# Maxed out: how a hip digital publisher crashed and burned

Just two years ago, Maximum Media was Ireland’s most influential digital publisher. But in the last fortnight, founder Niall McGarry has lost control of the company and it is set to enter examinership. This is the story of the rise and fall of a new media powerhouse

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Over the last two weeks, Niall McGarry has lost control of Maximum Media. Picture: Fergal Phillips

When Niall McGarry appeared on The Late Late Show two years ago, he was the model of success. Confident and garrulous, the 42-year-old Mayoman regaled Ryan Tubridy with the tale of his entrepreneurial rise from a teenager selling pumpkins to supermarkets in Castlebar to becoming the founder of Maximum Media, the biggest digital publisher in Ireland.

McGarry talked of his realistic ambitions of cracking the more lucrative British market. He spoke about how his brand's voice was listened to by young men, and how he felt a responsibility to educate them on issues such as sexual consent.

A relaxed figure, he had particular reason for self-belief at the time of his Late Late Show appearance. A number of offers to buy parts of the business were at various stages, including an indicative offer from RTÉ of €10 million to €12 million for 49 per cent of the Irish arm. Another valued the entire Irish and British operations at €40 million.

McGarry, the founder and face of the Joe.ie publisher, was viewed with envy by others in the industry because of his ability to commercialise social media views and his websites' popularity among the young male audience which had largely abandoned traditional outlets.

As the audience grew, sales across Ireland and Britain reached €11.5 million, but the parent company only turned a small profit before McGarry pushed for further growth.

Even though RTÉ's valuation was significantly above any previous one on the business, McGarry wasn't of a mood to sell up. He had maintained an aversion to selling equity in his companies. Instead, he took on high-interest debt from Beach Point Capital, as he eyed continuing growth across Ireland and looked to build the success of the British operation which was winning large contracts from brands since launching in 2015 (Beach Point is also a lender to the Business Post).

Now, over the last two weeks, McGarry has lost control of the company he built, as proceedings to put the Irish operation into examinership and British arm in administration were taken by Beach Point.

Maximum's financial backer has made the moves after an extraordinary fall in the company's position, which was exacerbated by revelations last year that it used a so-called click farm in 2017 to falsely inflate the audience numbers on an AIB-sponsored podcast.

A click farm is a term used to describe a large group of bots or low-paid workers hired to click on links or otherwise inflate the figures associated with a piece of content. The accounts used to generate the clicks are not real so, obviously, the figures presented to paying clients do not reflect the genuine interest in a piece of sponsored content.

The court documents filed by Beach Point detail deeper issues at the company and the figures being reported by management. An audit for 2018 revealed that the true Ebitda (earnings before interest, taxes depreciation and amortisation) figure was €336,000 lower, resulting in a €243,000 deficit rather than the recorded €96,000 surplus.

Sources within Maximum believe that this is an unfair attempt to paint the wider business as dysfunctional. McGarry will submit his own affidavit this week.

McGarry, Maximum and Beach Point declined to speak to the Business Post, but a number of people with knowledge of the company's workings provided insight into how it ended up in examinership proceedings.

A feather in his cap

"Niall doesn't believe in rainy days. He believes money is to be spent," one person who worked with McGarry told this newspaper.

Last September, Tim O'Leary, the millionaire financier who founded the Mayo GAA International Supporters Foundation, withheld €250,000 from the county board over a dispute about the direction of the men's senior team. McGarry then suggested Maximum could replace the funding through a sponsorship deal. Potentially having his brand's name

