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Hearst Adds Elle, but New Global Footprint May Mean More in Long Run

Experts Say Rapidly Growing Foreign Magazine Markets Are Smart Places to Seek Growth

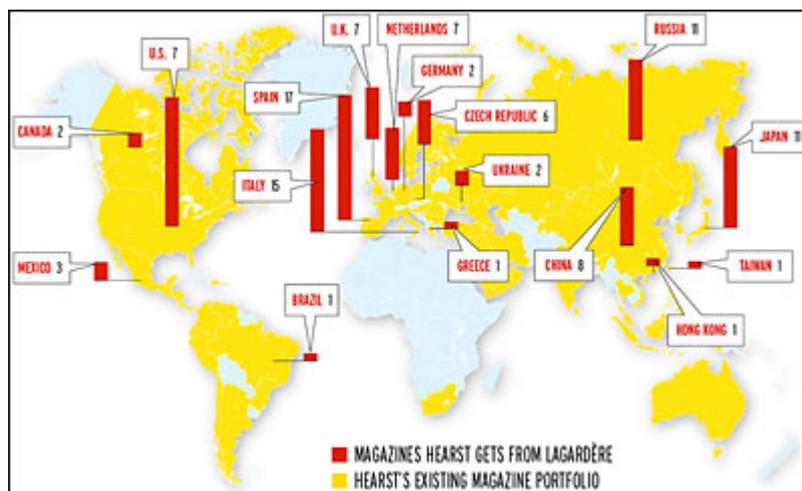
by [Nat Ives](#)

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CHICAGO (AdAge.com) -- Hearst finally secured control of Elle magazine in its \$892 million mega-deal with Lagardere last week, adding a top fashion title to its portfolio and bolstering its ability to compete with Conde Nast for luxury advertisers' business. Perhaps more important in the long run, however, the pact significantly expands Hearst's already considerable footprint in magazines around the world.

In addition to the right to publish Elle in the U.S., Hearst is acquiring stakes, licenses or outright ownership of 101 other magazines in countries including Russia, Japan, Spain, Italy, the Czech Republic, China, Hong Kong and the Netherlands.

A maturing magazine business in the U.S. has made other markets more attractive, according to Duncan Edwards, president and CEO at Hearst Magazines International, part of Hearst Corp.



"Certainly there are markets which have been growing more quickly ... than the traditional U.S. market and our other long-term businesses in the U.K. as well," Mr. Edwards said. "Chief among those of course has been Russia, which had a great run-up until 2009 when it fell off a bit, but we feel it will continue to be a very good market for us."

Some of the assets in the deal, such as licenses for Car & Driver in Greece and Mexico, aren't such big businesses. But expanding operations in Asia could be very fruitful, according to Hearst's calculations. "Greater China, incorporating the Republic of China, Taiwan and Hong Kong, is a good place to do business and has been growing fast for the magazine companies and indeed for everything else," Mr. Edwards said.

Hearst already has a hand in 10 magazines in Russia, including local editions of Cosmopolitan and Esquire, but it will add 11 more through the deal with Lagardère, which is expected to close by the third quarter of this year. Hearst's portfolio today touches 14 titles in China proper, such as National Geographic, Men's Health and Robb Report, which are not Hearst titles in the U.S. Lagardere is giving the country eight more titles.

It's also just good business to avoid relying entirely on a single country, according to Hearst. "For Hearst, corporately, we feel that having wider revenue sourced from a wider array of places is a good thing," Mr. Edwards said.

If buying abroad is so smart, then why is Lagardere selling? It decided that outside France, where it is retaining full ownership of Elle, it didn't have the size necessary to handle challenges like the recession and new media. Hearst, on the other hand, is acquiring even more size around the world.

"It's a good deal for both," said **Didier Guerin**, a former executive at Lagardere's Hachette Filipacchi division who has also worked at Conde Nast. "Lagardere finds a way to exit a business it struggled to manage for a few years and reduce its 2.4 billion euro debt burden. Hearst finds a way to expand its international print and digital web."

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