

D Magazine

Brief Overview

“How Does Your Salary Compare?” pondered a headline on a recent edition of the Dallas monthly, *D Magazine*. Inside, readers could get the inside skinny on the pay scale associated with everyone from a Dallas Cowboys Cheerleader (\$12,000) to the president of energy provider TXU Corporation (\$4.8 million). For *D Magazine*, it was a signature cover story: highly-local, highly-provocative and bound to spark conversation.

Founded in 1974 by two University of Texas graduates, *D Magazine* has emerged as a standout within the vibrant market of regional magazines. The City and Regional Magazine Association has named *D Magazine* “Best City Magazine” three times since 2002, and today *D Magazine*, with a circulation of 72,000, has become one of the best-selling magazines per capita in the nation on local newsstands.

Careful stewardship of the *D Magazine* brand has helped owner and co-founder Wick Allison expand beyond the monthly city magazine with a portfolio including *Dallas CEO*, *D Home*, *D Weddings* and a growing roster of custom publications for clients such as EDS, Texas A&M University and Texas Tech University.

Behind the scenes, *D Magazine* had undergone ownership changes that culminated in Allison’s re-emergence as owner. But accomplishing the ownership transformation while managing exceptional growth required a more sophisticated brand of financial management than the company previously possessed.

Situation

Several years after re-acquiring *D Magazine* from then-owner American Express, Allison had reinvigorated both the magazine’s editorial reputation and its underlying business operations. With the title’s renewal accomplished, *D Magazine* was enjoying revenue growth of 35 to 50 percent annually and contemplating the launch of additional publications that would bear the D brand.

Yet Allison knew from his prior publishing experience a familiar irony of the business: rapid growth can put a big strain on cash flow. To manage the company’s finances as he undertook an aggressive expansion plan, Allison wanted an experienced Chief Financial Officer (CFO). But concerned with accessing a top-caliber finance professional, Allison was introduced to executive services as an option and Tatum as the market leader. “Tatum seemed to provide exactly what we needed,” says Allison.

Why Tatum

Tatum made sense for *D Magazine* from both a value proposition and a timing perspective. Not only was *D Magazine* growing organically and gaining momentum, but Allison was eager to leverage the brand reputation as the foundation for a series of spin-off titles and a new custom-publishing group that would produce high-end magazines for corporate and academic clients.

At the same time, Allison was thinking ahead to a prospective buyout of partners he had assembled to reacquire *D Magazine*. Faced with a growing list of financial leadership challenges, he realized “it was time for professional financial management.”



Transforming ownership of publisher while managing an exceptional growth rate required a more sophisticated brand of financial management than the company previously possessed.

“Now that we’re well past the critical stage and have accomplished all of the original goals that led me to approach Tatum, I still want to keep that connection. It is irreplaceable.”

– Wick Allison, Owner and Co-founder of *D Magazine*



Tatum Solutions: *D Magazine*

BEFORE TATUM	TATUM SERVICES	WITH TATUM
Rapid growth raises concerns about managing cash flow as receivables lag expenditures	Tatum BluePlan	Tatum produces financial modeling scenarios that deliver a predictable foundation for budgeting and cash management and negotiation of a new line of credit
Partnership model for business ownership appears to be out-of-sync with growth ambitions	Tatum CFO Services	Tatum provides rational recommendations for partner buy-out that remove emotions from the decision Ensuing refinancing led by Tatum places business on solid track for aggressive expansion
Concern that more formalized accounting and financial management procedures may conflict with highly creative, participatory company culture	Tatum Operational Leadership	Tatum-led initiative puts in place systems and processes that allow the business to establish benchmarks and standards while attaining sign-off and development input from employees themselves

The Results

Immediately upon engagement, Tatum began structuring the accounting department, developing detailed budgets and devising broad financial models and forecasts. For this task, the Tatum CFO turned to the Firm's BluePlan™, a proprietary financial modeling solution that produces an optimum plan for forecasting and financing growing businesses.

Within a year, under Tatum's guidance, Allison purchased the interests of his business partners by employing a seller-financing approach Tatum structured and later refinanced after identifying a lender known for its publishing industry depth. Tatum also secured a line-of-credit facility to help manage the company's cash flow.

During the same year, Allison completed the owner-financed acquisition of a series of community newspapers. "None of this would have been possible without Tatum's financial leadership and negotiating skills," Allison says.

D Magazine also turned to Tatum's Technology Leadership Practice for support overseeing procurement and installation of a new IT network that encompasses business and magazine production. Finally, Tatum has helped *D Magazine* establish and adhere to budgets and benchmarks while preserving the sort of "participatory" employment culture Allison believes is essential for a creative publishing company.

Tatum has also provided an important strategic context for *D Magazine's* decisions about its financial partners and its ownership. Among Tatum's most important contributions, Allison says in retrospect, was counsel to change an ownership structure that was not well aligned with the business and to present to Allison's partners a logical rationale for divesting their interests. "Tatum's recommendations made the buyout so logical to our partners that what could have been an emotional upheaval became a rational process that everyone agreed on," says Allison.

Tatum's contributions have reached beyond day-to-day financial management to encompass support for strategic, long-term decisions. Tatum's ability to provide business modeling expertise has been especially helpful, and Tatum's Intellectual Capital Forum is crucial, says Allison. "It provides loads of information that we would not have had access to without Tatum. It helps us feel secure in the decisions we make, and it has provided a leg up in negotiations with financing sources."

Today, the monthly magazine Allison founded shortly after college is a part of a city's DNA and stands as the origination point for a series of magazines and publications that share the owner's longstanding goal of editorial excellence.

But even though Allison has succeeded in transforming *D Magazine*, don't expect Tatum to go away. "Now that we're well past the critical stage and have accomplished all of the original goals that led me to approach Tatum, I still want to keep that connection," says Allison. "It is irreplaceable."

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