on Mayo jerseys would have been a big feather in his cap, but would have been unlikely to generate a return close to the expense.
The move seems even more questionable given that, in August 2019, McGarry had been declined extra investment from Beach Point because of serious cashflow concerns about the business. Any prospect of Beach Point funding McGarry's plans for further expansion ended in November when the company was shaken to its core by the click farm revelations.
Before that controversy emerged, a liquidity issue was arising due to low margins being secured on advertising campaigns. In order to win campaigns, McGarry had overseen his company's development into one of the most innovative outfits with large social media audiences in Ireland and Britain.
This required serious investment in talent and resources, but it was working. Sales in Britain had grown from £68,000 in 2015 to £6.7 million last year and the Irish arm was profitable before its recent expansion drive.
A Grant Thornton report, prepared for Beach Point and submitted to the High Court, detailed the lack of margin analysis done on contracts and other issues around the control of costs for projects. Management accounts for 2019 showed a €2.1 million loss on revenues of €6.8 million. In the first quarter of this year, it lost €954,000 even after the cost-saving measures introduced in recent months due to Covid-19.
As it built its Joe Media Ltd business in Britain on podcasts and video series, Maximum had doubled down on the strategy of spending money on high-profile broadcasters and former sports people, meaning it had to offer radio and TV-sized wages for internet-sized advertising campaigns.
As far as McGarry was concerned, the strategy was working, as its audience continued to grow and the contracts it won grew too. But financially, it was a drain on the Irish operation. Its most recent accounts show that it lost £1.7 million in 2018 and owes £6.4 million to its Irish counterpart.
McGarry is proud of making a splash in Britain. He was particularly enamoured of Joe's viral videos during the British general election which picked up attention in mainstream news. One which mocked Jacob Rees-Mogg was even shared by the Tory MP on his own social media accounts, and another about the NHS was shared by Bernie Sanders.
The viral videos did not generate any direct income, however.
McGarry's vision
Maximum Media was very much created in McGarry's vision, and efforts to find someone to lead the Irish team had not worked out. Last year, the company settled a High Court case with Daragh Byrne, its former chief executive officer, who left the company in late 2018. John Burns, the managing director, left last year without being replaced.
When the click farm controversy hit, McGarry initially attempted to play down the incident, claiming he was overseeing the British operation at the time. Despite this, he has never sought to name the individual staff member who paid for the click farm, an illustration of his loyalty to those with whom he works closely.
Sources in Maximum said that there was a belief that the story would blow over quickly, as it was historic and the staff member had been dealt with at the time. There was surprise and frustration at the positions taken by some advertisers.
By this point, relations with Beach Point were strained; and when the click farm controversy emerged, the lender became more alarmed.

Maximum Media was aware of the issue in 2017, but did not inform media buyer Core or AIB. It subsequently said that the matter was an isolated incident and was treated with the “utmost seriousness” at the time. It also said that the employee involved was no longer working for the company.

There is still confusion about why the two-year-old video re-emerged last November, but Maximum believed it was circulated by a rival in a media sales department after Maximum won a new contract with AIB.

Having originally been shared among the advertising industry in 2017, the video gained wider attention in November last year when Broadsheet.ie posted it. The next day, Maximum confirmed to Newstalk that it had carried out an internal investigation which confirmed the contents of the video. That weekend, the Business Post revealed that Core had suspended its advertising campaigns with Maximum.

The news sent shockwaves through the Irish advertising sector, and McGarry and Maximum were caught in the middle as agencies and their representative groups sought to protect their own reputations.


When the click-farm controversy hit Maximum Media, Niall McGarry initially attempted to deflect the blame to others. Picture by Fergal Phillips

Core and other large agencies such as Group M ordered audits of all their campaigns with Maximum since 2017. IAB Ireland, the industry body, summoned Gillian Fitzpatrick, the chief commercial officer at Maximum, and Justin Cullen, a non-executive director, to a meeting.

Abrasive attitude

In the fortnight after the emergence of the click farm scandal, it became clear that the advertising industry wanted McGarry to step aside. Reservations were raised about dealing with the company at the same level in the future if McGarry remained in place.

Some in Maximum, including McGarry, and the wider advertising industry believed this was due to McGarry's often abrasive attitude with agencies when negotiating deals. He had been increasingly successful since 2018 in working directly with clients, cutting out the agencies. He was not shy about telling agency staff when he had done so, and said he believed that Maximum would be a strong enough brand in time to forgo the use of agencies entirely.

Whatever the motives, it quickly became clear that McGarry would have to fall on his sword.

At the end of November, McGarry, Cullen and Ronan Doolan, the chief financial officer, had a meeting. It was decided that, in order to save the business, the founder would step away from the Irish operation. He would, however, remain its largest shareholder and instead focus on the British company, which some within Maximum took to mean that he would return to his Dublin role eventually.

Since then, McGarry has spoken publicly about the matter only once, telling the Irish Times that his "personal brand [was] overshadowing" the business.

