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SBS buys C More from buyouts

by Patricia Koza Posted 02:42 EST, 9, Feb 2005

C More Group AB has come a long way since 2003, when then-flagging French media company Vivendi Universal SA pawned the Swedish pay-TV broadcaster off to buyout shops Baker Capital and Nordic Capital.

Since then, its New York and Swedish owners have built it up and on Wednesday, Feb. 9, announced C More's sale to a top Scandinavian radio and TV broadcaster for €269.9 million (\$345 million) in cash, making nearly 4 times their investment.

C More holds the Scandinavian broadcast rights for most national and international sports properties, including the English FA Premier League, the Italian Serie A, the top soccer leagues in Sweden and Norway, the premier Swedish ice hockey league and the U.S. National Hockey League. The company also has exclusive film output agreements with most Hollywood studios.

C More's buyer, Luxembourg-based SBS Broadcasting SA, formerly Scandinavian Broadcasting System, was lured by the successful rollout of digital terrestrial television in a still relatively immature market. The trend is expected to prompt further consolidation in the region. SBS will itself present plans for its digital TV plan rollout next month.

C More reported 2004 sales of €181 million and has added 100,000 new subscribers in the past two years, owing to a refocus of the channel format to prime-time scheduling and premier sports. Its six Canal+ channels in Sweden, Norway, Finland and Denmark now have 770,000 subscribers. Revenue has grown at an average annual rate of 25% over the past three years, and C More remains free of debt. In fact, the purchase price includes €20 million in cash.

The two buyout firms, which each hold about half of C More, acquired the previously named Canal+ Television AB in 2003 from Vivendi for €70 million cash.

Baker paid under 5 times Ebit for C More and is selling the company at more than 25 times Ebit, said Rob Manning, a partner at the firm. Baker's initial investment in C More was €35 million, which Manning said will yield €125 million.

Nordic and Baker, which specializes in investments in global digital communications businesses, had agreed at the time not to leverage the acquisition to maintain a strong balance sheet.

The private equity firms received interest for the property before the deal even closed, Manning said. "We've truly been in talks since the day we bought the assets," he added.

At the time, the Scandinavian marketplace for commercial television was immature. "Commercial TV was introduced very late, and it was not until 1994 that they had non-government-owned television," he said.

Penetration of pay TV in the Nordic market remains far below that of more mature segments in Western Europe, giving greater opportunities for expansion, said Anders Hultin, a partner with Nordic Capital.

SBS, which has interests in 11 TV stations and 53 radio stations in nine European countries, used its wholly owned Swedish subsidiary, Kanal 5 Holding AB, as the vehicle for the purchase, which is expected to close in the second quarter following regulatory approval.

Baker Capital and Nordic Capital used John Krumins of Morgan Stanley for financial advice and turned to Vinge's Johan Göthberg for legal advice.

SBS used a New York-based investment banking group from SG Cowen, including Mark Leavitt, managing director and head of the media and communications group; Peter Lombard, managing director and head of media and communications M&A; Robert Cockburn, director; and Grant Grava, vice president. Its legal advice came from New York-based Freshfields Bruckhaus Deringer's Simon Merchant and associate Kuljit Ghata-Aura. Swedish legal advice was provided by partners Lars Ulrichs and Erik Swartling of the Stockholm firm of Hammarskiöld & Co.