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## *Mediapart: a viable model?*

For decades, the French government exercised what many considered undue influence on the media, both through direct subsidies and via advertising by nationally owned companies and government ministries. Moreover, the Internet disrupted traditional journalism's business model, which resulted in widespread consolidation of the mainstream media's ownership. Many worried about the effect of owner interests on accountability journalism.

In 2007, four veteran journalists decided to flip the Internet equation for media and try instead to take advantage of the Web. They proposed an online-only, advertising-free news platform that would operate independently—reliant exclusively on subscriptions, plus the substantial start-up funding of €3 million (\$4.5 million) from the founders and other investors.<sup>1</sup> These included a hedge fund, two private companies, and a private association dubbed “Friends of *Mediapart*,” whose 88 members wanted to support the democratic project.<sup>2</sup>

The four journalists, plus a financial executive, launched *Mediapart* on March 16, 2008. Its mission was impartial investigative journalism focused on political, financial, and social issues. The news organization was for-profit and aimed for an initial base of 10,000 subscribers. The publisher and driving force was Edwy Plenel, a former editor of the respected newspaper *Le Monde*, known for his principled investigations of political and financial wrongdoing.

The venture met with remarkable success. By fall 2010, *Mediapart* was breaking even, and in 2011, it declared its first profitable year. In 2014, it reached a market value of €11.3 million with 65 employees and 100,000 subscribers. It earned €8.8 million for an after-tax profit of €1.4 million. Its popularity stemmed in part from two national scandals which *Mediapart* broke: a 2010 story about unethical dealings between L’Oreal Cosmetics billionaire Liliane Bettencourt and government officials; and a 2012 report on Budget Minister Jérôme Cahuzac and his secret Swiss bank account.

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<sup>1</sup> Conversion based on rates as of March 1, 2008. See: <http://www.x-rates.com/historical/?from=EUR&amount=1&date=2008-03-01>

<sup>2</sup> The average Friend’s contribution was €9,000.

Not all was rosy, however. In late 2013, the French tax authority ruled that from 2008-14, *Mediapart* had illegally paid taxes at the favorable rate accorded newspapers, not at the much higher rate charged for digital platforms. The Treasury demanded back payment of €3.4 million, plus penalties of another €1.3 million—a crippling sum. Plenel declared the tax decision a government vendetta against *Mediapart*'s reporting and initiated a lengthy appeals process.

But the tax issue was not the only threat to *Mediapart*'s stability. In April 2016, the news site could afford to increase its subscription rate from €9 to €11 a month. Moreover, Plenel in 2015 announced his intention to retire in 2017, as did the company's finance director. *Mediapart* investors, as well as Plenel's journalist partners, were dismayed. How, they worried, would the news site survive its founder's departure? In spring 2016, Plenel proposed that a nonprofit foundation be created to own *Mediapart*. But how would that sit with the current investors? Could a foundation earn enough to support the website? There was no time to lose in formulating a viable ongoing business strategy acceptable both to readers and to *Mediapart* stakeholders.

## French media — brief history

France has a lively newspaper culture dating back to the late 18th century, first assuming a key political role on the eve of the Revolution. The 1789 Declaration of the Rights of Man and Citizen postulated the “free communication of thoughts and opinion.” French newspapers emerged as political players in a developing democratic system. That trajectory was cut short, however, by Napoleon Bonaparte's coup d'état in 1799 and by the 1814 restoration of the monarchy. “Overt state censorship of the press became the norm over the next eight decades,” wrote communication scientist Rodney Benson.<sup>3</sup>

Thus, the particular French notion of journalistic autonomy was crucially influenced by this long formative period during which the early journalistic heroes were of necessity also political dissidents.

The French press again gained a degree of autonomy in 1881 under the Third Republic. But it quickly grew factional, reflecting the fragile foundation of the republic. “Because the parties themselves differed so fundamentally,” noted Benson, “the press was not allowed to avoid choosing sides and thus remained politicized even as it became more commercialized.”<sup>4</sup>

Just 13 years later, the nascent free press became a battleground during the Dreyfus Affair, which brought into question nearly every key journalism value, from impartiality to holding institutions accountable. In October 1894, after a summary inquiry that produced questionable evidence, 34-year-old artillery officer Alfred Dreyfus was accused of spying for Germany and thrown into prison. In December, he was found guilty after a three-day trial, and in January 1895 stripped of his medals and exiled. That Dreyfus had been framed became a national *cause célèbre*;

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<sup>3</sup> Rodney Benson, “Shaping Immigration News: A French-American Companion” [Cambridge, UK: Cambridge University Press], 2013.

<sup>4</sup> Ibid.

certain media outlets were found to have contributed to the unjust verdict via blatant anti-Semitism, sensationalism, and partisanship. Dreyfus was later exonerated.<sup>5</sup>

The ideological polarization of French newspapers became painfully clear once again some 40 years later, during World War II. While the *Résistance* fought to free France from the Nazi occupation, some newspapers, including *Le Matin*, *L'Appel*, and *Je Suis Partout*, supported the Germans; these were forced to shut down after the war. Several editors were put on trial and condemned variously to prison, forced labor, and even death.<sup>6</sup> Members of the underground Resistance press, on the other hand, rose to prominence. In August 1944, journalists, academics, and others established a national news agency, Agence France-Presse (AFP), in what had been the headquarters of the Nazi-sponsored *Office français d'Information*.<sup>7</sup>

The remade media map of postwar France saw the rise of a politically engaged press. Twenty-five dailies were published in Paris in the years following the war, with the Communist Party paper *L'Humanité* topping the circulation chart. *Le Monde*, launched with the backing of Charles de Gaulle upon his return from exile in 1944, demonstrated journalistic independence when it criticized the revered general during his presidency, 1959-1969.

## Government Ties

While French newspapers in the postwar period enjoyed a reputation for editorial independence, they counterintuitively also depended financially on the French government. "After the liberation, the reborn French press was not in a condition to secure the financial funds necessary to carry out their ambition," wrote AFP President Lionel Fleury in 1995. "The State took it upon itself to give the AFP the means to succeed."<sup>8</sup> That financial support quickly affected editorial policy; the foreign press, wrote Fleury, soon denounced the news agency as an instrument of state propaganda.

Government subsidies for the press continued, however. Small political publications, for example, received government funding to promote political pluralism. Starting in the 1980s, the government also started to cover losses that newspapers claimed were caused by the rise of commercial TV. By 2015, the cost of supporting newspapers reached some €77 million a year (\$87 million).<sup>9</sup> The authorities fixed the price of newspapers, kept the Value Added Tax (VAT) low and subsidized printing, postage, and even paper costs.<sup>10</sup> Reporters were well aware of the

<sup>5</sup> For more on this subject, see Adam Gopnik, "Trial of the Century: Revisiting the Dreyfus affair," *The New Yorker*, September 28, 2009. See: <http://www.newyorker.com/magazine/2009/09/28/trial-of-the-century>

<sup>6</sup> Caroline Puissant, "Les Collaborateurs Sanctionnés." See: <http://conferencederedaction.info/>

<sup>7</sup> Lionel Fleury, "La Création de l'Agence France-Presse," *Espoire*, No. 103, 1995.

<sup>8</sup> Ibid.

<sup>9</sup> "Subsidies to French newspapers," French-Property.com, January 26, 2017. See: [https://www.french-property.com/news/french\\_life/newspapers\\_press\\_subsidies/](https://www.french-property.com/news/french_life/newspapers_press_subsidies/)

<sup>10</sup> Clare Cook: "France: Tensions and diversity" in *Sustainable Business Models for Journalism*, a joint publication of the University of Tampere, USC Annenberg and Waseda University, 2012. See: <http://www.submojour.net/archives/1025/submojour-report-2-5-france-tensions-and-diversity/>. See also Patrick le Hyaric, "L'Humanité, la rechte finale?," *Observatoire des Journalistes et de l'Information Médiaétique*, April 9, 2016, <http://www.ojim.fr/lhumanite-la-rechute-finale/>, detailing a 2014 example, when the government cancelled a €6 million debt for *L'Humanité* (369,000 readers).

government subsidies, since some of the money benefited them directly. For example, a reporter with a press card got a 30 percent discount on public transport, including Air France, and for many years journalists paid 7 percent less in income tax than those in other trades with similar salaries.<sup>11</sup> The media also relied heavily on the government for advertising, both from state-owned companies and organizations and directly from ministries.

By 2016, government aid to the press represented 12 percent of the industry's total revenue, excluding ads from government agencies.<sup>12</sup> In fact, the main advertiser in national newspapers was carmaker Renault, which was partially state-owned.<sup>13</sup> Moreover, top journalists, government officials, and business leaders often enjoyed close social ties that dated back to their attendance at the same schools and institutes.

### *Public distrust*

These factors combined to place France rather low on the World Press Freedom Index, published annually by Reporters Without Borders. Of the 180 nations surveyed for its 2016 report, most Western European countries made it into the top 20 (Netherlands, 2<sup>nd</sup>; Switzerland, 7; Austria, 11; Belgium, 13; Germany, 17). France, by contrast, placed 45<sup>th</sup>, behind the US (41), Burkina Faso (42), Botswana (43), and Trinidad and Tobago (44). "Though journalists in France are generally free and their work protected by the law," read the report, "the media landscape is basically made of groups whose owners—industrialists in particular—may have other objectives in mind than defending editorial independence."<sup>14</sup> Moreover, "political and financial pressures are more and more frequent. Reporters have sometimes been attacked when they covered political meetings or other events."

The findings reflected the French public's attitude toward its national press. By 2016, the Edelman Trust Barometer found that only 38 percent of the general public trusted the media.<sup>15</sup> The report also revealed a strong link between income and trust: high-income respondents showed a 64 percent trust in media, compared to just 35 percent among those earning a low income. Only the US and Brazil recorded a similar gap.<sup>16</sup>

As of 2006, when *Mediapart's* founders first pondered their idea, the French press could be divided into four principal categories: national dailies (9), local dailies (54), weeklies (45), and niche and professional magazines (11).<sup>17</sup> The most-read newspaper was a local daily, *Ouest-France*, with 2.48 million readers.<sup>18</sup> The national *Le Parisien/Aujourd'hui en France* ranked second,

<sup>11</sup> Alice Antheaume, "The French press and its enduring institutional crisis," *The Changing Business of Journalism and its Implications for Democracy*, Reuters Institute for the Study of Journalism, 2010. See:

<http://reutersinstitute.politics.ox.ac.uk/publication/changing-business-journalism-and-its-implications-democracy>

<sup>12</sup> Ministère de la Culture et de la Communication, "Aide à la Presse 2016: Présentation." See:

<http://www.culturecommunication.gouv.fr/Politiques-ministerielles/Presse/Aides-a-la-presse>

<sup>13</sup> In April 2015, the government increased its direct stake in the company to 19.5 percent. Christian Marbach, "Georges Besse arrive chez Renault : lisons les journaux !," *Bulletin de la Société des Amis de l'École Polytechnique*, 2013. See:

<http://sabix.revues.org/1025>

<sup>14</sup> *2016 World Press Freedom Index—leaders paranoid about journalists*, Reporters Without Borders, April 20, 2016. See: <https://rsf.org/en/france>

<sup>15</sup> "2016 Edelman Trust Barometer Finds Global Trust Inequality is Growing," January 27, 2016. See:

<http://www.edelman.com/insights/intellectual-property/2015-edelman-trust-barometer/>

<sup>16</sup> Ibid.

<sup>17</sup> Pasquier, Martin and Bernard Lamizet. "Media Landscapes: France," European Journalism Center, 2009 and "La Presse Payante," L'Alliance pour les chiffres de la presse des médias, 2015.