"I want to change that. Attacks on the business can be attacks on me," he said.

McGarry believes the move to stand down was a mistake in hindsight, as it amplified the click farm story and made him look responsible for the staff member's action.

The suspension of the ads exacerbated the liquidity issues at Maximum, and Beach Point agreed in December to provide further funding to meet operational costs and December's €300,000 monthly wage bill. It did so on the proviso that costs be cut and the management team be restructured, with John Feeley being appointed chief executive late last year.

Since then, higher earners have taken a 40 per cent pay cut and lower-paid staff a 10 per cent cut, as Beach Point has continued to fund the operation while Covid-19 has destroyed the online advertising market.

Feeley was Beach Point's choice for the position, as it wanted someone to control the company in McGarry's absence.

As part of the restructuring, the staff numbers in the Dublin office were whittled down from 90 to 52, both through layoffs early this year and people leaving for other companies.

It appeared then that the ship had been steadied. Advertisers started to come back on board and a sale process, required as part of Beach Point's new investment, had begun.

However, McGarry has grown increasingly disillusioned with the sales process. He personally engaged Baker Tilly at the end of April to drum up interest in investing in the company to remove Beach Point. But sources familiar with McGarry's pitch to potential investors said his valuation of the company was too high, particularly given the damage the coronavirus crisis has caused to the advertising world.

Moratorium declined

While McGarry began to steer his own course, Covid-19 hit and Beach Point began its plans to have an examiner appointed to Maximum.

When Maximum sought a moratorium on its repayments to Beach Point in April and May, it was declined.

It was also becoming clear that McGarry was not serious about selling the business under the Project Max strategy being pursued by Deloitte. This strategy was to approach other publishers for a sale, rather than seek other potential buyers outside the media.

While he may have had options in recent months, McGarry has essentially lost control, as Beach Point's examiner and administrator can direct the process. It is understood there was interest from buyers including NewsCorp and LadBible, but the Covid-19 pandemic has interrupted the plans.

In a note to shareholders last month, Deloitte outlined the stark position the company was in, as sales options are limited and funding opportunities are weaker.

There is little doubt within the company that it will be saved and retain a place on the Irish media landscape. The concern is over how large that place will be, given the upending of that landscape caused by Covid-19 and the damage the company's reputation has suffered.

- #MEDIA,
- #COMPANIES,
- #BUSINESS,
- #SECTORS

# Paddy Power founder: Gambling could get a 'stench like cigarettes'

Paddy Power Betfair is becoming increasingly concerned about the reputational damage addiction is causing

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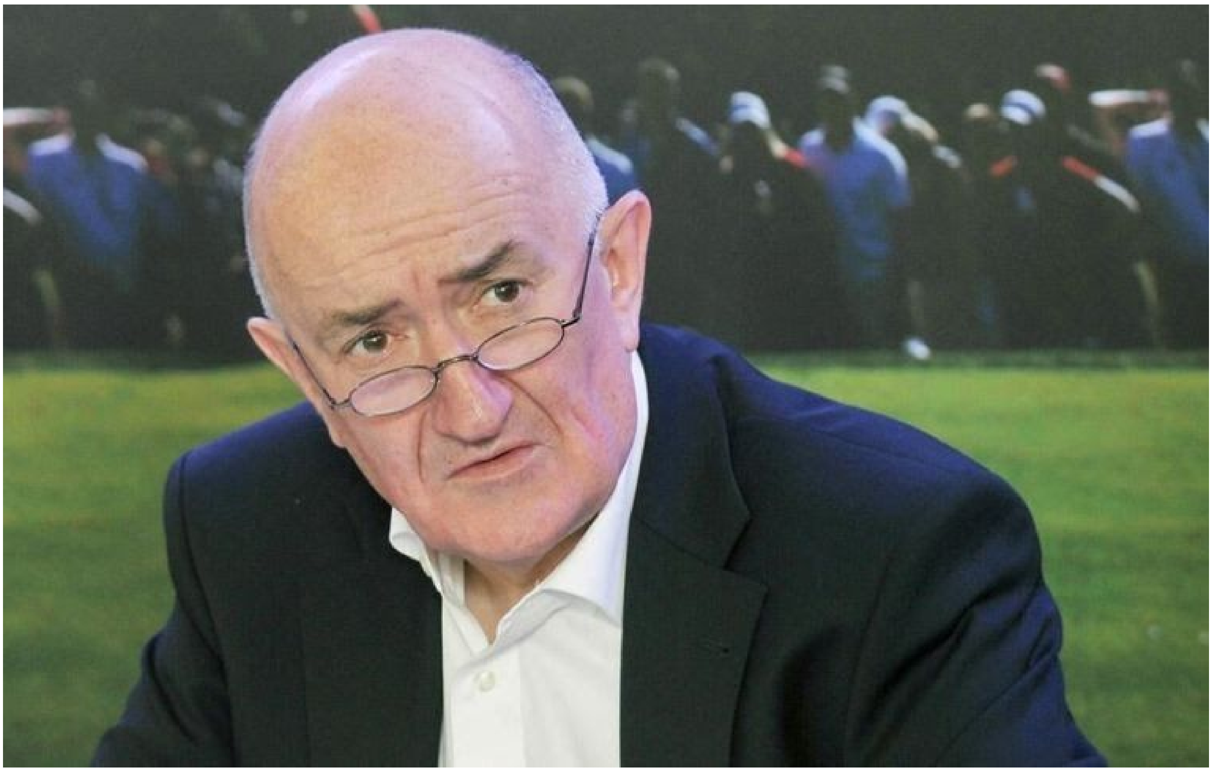

