

INVESTMENT BANKERS TO THE PUBLISHING, INFORMATION AND NEW MEDIA INDUSTRIES

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JEGI 1999 Deal Summary (JEGI Clients in boldface type)

October - **1st Communications** sold Champion Productions to Cygnus Publishing.

September - **TPD Group Limited** sold *VCDC Magazine* to Fawcette Technical Publications.

September - **Communications International** sold *Connecticut Magazine* to Journal Register Company.

August - **Marinya Holdings, Pty., Ltd.** sold J.B. Fairfax and Michael Friedman Publishing Group to Barnes & Noble, Inc.

July - **Pearson plc** sold Briefings Publishing Group to Wicks Business Information.

June - **DMG Exhibition Group** acquired California Gift Show from CGS Associates.

June - **DMG Exhibition Group** acquired Surf Expo from AMC Orlando.

May - The assets and business of **Manhattan Cooperator Publications** were sold to Yale Robbins Publications.

May - **Telecommunications Reports International** was sold to CCH, Inc.

May - CNNfn.com formed a strategic business partnership with **womenCONNECT.com**.

April - Stamford Publishing Corporation sold **Commerce Publishing Company** to Pfingsten Publishing.

April - **American Show Management** was sold to Warburg, Pincus Equity Partners, L.P.

April - **L.F. Garlinghouse** sold its home plan magazines and books to Sabot Publishing.

April - **New Orleans Publishing Group** was sold to Dolan Media.

April - **Country Sampler** was sold to Emmis Publishing.

March - **BPI Communications** sold *Plant, Sites & Parks Magazine* to Cahners Business Information.

February - **SBC** sold its Beverage World Group to Bill Communications.

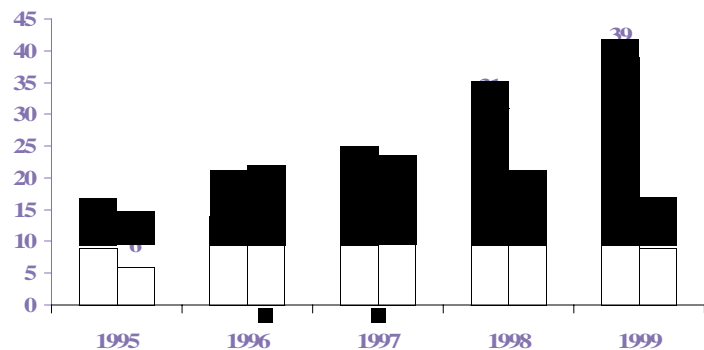
Vertical Market Dominance

Over the last several years, publishing and information companies have been focusing their strategic initiatives on "market dominance" strategies. The concept is to dominate a vertical market through owning the leading trade magazine, trade show, conference, newsletter, database and more recently Internet vertical communities. This strategy places a great emphasis on building core clusters of media properties around the markets they serve.

company's position within a market, it also diversifies its revenue streams which provides some protection from advertising downturns and economic fluctuations.

Market dominance strategies have also led to divestitures of non-core assets by information providers. These divestitures are partially responsible for the record level of merger and acquisition activity in the market. Examples of companies contributing to these types of divestitures over the last few years

Pace of Exposition Industry M&A



Companies such as Advanstar Communications, Penton Media and Miller Freeman are employing this strategy and making acquisitions of exposition companies to enhance their core market and diversify their share of revenue by sector.

The rationale for this strategy is being driven by the information provider's desire to strengthen the relationship between the advertiser or exhibitor and the audience or customer. There are also substantial synergies in leveraging customer databases and relationships between information products. While this model strengthens a

are Reed Elsevier, Primedia, and Pearson. The Internet is facilitating the next stage of this strategy by providing an excellent medium to bring together customers, advertisers, content and ultimately transactions or e-commerce. In theory, an information provider should be able to offer a one-stop-shopping source to its advertisers and customers via the Internet and play an intermediary role for transactions between buyer and seller. Significant investments are being made, but it has yet to be determined which business model will set the standard for Internet vertical communities.

Strong Association Leadership

1999's third quarter saw a growing commitment among print publishers to seek ways to optimize their strategies to harness the Internet. With Gordon Hughes spearheading the unanimous Board approval for VerticalNet to become a member of the ABP and incoming MPA President Nina Link acknowledging the Internet related challenges faced by consumer publishers, the magazine industry's key trade associations are well-positioned to play leadership roles in addressing these important issues.

