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Metal Bulletin sells Avalon for just $1

By Saeed Shah

Metal Bulletin, the business publishing group, revealed yesterday that it had been forced to dispose of the Avalon Research business, which it bought last year, for just $1 after a "breakdown" in relations with the management of Avalon.

As well as selling Avalon, an equity-research business in the US, to management for a token sum, Metal Bulletin will pay Avalon $8m (£4.4m) to cut ties.

In July last year, Metal Bulletin announced the acquisition of Avalon for a headline price of $21m. It paid $5.5m upfront, with the rest coming through an earn-out agreement, which paid $12.5m in instalments up to March 2011, plus a final sum of $3m. Since then, there has been a downturn in trading at Avalon, which made a loss of £500,000 in the first half of this year. A drop in equity trading volumes hit profits at Avalon.

Metal Bulletin said it tried unsuccessfully to negotiate a restructuring programme with Avalon management, who sold them the business. The Avalon management, led by its founder and chairman Michael Margolies, 44, "had sought immediate payment" of $12.5m, the maximum available under the earn-out, according to Metal Bulletin.

The UK company said: "Metal Bulletin does not recognise this demand but does acknowledge that the relationship with Avalon management has broken down irretrievably. Rather than face an uncertain, protracted and highly costly litigation process in Florida, while being unable to stem trading losses at Avalon through taking full management control, we have negotiated an immediate clean break settlement."

Metal Bulletin will pay Avalon management $6m to settle all legal claims, and provide a further $2m capital injection. Metal Bulletin will take a £5.5m write-down in the carrying value of Avalon on its balance sheet. Mr Margolies did not return calls.

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