Paddy Power co-founder Stewart Kenny

Paddy Power co-founder Stewart Kenny has said that unless firm steps are taken to make the product less addictive, the gambling industry is in danger of getting a "stench like cigarettes".

Paddy Power Betfair has closed more than 200,000 accounts belonging to problem gamblers in recent years, as the company becomes increasingly concerned about the reputational damage addiction is causing, The Sunday Business Post can reveal.

The figures offer a rare insight into the level of addiction among online gamblers.

Peter Jackson, chief executive of Paddy Power Betfair, conceded last year that the company has “a responsibility to intervene when our customers show signs of problem gambling”.

But an investigation by this newspaper has found that:

- “VIP managers” who are employed to encourage customers to bet more are also in charge of “responsible gambling initiatives”, raising concerns that warning signs are being ignored.
- A customer was given free bets by a VIP manager despite triggering the warning systems in place to spot signs of addiction.
- Confidentiality agreements are used to prevent cases where they admit failings from being made public.
- Paddy Power Betfair has struggled to manage its own system which allows gambling addicts to close their accounts as part of recovery.

The bookmaker, which recently rebranded as Flutter, is investing in technology to detect problem gamblers as it seeks to avoid further multimillion-euro fines from regulators and an executive of the company recently told a justice department seminar that the industry had a problem with its reputation that needed to be addressed.

Flutter has taken more steps than many of its rivals to deal with gambling harm but critics have said its efforts are not effective.

Data from the British regulator show that in 2016 and 2017, more than 10 per cent of problem gamblers with the company who asked to be blocked under a “self-exclusion” scheme as part of their recovery were able to place bets again.

The failings in the company’s system were higher than the industry average and it has since deployed new technology to prevent breaches, reducing the level since 2018 to below 1 per cent.

The figures from the Gambling Commission show that Flutter’s main online operation PPB Entertainment Group had 216,123 self-exclusions in 2018 of which there were just over 700 breaches.

A Flutter spokesman said: “Self-exclusion is one of a range of tools available to customers and is now linked across operators in retail and online. Paddy Power Betfair is unique in applying self-exclusions across both its main trading brands; Paddy Power and Betfair, so if a customer self-excludes on one, they are automatically excluded on the other. Following the automation of this process the amount of breaches is zero per cent across 2018 and 2019.”

Emails seen by this newspaper show that “VIP managers” in the company whose job entails enticing losing gamblers to wager more by offering them free bets and trips to sporting events, are also tasked with administering measures to help potential addicts.

An addiction expert said the cross-purposes of the role could lead to warning signs of addiction being ignored by staff, and described the situation as “very concerning”.