While the industry ponders the implications of the Internet's role, JEGI's new media expert, Kent Hawryluk, offers these near-term Internet certainties:

- e-Commerce is set for explosive growth;
- Rapid deployment of broadband will enhance the utility of the Internet;
- New convergence-oriented media businesses are emerging; and,
- Penetration levels for devices connected to the Internet are growing exponentially, and spawning new opportunities.

Number of Mergers Decline as Multiples Remain Near Historic Highs

There were a total of 42 mergers and acquisitions with an estimated aggregate value of \$1.7 billion in the U.S. magazine publishing and exposition sectors announced during the third quarter of 1999. The total number of mergers and acquisitions in the third quarter of 1999 is below the total number for 1998. Contributors to the decline include interest rate increases, the fall off in business-to-business advertising pages and some high profile failed or delayed auctions for companies like Ziff-Davis, Medical World Communications and Adams Business Media.

JEGI believes iVillage's \$86 million acquisition of Lamaze is not indicative of a scenario in which stock-inflated, cash-rich, content-starved dot.com companies come calling on publishers in large numbers and offer to pay them generous multiples. Even though content may still be king, JEGI believes e-commerce is looking more and more like the power behind the throne for most dot.com companies.

Top 10 B2B & Consumer Media & Exposition Industry M&As in Third Quarter of 1999

<i>Month</i>	<i>Buyer</i>	<i>Seller</i>	<i>Property</i>	<i>Amount (\$ Millions)</i>
August	Conde Nast	Walt Disney Company	Fairchild Publications	\$650.0
August	Veronis, Suhler & Associates	Hanley-Wood, Inc.	Hanley-Wood, Inc. and The Aberdeen Group	260.0
July	Advanstar Communications, Inc.	Larkin Family	The Larkin Group, Inc.	133.0
August	iVillage Inc.	Lamaze Publishing Company, Inc	Lamaze Publishing Company, Inc	86.0
July	VNU USA	Phillips Family	<i>Editor & Publisher Magazine</i>	N/D
August	Time Inc.	Reader's Digest Association	<i>American Health Magazine</i>	N/D
September	Transcontinental Publications, Inc.	Plesman Communications, Inc.	Business-to-Business IT Magazines and Shows	N/D
September	101 Communications	Boucher Communications, Inc.	Seven Business-to-Business IT Magazines	17.0
September	Wicks Business Information	Pearson plc	Briefings Publishing Group	N/D
September	Journal Register Company	Communications International	<i>Connecticut Magazine</i>	N/D
<i>3Q Last Twelve Month (LTM) Summary Multiples</i>			<i>Enterprise Value (EV)/Revenue</i>	<i>EV/EBITDA</i>
<i>Mean</i>			3.5x	13.2x
<i>Median</i>			3.2x	10.9x

Magazines at the Millennium

On September 22nd, FOLIO Magazine unveiled "Magazines at the Millennium" at a special luncheon held at the Four Seasons. JEGI was the lead sponsor of this important video, which addresses the most important dynamics affecting the magazine publishing industry on the eve of the millennium.

Produced by Hershel Sarbin, the video includes insights from leaders of magazine and media companies, who commented on the impact of the Internet on traditional business models and offered their thoughts on how publishers can thrive in the new millennium. Among the participants were Nancy Allured, John Babcock, Marshall Freeman, Roger Friedman, Tom Kemp and John Wickersham.

Copies of the video, which was produced in association with The Medill School of Journalism at Northwestern University and The Cowles Media Foundation, are being sent to every journalism school across the U.S to help promote dialogue about the future of traditional magazine publishing. To obtain a copy of the video and companion workbook, contact: Grant Draper, at the firm's address below or e-mail at grantd@jegi.com.

Tom Crowley Joins JEGI Capital

JEGI recently announced that Thomas A. Crowley has joined its Internet-focused affiliate JEGI Capital, LLC. He joined JEGI Capital from GE Capital, where most recently he co-managed the Technology/Communications practice for GE Equity. Mr. Crowley, 50, will lead the firm's equity investments in early stage Internet companies. Mr. Crowley spent the last 12 years at GE Capital, most recently as a Managing Director of GE Equity. He was involved in direct equity investing and supervised the group's investments in information technologies, Internet/Intranet, electronic commerce, telecommunications and data networking businesses.

Said Mr. Crowley: "Digital technologies, e-commerce and the Internet are changing the way established information companies will have to do business in the future. We discovered at GE Capital that investing in innovative, early stage companies can be a great way to accelerate the rate at which larger, more established players can adapt to this rapidly-changing competitive environment."

Mr. Crowley earned a BA in Economics from Williams College (1970), an MBA from Stanford Graduate School of Business (1972) and a masters degree in communications theory, also from Stanford University (1973).