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TIME OUT: A NEW GLOBAL STRATEGY TO BRING BACK PROFIT

Julio Bruno, chief executive officer (CEO) of United Kingdom-based Time Out Group PLC (Time Out), had been busy since overseeing the company's initial public offering (IPO) in June 2016. From his office in the heart of London's West End, Bruno, 51, reflected on this recent success. The IPO, which had been achieved in an eye-catching two and a half months, had raised much-needed capital for investment and growth, and all eyes were now on Bruno.

Before the IPO, the company had reported adjusted earnings before interest, tax, depreciation, and amortization (EBITDA) losses of £5.5 million[1] in 2014 and £12.4 million in 2015. Revenues had been flat in traditional areas of print advertising and circulation, and they were falling slightly in international licensing. However, there was momentum in new market areas: digital advertising and e-commerce revenue had grown 19 per cent, to £11.7 million, between 2014 and 2015. In addition, the company had recently launched a physical Time Out Market in Lisbon, Portugal, and this had seen revenue growth of 67 per cent, from £1.2 million to £2.0 million, between 2014 and 2015.

Now, with £59 million in proceeds from the IPO to invest, Bruno needed to decide how he should lead the newly public company back to profitability. How should he balance foreign direct investment in physical Time Out Markets around the world with investments in digital transformation and the company's global online presence?

TIME OUT GROUP: BACKGROUND

Time Out began as a print publication created by student Tony Elliott with £70 during a summer break from Keele University in 1968. The first two issues were folded-down posters that Elliott distributed himself on the streets of London. By its third issue, the publication had become an A5-sized saddle-stitched magazine. Time Out's contents included information about the events Elliott considered to be the best among those happening in London during the late 1960s. Bands such as the Animals, the Who, the Beatles, the Kinks and the Rolling Stones were in their prime, and London was seen as the epicentre of all things "hip and

[1] £ = GBP = British pound sterling; all currency amounts are in £ unless otherwise specified; £1 = US$1.33 on June 30, 2016.

fashionable." As well as cultural content and listings about events, the magazine also had articles on the issues of the day. The magazine, which evolved into a weekly in April 1971, became an enduring and iconic brand with both a print and online presence.

Elliott internationalized the business in two stages—first, introducing a Time Out publishing operation in Paris in 1989–1991, and then launching Time Out New York in the United States in 1995. The company's first website was launched in the late 1990s, before the peak of the dot-com boom, and the Time Out brand continued to internationalize its presence principally through the Internet. By 2013, the company had set up websites for locations as diverse as São Paulo, Brazil, and Tokyo, Japan. By 2016, the company was present in 108 cities across 39 countries, had a global monthly audience reach of 156 million, and was generating over 1 billion page views per year. The vast majority of Time Out's publications and websites were in English, but by 2016, the company had websites in 11 other languages for 16 other locations (see Exhibit 1). Time Out also had multiple strategic partnerships with web-based service providers, including Uber Technologies Inc., Viator Inc., Broadway.com, Booking.com, and TicketNetwork Inc.

In 2010, after looking for a new investor for Time Out for nearly a decade, Elliott sold 50 per cent of the company to Oakley Capital Limited and retained 50 per cent himself. The company was valued at £20 million, and Elliot intended to use the capital to accelerate its online and digital expansion. This came at a difficult time for the company, which had experienced pre-tax losses of £1.3 million in 2007 and £3 million in 2008, and declining sales in printed circulation. The weekly London edition, which had reportedly peaked at 105,000 copies in the late 1990s, was at around 60,000 per week by 2010.[2] By 2013, Elliott had sold more of his stake and retained a small minority holding.

Due to the growth of the Internet and consumers' preference for web-based content, the Time Out print magazine became a free publication in London (in 2012), in New York and Chicago (in 2015), and in Los Angeles and Miami (in 2016). Launching free magazines across key cities was part of Time Out's unique approach to print distribution, which it used to grow its brand, audience, engagement, and reach. This approach also provided increasing value to advertisers, who could connect through new creative opportunities across the brand's global print, digital, mobile, and event platforms. By 2016, the printed Time Out magazines had a total weekly circulation reach of approximately 600,000 in the company's owned and operated territories, and approximately 260,000 in those territories where it carried on business through international licensing agreements. By 2016, there were 39 magazines available—seven through owned and operated businesses and 32 through international licensing agreements. The company had also offered printed Time Out city guides, but these were discontinued in 2015, and outsourced to another publisher for a few select cities.

