

Borders' Next Move?

Retailer Weighs Ways To Boost Shares

BY BRIAN GARRITY

NEW YORK—Book and music retailer Borders Group Inc. reports record quarterly and full-year earnings for the fiscal year that ended Jan. 23, but with its stock price languishing, swamped by the emergence of powerful online competitors, the Ann Arbor, Mich.-based company says it's now considering a sale.

With an eye on increasing shareholder value, Borders announced March 3 that it has retained the investment banking firm Merrill Lynch & Co. to explore its strategic alternatives (*Billboard Bulletin*, March 4). President/chief executive Gregory P. Josefowicz, calling the stock "undervalued," said in a statement that the company will review all its options—including a recapitalization, a leveraged buyout, and a business combination with another company.

Wall Street analysts acknowledge that the company has to do something to jump-start interest in the stock. Borders shares, which traded close to \$40 back in mid-1998, have slumped in the face of increased competition from Internet retailers—a phenomenon analysts call the Amazon effect—and in February were trading at a near 52-week low of \$11.

Borders' financials, while generally solid (aside from losses associated with its online effort), have not ignited the imagination of investors thus far.

Fourth-quarter net income increased 13% to \$98.5 million, or \$1.23 per diluted share, from \$86.7 million, or \$1.06 per diluted share, a year ago. Cash flow, also known as earnings before interest, taxes, depreciation, and amortization (EBITDA), increased 14.3% during the same period to \$189.8 million, up from \$166 million. Revenue increased by 15.6% to \$1.1 billion, from \$945 million in fourth-quarter 1998.

The company does not break out

music results.

On a full-year basis, net income (minus a one-time charge) increased 1.7% to \$93.7 million, or \$1.17 per diluted share, from \$92.1 million, or \$1.12 per diluted share, in 1998. EBITDA increased 9.7% to \$256.4 million from \$233.8 million. Revenue increased by 15.6% to a record high of \$3 billion from \$2.6 billion in 1998.

Despite the stability implied by the solid numbers, Borders in the last year has been beleaguered by management shake-ups and Internet-related headaches. Not only is the company working with its third chief

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MusiCares About Sir Elton. The annual MusiCares fund-raising dinner and silent auction recently honored Sir Elton John as MusiCares' person of the year for 2000 at the special dinner and concert held in Los Angeles. The proceeds from the concert will go to MusiCares' Financial Assistance Program. The program provides music people with medical and personal assistance as well as funds for musicians who have grown older with no means of economic support. Other honorees were Stevie Wonder, Luciano Pavarotti, Phil Collins, Quincy Jones, Tony Bennett, Gloria Estefan, Natalie Cole, Bonnie Raitt, and David Crosby. Shown at the event, from left, are Michael Greene, president/CEO of the National Academy of Recording Arts and Sciences/MusiCares, and John.



KING

neighborhood. He began playing accordion in his father's polka band when he was 15 and then formed his own high school band. Known then as Frankie King, he joined the "Badger State Barn Dance" radio show in 1933 and got his own show on radio station WJRN Racine. He moved to Louisville in 1934 to back up Gene Autry on WHAS Louisville and moved to WNOX

Knoxville, Tenn., after Autry went to California. In 1937 King formed the Golden West Cowboys and joined the Grand Ole Opry in Nashville. Members of his band who went on to solo careers included Ernest Tubb, Cowboy Copas, Eddy Arnold, and Redd Stewart.

He and bandmember Stewart co-wrote "Tennessee Waltz" in 1947 on a matchbox while on the

road, and the Golden West Cowboys did well with their version. But then Patti Page covered the song on the Mercury label in 1950 and went on to sell 65 million copies, and it became an official state song of Tennessee.

ARTISTdirect Quietly Buys Mjuice, Which May Benefit Major Labels

BY EILEEN FITZPATRICK

LOS ANGELES—Although some of the major labels are developing in-house digital download strategies, ARTISTdirect's acquisition of secured MP3 distributor Mjuice.com may give them yet another option.

Under terms of the deal, ARTISTdirect will purchase Mjuice for approximately \$15 million through a stock sale. The transaction was buried in an S-1 document ARTISTdirect was required to file because of its initial public offering. The company filed to go public last September.

The merger gives the majors another option if their digital distribution operations bog down

Four of the five major music labels have equity investments in ARTISTdirect, and when Warner Music Group merges with EMI Group, the combined ARTISTdirect/Mjuice will have a link to all the majors.