<sup>18</sup> Audipresse, *One* 2014/2015. See: <http://one.acpm.fr/one2014/ParPeriodicite.html>

with 2.42 million readers. Next came the sports daily *L'Équipe*, with 2.28 million. Traditional publications that undertook investigative projects came further down the list. *Le Monde* had 2.23 million readers, *Le Figaro* 1.55 million, and *Libération* only 950,000.

## Media Consolidation

Even with subsidies, French newspapers struggled as the Internet revolution cut into advertising and subscription revenues. They also were slow to transition from traditional print to a regularly updated news website. In 2014, a Harvard Nieman Foundation report described the poor online products of *Libération*, *Le Monde*, and *Le Figaro*. “Libé (short for *Libération*) is a wreck, and its digital presence an embarrassment,” it said; the once vital newspaper suffered a 15 percent circulation drop that year.<sup>19</sup> The French ministry of culture the same year found that across the national press, revenues were down 5.6 percent.<sup>20</sup> With seven consecutive years of losses, it calculated that the print press in total had lost more than €2 billion in revenue.

One result was a string of sales. Between 2013 and 2015, several pillars of the French press—*Figaro*, *Le Monde*, *Libération*, and *L'Observateur*—sold to media conglomerates. Those sales were only part of a wider consolidation that left French media, including TV and radio stations, in the hands of about 20 companies. Among the media moguls were Patrick Drahi, who owned mobile company SFR, bought *Libération*, and in 2015 acquired the weekly *L'Express*; Xavier Niel, who owned cable giant Free and bought *Le Monde* and *L'Obs* with business partners Pier Bergé and banker Matthieu Pigasse; and Niel and Pigasse, who partnered with TV producer Pierre-Antoine Capton to form Media One, a \$300-500 million fund to acquire media companies.<sup>21</sup>

### Web migration

Migration to the Web lagged not only for French newspapers but for their readers. According to Eurostat, as of 2012, only 31 percent of the adult population in France consumed news on the Web, compared to 60 percent in Germany and 46 percent in Italy.<sup>22</sup> In part, this was a chicken-and-egg problem: French readers were not attracted to the websites of established publications because those websites were rudimentary. As for Web-only news start-ups, they were few and slow to build an audience or become profitable. Except for one: *Mediapart*.

## Enter *Mediapart*

In late 2006, a group of four veteran journalists, disappointed at the state of French journalism, had an idea. Who in France, they asked themselves, was doing the kind of hard-hitting investigative journalism that could be seen in other countries like the UK and the United

<sup>19</sup> Peter Gumble, “Plus ça change”, *Nieman Reports*, Summer 2014.

<sup>20</sup> “L'enquête rapide 2014 - Les chiffres clés.” See: <http://www.culturecommunication.gouv.fr/Politiques-ministerielles/Presse/Chiffres-statistiques>

<sup>21</sup> Renaud Février, “‘Le Figaro’, ‘Libé’, ‘L’Obs’... qui possède la presse française?” *L'Observateur*, October 16, 2015. See: <http://tempsreel.nouvelobs.com/infographies/20151015.OBS7723/le-figaro-libe-l-obs-qui-possede-la-presse-francaise.html>

<sup>22</sup> Eurostat, “Use of mobile internet for cultural purposes, 2012.” See: [http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Use\\_of\\_mobile\\_internet\\_for\\_cultural\\_purposes,\\_2012.png](http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Use_of_mobile_internet_for_cultural_purposes,_2012.png)

States? Was the interdependence of French journalists and powerbrokers hindering quality investigations? They decided to find out. In early 2007, they decided to create an online news website that would be independent, un beholden to any political or financial backers and able to do the kind of work to which they aspired. Plenel thought they might call the website *Mediapart*, reflecting the media's role in participative democracy, especially with the advent of digital journalism. But there was a *double entendre*: "à part" meant different, which the new website certainly intended to be.

#### *Four founders*

Among them, the four had decades of journalism experience. Edwy Plenel, 55, had worked as a journalist since 1976, mostly for the respected daily *Le Monde*, where he became editor-in-chief in 1994, then editorial director, and finally deputy director. Plenel had a reputation as a critic of established journalism and of the ties between French media and political/ financial interests. He resigned as *Le Monde* director in late 2004 over differences with management and left altogether at the end of 2005. He was also the author of some 20 books and had taught at universities in France and Switzerland. François Bonnet, 48, worked at the daily *Libération* from 1986-1995, then moved to *Le Monde* where he eventually became editor-in-chief. He left the paper in October 2006.

Laurent Mauduit, 56, started his journalism career in 1979 and worked at a variety of publications. In 1990, he moved to *Libération* and from there to *Le Monde*, where in 2005 he became an editorial writer. He resigned in late 2006 over what he considered censorship. Mauduit was also an author (12 books), many on economic and business topics. Finally, Gérard Desportes, 48, had covered economic, political, and social issues for several publications, including *Libération* and *Le Monde*. In 2005, he helped found the *Institut National du Cancer* (National Cancer Institute).

What the four lacked entirely, however, was any business experience. A mutual friend put them in touch with Godefroy Beauvallet, a university lecturer and specialist in computer systems. They were also introduced to Marie-Hélène Smiéjan, an entrepreneur and expert in marketing, communications, and information technology. She had worked variously at IBM France, at Allium, a computer services subsidiary of Société Générale, and at Econocom France (computer services).

#### *Business model*

Both Beauvallet and Smiéjan encouraged the four journalists in their vision, and helped them build a business model. They settled on a privately held company, with shares distributed to investors. To achieve the independence they craved, the group decided to refuse advertising and instead place content behind a paywall and charge readers a monthly fee. In 2007, this was a bold move; after the failure of early efforts to charge, most newspapers and magazines were persuaded that no one would pay for content. The two advisors agreed to join the enterprise: Beauvallet as technical director (he actually took another job before that could start), while Smiéjan came to be considered the fifth founder and became managing director.

Considerable thought went into setting the monthly fee. The group estimated that they needed to hire a minimum of 24 journalists to produce a daily news site. Adding technology and marketing teams implied annual revenues of €3.5-4 million a year to meet salary and associated

costs. The founders thought of charging €5 a month, but that would have meant 80,000 subscribers before break-even, which seemed unattainable. At €15 a month, the break-even point fell to 30,000 subscribers, but the team worried the price would dissuade readers.

So they settled on €9 a month, just below the psychological level of €10. At that rate, they would need 50,000 subscribers to break even. In addition, they offered a €5 discounted price to students, pensioners, and job seekers, and a €15 rate to anyone who wished to support the publication. They set a one-year goal of 10,000 subscribers.

### *Financing*

But first, the projected news website needed investors to get the project off the ground. The founders calculated they needed an additional injection of €3-5 million over the three years they expected it would take to reach 50,000 subscribers. In May 2007, they scheduled meetings with organizations that typically funded start-ups: hedge funds, individual “angel” investors, and investment funds. But they found virtually no takers. The organizations gave one or more of five reasons for their refusal: media as an industry was losing money; they saw no future in paid journalism because, so far, content was free; the enterprise was too small to merit their interest; the project was politically risky; the founders focused on independent journalism rather than on maximum profits.

So in May, the founders turned to their own resources and connections. Plenel and Smiéjan each borrowed €550,000 to invest, while the other three together borrowed €225,000, for a total around €1.3 million. Two privately owned firms with ties to the French elite also signed on. Smiéjan had worked with the chairman of the IT enterprise ECOFINANCE for a long time. She persuaded the company to invest €500,000. The founders also knew Thierry Wilhelm, president of investment company Doxa. Wilhelm had long financed a radical weekly called *Politis*, and sympathized with *Mediapart*'s goals. Doxa proved willing to contribute €500,000. It found the *Mediapart* investment attractive for two reasons, says Plenel: “the democratic game—the freedom and pluralism of information, and the business lab—the invention of a new model for the Internet.”<sup>23</sup>

### *Friends of...*

Finally, the group approached their personal friends, acquaintances, colleagues, and family members, holding parties at homes to persuade them to invest enough to allow *Mediapart* to launch. The friends proved generous: in all, 46 individuals contributed another €500,000. In fact, one venture capitalist responded to the initial pitch and promised €100,000—but that investor backed out at the last moment; a friend made up the difference. The group of supporters became known as the *Société des Amis de Mediapart* (Society of Friends of *Mediapart*), and incorporated separately as a holding company whose sole aim was to own a stake in *Société Éditrice de Mediapart*, the formal name for the website. The Friends president sat on the *Mediapart* board. Contributors could take tax deductions of 25-75 percent of the gift amount depending on their tax bracket, but were not shareholders.

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<sup>23</sup> Author's interview with Edwy Plenel in April 2016 in Paris. All further quotes from Plenel, unless otherwise attributed, are from this interview.

By December 2007, the partners had raised a total €2.9 million. The next step: create an editorial operation.

## ***Mediapart: the news site***

Plenel and his colleagues knew that they wanted a fast start: to publish five to seven unique and hard hitting pieces of journalism a day. “We wanted it to look like a real newspaper, so we thought that should be the minimum,” explains Smiéjan.<sup>24</sup> That meant assembling a robust editorial team. So starting in January 2008, they recruited 24 reporters and 6 other staff members. It was not enough. “We completely underestimated the importance of having marketing and technical teams internally at the heart of the editorial process,” remarks Smiéjan.<sup>25</sup>

Nonetheless, *Mediapart* launched on March 16, 2008. Its mission: to expose injustice—whether social, political, or economic—wherever it existed. The website publicized its formula for independence: no ads, owned largely by its own staff, and supported by readers alone. “The only ones who can buy us are our readers,” read a poster that Plenel hung in his office. Fulfilling its promise to be transparent, the website published its ownership structure.

As planned, *Mediapart* published at least five articles a day, expanding the number as it grew and matured. It later added a user-generated section of blogs and, eventually, video streaming. It also decided to host an “open night” event series, where a top politician answered questions from journalists and readers all night long.

### *More financing*

However, in September 2008 the founders realized they had been overly optimistic in thinking that €3 million could sustain the enterprise for three years; they needed at least another €2 million. Among other difficulties, it was clear they would not reach the projected 10,000 subscribers as fast as expected. At first, the directors announced that for tax reasons they would convert from a privately held company to a nonprofit, but they missed the application deadline. Instead, they pursued the extra funding. That month, an additional 34 Friends provided another €400,000, while Doxa also contributed €400,000 more—bringing the total raised to €3.7 million. In early 2009, the founders returned again to the money well for the balance of the €2 million, making their case to more than 20 potential investors and meeting with 10. Again, all but one refused. Fortunately for *Mediapart*, Plenel—fond of characterizing himself as an ex-Troskyite with no financial acumen—swayed Odysée Venture, a hedge fund. It agreed to put up €1 million if the news site could raise another million. In July 2009, the Society of Friends came through yet again with €200,000, while Doxa committed an additional €750,000. *Mediapart* employees also mobilized to contribute nearly €50,000.

By then, the Friends included a number of influential individuals. On the roster were Maurice Lévy, president of the multinational advertising and public relations firm Publicis; Christian Ciganer, private banker to Sarkozy and brother of his ex-wife and PR mogul Cecilia

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<sup>24</sup> Author’s interview with Marie-Hélène Smiéjan in March 2016 in Paris. All further quotes from Smiéjan, unless otherwise attributed, are from this interview.

<sup>25</sup> Email correspondence with Smiéjan throughout 2016.

Sarkozy; Jean-Louis Bouchard, chief investor of Econocom, a B2B publicly held French company present in 20 countries; Xavier Niel, a key figure of the French financial world, investor in *Le Monde*, and owner of the multinational internet provider Free; and Stéphane Fouks, boss of the marketing communications firm Euro-RSCG and special adviser to numerous politicians, most notably Budget Minister Jérôme Cahuzac.<sup>26</sup>

“Yes, [Fouks] invested €5000,” confirms Plenel, “as did Maurice Lévy. So what? At the time, we took everything we could get hold of.” He laughs. “Everyone could see that it had no influence at all on our investigations into power. Besides,” he adds, “our biggest ‘friend’ was Xavier Niel who, I stress, was at the time a mere Internet provider and not yet an established member of the oligarchy.” Niel gave €200,000 to the Society of Friends.

