

Polygram Expected to Buy A&M Records

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New York Times Published: September 2, 1989

In another sign of consolidation in the record industry, Polygram N.V. is expected to acquire A&M Records, the record company that was founded and is owned by Herb Alpert and Jerry Moss. Industry executives put the price of the acquisition between \$400 million and \$500 million.

The purchase would strengthen the American operation of Polygram, which is owned by Philips N.V., and make it a stronger competitor against Warner Records and CBS Records, the two powerful industry leaders. Polygram and Thorn EMI P.L.C. are next in size.

Neither A&M nor Polygram would confirm or deny the pending deal, but it did not surprise record industry executives. Polygram has been aggressively acquiring American companies. It agreed to acquire Island Records several months ago for about \$300 million, a price that was considered high at the time, and it recently bought Chrysalis Records.

Also, there had been some expectation among industry experts that A&M would be sold. One industry expert estimated that A&M's worldwide revenues were about \$250 million.

A&M Records have been distributed by Bertelsmann Inc. in the United States and by Polygram overseas. Although A&M has not had a particularly strong roster of artists in recent years, it does have a large library, and one industry executive pointed out that the advent of compact discs as well as digital audio tape means a new market for record libraries, just as home video has brought about a new market for movie libraries.

A music industry executive who declined to be named said A&M had perhaps not invested as much in acquiring new talent as some of its competitors but that, with Polygram's capital, it was likely to expand its roster. A&M's market share is about 2 percent. Its roster includes the Tijuana Brass, the Carpenters, Carole King, Peter Frampton and the Police.

One industry expert noted, however, that consolidation not only helps attract artists but can also increase profit margins, since the cost of distribution goes down as volume rises.

Industry experts believe there may be further consolidation in the record industry. They say that a logical merger might be one between MCA Records and Bertelsmann.

In recent years Time Warner Inc.'s record operations have become particularly strong and have done well, supporting the notion that a well-managed record business is not overly susceptible to enormous swings in profitability.

Several industry executives said that A&M's real estate holdings would not be included in the deal.