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CROSS MEDIA MARKETING *New York, New York*

It's A Day At The Beach For Marketing Outfit

BY STEVE WATKINS

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Ron Altbach is feeling the good vibrations at Cross Media Marketing Corp.

The former Beach Boys keyboardist has turned in the surf, sand and music gigs for corporate boardrooms.

Altbach found banging the ivories for roaring crowds translated into developing a way to contact customers directly and sell them a product they'll want.

"It's all about understanding consumer tastes," Altbach said. "It's delivering a message to the consumer through the right channels."

Altbach put that to use when he and some of his Cornell University pals formed a band called King Harvest and recorded the early '70s hit, "Dancing in the Moonlight."

He played with the Beach Boys from 1974-1979 before getting into record and music video production. In the early 1990s, he moved to New York and got into merchant banking before starting Cross Media.

The firm contacts customers in a variety of ways to sell magazine subscriptions, videos, coins, exercise products, travel packages and others. The key is



Ron Altbach is trying to keep the "Fun, Fun, Fun" going from his Beach Boys days to his suit-and-tie look as CEO of Cross Media Marketing Corp.



its customer base.

"We are building a population," Altbach said. "That's our long-term asset."

That's also the basis for Altbach's response to a Federal Trade Commission complaint, filed Tuesday, that accuses Cross Media of violating telemarketing sales laws.

The case targets its telemarketing unit, which Cross Media bought in January 2000. In part, it alleges the company violated a 1996 FTC ruling ordering it to cease its "misleading" sales methods.

Many of the issues in the FTC's latest complaint stem from incidents that occurred from 1996 to 2000, Altbach says — before Cross Media bought the firm. The FTC wants to force Cross Media to com-

ply with its rules. Altbach says the firm already is in compliance.

"We believe we have acted entirely appropriately and in compliance," he said.

Stock Swoon

It's too soon to determine the final impact, says analyst Luis Martins of Taglich Bros. Inc. But some investors didn't wait to find out.

Cross Media's stock fell more than 20% Wednesday morning, dipping below 11. But it rebounded to close at 12.21 Thursday.

The news would have hit Cross Media harder a couple of years ago, Martins says, because back then it relied exclusively on magazine sales.

"The revenue mix is

much more diversified (now)," he said.

Magazine sales will make up just 55% of revenue this year after comprising 80% last year and the full load in 2000.

Acquisitions helped diversify the sales stream. Cross Media now offers more than 100 products, including prescription drugs, household goods and auto products.

The firm started in 1999 by selling one product through one channel: magazine subscriptions by phone.

It now sends out more than 200 million individualized e-mails a month, runs ads in newspapers that reach 62 million households a week and puts Internet offers in front of 50,000 people a day.

Meanwhile, its phone reps talk with nearly 2 million people daily.

"They're truly a cross-media marketer," Martins said. "That's where their success has been."

Unobtrusive

The company keeps a database of 30 million people. It tracks when folks don't want to be bothered at home, how and where they want to be reached, and what products they like to buy.

"We want to make offer-
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ings at a time that's most attractive, in the least intrusive and most efficient way," Altbach said.

That database and the technology used to probe it give Cross Media a leg up on the competition, which varies by field. Harte-Hanks Inc. and Mosaic Group Inc. rate among the top marketing firms. Publishers Clearing House is a key rival in magazine sales.

Cross Media has used acquisitions to snatch up product lines and sales channels. But it's picky about who it buys. Altbach says each deal must add to sales and earnings and boost its management expertise.

The firm's January buy of National Syndications Inc. met those criteria. The acquired firm brought the Sunday newspaper ad channel and a testing system used to target products to a certain part of the country.

Cross Media also snared a big e-mail marketing operation with the October buy of LifeMinders Inc. It has 20 million members that have opted to receive its e-mailed ads.

And earlier this month Cross Media acquired more direct marketing expertise with the addition of JWE Enterprises. That deal is set to close by the end of May.

Growth won't just come through buys, however. In a research report, analyst Tim Stobaugh of Stonegate Securities Inc. writes that Cross Media should be able to get 15% yearly internal growth.

Meanwhile, the firm's bottom line continues to improve after it operated in the red each year between 1998 and 2000. Cross Media earned 86 cents a share last year, while sales gained 80% to \$100 million.

Analysts polled by First Call expect

earnings this year to rise to \$1.25, then reach \$1.70 in 2003.

Altbach expects sales to hit \$200 million this year and at least \$400 million by 2004. Managing that growth poses a challenge.

"There's always the risk that acquisitions don't go according to plan," Martins said. "But so far they've integrated them pretty well."

Cross Media Marketing Corp. xmmcorp.com

Ticker	XMM
Share price	Near 12
12-month sales	\$100 mil
5-year profit growth rate	0%

IBD SmartSelect Corporate Ratings

Earnings Per Share	80
Relative Price Strength	87
Industry Group Relative Strength	B
Sales+Profit Margins+ROE	C
Accumulation/Distribution	B-

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