

ITV banks hope on networking site

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Few can resist the temptation to find out what a former classmate is up to these days, be it an old flame or the prom queen who never even acknowledged your existence when you were a pimply youth.

It's easy enough too to gratify those urges with the slew of Web sites that cater specifically to the needs of those looking up former friends and foes from school such as reunion.com and facebook.com.

So perhaps it comes as no surprise that companies are seeking to expand their portfolio regarding such online networking sites as a good business opportunity -- at least that is the case with British broadcaster ITV.

The company announced Tuesday that it would buy out Friends Reunited, one of Britain's most popular online alumni networking groups, for \$208.01 million as it seeks to diversify beyond its core operations.

"The acquisition is part of a strategy to build content based businesses which create and monetize direct consumer revenue for ITV. ... The acquisition makes ITV's family of sites the largest UK-owned commercial online business and will deliver key immediate benefits," the company said in a news release. It also pointed out that together, ITV.com and Friends Reunited will become Britain's eighth-largest online group "in terms of unique users, with only search and access portals such as Google, MSN, Yahoo!, eBay, and license fee funded portal BBC Online ranking higher."

In short, ITV's consumer team director, Jeff Henry, said, "This deal combines Britain's most popular commercial broadcaster with some of Britain's biggest Web sites and most popular content online. Together they give ITV an unmatched commercial presence in the UK on television and online."

Some industry analysts have questioned, however, whether ITV would actually be able to integrate its recent purchase with its broadcasting business -- and if in fact the investment will pay off. But in a media phone conference following the announcement of the deal, ITV Chief Executive Charles Allen said, "There is no panic buying here," despite growing concerns that media groups including television companies have been suffering from sluggish advertising revenue in recent years and have been seeking to make up for those losses elsewhere.

Furthermore, ITV said it will pay up to \$95.34 million by 2009 depending on whether the site meets its performance target or not. Friends Reunited is expected to rake in revenue of \$21.49 million this year and \$32.42 million in 2006.

Speculation has abounded for the past few weeks that Friends Reunited would be bought out by a media giant, including publishing groups Trinity Mirror and Daily Mail & General Trust.

Certainly, since it was started up five years ago by a couple at home, the company has surged to become one of Britain's most popular Web sites. The company states that it has 15 million registered users in the country, or about half of all adults who go online in Britain, with 1 million paying subscribers who get access to the company's premium sites.

Yet however the company evolves from here on out and whether or not ITV will be able to make a profit out of its purchase, it is clear that there are at least two winners from the deal: namely, the two co-founders of

the Web site.

"When we started Friends Reunited in our spare bedroom in July 2000 we had no idea that what began as a hobby would gain phenomenon status, let alone develop into a family of successful Web sites. However, as the business is now run by Michael (Murphy, chief executive of the company) and the management team we brought three years ago and the business is all grown up, it's time for my wife Julie and I to let go knowing it's in safe hands," said Steve Pankhurst, co-founder of Friends Reunited.

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