# Gambling at risk of becoming ‘the new smoking’ if industry fails to act

Calls for online bookies to introduce mandatory deposit limits have been ignored

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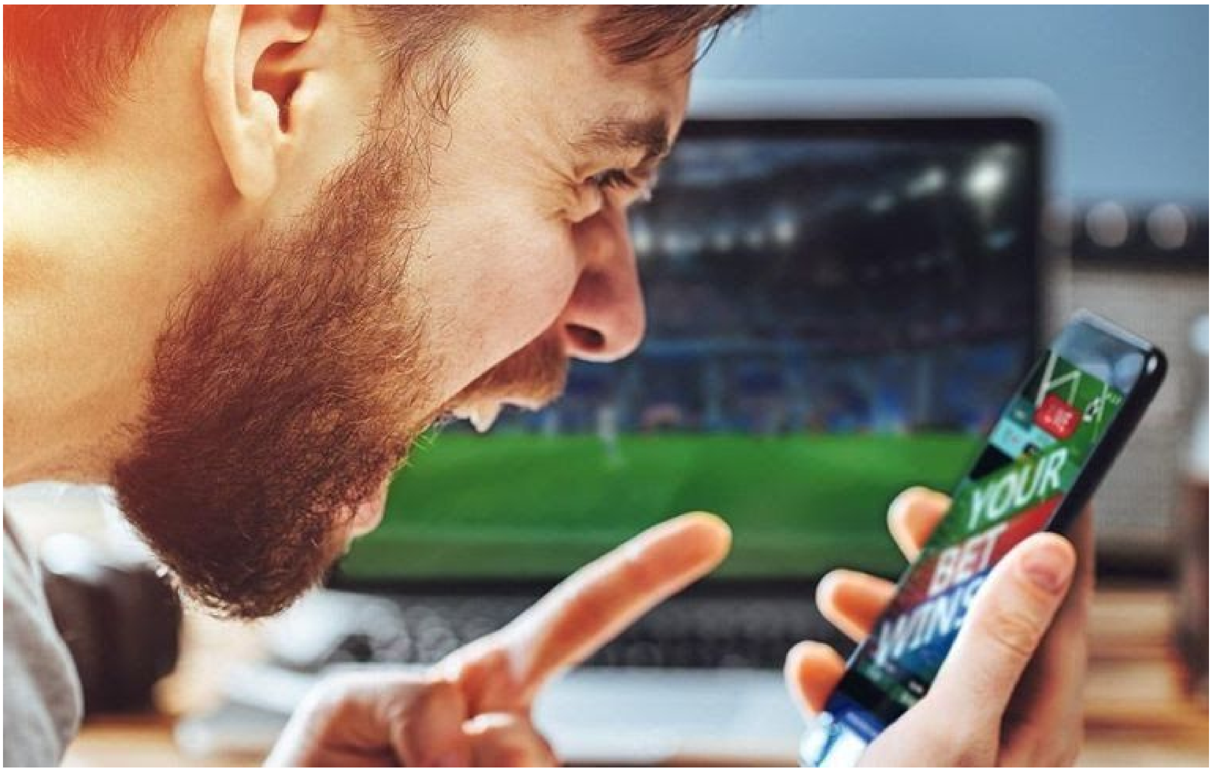


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A cooling-off period would prevent gamblers from chasing their losses Picture: Getty

Gambling will get a “stench like cigarettes” unless bookies make their online operations less addictive, the co-founder and former chief executive of Paddy Power has told The Sunday Business Post.

Stewart Kenny’s calls for online bookmakers to introduce measures to force customers to limit the amount they can lose in a single session have been ignored so far.

Under his proposals, customers would be forced to set a limit on how much they can top up their account when they register. Gamblers could change this limit, but with a cooling-off period ensuring that they do not chase their losses by repeatedly topping up.

This would prevent punters whose habit has spiralled out of control from losing large sums in short periods on online casino games or the 24-hour offering of sports bets.

The industry has acknowledged that giving customers this control is useful but will only offer it on a voluntary basis. Paddy Power Betfair, Boyslesports and others in the industry have attempted to stem the tide of criticism by investing in new technology to better identify problem gamblers and increase their contact with potential addicts. They have also established a trust to fund therapy.

Kenny said bookmakers were “swimming against the tide” by not making the product less addictive and called on the government to introduce regulations to limit the damage.

