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# THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

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## CoreData Group

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RENNY PONVERT is the CEO of CoreData Group, a financial data provider to the business information industry. Renny began his career on Wall Street working in both the institutional equity and fixed income markets, and has utilized that user perspective to serve in a number of senior product management and executive roles in the information industry over the last twenty years. He previously held management positions at Value Line, Media General Financial Services, and the Primark Corporation (acquired by Thomson Financial in 2000). At Primark, he was responsible for database and image products and was the Managing Director of the WorldScope global database. Renny was a co-founder and the former President of DataJungle Software, a publicly traded firm. He is a graduate of the University of Pennsylvania and resides with his wife and two children in Bethesda, Maryland.

**TWST: Renny, may we start off with a historical overview of CoreData Group?**

**Mr. Ponvert:** CoreData is the new brand name we've given to the firm formerly known as Media General Financial Services ("MGFS"). Founded in 1971 as a business newspaper called the Financial Weekly, MGFS was a relatively small but very profitable division of the Newspaper and Broadcast giant Media General. I think, in those early days, Media General had aspirations to compete with the Wall St. Journal but quickly found that providing the underlying data to corporate clients was much more profitable than competing with a print titan like the Journal. The provision of financial and market data to major business web sites and professional investors in digital form is now our core business. We have over 100 such clients. We also provide compliance based services to over 700 public companies who use our total return data to comply with SEC Regulations but it all has its roots in the databases originally set up to support the Financial Weekly newspaper. We really are financial publishers right down to our historical roots!

**TWST: Back in October 2003, you purchased the property in an LBO with Veronis Suhler Stevenson's backing. What brought about the change in the name?**

**Mr. Ponvert:** There are a couple of things. One, Media General Corporation is a well known and prominent Fortune 500 firm.

Both we and the former owners wanted to insure that there was no branding confusion with who owned and operated the new firm. Two, we felt that a new name could better describe what our firm's true raison d'être was and thus help to differentiate it among the many players in the independent research business. John Suhler, a senior partner at VSS is actually the fellow who came up with our name and our clients embraced it! Traditionally, much of the Company's business has been in private labeling our data services to other information vendors such as D&B Hoover's, Factiva, Microsoft's MSN, and the AP news syndicate. So, we didn't really have much of a vested interest in the "old" brand equity the way many long standing firms have. Candidly, it was an unusual opportunity to buy an existing company with a major client base without being fettered by brand image. We've set an aggressive new course for the firm and are able to create a new brand identity that better fits with the future of the company without feeling a lot of constraints relative to our brand image.

**TWST: Renny, can you give us a little background on some of your competitors and what makes CoreData Group stand out? What's your competitive advantage over them?**

**Mr. Ponvert:** Jeff, we compete in the sector that would generally be called business information services and particularly in the business to business financial information segment of it. Financial Information is about a \$12 billion dollar industry segment and is domi-

nated by many well known firms like S&P, Reuters, Thomson Financial, FactSet, and Bloomberg. We specialize in providing detailed financial information on public companies in the US and Canada, everything from their financial statements right through to the biographies and compensation figures of their Officers and Directors. That's about a billion dollar slice of the larger industry segment.

You can see some of our information in the upcoming May issue of Forbes Magazine that will be focusing on executive compensation and they are using our data as a primary source. I like to say that we're providing the digital DNA of business information, all the facts and figures that are critical to make an informed and logical decision on valuation, historical performance, and future growth prospects for a firm.

In terms of our competitive advantages we have three main drivers. First, we are the low-cost provider of this data to the industry. That's a major issue in an industry undergoing margin compression and consolidation. Many of the largest names in the industry actually private label our data to use in their various products and services simply because we are able to do it faster and cheaper than their own in-house operations groups. We're sort of a generic arms dealer to industry if you will. Second, we've really tailored our abilities around speed and breadth of coverage. Many of our competitors rely on old legacy systems infrastructure that dates back to the days of "big iron" mainframes and large, high-cost, data entry staffs. We've made a tremendous reinvestment of income into our operations infrastructure and we're able to leverage more efficient collection systems that allow us to focus on the true information drivers within the data rather than getting bogged down in old fashioned sweat-of-the-brow data mining. Finally, we have a rather unique business model. In an industry that is increasingly "Balkanized" around a few gigantic firms that are aggressively pursuing vertical integration strategies and thus precluding flexibility and choice on the part of their end-user clients, CoreData is happy to provide our data to virtually any software platform either under our own brand or private labeled as the client's own.

