



Alliance Entertainment to Platinum, Gores

Duo acquires mega wholesale distributor

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Alliance Entertainment, the country's largest wholesale distributor of CDs, DVDs and videogames, has been sold to equity firms Platinum Equity and the Gores Group by Source Interlink.

Terms of the purchase, made by the buyout companies' joint-venture entity Project Panther Holding Corp., were not disclosed.

The company has been under financial pressure and successfully reorganized after filing for Chapter 11 bankruptcy protection in April 2009.

With a distribution facility located in Shepherdsville, Ky., Alliance boasts a full-line inventory of 400,000 CD, DVD and game titles. Its customer base -- 2,900 accounts comprising some 30,000 stores -- includes the large music chains Trans World Music and Hastings Entertainment, combo stores Barnes & Noble and Borders, Web giant Amazon.com and big-box retailers Kmart, Best Buy and Target.

Alliance accounts for more than 8% of U.S. CD sales and approximately 5% of DVD sales.

Alliance has also long been the leading "one stop" in the country, and its accounts include virtually every indie music- and videostore in the U.S.

It merged in 2005 with Source Interlink, publisher of such specialized magazines as Motor Trend and Surfer.

The steep decline of Alliance's core retail businesses -- exemplified by the disappearance of music chains like Tower and the demise of home entertainment retailer Hollywood Video -- likely spurred Source Interlink's off-loading of its erstwhile division. The company's new owners alluded to the difficulties facing the music and video spheres in the announcement of the sale.

"The market for distributing media content is highly fragmented and rapidly evolving," said Platinum head of mergers and acquisitions Johnny O. Lopez. "However, we have a great deal of experience assisting companies to thrive within industries in flux," he added.

"This is a fundamentally solid business, but it faces substantial challenges in a rapidly changing distribution market," said Steve Yager, senior managing director of the Gores Group.

Platinum and the Gores Group, operated separately by brothers Alec and Tom Gores, had reportedly weighed a move to acquire Miramax Films earlier this year (Variety, April 8).