, visit: www.trinitymirror.com



www.3i.com