



ValueVision Media, Inc. (NASDAQ: VVTV)

Sector-Industry: Cable Television

Company Description

Founded in 1991, ValueVision is a leading electronic and print media direct marketer based in Minneapolis. It operates the third largest television home shopping channel in the United States. Mark Gray introduced the opportunity and led the buy-out of ValueVision by New York based GE Equity Capital and NBC television. Post acquisition, the shopping channel was rebranded "Shop NBC" along with the similar rebranding of the Company's ecommerce shopping site.

Overview

GE & NBC purchased a 20% stake in Q1 of 1999 at \$3.75 per share along with options for a controlling interest in company. Of particular interest in this transaction was the requisite turnaround of the company required prior to GE executing its options for control in July of 1999. The rapid turnaround plan, developed by Mark Gray, centered on three operational components a) implementation of industry standard, drop ship logistics to shorten average cycle time for customer order delivery from as much as five weeks to an average of five days (reducing order cancellation & returns), b) implementation of better quality call center controls and over-flow management to reduce busy and dropped calls, and c) divestiture of the company's catalogue division which was losing market share to digital media. A new team was brought in to replace founder/CEO along with rebranding the network and ecommerce portal from "ValueVision" to "NBC Shop" and www.nbcshop.com

Overview & Company Highlights

- ▶ Company had lost money for 21 straight quarters prior to the GE/NBC buy-out led by Gray
▶ Turn-around was completed in the first two quarters post acquisition.
▶ Implementation of industry standard call-center and fulfillment practices increased revenue and decreased cancelled orders & returns.
▶ The home shopping channel was rebranded from ValueVision to Shop NBC
▶ The business grew by more than 100% in top line revenue over the next 36 months.
▶ The Company turn around continued with steady profits over the subsequent periods with a growing customer base
▶ Number one (1) performing portfolio company in overall for GE Equity Capital



Growth Model

ValueVision grew from approximately \$200M to \$500M in top line revenue and (-3%) to 17% EBITDA over the following 3 years following the acquisition. In the first year following investment, the Company's market capitalization grew from \$99M to \$1.4B, representing GE Equity Capital's number one deal in the fund's history and the number four (4) deal for GE world-wide in the first year of the investment.

Summary: This transaction represented a significant departure from GE's firm policy against investing in company's which were not accretive to GE's overall balance sheet and cash flow. Great care and validation of the turn-around plan along with a two-phased investment approach was used to avoid any "red ink" flowing to the parent company.

Note the proximity of the initial investment in March 1999, and the follow-on investment of the warrant execution in July of 1999, indicating that the turn-around had been successfully executed to the satisfaction of GE. Upon the execution of the second round, control of ValueVision's board was elected by GE and its financials were consolidated upward. For additional information, please contact Gray Capital Partners: (404) 543-2230 or E: mgray@graycapital.net.