Now the founders had to justify the faith of all their funders by getting *Mediapart* onto the French media map in a big way and demonstrating that it could deliver investigative journalism of national significance.

## Two major scoops

The breakthrough came in June 2010, when *Mediapart* captured national attention with a major investigative story. The story publicized secret tape recordings made by the butler of Liliane Bettencourt, the richest woman in France and owner of L’Oréal Cosmetics. The tapes included a conversation between Bettencourt and Budget Minister Éric Woerth, who was heard soliciting a job for his wife to manage Bettencourt’s wealth. Woerth at the time was running a high-profile campaign to catch wealthy tax evaders. To make matters worse, Bettencourt received a €30 million tax rebate during that period. The secret recordings also implicated former president Nicolas Sarkozy.

Sarkozy filed a lawsuit against *Mediapart*. But the website was exultant. Subscribers discovered the website in droves, and the total number of paying readers rose from 15,000 at the start of 2010 to 50,000 by October. The website profited not only from a slowly growing acceptance of news online, but from an upgrade to the French Internet that provided higher speeds and faster access to multimedia-enriched content. *Mediapart* had also developed its marketing, technical, and editorial savoir-faire, learning how to transform reader interest into new subscriptions.

Two years later, another *Mediapart* investigation rocked France’s political world. Jérôme Cahuzac was budget minister in President François Hollande’s socialist government when, on December 4, 2012, *Mediapart* published a story titled: “The Swiss Account of Minister of Budget Cahuzac.” Reporter Fabrice Arfi revealed that until 2010, the minister had owned an undeclared bank account in Switzerland. Yet Cahuzac less than a month earlier had publicly declared a legislative war on those who hid fortunes abroad to evade a 60 percent income tax rate. His career was over. As the story spilled over into 2013, *Mediapart* added 13,000 subscribers.

The editorial scoops had a gratifying effect on *Mediapart*’s bottom line. In the autumn of 2010, just two and a half years after launch, it broke even. On December 31, 2011 it declared its first profitable year. That trajectory continued; after-tax profits for 2014 were €1.48 million on revenues of €8.8 million. In September 2014, it logged its 100,000th subscriber and, by the end of

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<sup>26</sup> Euro-RSCG in 2012 changed its name to Havas Worldwide.

2015, another 18,000 subscribers had signed up. The *Mediapart* newsroom meanwhile grew from the original 24 to 45 journalists, plus 30 support staff. The organization seemed to have justified the 2012 judgment by the Reuters Institute for the Study of Journalism that *Mediapart* was “arguably the most disruptive and controversial journalistic online start-up in France today.”<sup>27</sup>

Its editorial success also spelled personal gain for the investors. In March 2014, five years after launch, all investors by prior agreement had the opportunity to sell their shares to one another. Odyssee Venture sold half of its 22 percent holdings to *Mediapart*, and half to Econocom. The price was €2.5 million, which implied a market value of €11.3 million—more than double the original investment.

### Competition

*Mediapart* did have competitors. *Rue89*, for example, was launched in May 2007, just 10 months before *Mediapart*. Like *Mediapart*, it was created by reputed reporters from the legacy press. It emphasized its independence, and offered general news, investigative journalism, analysis, and opinion. But its business model was different: it relied on advertising, training videos, and a print magazine. Despite some editorial success, it struggled financially and, in December 2011, was acquired by the weekly *Le Nouvel Observateur*. There it sank into obscurity. “They wanted to publish fine journalism for free,” observes Plenel drily. “This was not an information business model. This was an entertainment business model, infotainment really.”

## Tax Battle

But *Mediapart* did not have long to savor its success. On December 17, 2013, the Treasury challenged the news website’s right to pay reduced VAT. In 2014, it estimated the unpaid tax debt at €3.4 million for 2008-2014, plus penalties of €1.3 million. This came as a shock. When *Mediapart* was founded, there was no provision in tax law for “online media”; the only category that existed was “newspaper,” e.g. a paper product. *Mediapart*—and other online start-ups—had gone to great lengths to determine its tax burden. The *Syndicat Professionnel de la Presse d’Information Indépendante en Ligne* (SPIIL) had helped. SPIIL engaged in a lengthy exchange on tax rates for online media with the Culture Ministry, which governed the press. They had reached the agreement that online media should pay 2.1 percent VAT, the rate charged newspapers.

*Mediapart* defined itself as a newspaper that published online. So it had paid the 2.1 percent rate rather than the 19.6 percent that the Treasury charged digital platforms such as retail websites. But the Treasury had concluded that *Mediapart* was after all a digital platform, not a newspaper. The €3.4 million represented the difference between the taxes *Mediapart* had paid at the 2.1 percent rate and what the Treasury claimed it owed at the 19.6 percent rate.

Plenel was outraged. In his view, the tax bill was trumped up, part of a vendetta launched against the news website in revenge for the Cahuzac story. The Treasury’s demand, he wrote

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<sup>27</sup> Nicola Bruno and Rasmus Kleis Nielsen, *Survival is Success: Journalistic Online Start-ups in Western Europe*, Reuters Institute for the Study of Journalism, April, 2012. See: [https://reutersinstitute.politics.ox.ac.uk/sites/default/files/Survival%20is%20Success%20Journalistic%20Online%20Start-Ups%20in%20Western%20Europe\\_0.pdf](https://reutersinstitute.politics.ox.ac.uk/sites/default/files/Survival%20is%20Success%20Journalistic%20Online%20Start-Ups%20in%20Western%20Europe_0.pdf)

later, “is meant primarily to weaken us and to slow down the building of our independence.”<sup>28</sup> The decision, he wrote, “is illegitimate, unjust and incoherent.”<sup>29</sup> In December 2015, Plenel announced that *Mediapart* had paid the VAT but also started the process of appealing the decision.

To justify his view, Plenel pointed out on numerous occasions that several people involved in the tax matter had ties to Cahuzac. For example, the head of *Direction Générale des Finances Publiques* (General Directorate of Public Finances) was Bruno Bézard, who Plenel claimed had tried to obtain from the Swiss a (false) declaration that Cahuzac did not hold a Swiss bank account. Several other senior government officials had previously worked for Cahuzac, including the fiscal advisor to Prime Minister Manuel Valls, the cabinet chief for the current budget minister, and the Finance Ministry director in charge of recovering delinquent tax payments.

Plenel and his colleagues thought the matter would be resolved when parliament in 2015 voted to change the law: henceforth, digital journalism outlets would pay the same VAT rate as their print counterparts. But Treasury insisted that the legislation was not retroactive. *Mediapart*, it said, still owed the back taxes plus penalties.

By 2016, the legal costs of fighting the tax bill for more than two years were mounting. Readers, unprompted, had already contributed €412,000 to the website’s defense in 2015, and another €52,000 in early 2016. Now Plenel made a formal plea for support. “Our liberty is too precious—and increasingly too necessary—for us to cease our vigilance in preserving the conditions that guarantee it,” he wrote on March 10.<sup>30</sup> In April, *Mediapart* raised the monthly fee it charged new subscribers from €9 to €11.

### Retirements

But legal troubles were not the only destabilizing development. Plenel had announced in 2015 that he would retire in 2017. Two other founders, Smiéjan and Mauduit, were also likely to retire that year when they turned 65. The publication would not only lose its editorial leadership but have to decide how to handle their ownership stakes. Combined, Smiéjan and Plenel owned nearly 30 percent of *Mediapart*. At first, the two talked of transferring their shares to *Mediapart* employees.

Then, in 2016, Plenel came up with another solution: create a nonprofit trust dedicated to keeping the site independent and sell *Mediapart* to the trust. To generate additional revenue, he imagined, the trust could create new journalism products modeled on *Mediapart*, such as a website dedicated to corruption in sports. Others, however, were more skeptical. New products might simply cannibalize *Mediapart*’s readership. Moreover, if Plenel devoted his energy to fundraising for the new trust, could he erect a wall to ensure that outside money did not erode investigative vigor at *Mediapart*? The next steps for the media platform were far from clear.

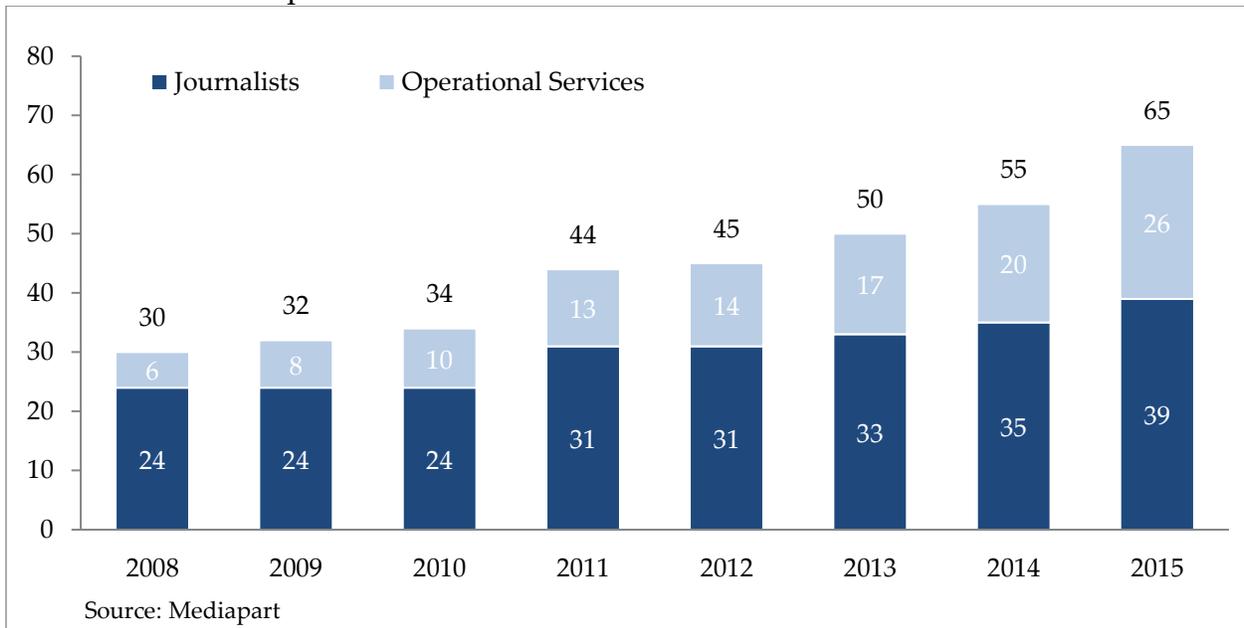
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<sup>28</sup> Edwy Plenel, “Mediapart, le fisc et les revanchards,” *Mediapart*, January 14, 2016. See: <https://www.mediapart.fr/journal/france/140116/mediapart-le-fisc-et-les-revanchards>

