Media Co. Cox Eyes Online Ad Growth, Buys Startup for $300 million

NEW YORK (AP) — Media conglomerate Cox Enterprises Inc., betting its future on Internet advertising as newspaper and television audiences shrink, plans to spend $300 million to buy a startup that helps Web sites pool their ad space.

The all-cash deal with Adify Corp., to be announced Tuesday, represents the latest evolution for a media company that began more than a century ago with one newspaper in Dayton, Ohio. As new technologies emerged, Cox expanded to include radio, television and cable systems across the country.

"We're absolutely convinced at Cox that online revenue is continuing to grow," John Dyer, Cox executive vice president for finance, told The Associated Press. "If you look at Cox's history, we've not necessarily been the first into a space. ... But we've prided ourselves in the course of history in being early investors."

With Adify, Cox gets a technology platform that can help Web sites more successfully sell higher-priced ads targeted to specific audiences, such as parents or travel enthusiasts, keeping brand-name advertisers from fleeing to larger Internet companies like Google Inc. and Yahoo Inc.

Marketers wishing to reach a targeted audience may find a particular media Web site lacking enough ad space to sell. Adify helps media companies form networks of Web sites around parenting, travel and other topics, allowing marketers to reach readers on dozens or hundreds of like-minded sites through a single buy.

Adify already runs several ad networks, including a lifestyles-focused one for Martha Stewart Living Omnimedia Inc. and a network of hundreds of independent financial blogs assembled by the online unit of Forbes Inc.

Cox is exploring its own specialty ad networks around such Web properties as cable TV's Travel Channel, the AutoTrader.com classifieds site and the Kudzu local search portal.

Russ Fradin, who will continue to run Adify, said Cox was initially in talks with Adify to launch such networks as a regular customer. A year of discussions led to Cox deciding to buy the startup outright, he said.

Fradin said Adify would continue operating as an independent company, with Cox competitors treated as well as Cox-owned Web sites.

But he said early investors in Adify, which include General Electric Co.'s NBC Universal and Time Warner Inc.'s investment arm, will cash out and have no direct control after the deal closes, which is expected to happen in mid-May. NBC will remain a customer, however.

Adify and its 80 or so employees will remain in San Bruno, Calif. Competitors include Burst Media Corp., which runs an ad network for Viacom Inc., and Seevast Corp., which also has a deal with NBC — through its MSNBC.com joint venture with Microsoft Corp.

Cox, a privately held company with headquarters in Atlanta, also runs cable and high-speed Internet systems across the country, 17 daily newspapers including The Atlanta Journal-Constitution and 15 TV stations, and it has majority stake in about 80 radio stations in Atlanta, Houston, Miami and 16 other markets.