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E.W. Scripps scoops up weather app startup

By Jaewon Kang Updated 04:40 PM, Oct-08-2014 ET

E.W. Scripps Co. (SSP) has sealed a deal with weather applications maker WeatherSphere about a year and a half after approaching the target.

Cincinnati media giant E.W. Scripps announced Wednesday, Oct. 8, it has acquired WeatherSphere for an undisclosed sum. The Mountain View, Calif., target aggregates its own weather data and produces a portfolio of mobile apps including NOAA Hi-Def Radar, RadarCast, NOAA Snow Forecast and **Simple** Tides.

E.W. Scripps informally approached WeatherSphere 1-1/2 years ago about a potential strategic partnership, WeatherSphere founder and CEO Raghav Gupta said.

The discussion for a deal became serious about six months ago, with the acquisition officially closing Sept. 16, Gupta explained. He added WeatherSphere had received takeover interest in the past from a few media companies, but it ultimately decided to go with E.W. Scripps. The newspaper publisher and local television station owner was willing to invest more in WeatherSphere and help it grow, Gupta said.

The executive declined to disclose financial terms of the transaction or WeatherSphere, but he did say the company had about 3 million paid users near the time of the deal closing. Gupta said WeatherSphere received financial advice from **Catapult Advisors LLC** and legal counsel from **Perkins Coie LLP**.

Catapult partner Phil Wohl, who worked on the deal for WeatherSphere, said that while the weather app startup did not launch a formal auction process, it received interest from multiple technology and media parties. There was a "widespread understanding amongst big companies" that WeatherSphere had something special, he added.

"This is a great case study for a relatively small company developing a great suite of applications and attracting some of the biggest media companies in the world. That is symbolic of what is going on out there," Wohl said. "You don't need a lot of money and VC funding to attract interest from media companies."

He added the deal is representative of today's "app economy" and shows that a company can have a real impact on the market with a small amount of money, great management and a strong product line.

E.W. Scripps did not retain an investment bank for the deal but had in-house advisers, according to Wohl.

E.W. Scripps communications manager Valerie Miller said the media company saw a synergistic opportunity between WeatherSphere and its own weather app, Storm Shield. The mobile app created by E.W. Scripps delivers emergency weather notifications.

"Weather is a strong component in local markets," Miller said. "If you cover it well and right, the community respects that."

Miller said conversations are taking place now about ways to integrate WeatherSphere and Storm Shield, adding that E.W. Scripps will continue to explore opportunities in the weather-related vertical space. While future acquisitions are an option, she explained the company would be aggressive on the acquisition front when and where it made sense.

While the WeatherSphere deal isn't a significant one in scale, it makes sense for E.W. Scripps, said Ed Atorino, an analyst at Benchmark Co., adding that having a footprint in the weather space is important for television companies.

In fact, every broadcaster should be looking at expanding its footprint in the social, contextual and mobile markets, asserted Tarang Shah, a managing partner at investment bank Bois Capital LLC.

"What we're seeing is people on the go," said Shah, who recently sold Swiss Mobility Solutions SA to **Gemalto NV**. "They want to make decisions on the go and consume content on the go."

Shah expected M&A movement to be fluid within the mobile space, adding mobile analytics players in particular are receiving a lot of interest from wireless carriers.

E.W. Scripps, meanwhile, announced in July it would merge its broadcast operations with those of **Journal Communications Inc.** (JRN); the companies would spin off and then merge their newspaper operations. The deal, which they anticipated would close in 2015, would create two public companies. The broadcast company would retain the Scripps name, while the newspaper publisher would be **Journal Media Group**.

E.W. Scripps most recently reported earnings Aug. 4. It posted $211.95 million in total operating revenue during the quarter ended June 30, up from $207.85 million over the corresponding period last year. E.W. Scripps posted a $3.02 million operating loss after $8.19 million in operating income a year earlier.

Company shares, traded on the **New York Stock Exchange**, closed Wednesday at $16.80, up 1.27%. The shares are down about 23% year to date, giving the company a market capitalization of approximately $960.9 million.