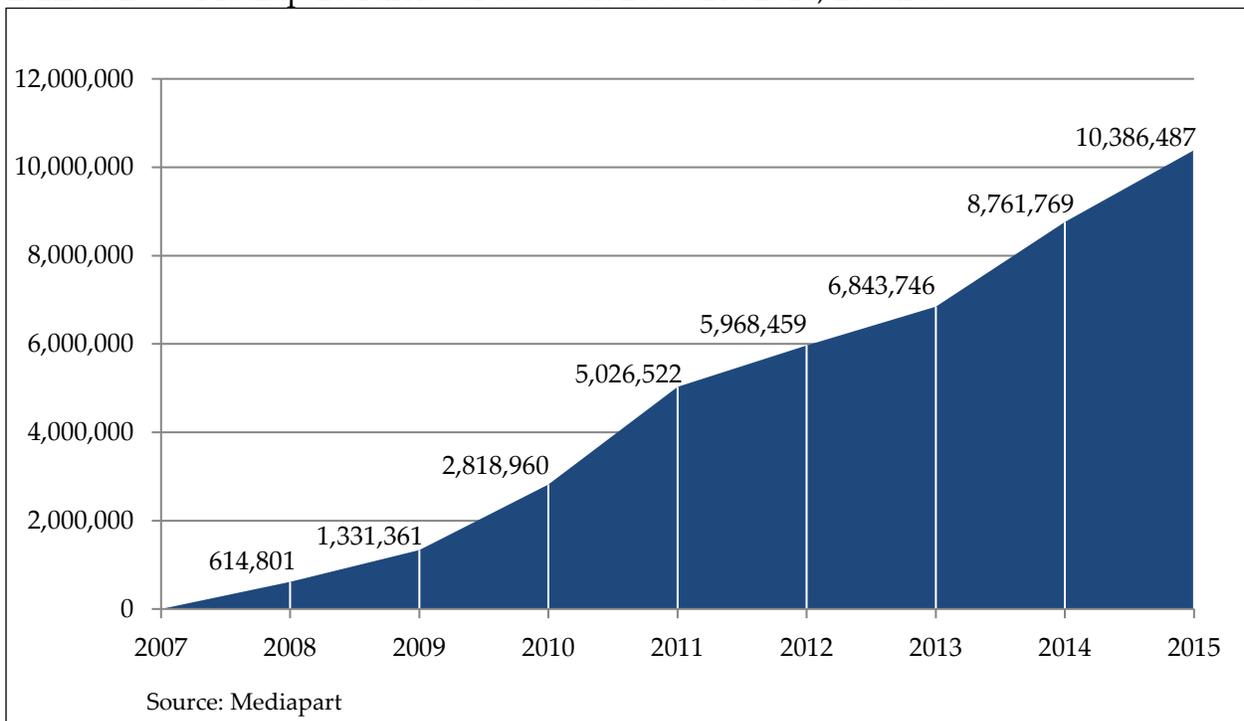
<sup>29</sup> Edwy Plenel, “The injustice of the VAT body blow dealt to Mediapart,” *Mediapart*, November 5, 2015. See: <https://www.mediapart.fr/en/journal/france/051115/injustice-vat-body-blow-dealt-mediapart?onglet=full>

<sup>30</sup> Edwy Plenel, “Mediapart at eight years; our accounts, our results,” *Mediapart*, March 10, 2016. See: <https://blogs.mediapart.fr/edwy-plenel/blog/100316/mediapart-huit-ans-nos-comptes-nos-resultats>

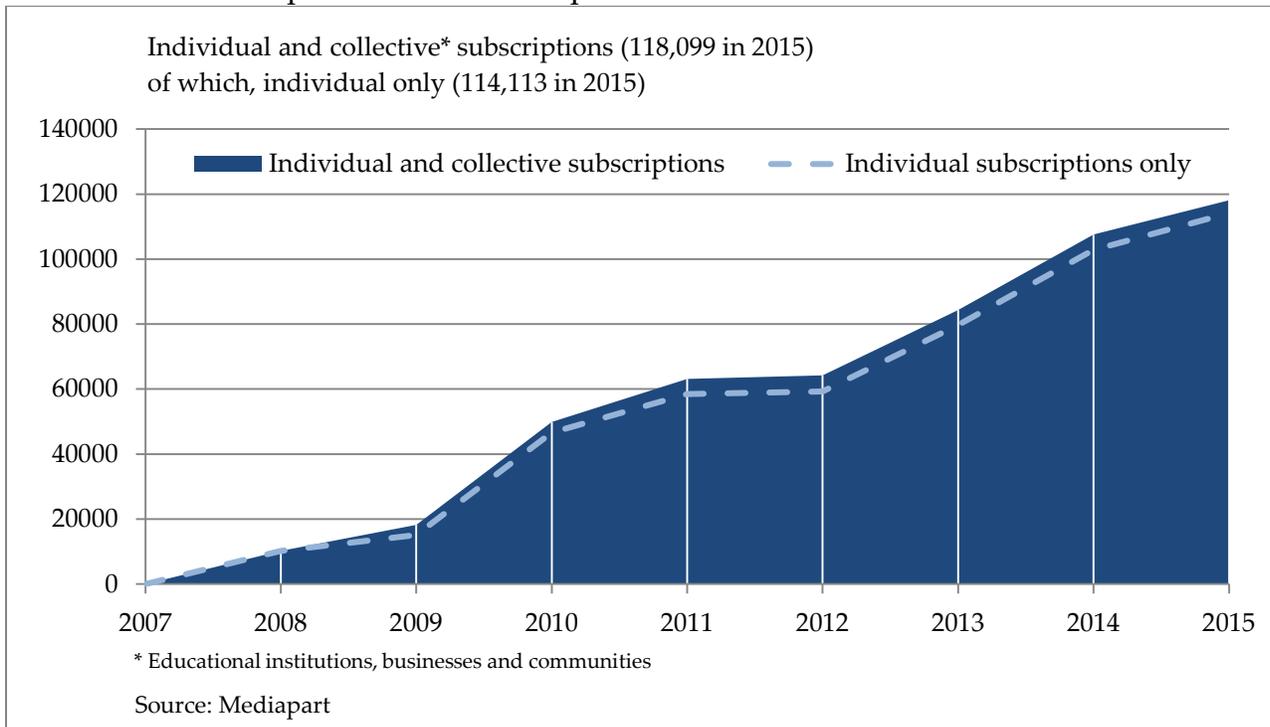
**Exhibit 1** Mediapart Total Workforce between 2008 and 2015



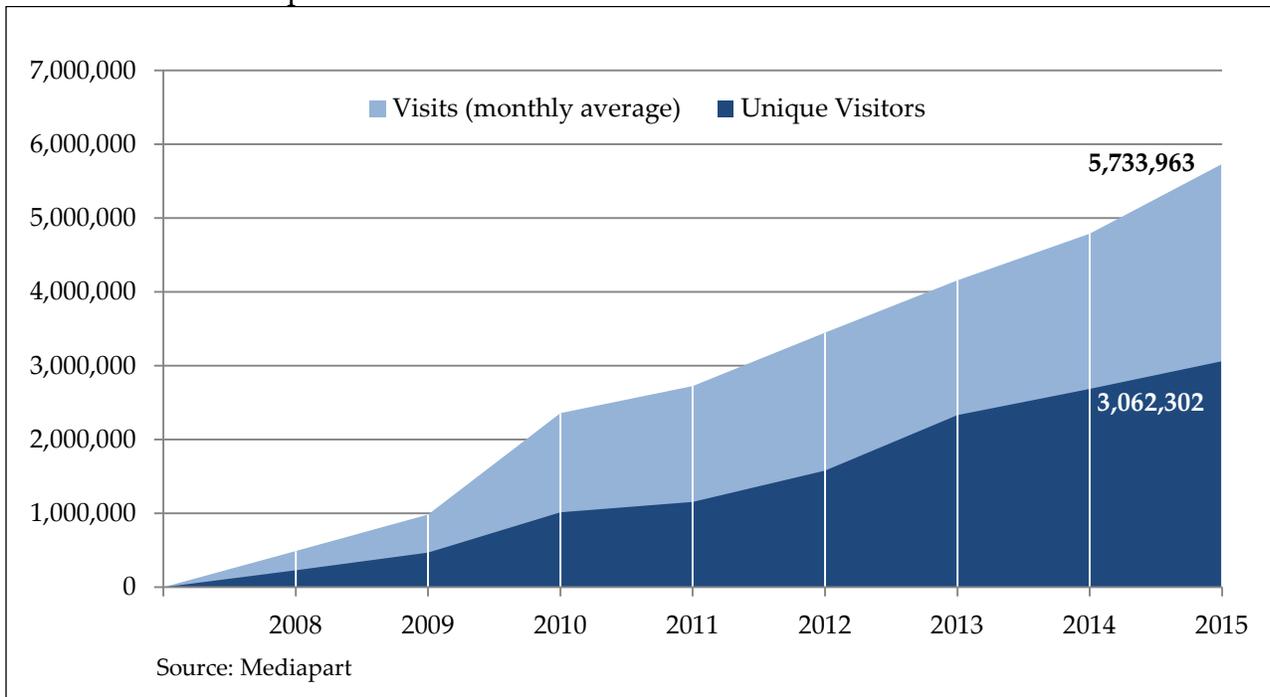
**Exhibit 2** Mediapart Turnover between 2008 and 2015, in euros



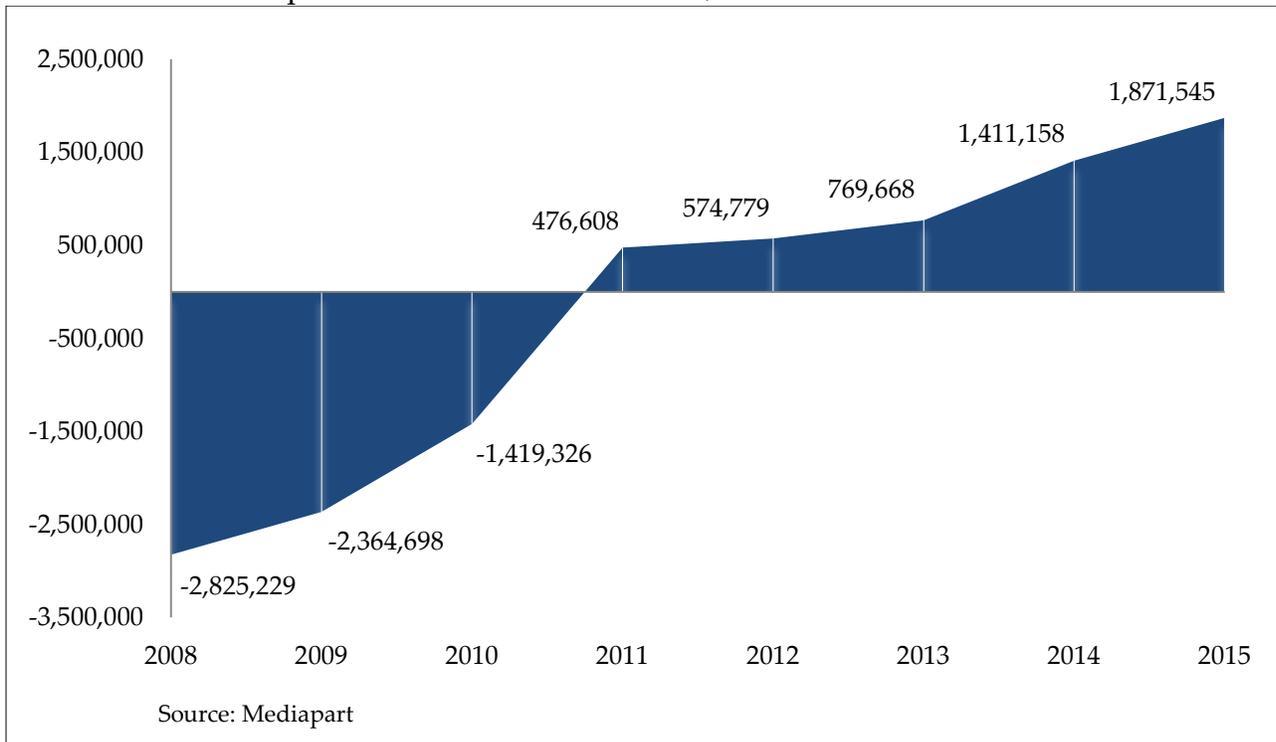
**Exhibit 3** Mediapart Annual Subscriptions



