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Big name investors hand ad startup Medical Channel \$25m to buy rival



Medical Channel chief executive Nazar Musa. The company has just closed a major capital raising of \$25 million. Sarah Keayes

by [Yolanda Redrup](#)

High-profile investors including Darren Smorgon, the Wingate Group and Tony Faure have poured \$25 million into a startup that pumps digital advertising into doctors' waiting rooms, as it looks to corner the market by acquiring its biggest rival.

The big name backers have invested in digital advertising company Medical Channel, as it sets out to buy out The Community Network.

Medical Channel was founded only in 2012, but has quickly grown to be the market leader in the space, after buying up so-called advertising "real estate" in general practices, before pursuing advertisers.

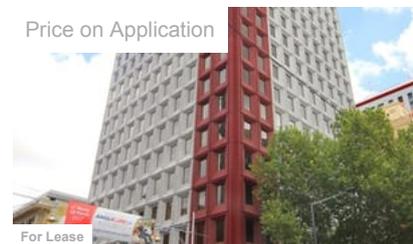
In February this year it also bought Medical Media, a similar business which provides television advertising in doctor staff rooms targeting health professionals, rather than patients.



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Medical Channel chief executive Nazar Musa is aiming to solidify the company's market leading position. Sarah Keayes

Medical Channel chief executive Nazar Musa, who was previously the head of high-profile online marketplace LivingSocial.com in Asia, said the acquisitions were part of a strategy to quickly grow its monthly viewer numbers.

"Focusing on the addressable market in Australia of about 6000 GP clinics, it would be good to be in 4000 of those in the medical space within the next six months, and then we'll start looking at allied health," he said.

"Then there are opportunities in neighbouring countries like New Zealand. In 18 months' time I want Medical Channel to be the solid market leader in Australia, New Zealand, and looking at expanding further."

The Medical Channel capital raising is one of a growing list of major raisings by startups this year, with [Trustee Partners](#), [Airtasker](#) and [Vinomofu](#) also bringing in more than \$20 million each in venture capital funding.

In the first half of the year more than [\\$660 million worth of technology deals were struck](#). Of the 60 deals done, 57 per cent were investments and 40 per cent were mergers and acquisitions.

The acquisition

The bulk of the funds raised by Medical Channel is going to cover the cost of the acquisition, the precise value of which was not disclosed, with the remainder of the capital going toward future growth opportunities.

The company was founded by entrepreneur Garry Fahey in mid-2012, specialising in the TV advertising found in elevators, before pivoting into the medical sector. Mr Musa joined the business as chief executive in January.

The acquisition of The Community Network sees Medical Channel grow its network from 2200 screens in medical practices across Australia to more than 3000, with a monthly audience of 6.25 million people.

The company is also intending to adopt Community Network's strategy of targeting small local businesses to advertise in their local GP, in addition to its traditional strategy of going after the major pharmaceutical and healthcare companies.

Each of the company's screens have an individual IP address and sim card, letting it communicate with each screen to offer targeted advertising for the demographic of the clinic.

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"We believe that a monthly audience of more than 6 million people will be attractive to national advertisers seeking to target an attractive and growing audience demographic," Mr Smorgon, who has invested in the firm via his family office Sandbar Investments, said.

Wingate private equity director David Jackson said its acquisition of The Community Network made Medical Channel the "clear market leader".

"This presents a unique platform for advertisers to reach consumers in a targeted manner and measure returns. The growth opportunity is underpinned by a continued focus on innovation and exceptional service delivery for our customers and partners."

Earlier this year The Community Network earned the scorn of the Australian Competition and Consumer Commission for unconscionable conduct for its dealings with one small business where it refused to release the business from its contract for advertising services, despite not displaying its ads. The ACCC also found that it had made false or misleading representations to two other small businesses and wrongly accepted payment from them. For this, the company copped a fine of \$230,000.

Mr Musa said The Community Network had reformed its practices, paid the fine and the Medical Channel had since been in discussions with the ACCC to assure the watchdog it would abide by its findings.

"The Community Network realised very early on and were personally affronted by the fact they'd let themselves down ... For us, our screens are on the wall before we take money for advertising, so if we sell an ad to a local beauty salon today then it can be on the screen tomorrow morning," he said.

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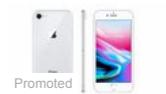
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