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Veterans come on board

Barry Critchley, Financial Post

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Often what's more interesting in a release is what's not said, rather than what is actually said.

It's against that view that the hiring of two new managing partners at Beringer Capital, a Toronto-based investment and financial advisory firm that focuses on the marketing services, communications and specialty media sectors in North America, should be considered.

The two partners are Michael Sifton and Josef Prosperi, both of whom are seasoned veterans in the world of media and/or private equity. Sifton worked for the family firm before becoming chief executive of three newspaper groups -- Hollinger Canadian Newspapers, Osprey Media and Sun Media -- while Prosperi worked with the private equity group at Ontario Teachers' Pension Plan Board for a decade. (And the two aren't strangers to each other, having met when Teachers purchased a stake in Osprey Media Income Fund, which was bought by Quebecor Media Inc., in mid-2007.)

And the two didn't join Beringer, which has been around since 1990, for a job. Rather the two, along with chairman Perry Miele and two other partners -- Bill Kostenko and Andrea Nickel -- plan to tap into their chosen field, one that specializes in the marketing and communications, specialty media and advertising industry. And with good reason. It's big -- by Beringer's estimates the North American market was \$820-billion in 2007, of which Canada's share was \$40-billion to \$50-billion -- and it's growing.

"They are coming in as partners. That's the most important sign you can take from this," said Miele, adding that his two new partners have talked at length about "the shift in media dollars, from traditional advertising in newspapers and television into marketing services, or what we refer to as below the line. At Beringer we have built an expertise in those below-the-line activities," a term that refers to activities as direct marketing, customer relationship marketing and event marketing.

The firm has made five investments in that sector in companies known as Budco, Pareto, Pirate, Mr. Youth and Yield Integrated Communications & Advertising. Of the five, two (Budco and Mr. Youth) are U. S. based. The rest are in Canada, though since Beringer's investment in Pirate in mid-2006 the firm has expanded into the U. S. market.

Beringer made those investments through a \$25-million fund, all of which has been spent. Beringer has sold its position in two of those investments (Mr. Youth and Yield Integrated) "We have been successful on every investment," said Miele, who in an earlier career was chief of staff to Pat Carney, the minister of international trade during the NAFTA negotiations.

So the arrival of Sifton and Prosperi sets the stage for Beringer's next move: raising capital from external investors to take advantage of opportunities. If precedent is followed Beringer will form a second fund -- and then go to work with the proceeds. "We are exploring how to pull together enough capital and resources to take advantage of the great investment opportunities that are out there. We are definitely working towards that," said Miele, who expects to have all the documentation ready for such a fund by early next year.

And like a merchant bank/private equity investor, Beringer is looking for an exit. So far Beringer hasn't realized on any of its investments by way of an initial public offering, but has looked around for either a financial partner, an industry partner or a competitor to buy its stake.

bcritchley@nationalpost.com

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