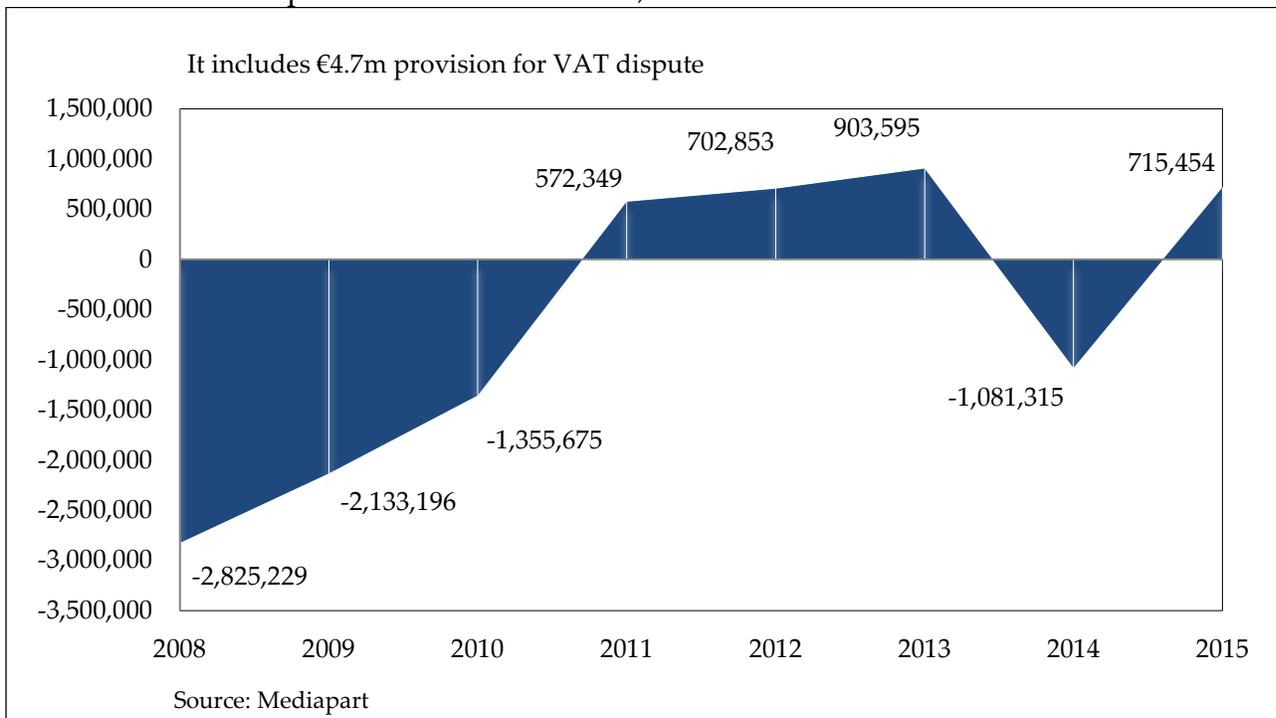
**Exhibit 4** Mediapart Audience 2008-2015



**Exhibit 5** Mediapart Current Result 2008-2015, in euros

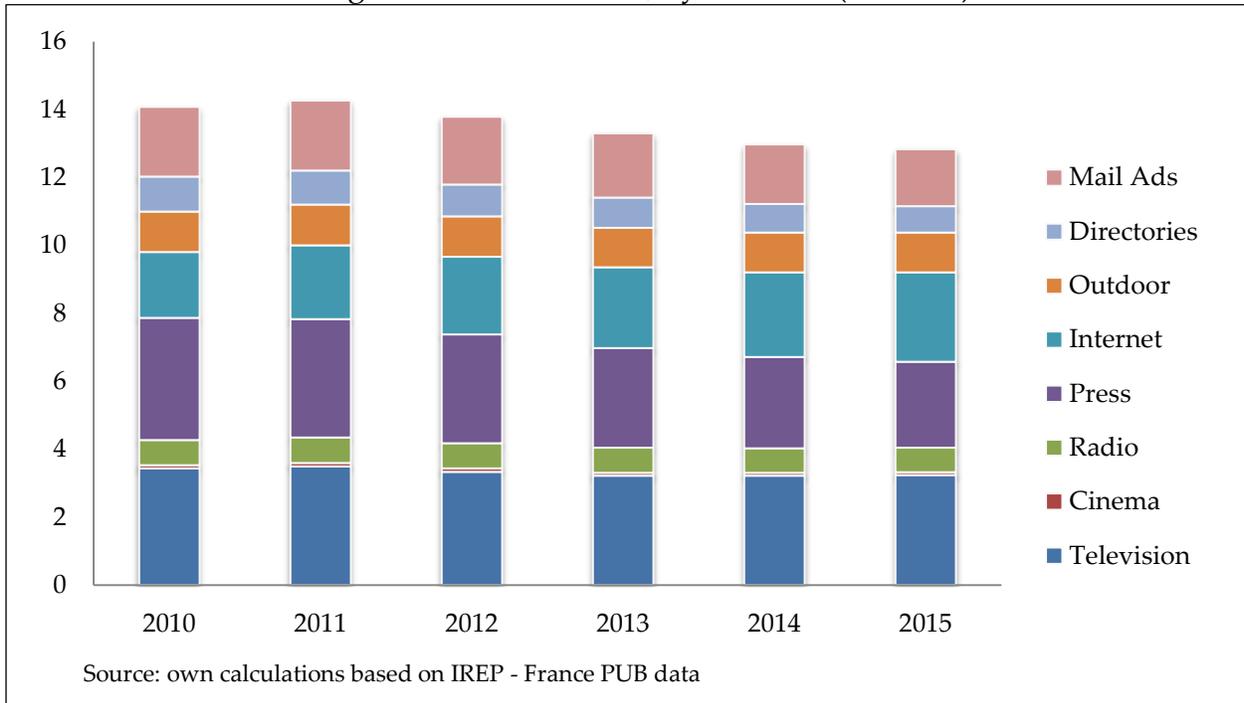


**Exhibit 6** Mediapart Net Profit 2008-2015, in euros

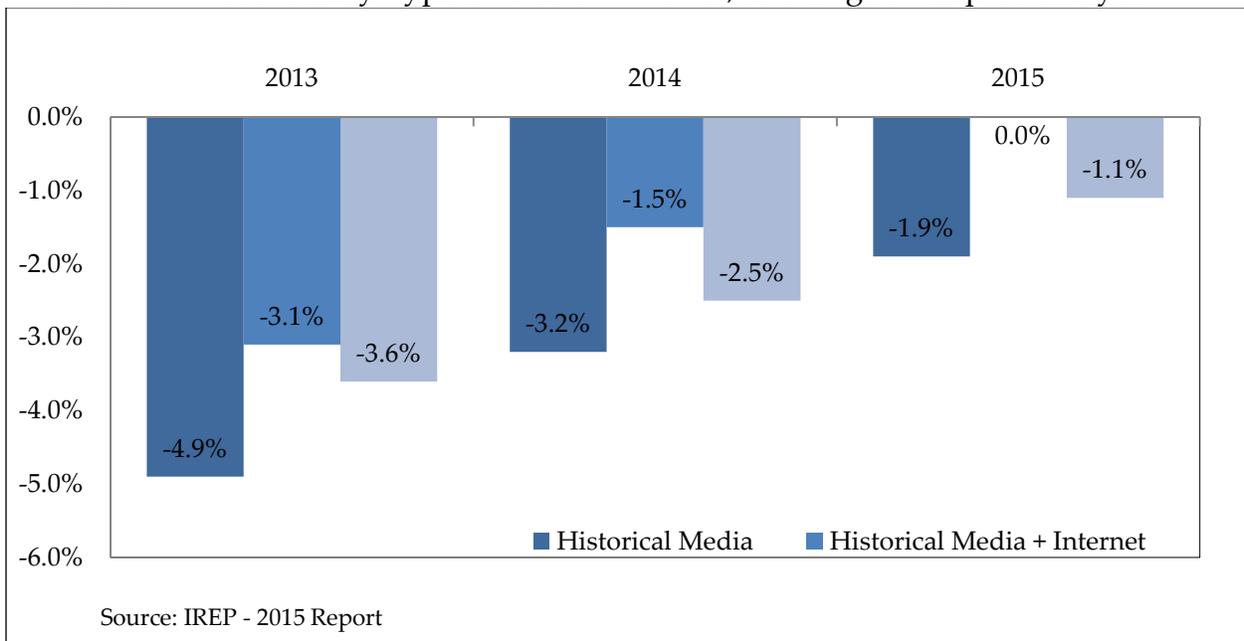


	Mediupart Income Statement 2008-2016, in euros									
	(€)	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues from subscriptions	614,802	1,331,361	2,818,961	5,026,522	5,968,460	6,843,746	8,761,769	10,386,487	11,362,961	
Other revenues from operations	11,026	12,381	183,860	95,546	70,828	51,051	220,460	54,652	210,902	
<b>Total operating income (A)</b>	<b>625,828</b>	<b>1,343,742</b>	<b>3,002,821</b>	<b>5,122,068</b>	<b>6,039,288</b>	<b>6,894,797</b>	<b>8,982,229</b>	<b>10,441,139</b>	<b>11,573,863</b>	
Payroll charges	(1,636,474)	(1,741,327)	(1,967,825)	(2,395,854)	(2,819,035)	(3,196,529)	(3,395,030)	(3,849,130)	(4,579,492)	
Social charges on payroll	(621,934)	(665,897)	(786,271)	(980,214)	(1,195,286)	(1,306,851)	(1,415,157)	(1,659,514)	(1,965,893)	
Total employee related costs	(2,258,408)	(2,407,224)	(2,754,096)	(3,376,068)	(4,014,321)	(4,503,380)	(4,810,187)	(5,508,644)	(6,545,385)	
External purchases and costs	(1,038,906)	(994,845)	(1,105,291)	(1,134,038)	(1,239,479)	(1,392,265)	(2,450,883)	(2,455,918)	(2,453,456)	
Tax and duties	(44,923)	(55,525)	(54,398)	(79,229)	(111,768)	(114,382)	(125,529)	(114,326)	(137,596)	
Depreciation and amortization	(41,352)	(41,451)	(42,363)	(43,513)	(71,270)	(79,741)	(136,494)	(266,383)	(255,619)	
Accrual on tax provision	(104,315)*	(183,018)*	(457,722)*							
Other operating costs	(25,934)	(32,498)	(12,163)	(25,000)	(30,737)	(42,146)	(71,288)	(232,304)	(134,873)	
<b>Total operating costs (B)</b>	<b>(3,513,838)</b>	<b>(3,714,561)</b>	<b>(4,426,033)</b>	<b>(4,657,848)</b>	<b>(5,467,575)</b>	<b>(6,131,914)</b>	<b>(7,594,381)</b>	<b>(8,577,575)</b>	<b>(9,526,929)</b>	
<b>Operating result (A+B)</b>	<b>(2,888,010)</b>	<b>(2,370,819)</b>	<b>(1,423,212)</b>	<b>464,220</b>	<b>571,713</b>	<b>762,883</b>	<b>1,387,848</b>	<b>1,863,564</b>	<b>2,046,934</b>	
Extraordinary income		439	1,262	9,377	19,479	8,001	5,858	411,693	53,058	
Extraordinary expenses		(1,870)	(1,509)	(13,641)	(12,263)	(6,969)	(2,632,752)*	(1,621,620)*	(28,333)	
<b>Extraordinary profit</b>	<b>-</b>	<b>(1,431)</b>	<b>(247)</b>	<b>(4,264)</b>	<b>7,216</b>	<b>1,032</b>	<b>(2,626,894)</b>	<b>(1,209,927)</b>	<b>24,725</b>	
Financial Income	62,854	6,354	3,942	12,391	3,357	6,786	23,310	7,980	448	
Financial Expenses	(73)	(232)	(56)	(4)	(291)	-				
<b>Financial Result</b>	<b>62,781</b>	<b>6,122</b>	<b>3,886</b>	<b>12,387</b>	<b>3,066</b>	<b>6,786</b>	<b>23,310</b>	<b>7,980</b>	<b>448</b>	
<b>Total pre-tax result</b>	<b>(2,825,229)</b>	<b>(2,366,128)</b>	<b>(1,419,573)</b>	<b>472,343</b>	<b>581,995</b>	<b>770,701</b>	<b>(1,215,736)</b>	<b>661,617</b>	<b>2,072,107</b>	
Corporate tax								(100,925)	(164,047)	
Tax reduction (on research and innovation inv.)**		232,933	63,897	100,005	120,857	132,896	134,420	155,971	(16,348)	
<b>Net result</b>	<b>(2,825,229)</b>	<b>(2,133,195)</b>	<b>(1,355,676)</b>	<b>572,348</b>	<b>702,852</b>	<b>903,597</b>	<b>(1,081,316)</b>	<b>716,663</b>	<b>1,891,712</b>	

