

## Former radio exec scopes print empire

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Richard Desmarais is a big fan of the Montreal Canadiens. And, as any Habs fan knows, sitting in the reds at the old Montreal Forum meant you were close to the action.

That's why he and partner Jean-Pierre Rancourt chose the name Section Rouge Média when they teamed up in 2000 to form their upstart magazine publishing company, which now has 36 titles to its name.

Alas, "we never expected to go on the stock market when we chose this name," Desmarais laughs. (Section Rouge Média was listed on the Toronto Venture Exchange in September as the result of a reverse takeover of QR Canada Capital Inc.) "Each time we talk to people on the stock market, we have to explain where it comes from."

Based in Longueuil, on the south shore of Montreal, the company specializes in acquisitions and in squeezing profits from magazines.

The company's titles—all of which are acquisitions rather than start-ups—range from Quebec crime and gore tabloid standbys (*Allô Police* and *Photo Police*) and porn publications (*Québec Érotique*), to family titles (*Junior*), an agricultural journal (*Ma Revue de Machinerie Agricole*) and about 25 crossword and horoscope publications.

Desmarais and Rancourt are literally "partners in crime." Desmarais, president of Section Rouge, got his start in journalism as a police reporter for Montreal AM radio station CKAC, while vice-president and legal counsel Rancourt has been a criminal lawyer for 25 years.

In the early 1980s, Desmarais managed *Photo Police* for the estate of founder Raymond Daoust. While still working at CKAC in 1985, as a vice-president, he moved over to competitor *Allô Police*, where he reorganized the paper and wrote a column until a post as Telemedia's AM radio network vice-president beckoned in 1990. Later in the '90s, after a stint in Miami, he bought two struggling radio stations in Ste. Hyacinthe and Drummondville, Que.

Fast forward to 2000, when Desmarais and Rancourt bought *Allo Police*. Desmarais, hearing the title was up for grabs approached Rancourt, who had tried unsuccessfully to buy *Photo Police* in the '80s. He figured Rancourt might still be interested. Besides, he was looking for a lawyer to partner with in the crime tab. "He's the kind of partner you need in the kind of business." Rancourt gave his nod after seeing the numbers the next day. The following year, they seized on the opportunity to buy Versant Média, which included *Photo Police*, *Québec Érotique* and a host of crossword publications.

This year, they've expanded again, paying \$1.1 million for agricultural monthly *Ma Revue de Machinerie Agricole*, and \$325,000 for family magazines *Junior*, *Bébé* and *Grossesse*. Section Rouge expects 2003 revenues of more than \$7 million.

Rancourt "probably never expected we'd have this kind of growth in a few years," Desmarais says. Rancourt, who is only handling impaired-driving cases for first-time offenders to spend more time on Section Rouge, calls Desmarais, "the best partner I've ever had. It's very easy to work with him. We're in touch daily and we consult on everything."

The company plans to buy five to 10 titles in the next year and it's receiving numerous proposals from publishers looking to sell. And it's eyeing titles from Ontario to the United States. "You're better off looking outside Quebec," Desmarais says. "Everything here is controlled by Quebecor, Transcontinental or Gesca."

No launches are planned. The Section Rouge philosophy is that acquisitions are guaranteed revenues - especially if you've done due diligence. Startups are only guaranteed expenses.

Besides, Desmarais is a cost-cutting king. At CKAC he chopped annual expenses from \$12 to \$7 million. The Ste. Hyacinthe radio station he bought from Cogeco was losing \$250,000 annually, while the Drummondville station was in bankruptcy. By the time Astral Media bought them years later, both were profitable. "If I have to change something I'm not scared to change."

Case in point: Section Rouge is putting 50-year-old *Allô Police* through a makeover 911. The newsprint tabloid has been shut out of retailers like Wal-Mart and Zellers, where Quebecers now buy most of their magazines on weekends. So if you can't beat them, join them. To increase penetration, *Allô Police* shifted to a magazine format as of Nov. 7, changing its name to *Allô Weekly*, and adding features like sports. The weekly has launched at \$1.99 and will eventually sell at \$2.79. Meanwhile, to ensure its continued presence in dépanneurs (convenience stores), the tabloid is being reborn as a monthly called *Allô Police Collection*.

Says Desmarais, 53, about his modus operandi: "I'm not rich enough to lose money. When I buy something I have to be confident that I will make money quickly. At my age, I don't need to buy just for the sake of buying."