



FEATURE

BUYING AND SELLING FOR BEGINNERS: MAYLAND CEO TALKS INDUSTRY M&A

Matthias Just says consumers' willingness to pay for live entertainment means the sector remains attractive to outside investors

By Manfred Tari on 06 Jan 2020



image © Gideon Gottfried

Investments and takeovers are the core business of Matthias Just, CEO of Mayland AG. Before becoming a lawyer Just completed an apprenticeship as a banker, and his CV includes positions in the UK and US at companies including Deloitte and Touche Corporate Finance.

Since the end of 2005, he has been a member of the board of Mayland AG, a Düsseldorf-based company specialising in mergers and acquisitions – including the likes of the takeover of Parookaville by Superstruct, whose portfolio also includes Flow Festival, Sonar, Sziget and Wacken Open Air, and is backed by Providence Equity Partners, which manages more than \$45 billion worth of investments.

IQ spoke to Just (pictured) about why the live music industry is increasingly attractive to institutional investors – as well as how external investment companies can offer a compelling alternative to the major multinational concert businesses...

IQ: What is the external perception of the live music industry in the financial sector?

Matthias Just: The live music industry is growing and a stabilisation of turnover and profitability figures can be seen across most companies. Besides this, there are always new festivals that draw attention to themselves through innovative concepts and designs and are able to assert themselves in the market. In general, demand is still very high, despite increasingly high ticket prices.

In recent years, we have noticed that consumers in the leisure and entertainment sector have seldom been price-sensitive and are prepared to pay higher ticket prices in order to spend a weekend at their favourite festival. This willingness to pay is what distinguishes this industry and makes it interesting for strategic investors, as well as financial investors and corporate holdings.

On the other hand, what is the current situation of the financial market in terms of potential investors and investments?

It was inevitable that Brexit, the [US-China] trade dispute and the signs of an imminent recession would not leave investors unscathed. Therefore, we can perceive a slight increase in uncertainty across the market as a whole, which will – should the signs of an economic

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such as the events market – will be given preference over cyclical investments, which generally tend to be negatively affected in times of recession.

“THIS WILLINGNESS TO PAY IS WHAT DISTINGUISHES THIS INDUSTRY AND MAKES IT INTERESTING FOR STRATEGIC INVESTORS”

What role does Mayland play in the M&A process?

We see ourselves both as consultants and coordinators. Within an M&A transaction, on which we act both on the buyer and seller side, we coordinate all necessary services in order to achieve a successful conclusion of the transaction. In addition to classic sell- or buy-side M&A advice, our range of services also include succession planning, financial advice, company valuation and strategic business development.

There are many in the concert industry who worry about the involvement of external investment companies. Are they right to be concerned?

These reservations about external investment stem from the public debates about the financial sector due to the financial crisis in 2008. Also, various companies have been forced to cut jobs after an investment company had joined them – and even today, some entrepreneurs still face a loss of control when taking an investment on – but this process is anything but inevitable.

While anyone who sells shares in a company loses some control, the manner in which this transfer of control takes place is an important factor that a seller can influence significantly before the transaction is completed – a crucial point at which we come into game and, together with the current owner and management of a company, determine how this transfer should be structured from the seller’s point of view.

There are many understandable motives for dealing with the topic of participation [from the investment sector] from the entrepreneur’s point of view. However, those who are not familiar with participation systems and legal framework conditions should take on professional support, even in the case of a first initial meeting with a potential buyer.

“COMPANIES IN A SECTOR THAT IS INDEPENDENT OF ECONOMIC CYCLES – SUCH AS THE EVENTS MARKET – WILL BE GIVEN PREFERENCE OVER CYCLICAL INVESTMENTS”

In one sense, AEG, CTS Eventim and Live Nation are investors, too. Aren’t these companies the better investors than those who have little or no industry knowledge?

In terms of strategic fit, these players in the industry are certainly good candidates – concert companies or festivals can benefit from the networks of these companies and partially improve their operative business. On the other hand, these investors usually require a majority stake (usually more than 50% – ie a qualified majority with which they can enforce all strategic decisions), which means that the seller can lose control of his or her festival, at least in the legal sense.

For smaller companies that are looking for a strategic partner, but do not want to give up control over their business, other strategic investors or financial investors may be the better alternative.

Providence Equity, as a financier of Superstruct, is a prominent player in concert takeovers. Do you expect other big players from the private-equity sector to increasingly be interested in the live music industry in the future?

That’s quite possible. However, Providence Equity’s Superstruct vehicle and its managers [including CEO James Barton, ex-Creamfields/Live Nation] are industry experts who know the festival business very well and usually have experience as festival organisers themselves.

This expertise is particularly important in an industry such as live entertainment, because the structures are special and personal aspects play a meaningful role.

However, in addition to Providence, there are many other investment companies with a strong interest in the festival industry.

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