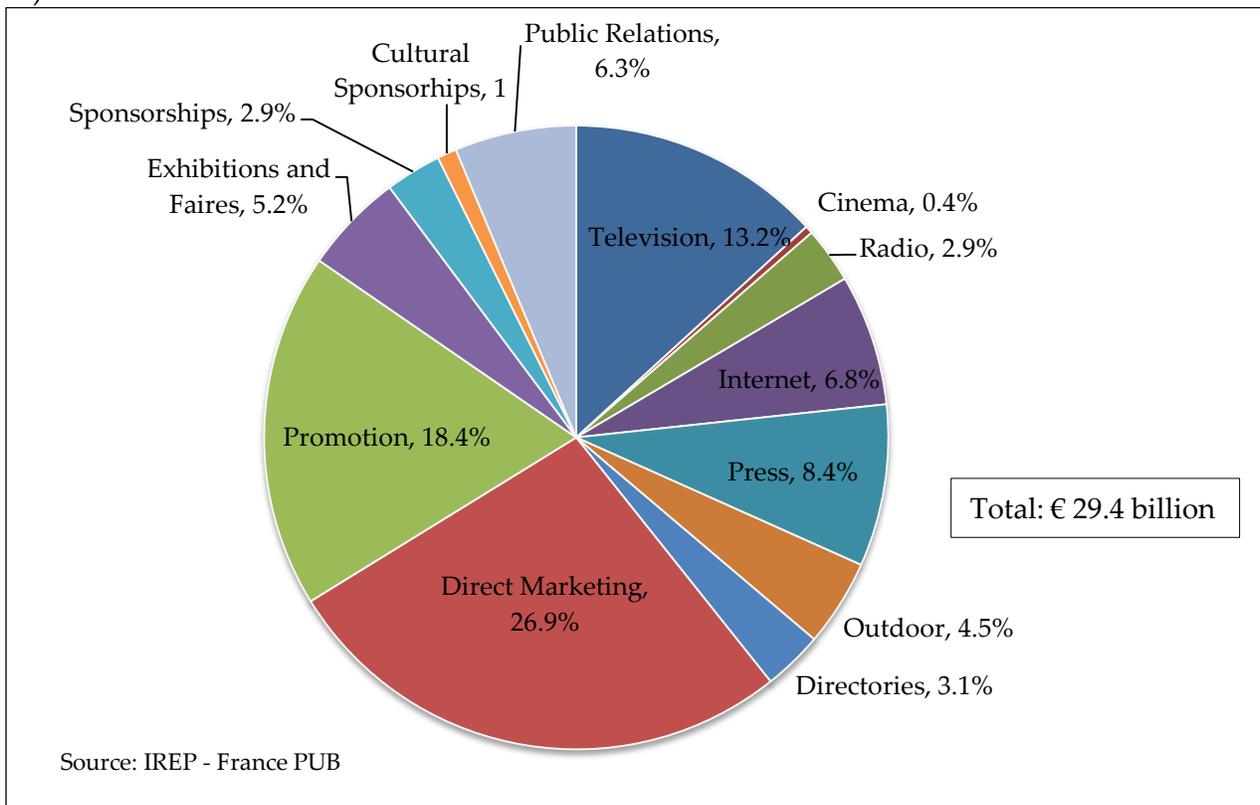
**Exhibit 8** Advertising Revenues in France, by Medium (billion €)



**Exhibit 9** Revenues by Type of Media in France, % change since previous year



**Exhibit 10** Advertisers' Expenditures in France by Means of Communication (2015, %)



**Exhibit 11** 2015 Advertising Revenues and Spending in France and in the US, by Medium

**Advertising Revenues in France and US, by medium (2015)**

Medium	France		US	
	billion US\$	as % Ad Rev	billion US\$	as % Ad Rev
Television	3.60	0.31	66.3	0.37
Radio	0.80	0.07	17.4	0.10
Press	2.81	0.24	27.3	0.15
Outdoor Ad	1.30	0.11	8.9	0.05
Cinema	0.09	0.01	0.8	0.00
Internet	2.93	0.25	59.6	0.33
<b>Total</b>	<b>11.53</b>	<b>1.00</b>	<b>180.3</b>	<b>1.00</b>

**Advertising Spending in France and US, by medium (2015)**

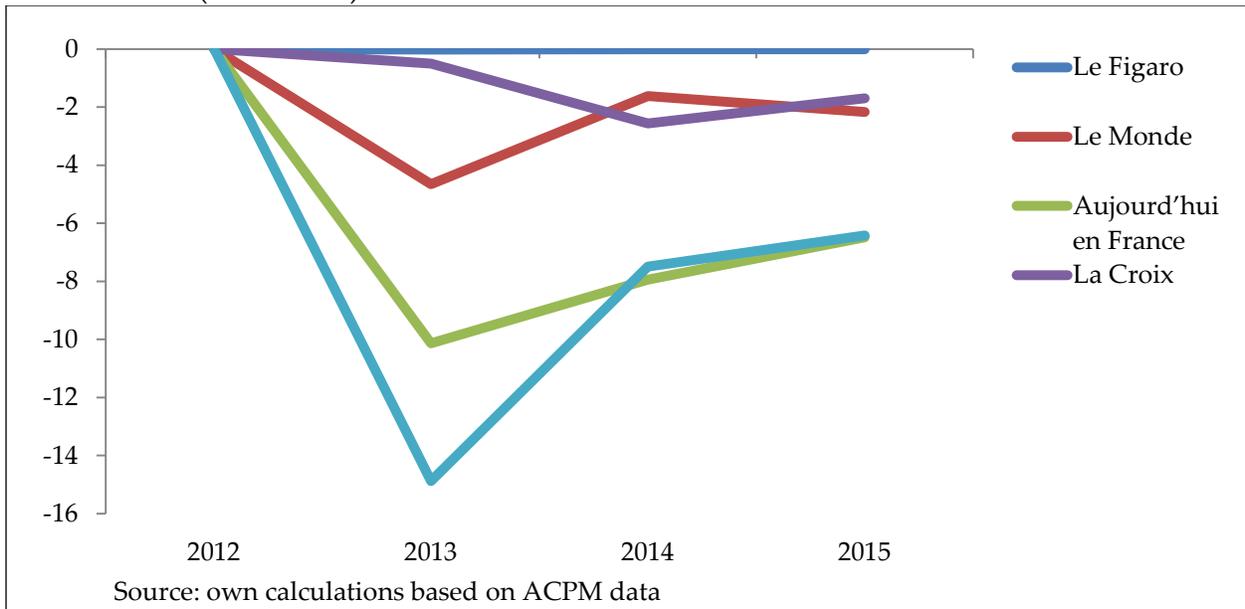
Medium	France		US	
	billion US\$	as % Ad Spend	billion US\$	as % Ad Spend
Television	4.31	0.36	74.76	0.38
Radio	0.94	0.08	19.51	0.10
Press	2.74	0.23	44.9	0.23
Outdoor Ad	1.47	0.12	7.4	0.04
Cinema	0.13	0.01	1.11	0.01
Internet	2.22	0.19	48.58	0.25
<b>Total</b>	<b>11.82</b>	<b>1.00</b>	<b>196.26</b>	<b>1.00</b>

Source: France PUB data release for France; Statista for the US

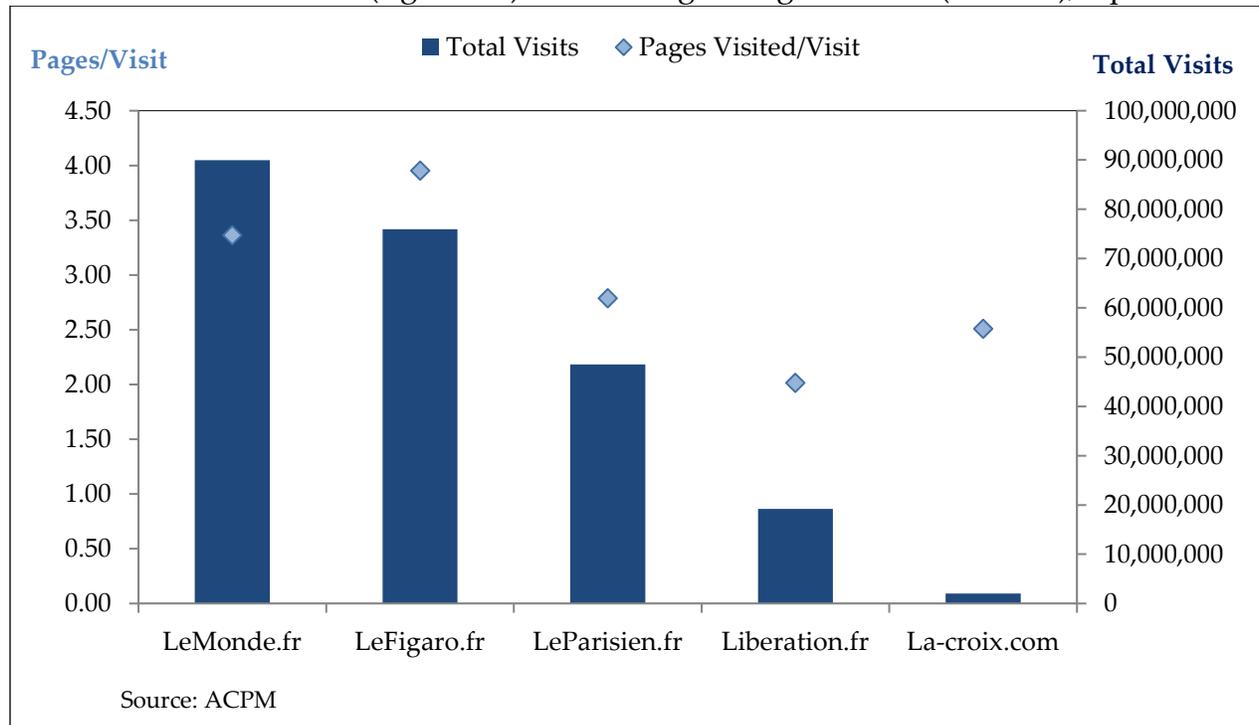
Note: The exchange rate used for French numbers is the official averaged exchange rate as reported by the World Bank for the year 2015.