“I welcome the trust but really what is more important is to make some of the online gaming products less addictive and to bring in mandatory deposit limits to protect customers. I cannot understand why they wouldn’t bring in mandatory deposit limits to protect their more vulnerable customers. One hopes it is not because it would affect their profits too much,” Kenny said.

“To continuously throw money at therapy without making some of the product less addictive is a never-ending cycle.”

Kenny, who was on the board of Paddy Power until 2016, said that the Irish trust was a necessary development but “it is not a long-term solution because eventually the product will get a stench like cigarettes. It will be harder and harder to get executives and the public will turn against it.”

The Dubliner said he realised now that he should have done more about problem gambling when he was on the board. “Self-regulation won’t work and hasn’t worked. There are bonuses for profits, not for social responsibility. As someone with experience on the board, I can tell you boards look to governments for regulation.”

Bookmakers offer voluntary limits for customers and employ “responsible gambling” teams to step in when gamblers appear to be losing control. Evidence is stacking up that these measures are weakly enforced and bookmakers are failing to rise to the challenge of balancing their profits with limiting social harm.

Emails seen by this newspaper show that the same staff whose job it is to increase the turnover of losing customers by incentivising them with free bets and trips to sporting events are also tasked with protecting them from falling into addiction.

## Increase turnover

The use of VIP managers to increase turnover rose to prominence after the case of Tony O’Reilly, the An Post manager who was jailed in 2012 after he stole €1.75 million from his employer to place bets with Paddy Power. O’Reilly was given VIP status by the bookmaker and tickets to the Europa League final and racing events at the height of his addiction.

Since then Paddy Power Betfair, which rebranded as Flutter in May, has increased spending on technology to detect addicts and employed staff to handle responsible gambling initiatives.

Stewart Kenny: ‘Self-regulation won’t work’ Pic: RollingNews

A spokesman said: “Our VIP managers are trained to spot issues with their customers and they form a key part of our responsible gambling approach; their intervention to protect at-risk customers forms part of the performance ratings for the team.

“However, they are not the only people interacting with these customers from a [responsible gambling] perspective. There is a full responsible gambling operations team. They are ultimately responsible. They make the calls, dictate the approach for each customer [and] act independently of VIP management.”

Professor Colin O’Gara, head of addiction services at St John of God’s Hospital, said the revelation that VIP staff were handling responsible gambling outreach was “very concerning”.

## Clinical coalface

A gambler who shared his story said that he was contacted numerous times by Betfair staff last year after his betting patterns indicated a problem but he was allowed to continue and was given incentives by the VIP team. O’Gara said evidence was mounting at the “clinical coalface” that the industry’s responsible gambling efforts were ineffective.

On the issue of Paddy Power Betfair staff doubling up on VIP and responsible gambling duties, he said: “To me that does not show an effective means of protecting the individual”.

“It is unacceptable from this point onwards that we do not look at this in a very stringent way. We know that certain individuals are known to gambling companies to be gambling in a disordered way but there is no mechanism in place to help them and the status quo prevails where they continue to damage themselves.”

O’Gara said the current measures allowed the industry to ignore signs of a gambling disorder. Even when a customer voluntarily self-excluded, there was little resistance to them reopening their accounts. He also backed Kenny’s call for a mandatory deposit limit.

“The idea of a voluntary limit goes against the idea that the very essence of the illness is that you have a loss of control,” he said.

David Stanton, junior justice minister, is overseeing the drafting of legislation to modernise Ireland’s gambling laws. An independent regulator is due to be established next year and an interdepartmental report has recommended establishing strict rules on how bookies should treat their customers. One proposal includes a version of Kenny’s idea by imposing daily, weekly and monthly spending limits for certain gambling activities, with cooling-off periods required to increase those limits.

## A regulator and new laws

Stanton has warned that a regulator and new laws will not fix the social problem of addiction. “It is extremely complex. The more we drill down into it, the more complex it gets. It has become more complex over the decades, especially with the online manifestation,” he told the Dáil last month. “Even where they have very powerful regulators, they still have problem gambling and addictions.”

Kenny and O’Gara say the regulator must hold bookmakers accountable for how they treat customers whose addiction has diminished their personal responsibility.