**TWST: What do see as some of the basic challenges that are facing the CoreData Group in the next 12 to 18 months?**

**Mr. Ponvert:** I don't think the challenges that face us are any different than those that confront the financial services industry and all of its vendors generally. We just happen to be better suited to adaptation than some of the dinosaurs we compete with.

In the financial information industry there is a very disruptive confluence of change in both the technologies that provide the infrastructure for the industry and a sea change in the values and attitudes of the client's for financial information services. The technology changes have largely run their course and the future there is certainly clear, if not comfortable. The change in the client landscape is still in process and much less clear in its definition.

So, on the first front in terms of technology, financial publishing used to be predicated on having a huge and high-cost infra-

structure to collect and distribute information. That high-cost entry barrier allowed major, well-branded publishers to establish capital intensive operations that were extremely difficult to replicate. Just as in the manufacturing sector, PC and Server technology has changed all of that. Today's market paradigm is predicated less on sheer size and much more on flexibility, automation, and through-put. We are beneficiaries of that change in this particular case. We can focus on the "wetware" of "why" rather than the hardware of "how". The simple fact that our firm is smaller, lighter, and faster from an operations standpoint allows us to take advantage of technology to lower our cost in a way that many large financial publishers really struggle with because they have a vested interest in complicated legacy systems and significant market shares, which put them bluntly at odds with market forces that would dictate lower price. These providers rely on historical brand prowess rather than innovation to support their products. That's a short-sighted strategy in my opinion as professional financial markets are very receptive to innovation and new players.

Likewise, the revolution that has taken place within our clients and the financial markets generally over the last few years has really revolved around two major pieces of legislation. One is rule Fair Disclosure, which has finally leveled the playing field for all investors on receiving information flow from public companies. The second is the Sarbanes-Oxley Act, which helped to redefine the fiduciary responsibility of corporate officers and directors to their public companies.

For us, as an independent research provider, the confluence of those two pieces of legislations have frankly served to level the playing field for us versus sell-side broker research, and to sort of restore the economics of the business information market. Rule FD makes it frankly more sensible for buy-side money managers to purchase information from independent research providers, and removed what previously had been a major competitive advantage for the sell-side of the Street, which was the ability to have an inside edge on what was really going on with public company finances. Now, everyone knows the same thing at the same time and the information margin is putting it into context. The essence of our business is to give clients all of those facts and the ability to evaluate them in the context of historical performance, industry norms, and macro market values.

In sum, providing financial information services to professional investors has become less a game of scale and brand and much more a business of operating efficiency, strategic outsourcing, and ability to discern key performance drivers. Like Joe Gannon in Dragnet, we try to "just stick to the facts, ma'am" and let others do the sexy software bits.

**TWST: Renny, how important is the international market to the bottom line of CoreData?**

**Mr. Ponvert:** Right now in revenue terms, not at all, Jeff, but we see it as an integral part of a coherent brand extension strategy for the Company in the coming years. The US market represents approxi-

mately 54% of the world's market capitalization, and in the landscape of the business information industry and particularly professional investors - who at the end of the day are our most important users, global context is an important driver in the decision matrix.

**TWST: I'd like to know if we could have your take on some of the key issues you see affecting your space at the moment?**

**Mr. Ponvert:** The first would certainly be that we're just emerging from a three year bear market and our clients have been going through a gut-wrenching restructuring of all elements of their businesses. That has got to be the sort of overarching fact that every single business publisher in this space has had to deal with in the last three years. Reuters has arguably been the poster child for this painful cycle. The interesting thing to consider, now that the mercu-rial winter is over, is that the survivors are the ones that have the opportunities in front of them and the question is what will they do with those opportunities. The received wisdom is that vertical integration is the model that will deliver sufficient scale for success. I don't believe that's true. There has been a realization on the part of buy-side clients that many of the grand old research brands that they are familiar with no longer represent thought leaders in the industry and are actually just relying on brand prowess and vertical distribution as vehicles for milking cash flow. The capital markets are too dynamic and demanding to tolerate that status quo for an extended period. These professionals are some of the most leading-edge firms in the world. They'll reward innovative products quickly and decisively. Look at the ascent of Bloomberg, LP as a comparable.

