

New Media Force: Bono and Friends Splash Out On Forbes

“As a rock star, I have two instincts, I want to have fun, and I want to change the world. I have a chance to do both.”

-U2's Bono

Question: What do Bono and conservative Forbes Magazine have in common?

Answer: They're in business together.

Last month was another defining moment in the future of media. Elevation Partners, a Silicon Valley investment team, acquired a significant minority stake in newly formed Forbes Media, LLC, publisher of signature magazine of the New York-based Forbes media empire. According to reports it was for 40%, for \$250m.

Those familiar with California's Bay Area music scene will be aware of The Flying Other Brothers band. Call it VC rock (Venture Capital).

Media Empire Building Blocks	
Old Media	New Media
20th Century	21st Century
Analogue Broadcast	Digital/Internet Protocol Format
Centralised	Distributed: Personal/Portable
Daily-Weekly	On-Demand 24X7
Secure, Authorised Instalments	Time-shifted, Piracy Issues

Roger McNamee went out and did the next best thing. A long standing venture investor in his day job, he formed Elevation Partners investment group, along with other Silicon Valley finance and technology veterans from Apple and Electronic Arts. Then he drafted U2's Bono into the firm.

After nailing \$1.9 billion in committed capital, Elevation started a process that will likely rock the media establishment for quarters to come. The mission? "To help media and entertainment businesses develop and market great content, take advantage of new platforms and channels, and address demand in new geographies."

The post-Internet content empire build-out has begun.

So what did Elevation really acquire? Substance. Substance and content, as they would say. The eighty-nine year old Forbes institution has a circulation 900,000 and 15 million unique web visitors per month. With 50% annual revenue growth, it has surpassed rivals BusinessWeek Online and CNN Money. Steve Forbes, president and editor-in-chief applauds the deal and calls Elevation "the right partner at the right time."

It's a race to stay ahead of the curve. How much higher will Elevation lift them? The future looks extremely bright to ever-ebullient McNamee. He believes print media business is being reshaped by new technology and seeks to further Forbes' early online success and capitalise on new opportunities opened up by Internet technology. Forbes is open-armed because the new arrangement ushers them further into the 21st century with the new media

vision and muscle of Elevation culture.

Other Empires

The Forbes deal echoes a plethora of recent mergers and acquisitions in the changing media industry. Vivendi's Houghton Mifflin was acquired jointly by Thomas H. Lee, Bain Capital and Blackstone (\$1.66 billion) and Reuters has reported that investment firms may be considering ways to acquire landmark publishers Penguin, Simon & Schuster and HarperCollins.

Other broadcast-related empire building has been hinted at in a DirecTV-EchoStar merger. The DirecTV-EchoStar joint venture, Wireless DBS, has been reportedly aggregated \$1 billion for spectrum purchase from the Federal Communications Commission's auction of 1,122 wireless licences. The context and scale of the auction is impressive. DirecTV Group alone had 2005 revenues of \$13.2 billion and the US federal treasury will likely receive between \$6 billion and \$20 billion in auction revenues.

MySpace and Beyond

In the changing news media business, look for new winners and losers. In the US, in 1984 newspapers had 63m subscribers (to 1,688 papers) that has dropped to 45 million (1,457 papers) this year. Nonetheless, revenues are significant. The question seems to be whether those managing traditional print businesses can diversify in time because the morphing business model requires investment, risk, and courage to seize the elusive future.

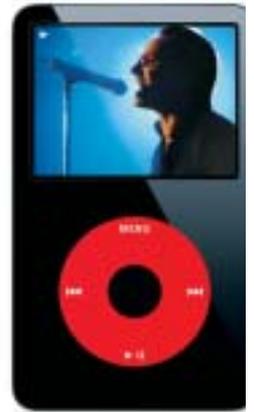
The new social networking upside is a good example, on a roll this year and already generating RoI for some. The rewards? Murdoch's \$580 million gamble on the purchase of MySpace in July 2005 is already expected to be an impressive future earner, beyond his satellite investment and other assets (it's ranked by some as the fourth most popular English-language website in the world!). This summer, an early pay off came in the form of a multi-year contract with Google who agreed to pay roughly \$900 million to deliver search and advertising features to the MySpace website.

Not Your Father's Internet

The pace of change in which media empires will rise and fall is a blur. Like the Incredibles' son Dash in the Pixar animated movie, we'll need to slow down the replay to see who's gaining, who's retreating, and who's putting a tack on the teacher's chair when no-one's looking.

As McNamee paints this new world in *The New Normal*, his book on innovation ahead: "Finally, after decades when most technological innovations were directed at the needs of corporations, the cool stuff is aimed at us. In the new normal, consumers are the beneficiary of the most dramatic technological advances."

May the force be with you, because, to paraphrase: "This isn't your father's Internet".



Not having quite attained the lofty superstar peaks of bands such as U2, guitarist



About the writer

Howard Greenfield is an industry strategist and columnist who has held senior management and consulting positions with Sun Microsystems, Informix Software, BT and Apple Computer. He is a frequent contributor to industry publications. Howard received his Masters degree from Stanford University. howard@go-associates.com.