Time Out became active in staging live events, putting on over 400 curated events in London and New York every year. These included "Silent Disco" events at the Natural History Museum and the Shard in London, and "Battle of the Burger" contests, sponsored by Amstel in New York[3] and by Guinness in Chicago. In 2016, the group also ran a number of global campaigns, including the Time Out Love City Awards, an annual campaign that ran in seven cities worldwide: London, Lisbon, New York, Chicago, Los Angeles, Tokyo, and Paris. The campaign encouraged customers to vote for their favourite local businesses such as attractions, coffee shops, bars, shops, and restaurants.

[2] "Oakley Capital Takes 50% Stake in Time Out," *The Financial Times*, accessed November 18, 2016, https://www.ft.com/content/24cd8294-f8c7-11df-b550-00144feab49a.
[3] Ibid.

The company was the recipient of four Professional Publishers Association (PPA) awards between 2010 and 2014: the International Magazine Brand of the Year in 2010 and 2011, and the International Consumer Media Brand of the Year in 2013 and 2014.[4] In awarding Time Out the International Consumer Media Brand of the Year award in 2014, the PPA judges noted, "The sheer scale of launches across multiple territories and platforms made it hard to look anywhere other than Time Out. A powerful global proposition."[5] Nevertheless, despite these accolades from the PPA and the earlier cash injection from Oakley Capital Limited, the newly formed Time Out Group[6] had consecutive losses in the years ending December 31, 2014, and December 31, 2015 (see Exhibit 2). Group revenues for 2014 and 2015 were £26.9 million and £28.5 million, respectively, while adjusted EBITDA losses for the same two years were £5.5 million and £12.4 million, respectively.

Bruno joined Time Out Group as executive chairman in September 2015. Bruno had previously served as global vice-president of sales at TripAdvisor and had held senior executive roles at Travelport, Regus Group Companies, and Diageo. He had been based in New York and was looking for a new leadership challenge back in Europe in the media, travel, and entertainment space when he had singled the company out, later commenting, "They didn't find me . . . I found them." He was particularly interested in the challenge of transforming the company from print to digital, and had expressed his ideas for growing the company to Oakley Capital Limited, convincing the firm to appoint him as executive chairman. The intention was for Bruno to be based between London and New York.[7]

Bruno spearheaded the group's IPO on the Alternative Investment Market, a sub-market of the London Stock Exchange. The IPO, which became effective on June 14, 2016, was completed in a record two and a half months under the leadership of Bruno, who became group CEO at that time. The company had £59 million net after paying off shareholder debt;[8] it used the IPO not only to pay off debt but also to raise funds for continued investment and transformation into digital and e-commerce initiatives. Statements in the IPO admission document indicated five areas of investment: expansion of Time Out Market to other locations, sales and marketing, technology and product, commercial teams, and general corporate purposes (see Exhibit 3). While the largest single item for post-IPO investment was related to Time Out Market (£20 million), digital and e-commerce investments together added up to over £30 million.

TIME OUT DIGITAL

Time Out had been engaged in a process of digital transformation since 2010, and had attained a monthly global audience reach of 111 million, growing to 137 million in June 2016. It had started to move away from a reliance on revenue from printed materials to new revenue sources based on the Internet and online technologies. Continued investment in developing the company's technology and sales and marketing of new digital products was seen as an important driver for growth and profitability (see Exhibit 3). For example, in 2015, the company had sold 262,000 tickets through a combination of click-throughs and direct

[4] "Swinging 60s—Capital of Cool," History, accessed November 18, 2016, www.history.co.uk/topics/history-of-london/swinging-60s-capital-cool; "Worldwide Brand of the Year . . . Again!," TimeOut, July 15, 2014, accessed November 18, 2016, www.timeout.com/about/time-out-group/latest-news/worldwide-brand-of-the-year-again.
[5] Ibid.
[6] Time Out Group came into being with the company's investment in Time Out Market. Initially, this was a 10 per cent stake, with Oakley Capital having a majority stake. Just prior to the IPO in June 2016, Time Out acquired the remaining equity.
[7] Graeme Davies, "Boardroom Talk: Time Out's Growth Quest," Investors Chronicle, December 16, 2016, accessed January 5, 2017, www.investorschronicle.co.uk/2016/12/16/shares/news-and-analysis/boardroom-talk-time-out-s-growth-quest-A6G831XbmtFZpibEv1bGmJ/article.html.
[8] "Time Out* - Buy a Ticket," accessed April 3, 2017, 1, http://oakleycapital.com/media/170328-Time_Out_BUY_TP_195p_Buy_a_ticket_22_pgs.pdf.