The pink elephant in the room is that the major information vendors are not delivering anything new or even mildly exciting to their capital markets clients. Rather, the big vendors are struggling with outdated infrastructures and associated pricing models trying to preserve margins which are untenable relative to the incremental value they bring to their clients. These big vendors really need to restructure their cost basis, just as their clients have, so that they can free up capital for innovation rather than maintenance. I think these big information vendors will increasingly be forced to strategically outsource major elements of their services to smaller, more nimble firms like us, of course, and to focus on what I think they're true core competency is - mass distribution. Strategic outsourcing of the necessary but not sufficient elements of business information services is critical for efficiency for these big vendors. To some extent the big information vendors today remind me of the major department store chains in the late 1980's as specialty niche retailers were just emerging. We all know how that story ended. Similarly, the successful business information vendors of the future will be far more tailored to specific functions of integration and distribution leaving most of the data content to specialty firms that do it better, faster, and cheaper. The truly vertical model just doesn't make sense in such a dynamic and intellectually robust industry.

**TWST: Is the company looking at any partnerships or possible joint ventures in the near future?**

**Mr. Ponvert:** Yes, we have a number of marketing partnerships that we are actively working on and strategic acquisitions are actually an integral part of our growth strategy. Over time, I would expect that roll-up acquisitions will be a major part of our value to clients.

**TWST: Renny, where do you see the CoreData Group in the next three to five years? Can you let us in on the strategic direction of the company?**

**Mr. Ponvert:** Our basic strategy is to provide the business information industry with the best outsourced solution for financial data on public companies around the world. In future years you'll see us providing a lot of mathematically derived analytical aspects to the data, which is designed to help our clients get to decision points as opposed to simply delivering to them a lot of raw numbers. And then most importantly, I think that we will continue to be one of the leading-edge players in what is basically a restructuring of the information industry where our infrastructure and technology allow us to provide a lot more value to our client's desktop in the form of yes, lower priced products, but frankly a more timely and salient set of information that's delivered in a manner that's flexible and more akin to their business models.

**TWST: Renny, can we have a little background on you.**

**Mr. Ponvert:** Well, I'm a bit of a mercenary who's fought for many armies, including Value Line, Primark and S&P. I started in the industry as an institutional bond salesman but have never regretted my switch to equities and particularly independent research. After twenty plus years of this stuff I can honestly say that I love the intellectual aspects of the capital markets and think that the blend of technology and finance is the best possible profession! The real brains in the shop reside amongst the line managers all of whom have held significant positions at firms such as FactSet, Thomson, Moody's, and the former Multex. We put a high premium on substantive experience and having some proverbial dirt under your fingernails!

**TWST: Looks like you got a fine team in place.**

**Mr. Ponvert:** Yes, as is I guess common in most private equity deals, the management team has stellar experience and deep knowledge of the industry that we are in. Our management team owns 20% of the equity in the firm.

**TWST: I think it's actually the backbone of every successful company. Is CoreData Group doing anything to get their message out to the rest of corporate America?**

**Mr. Ponvert:** Yes, but our clients are more likely to be the brands you hear about. Our business is predicated on being the numbers behind the factual information that you see displayed on major business websites. So some of our strategic partners actually are the ones that you would recognize best in terms of brands. We provide numerical data to Dun & Bradstreet's Hoover's division for instance. We provide the Microsoft/MSN Money Central website with financial data. We provide data to Fidelity and to Factiva. All of these firms have a much broader reach than just the professional invest-

ment manager market, CBS Marketwatch for instance. Our total viewership, if you will, is in the millions of eyeballs.

**TWST: Renny, any final thoughts in your list, where you would like to leave our readers with?**

**Mr. Ponvert:** Jeff, as I said the business information industry is a particularly interesting one, simply in that it provides actionable news and information that requires users to visit often and to be sort of actively engaged in the information you provide. Professional financiers and their clients are demanding but lucrative clients to have. For that reason, business information as an industry has commanding margins and strong growth characteristics that make it unusual relative to some of the other areas in publishing where, frankly, it is hard to find a follow-on act for a successful title.

**TWST: Thank you.**

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