**Exhibit 12** Circulation of Top French Newspapers, % change between successive years

(since 2013)



**Exhibit 13** Total Visits (right axis) and Average # Pages Visited (left axis), April 2016



**Exhibit 14** French most visited groups' websites and media groups' websites (April 2016)

**10 Most Visited Groups' Websites**

Rank	Website	Monthly Unique Visitors (April 2016) <sup>1</sup>
1	Google	41,914,000
2	Microsoft	35,537,000
3	Facebook	27,148,000
4	Groupe Figaro CCM Benchmark	23,556,000
5	Webedia	20,243,000
6	Orange	20,032,000
7	Solocal Group	19,316,000
8	Schibsted	16,593,000
9	Wikimedia Foundation	16,147,000
10	Groupe Lagardiere	15,776,000

### 10 Most Visited *Media* Groups' Websites

Rank	Website	Monthly Unique Visitors (April 2016) <sup>1</sup>
4	Groupe Figaro CCM Benchmark	23,556,000
10	Groupe Lagardiere	15,776,000
11	Vivendi	15,588,000
14	M6	13,574,000
17	Groupe Le Monde	12,448,000
18	Prisma Media	12,004,000
23	francetelevisions	9,839,000
28	Groupe TF1	8,919,000
29	Next Radio	8,788,000
33	Altice Media Group	8,507,000

Note: <sup>1</sup>Data refer to Internet audience of desktop devices only.

Source: Médiamétrie Communiqués de Presse (May 27, 2016), available at: <http://www.mediametrie.fr/internet/communiques/audience-internet-ordinateur-en-france-en-avril-2016.php?id=1470>.

### Exhibit 15 French most visited websites and news websites (April 2016)

#### Most Visited Websites

Rank	Website	Monthly Unique Visitors (April 2016) <sup>1</sup>
1	Google	40,912,000
2	Facebook	27,002,000
3	Microsoft	24,489,000
4	YouTube	24,123,000
5	Orange	18,635,000
6	Leboncoin.fr	16,592,000
7	Windows Live	16,367,000
8	Wikipedia	15,889,000
9	Skype	14,982,000
10	Amazon	14,789,000

### Most Visited News Websites

Rank	Website <sup>2</sup>	Monthly Unique Visitors (April 2016) <sup>1</sup>
16	France Televisions	9,839,000
22	Le Figaro	8,641,000
23	L'Internaute.com	8,596,000
29	Le Monde	7,951,000
37	MYTF1	6,803,000
38	Tele Loisirs	6,792,000
40	Le Parisien	6,556,000
41	20minutes.fr	6,527,000
48	L'Equipe	5,884,000

Note: <sup>1</sup> Data refer to Internet audience of desktop devices only.

<sup>2</sup> Only nine news websites are in the rank, because they are the only ones appearing in the list of the most visited 50 websites in France during April 2016, on which the tables are based.

Source: *Médiamétrie Communiqués de Presse* (May 27, 2016), available at:

<http://www.mediametrie.fr/internet/communiques/audience-internet-ordinateur-en-france-en-avril-2016.php?id=1470>.

**Exhibit 16** Individual Paid Circulation in France, in 2015 (by buying option)

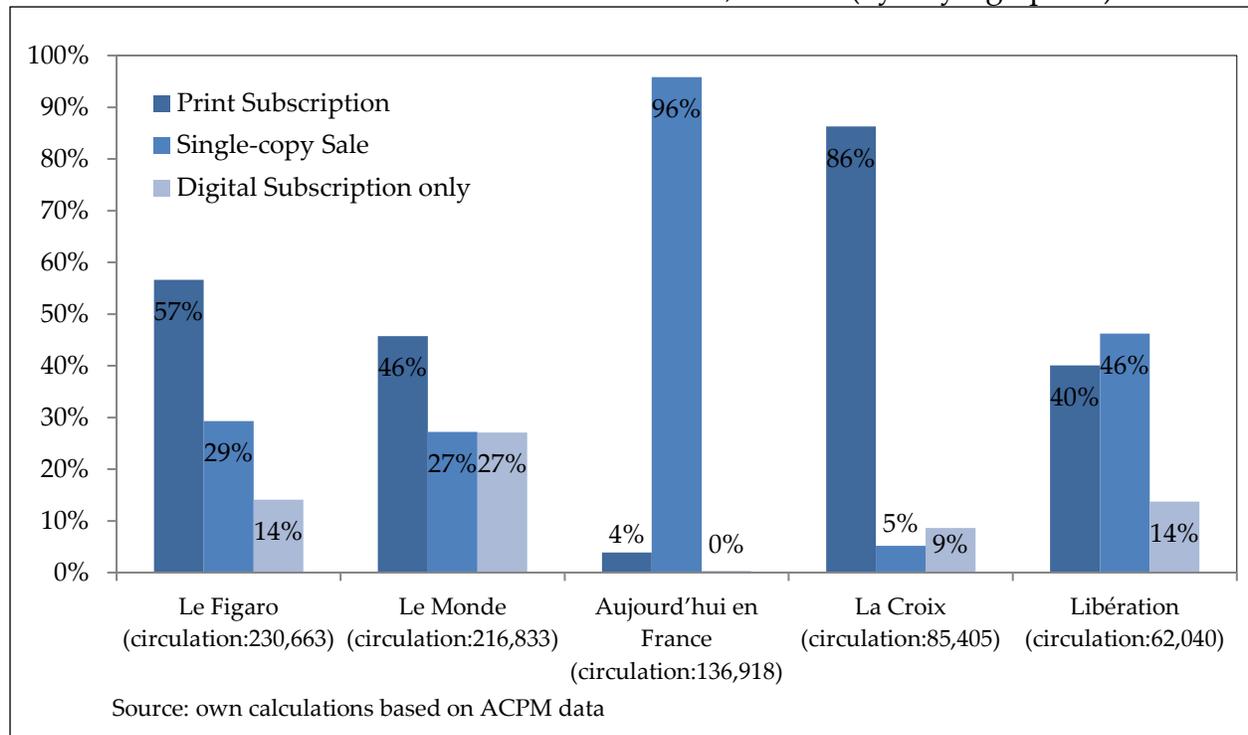
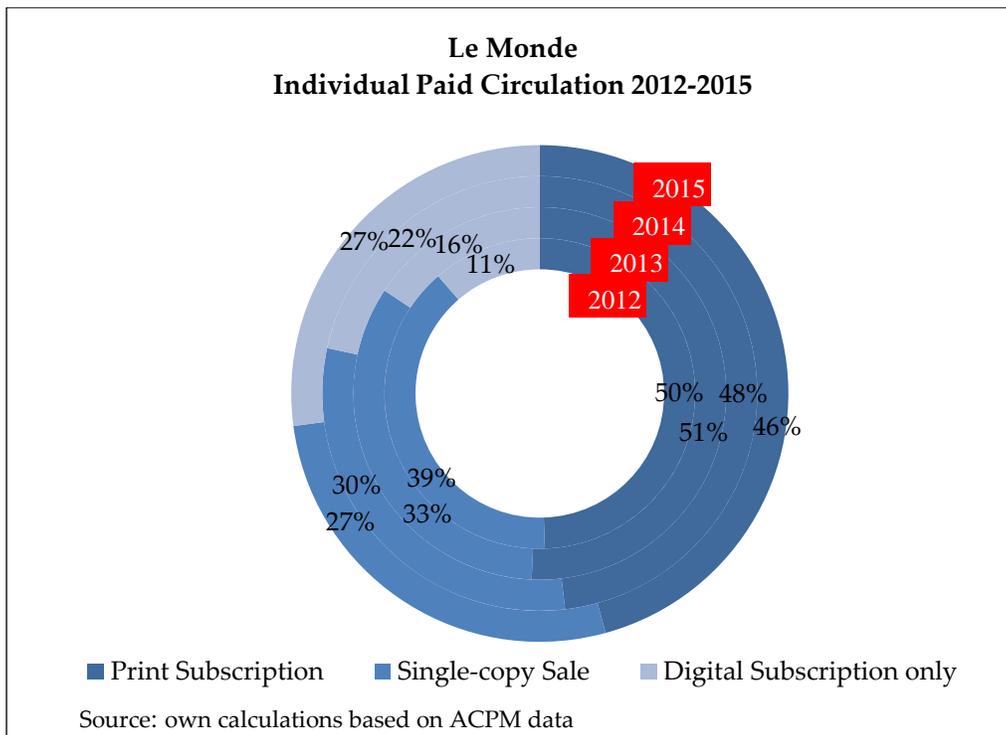
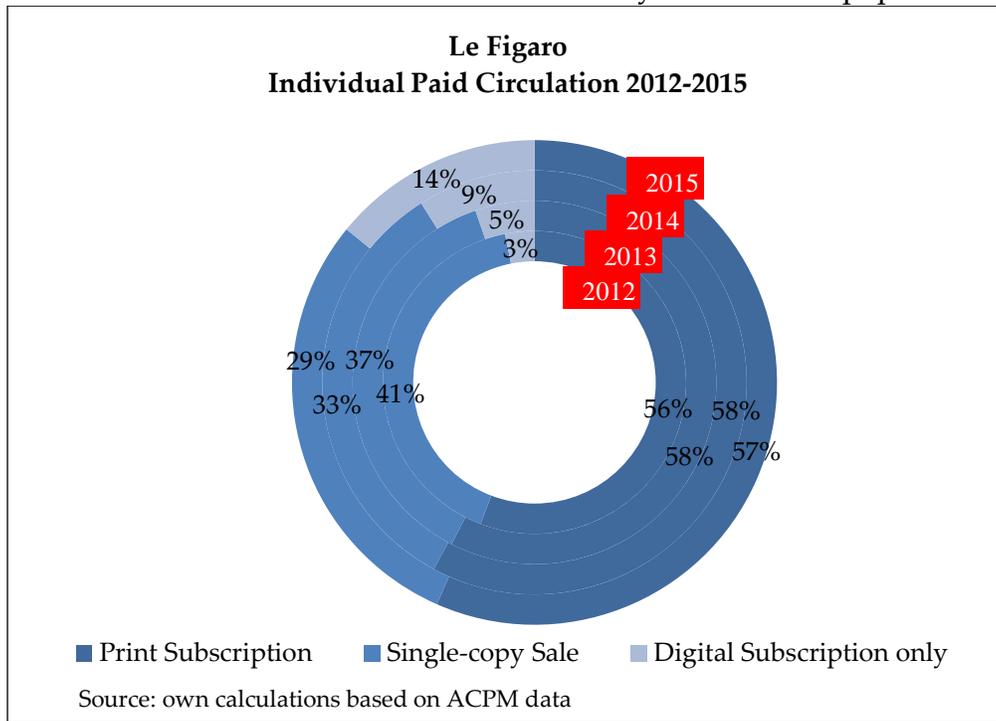
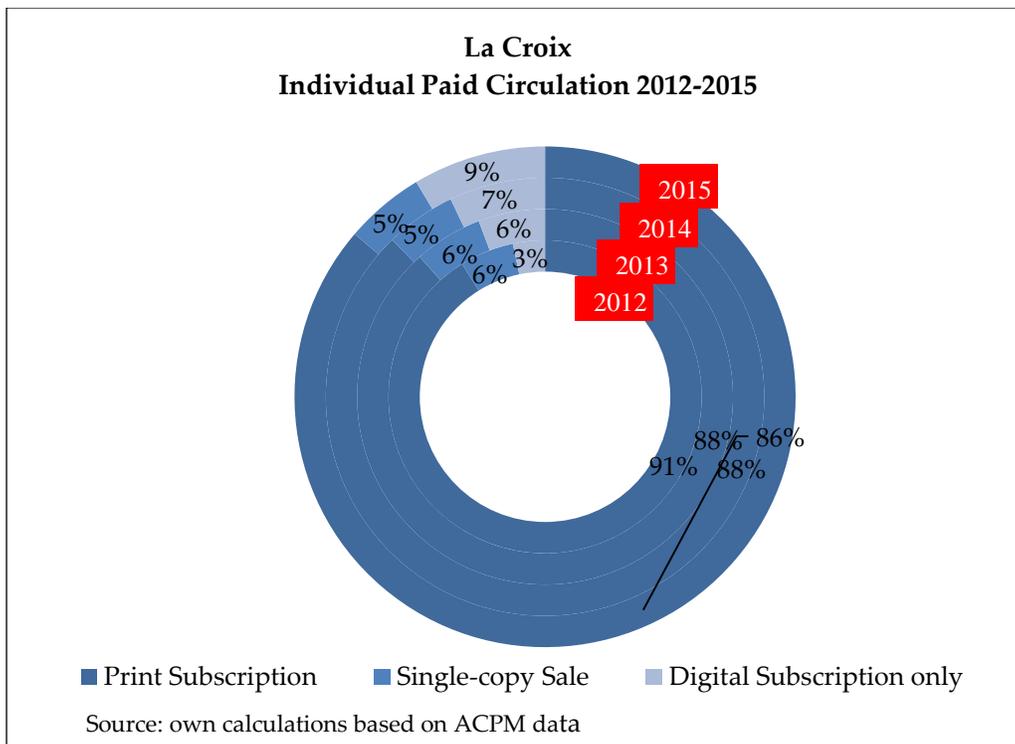
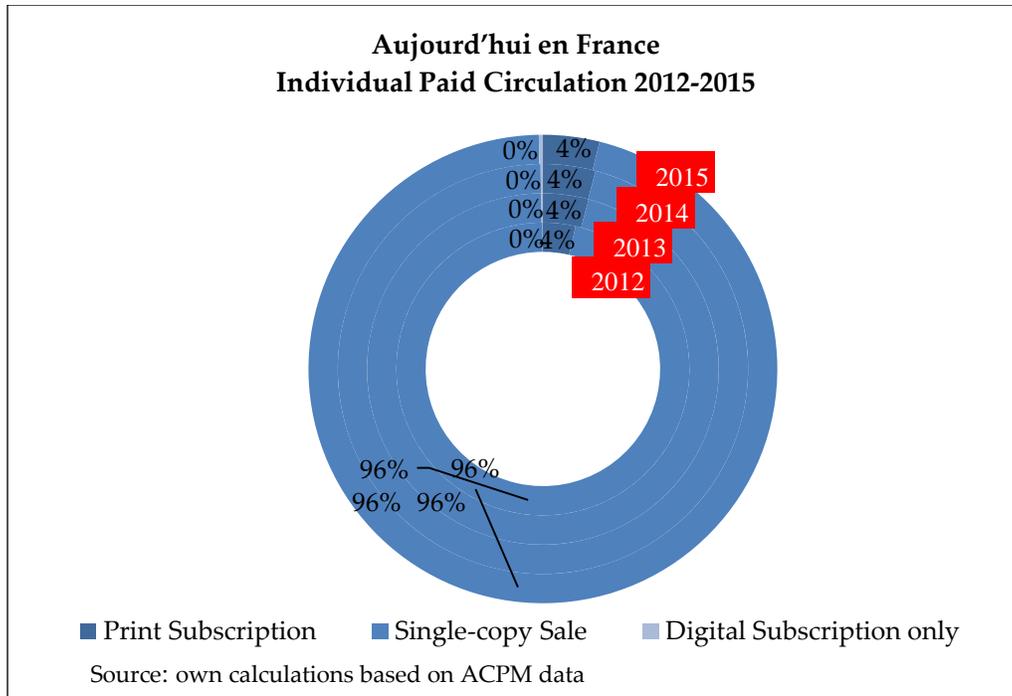
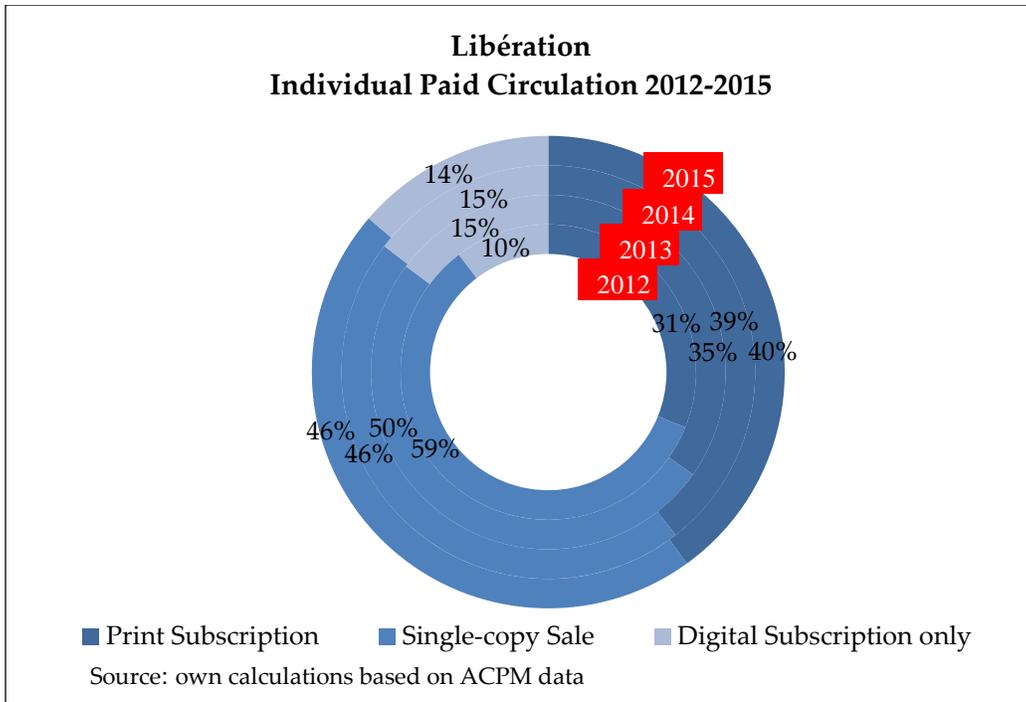


