

Government Executive built a profitable media company after spinning off from Atlantic Media last year. Now it's on the hunt for acquisitions.



Dr. Anthony Fauci was inducted into GovExec's "Government Hall of Fame" in 2019. The B2B publisher was forced to rethink its live events business during the pandemic. GovExec

- **GovExec expects to make more than \$30 million in revenue this year.**
 - **The company has a profit margin north of 20%, its chairman said.**
 - **GovExec acquired City & State and is now looking to make more purchases.**
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A year ago, employees at Government Executive Media Group got the kind of news that workers in the media industry have come to fear: the company was spinning off from its longtime owner Atlantic Media and would now be controlled by a little-known private equity firm.

Far from making cuts, however, the company — whose publications cover the inner workings of the federal government — has expanded, growing from 80 to 160 employees. It made about \$20 million in revenue last year, with the goal of bringing in more than \$30 million this year, according to CEO Tim Hartman.

Rebranding itself this month as simply GovExec, the company has a profit margin north of 20%, said Peter Goldstone, the chairman of the board who helped put together the spinoff. (Atlantic Media's David Bradley has spent the last few years offloading his various media holdings, like the Atlantic and Quartz).

Now, GovExec is looking to make more acquisitions following its recent purchases of New York politics publication City & State and local government market intelligence service the Atlas for Cities.

"It's a different M&A model than you see in typical media companies," Hartman said. "We're looking to catalyze growth and create a portfolio of growth products that are all oriented around the public sector."

GovExec operates its namesake publication, the more than 50-year-old Government Executive, as well as Defense One (focused on the military), Nextgov (technology), and Route Fifty (state and local). Backed by private equity firm Growth Catalyst Partners, GovExec targets workers inside the federal government and says it reaches about 3 million professionals between its properties.

Hartman said the company will expand City & State to different locations, starting with resurrecting the company's previous effort in Pennsylvania. He envisions a City & State in markets like California, Florida, and Texas in the future.

B2B media has been a bright spot in an industry that struggled during the pandemic, leading to layoffs and furloughs across the media world. Hartman said that GovExec was able to grow thanks to its stable of tech advertisers who wanted to reach government workers during the pandemic. The company's advertisers include Cisco, AWS, and Google.

Other niche media companies like Industry Drive have also thrived recently, boosted by the soaring B2B advertising market, up 22.6% in 2020 to \$8.14 billion, according to eMarketer.

"Vertical media businesses that target industries with a sizeable audience footprint have always been resilient," said Ana Milicevic, a principal and cofounder of the strategy consultancy Sparrow Advisers.

But like all media companies, GovExec had to pause its live events business, which makes up about 30-35% of its revenue. The company put on 214 digital events last year, and intends to continue that way. "All of the indication from our audience is that they are not comfortable going back" to in-person events this year, said GovExec President Constance Sayers.



GovExec CEO Tim Hartman and President Constance Sayers GovExec

Staffers are still wary about the private equity ownership

The expansion hasn't completely allayed fears inside GovExec, where some staffers are still wondering what leaving the umbrella of a media empire for private equity will mean for the future.

"We're not in this to cut costs," said Scott Peters, managing director of Growth Catalyst Partners. Peters said the goal is to transform GovExec into a bigger data and research company serving the federal government.

"My impression is most of us in editorial are still nervous," said one Government Executive staffer. "So far, the powers that be are all saying the right things and only talking about growth, but we're still a bit on edge about what the enterprise will look like in the medium and long term. Selfishly we'd also like to see more investment in the legacy brands rather than pouring money into acquisitions with amorphous connections to our core business."

The company said that it has invested in its core products too, growing editorial positions at its original brands by 22% this year, including hiring more reporters at Defense One.

Peters said Growth Catalyst Partners tends to think about flipping businesses after roughly five years — selling to either a strategic buyer or another private equity firm. "What we try to do is build a big enough business where whoever buys it can leave it alone," he said.

After City & State, the company isn't likely to prioritize other pure media businesses as it hunts for acquisition targets. "At the top of the strategy is really to grow expansively into the data and business intelligence world," Goldstone said.

For now, some City & State employees have welcomed the new owner. They have returned to their full salaries after working on 80% time and money during the pandemic.

"[GovExec] feels like a proud step parent. They are happy with City & State but not getting too involved with our lives, and as a reporter that's what I prefer," said political reporter Jeff Coltin. "Last year in the depth of the pandemic, I was personally afraid that City & State would fold, and ever since we were acquired in January, I no longer have that fear."