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The Quarto Group Acquires becker&mayer

The Quarto Group Inc. (LSE: QRT), the leading global illustrated book publisher and distribution group, today announces that its wholly-owned subsidiary, Quarto Publishing Group USA, Inc. ("the Company"), has acquired the publishing assets of becker&mayer LLC ("becker&mayer") from McEvoy Group, the US-based independent trade publishing group.

The assets of becker&mayer's book publishing group and its SmartLab book-plus and toy business will become Quarto's fifth US creative hub, based in Bellevue, WA, alongside its current publishing operations in Minneapolis, the North Shore of Boston, Southern California and New York City.

Quarto is paying a consideration of \$9.8m together with a working capital adjustment payment capped at \$1.0m and further deferred contingent consideration of up to \$1.25m. An initial \$2.3m is payable in cash and the Company has issued \$7.5m in non-interest bearing promissory loan notes to McEvoy Group. The loan notes are repayable in three equal instalments of \$2.5m each on 1 January 2017, 8 August 2017 and 8 August 2018. The working capital adjustment payment of up to \$1.0m is payable in further cash payments of up to \$0.5m each, payable on 31 July 2017 and 31 July 2018. The deferred contingent cash consideration of up to \$1.25m is dependent on the profitability of the SmartLab's business in 2018 and 2019.

The transaction is being financed out of the Group's existing \$90m multi-currency debt facility and is expected to be earnings enhancing in the first full year of ownership.

Information on becker&mayer

Headquartered in Bellevue, WA, becker&mayer was founded in the 1980s and is known for its expertise in creating unique publishing formats and developing successful series for publishing partners worldwide.

[1] Books containing special features, packaging or additional products.

In the year ended 31 December 2015, becker&mayer reported revenues of \$19.4m, earnings before interest tax, amortisation and depreciation ("EBITDA") of \$0.3m and a net loss before tax of \$1.5m that included amortisation and depreciation of \$1.8m. The EBITDA of the book publishing group business was \$1.4m whilst the SmartLab business recorded a loss before interest tax, amortisation and depreciation of \$1.1m. Gross assets were \$25.0m.

Acquisition rationale

The acquisition of the becker&mayer assets is consistent with Quarto's stated strategy to grow both organically and by acquisition, and will further enhance the Group's offering in both adult and children's publishing, particularly in the USA. Approximately 50% of becker&mayer's business, including SmartLab, is categorised as children's publishing, which increases Quarto's children's publishing revenues by close to 30%. The acquisition means that Quarto's US revenue will account for circa 45% of total group revenues. The SmartLab business will be re-engineered to include an emphasis on producing book-plus products that maximise the reach of Quarto's sales channels worldwide.

Commenting on the acquisition, Marcus E. Leaver, Chief Executive of The Quarto Group, said:

"We have a close working relationship with becker&mayer and we admire their people, creativity and specialist knowledge. We approached them because we have long felt that they would make a good cultural and strategic fit. We are delighted that McEvoy has agreed to sell the business to us as it will be a new and exciting addition to Quarto's portfolio in the USA. We will leverage its unique publishing assets across the world through our global operational, sales and marketing platform, enhancing value for shareholders within the first full year."

Jack Jensen, President of The McEvoy Group, said:

"becker&mayer has been a cherished McEvoy Group asset over the past 11 years. As we looked to the future, we became convinced that the extensive customer base and global market reach of The Quarto Group was perfectly positioned to help becker&mayer reach the next level of growth. We are pleased that the accomplished becker&mayer team will be an important part of The Quarto Group's future".

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About The Quarto Group

The Quarto Group (LSE: QRT) is the leading global illustrated non-fiction book publisher and distribution group, whose mission is to make and sell great books

that entertain, educate and enrich the lives of adults and children around the world.

Quarto creates and owns proprietary content, publishing books from a diverse portfolio of imprints that are creatively independent and expert in developing long-lasting content across specific niches of interest.

Quarto sells books across 45 countries and in 35 languages through a variety of traditional and non-traditional channels, while constantly looking for new ways to create and deliver content that people need.

Quarto employs over 400 talented people in the US, UK, Hong Kong, Australia and New Zealand. The group was founded in London in 1976. It is domiciled in the US and listed on the London Stock Exchange.

For more information, visit [quartoknows.com](https://www.quartoknows.com) or follow us on Twitter at [@TheQuartoGroup](https://twitter.com/TheQuartoGroup).