Exhibit 17 Individual Paid Circulation 2012-2015 by French newspaper







## Exhibit 18 French Daily Newspaper Market Share by Circulation, 1997-2011

Table 5-1. Daily Newspapers (Market Shares by Circulation), 1997–2011

GROUPS/TITLES	1997	2004	2006	2008	2010	2011
Amaury Group (total)	31.5	38.8	39.6	39.4	37.9	37.8
<i>Aujourd' hui</i> — <i>Le Parisien</i>	17.3	22.4	23.2	24.3	22.7	23.2
<i>L'Equipe</i>	14.2	16.4	16.4	15.0	15.2	14.6
Socpresse Group (total)	32.8	18.7	15.2	15.6	16.0	16.4
<i>Paris-Turf</i> <sup>1</sup>	13.0	3.5				
<i>France-Soir</i> <sup>2</sup>	6.2					
<i>Le Figaro</i>	13.6	15.3	15.2	15.6	16.0	16.4
Paris Turf	Socpresse	Socpresse	3.6	3.5	3.0	2.9
France-Soir <sup>3</sup>	Socpresse	2.8	1.2	1.1	3.7	3.7
<i>Le Monde</i> (La Vie-Le Monde Group)	14.3	16.6	15.9	15.8	15.4	15.0
<i>La Croix</i> (Bayard Presse)	3.5	4.3	4.6	4.8	5.1	4.8
<i>Les Echos</i> (LVMH Group)	4.9	5.3	6.2	6.4	5.8	6.1
<i>La Tribune</i> <sup>4</sup>	3.3	3.6	4.1	3.8	3.8	3.8
<i>Libération</i>	6.3	6.5	6.1	6.1	5.7	6.1
<i>L'Humanité</i>	2.2	2.2	2.5	2.4	2.5	2.5
<i>International Herald Tribune</i> (New York Times Group, US)	1.2	1.1	1.1	1.1	1.0	0.9
Total Circulation (1,000)	2,739	2,236	2,233	2,155	2,070	1,956
Total Revenue (mil euros)				1,056		
Total Revenue (mil US\$)				1,228		
C4	84.9	80.7	76.8	77.2	75.1	75.3
HHI	2,366	2,246	2,187	2,181	2,066	2,064
N (>1%)	9	10	11	11	11	9
Noam Index	789	710	660	658	623	688

Source: Our calculations based on data from OJD. <<http://www.ojd.com>> (3.22.2013 and past years); DGMIC (French Ministry of Culture). <<http://www.culturecommunication.gouv.fr/>> for total revenue; see also Badillo and Lesourd (2010).

<sup>1</sup> Sold off by the Socpresse Group in 2005.

<sup>2</sup> Sold off by the Socpresse Group in 1999.

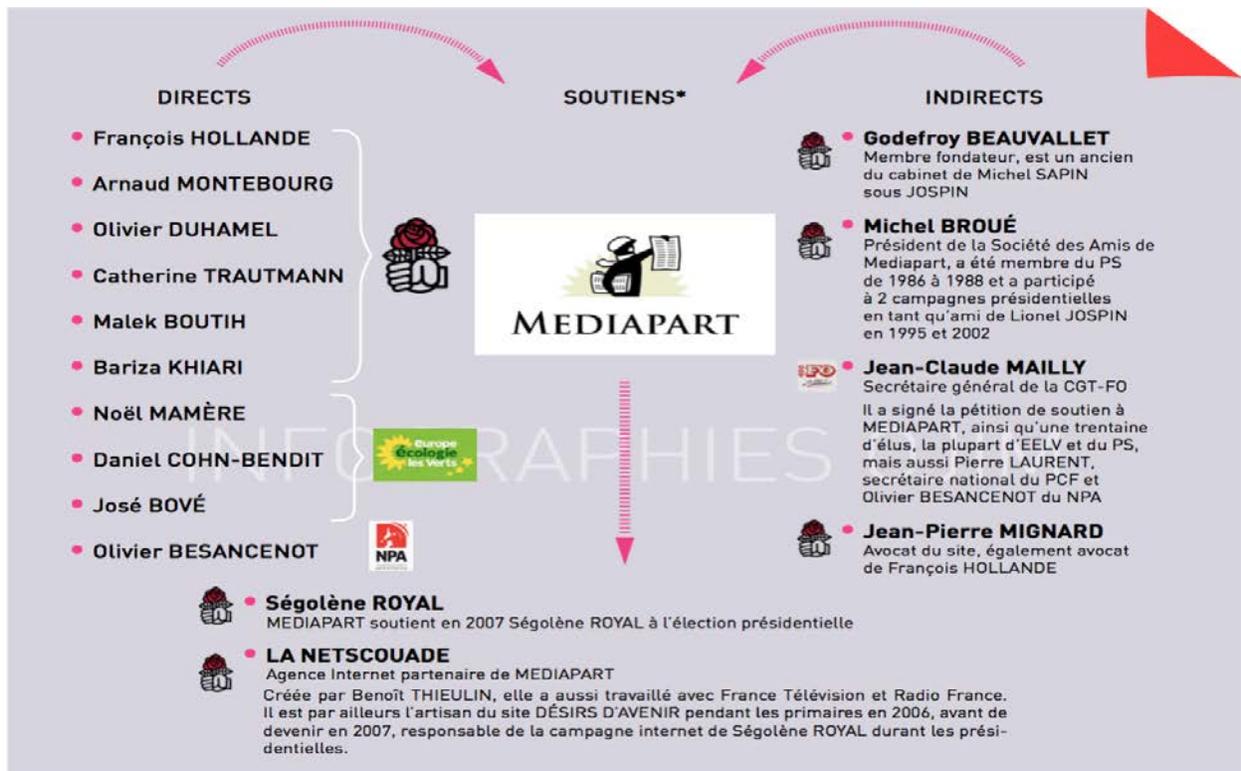
<sup>3</sup> *France-Soir* ceased publication as a national print daily in 2012.

<sup>4</sup> *La Tribune* ceased publication as a national print daily in 2012. It was owned by the French investors Alain Weill (20%) and Valérie Decamp (80%) up until then.

Exhibit 19 Who owns the media in France?



**Exhibit 20** Politicians that expressed support of Mediapart since its foundation, both directly and indirectly



Source: Observatoire des Journalistes et de l'Information Médiatique, May 2014