The only other dotcom music company that has enlisted the support of all the major labels is download directory site Listen.com.

Privately held Listen recently secured financial backing from BMG Entertainment, EMI Recorded Music, Universal Music Group, and Warner Music Group. Sony Music Entertainment invested in Listen.com in October (*Billboard*, Feb. 12).

When the acquisition is completed, it will marry ARTISTdirect's network of musician sites, UBL.com search engine, download directory,

and E-commerce operations with Mjuice's digital distribution system.

Mjuice distributes more than 30,000 songs from approximately 70 labels in a proprietary secured MP3 format. The site focuses on independent artists.

The company will continue to be based in San Francisco, and its 25 employees will be absorbed by ARTISTdirect. Mjuice co-founder/CEO Arnold Brown has been named VP of digital distribution for ARTISTdirect.

Both EMI and Universal have announced plans to launch their own digital distribution operations, and the ARTISTdirect/Mjuice merger gives them and each of the other majors another option if launch plans get bogged down.

The industry, for example, has yet to finalize Secure Digital Music Initiative (SDMI) specifications, but EMI and Universal have said they will debut their download systems without it. SDMI Phase II is scheduled to be testing until September.

In addition to its Internet activities, ARTISTdirect operates a talent agency and Kneeling Elephant Records.

Executives at ARTISTdirect and Mjuice declined comment on the deal.

Clear Channel Begins Selloff Of Stations Before Merger

BY CHUCK TAYLOR

NEW YORK—Broadcast giant Clear Channel Communications, which just made banner headlines with its purchase of SFX Entertainment, has begun shedding radio stations to satisfy Department of Justice anti-competitive requirements in its pending merger with AMFM Inc.

The San Antonio, Texas-based Clear Channel's divestiture of 72 radio stations in 27 markets will allow a number of minority and specialized radio groups to beef up their presence in dozens of prominent large- and medium-size markets.

Even with the proposed station trading, Clear Channel remains the dominant player in the broadcast business, with 874 radio stations and 19 TV stations in the U.S., as well as 240 radio stations internationally, in addition to its leadership position in concert promotion as a result of the purchase of SFX (*Billboard*, March 11).

Among the largest of the spinoff deals is the sale of 18 stations to CBS' Infinity Broadcasting for \$1.4 billion, including outlets in San Diego; Phoenix; Denver; Cleveland; Cincinnati; Orlando, Fla.; and Greensboro/Winston-Salem, N.C.

The acquisition introduces Infinity radio to five new top 50 markets and expands its presence in two. The company currently owns 160 radio stations, in addition to outdoor advertising arms.

Cox Radio has signed on to buy three FM stations in Houston and three FMs and an AM in Richmond, Va., for \$380 million. Both are new markets for the company.

Other players involved in the divestiture are Hispanic Broadcasting Corp., which intends to buy three stations in Denver, Phoenix, and Austin, Texas; religious broadcaster Salem Communications, with eight outlets in Cincinnati, Cleveland, Dallas, Denver, and Orange County, Calif.; and Urban Radio Broadcasting, which will buy two FMs in Pensacola, Fla.

Earlier reports had maintained that Clear Channel showed particular interest in dealing with minority interests in spinning off stations. In all, 13 radio groups divided the 72 stations sold, with further divestitures expected in the near future.

Clear Channel officers were not available for comment.

Station trading allows several minority groups to expand holdings

Country Hall Of Famer Pee Wee King Dies At 86

BY CHET FLIPPO

NASHVILLE—Funeral services were scheduled for March 11 at Pearson Funeral Home in Louisville, Ky., for Country Music Hall of Fame member Pee Wee King, who died on March 7. He was 86.

King, who co-wrote the song "Tennessee Waltz," had been hospitalized at Louisville's Jewish Hospital since suffering a heart attack on Feb. 28. At the time of his death, he was still serving as a member of the Hall of Fame's board of directors.

Known for his flashy style, King was the first Grand Ole Opry member to wear the rhinestone and sequined suits fashioned by Hollywood tailor Nudie. He joined the Opry in 1937 and was a pioneer on the show for his use of electric instruments, drums, and horns in his band.

King was born as Julius Frank Anthony Kuczynski in Milwaukee and grew up listening to polkas and waltzes in his Polish-German