

# Meredith buying Time Inc. for about \$1.8 billion (Update)

November 27 2017

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This March 11, 2015, file photo shows the Meredith Corp. headquarters building in Des Moines, Iowa. Meredith Corp. said Sunday, Nov. 26, 2017, that it is buying Time Inc. for about \$1.8 billion in a deal that joins two giant magazine companies. (AP Photo/Charlie Neibergall, File)

Magazine and broadcasting company Meredith is buying magazine publisher Time for about \$1.8 billion, with help from the billionaire Koch brothers, to bulk up on readers as the publishing industry navigates the difficult transition to digital from print.

Iowa-based Meredith Corp. owns 17 TV stations that reach 12 million U.S. households. Its women- and lifestyle-focused magazines and websites include Better Homes & Gardens, Family Circle and Allrecipes. Time Inc., based in New York, has publications including Time, Sports Illustrated, People, Fortune and Entertainment Weekly.

Including Time's debt, Meredith values the deal at \$2.8 billion.

To get the deal done, Meredith got \$650 million in financial backing from the private equity arm of Koch Industries, the energy conglomerate of the billionaire brothers Charles and David Koch, known for their advocacy for conservative causes. The Koch investment has raised eyebrows in media circles. The company said that the Koch brothers would not influence editorial operations, however. Meredith CEO Steve Lacy said on a call Monday morning that the company had not wanted an investor who would want to help run the business, so it went with Koch for financial aid because of their desire to be "passive" investors and because they didn't require a board seat.

A Koch representative did not answer questions about why the company was interested in media but said Monday said that the investing arm, Koch Equity Development, was making a "passive financial investment" that doesn't include board or management representation.



In this Nov. 16, 2017, file photo, an issue of Time magazine is displayed on a New York newsstand. Magazine and broadcasting company Meredith is buying magazine publisher Time for about \$1.8 billion, with help from the billionaire Koch brothers, to bulk up on readers as the publishing industry navigates the difficult transition to digital from print. (AP Photo/Mark Lennihan, File)

Combined, the media companies posted \$4.8 billion in revenue last year. Meredith says together they will have 135 million readers and 60 million paid subscribers. Meredith says the deal strengthens its appeal to advertisers as the media industry consolidates, and it may buy more properties. But the company will also evaluate whether to sell any magazines after the Time acquisition closes.

Meredith also expects to cut \$400 million to \$500 million in costs in the first two years of operation as a combined company, which potentially means layoffs.

Time is trying to shift to a digital strategy, but it has struggled. It posted two straight years of annual losses and its revenue has declined since it split off from Time Warner in 2014. Analysts expect a return to profit in 2017, however. Meredith has fared better.

Meredith will pay \$18.50 per share in cash for Time's nearly 100 million outstanding shares.

Meredith shares climbed 11.9 percent to \$68.25 in afternoon trading, while Time stock added 9.3 percent to \$18.48.

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