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PlayNetworks Has Sights on IPO or Sale

Background music provider expands overseas and will beef up on acquisitions.

By TAMIKA CODY

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PlayNetworks, the audio and video branding services provider, is building up for a possible sale or IPO. CEO Lon Troxel said during an interview with M&A Journal, that its options include a possible flotation or a sale to a private equity firm.

PlayNetworks recently entered into the European market through a joint venture with UK-based Absolute Audio System, a commercial media product and audio/visual systems integration service provider. Craig Hubbel, PlayNetwork's executive vice president who is taking the lead on the international expansion, said the company acquired a 35% stake in the new partnership. The joint venture allowed the company to gain expertise in the local market.

"We are still looking at other acquisition opportunities," said Troxel. Hubble added that there are potential opportunities in Asia and Latin America. Depending on the size and scale of each deal, the company will leverage different types of financing. This could include self financing, asset contributions for joint ventures, stock mergers and either equity or debt financing. PlayNetwork will not take on restrictive financing that prevents the company from pursuing its growth efforts, Hubble noted.

The idea is to make the company more attractive for a potential sale to a financial buyer or head to the public market within the next three years. Both options are legitimate, said Hubble. The chance of being picked up by one of its competitors is a possibility but Hubble pointed out that PlayNetwork's sales are stronger than its current contenders. He said the company will continue to build through the aggregation of key programs, services and acquisitions that provide distinction in the market while building scale and global reach.

The Redman, Washington-based company was established in 1999 but started gaining traction four years later, according to Troxel. PlayNetwork services the retail, hospitality, health and fitness, and retail banking businesses. Its offerings include digital signage, music and messaging, promotional media, and the design and installation of audio/video systems.

The company has at least 225 brands on its client list including Starbucks, The Gap, Crabtree and Evelyn, Finish Line as well as hotels.

Since inception the company has grown into a $50 million company and has raised roughly $20 million from its venture backers, Chartwell Capital and Talon Asset Management. Other investors include Edgewater Private Equity Fund, Velocity Capital, and WHP Partners.

The digital signage industry had its share of ups and downs over the years. The niche sector is highly fragmented but it is starting to consolidate, said Troxel. Both strategic and private equity have shown interest in the space.

THP Capstar scooped up the sensory branding company, DMX Inc. in 2005 for roughly $75 million. In 2007, DMX made an attempt to merge with background music provider Muzak. A couple of months later ABRY Partners acquired a 64% stake in Muzak and by 2009 the company filed for Chapter 11. Last year February, the company emerged from bankruptcy with Silver Point Capital as its new majority owner and its debt load was scaled down to more than half to $230 million.

Mood Media, formerly Fluid Music, was owned by UK-based Solidus Partners before it went public on the TSE exchange in 2008. Last month the company acquired PELIKA Business Music Oy for $9.8 million.

Troxel considers RMG Networks as a dominate player on the non-traditional music side of the digital signage arena. The company is backed by venture capital firms Kleiner Perkins Caufield & Byers, and DAG Ventures as well as NASDAQ-listed National CineMedia. Last year RMG took part in the consolidation trend with its acquisition of Pharmacy TV, a digital place-based video network that you will find near retail pharmacy counters.

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