Regulation in Britain has not stopped a wave of stories of people being failed by the industry. This is despite a series of multimillion-pound fines being levied on the major operators, including Paddy Power Betfair, for not protecting vulnerable customers.

Online bookmakers offer a “self-exclusion” option whereby gamblers can ask for their accounts to be closed indefinitely or for a defined period. Due to lax monitoring, however, problem gamblers are often able to reopen their accounts with ease.

Figures from the British Gambling Commission show that until last year, one in ten problem gamblers who used Paddy Power Betfair’s player protections were able to continue betting with the company. This was high compared with rival firms. As the breaches were self-reported, however, the figure may indicate that the Irish company has a better system for catching people who do get past the protection. In all cases where a breach is spotted, the money is returned to the gambler, a spokesman said.

PPB Entertainment, which runs the online licence for the bookmaker, reported that 5,829 of the 65,396 accounts which had self-excluded in 2016 were able to get around the restriction. In 2017 it was 8,383 of 95,169 for the same licence.

After consolidating its self-exclusions with other licences in the brand and merging its protection platform with Betfair, the number of self-exclusions was 216,123 and only 714 accounts managed to breach the protection.

One of those who did so provided details to this newspaper and said they were repaid the money lost following the self-exclusion on the condition that they signed a confidentiality agreement. The deal does not stop them informing the regulator or a therapist. The company said it was to prevent social media posting about the case.

A Flutter spokesman said it had established “industry-leading self-exclusion procedures”, and an independent industry source said the company was among a small number that had taken serious steps to address the harm caused by gambling. The spokesman said that as well as self-exclusion, the company had a number of tools to help staff spot behaviour that might be a sign of addiction.

“We look at a range of customer behaviours, including deposits, and regularly engage with customers who we think may be at risk. We use both predictive and reactive data models covering a range of customer behaviours.

“As publicly stated in our annual statements, we communicate with up to 70,000 customers per month and up to 1,000 customers per month receive in-depth responsible gambling phone calls. We have recently elevated deposit limits on site and they are now a very visible part of the registration journey. We continue to analyse ways of making our procedures more effective.”

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# Taoiseach’s top adviser had unrecorded meeting with oil lobbyist

The revelation comes after the climate emergency bill was killed off by the government last week

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Feargal Purcell

The Taoiseach’s head of policy did not make a record of a meeting with a former government official who is now a lobbyist for the oil and gas industry.

John Carroll was lobbied by Feargal Purcell, a former government press secretary and senior adviser to Enda Kenny, earlier this year as part of a push by the Irish Offshore Operators’ Association (IOOA) to block a law banning exploration in Irish waters.

People Before Profit’s climate emergency bill, which seeks to end all oil and gas exploration in Ireland, was killed off by the government last week for a number of reasons including a threat of legal action by the industry.

In blocking the bill, climate minister Richard Bruton also said the law would increase Ireland's emissions because it would require more fuels to be imported. This is a view shared by the IOOA.

Purcell recorded the meeting with Carroll, which took place between January and April, on the lobbying register, but a Freedom of Information request from this newspaper for documents returned no results and the department said it had no record of the meeting.

In his filing, Purcell stated that the intention of the meeting was to "provide information on energy security, the transition to renewable energy and the value of the industry to the economy in the context of the Climate Emergency Measures Bill".

A statement from the Department of the Taoiseach's press office said that the meeting was "informal". The department has not responded to questions on where the meeting took place or how long it was, or offered any other details.

In many instances when a short meeting or phone call with a lobbyist takes place, an "aide memoire" is created which outlines what was discussed. These notes are generally released following Freedom of Information requests.

The lobbying around Bríd Smith's bill intensified in recent months and the oil and gas sector made seven times more lobbying returns in 2018 than in 2017. The IOOA recently appointed former Fianna Fáil government adviser Mandy Johnston as their new chief executive.

Johnston said since she had become chief executive in April, the lobbying efforts had been "simply seeking to ensure that the political, stakeholder and media landscape are fully informed about the true implications of this bill".

"Contrary to the way it is often presented, if this bill were enacted it would increase our carbon emissions by forcing us to import all of our energy needs in the future, and in doing so would leave Ireland even more exposed than we already are in relation to our decreasing indigenous energy supply."

- #MORE POLITICS,
- #POLITICS