

## INVESTMENT BANKERS TO THE PUBLISHING, INFORMATION AND EXPOSITION INDUSTRIES

### E-Barter - The New Frontier in Publishing Equity Financing

With the surge in Internet dot-com advertising and promotion buoying the revenues of traditional media companies in 1999, E-Barter equity financing is gaining momentum. The dynamics of this financing model are simple and sensible.

The business models of many new dot-com companies involve attracting a large volume of web traffic to sell advertising and spur e-transactions. Internet companies usually strive to establish early market dominance. Often the early mover advantage is the only barrier to entry. Brand promotion and exposure are critical.

Traditional media companies with large inventories of print, broadcast, outdoor and other advertising space have what the dot-com companies need. On the other hand, many traditional media companies, while enjoying the short-term surge in demand for advertising from dot-coms, are looking to capture some of the financial potential of the Internet companies that are eroding their audiences.

The logic of a swap of advertising space for equity is compelling. While companies such as CBS and NBC have been bartering advertising for equity for several years, the E-Barter financing model has only recently caught on in the publishing world.

Instead of raising money from venture capitalists or angel investors, dot-coms are increasingly approaching media companies and proposing to trade equity (at the same pre-money valuation they would use with VCs) for advertising and promotional space. By doing this, the dot-com companies get more direct attention from the media companies in developing successful media plans and end up with partners with a vested interest in seeing them succeed. We believe this trend will accelerate in 2000.

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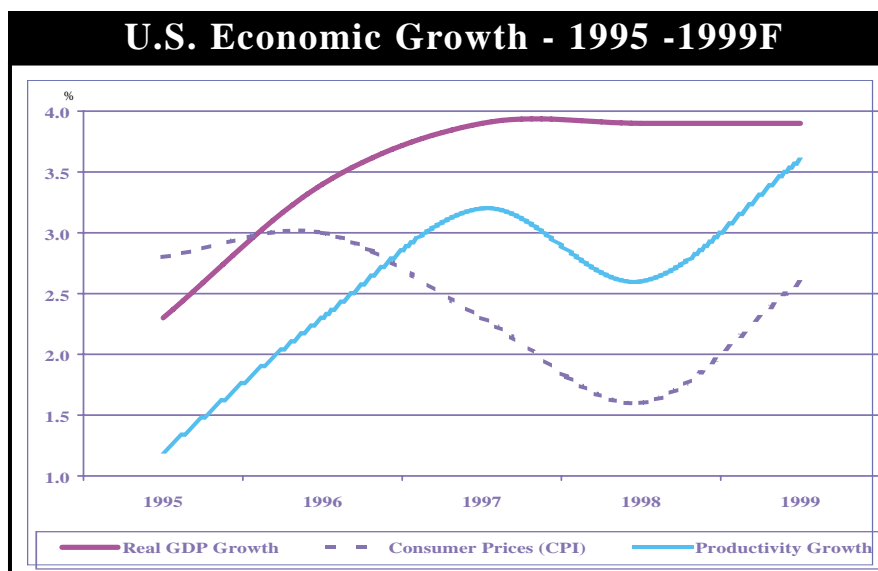
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### Outlook Bullish for U.S. Economy, Media and Exposition Industries

Leading indicators point toward a robust year ahead for the U.S. economy and for the media and exposition industries. Analysts expect interest rate hikes this year in February, then in March or April on the heels of three quarter point increases since last June. A growing number of economists expect American businesses in 2000 to continue finding new ways to increase productivity. Many economists credit structural changes for making it possible for the economy to grow without triggering

strong position to take advantage of increased marketing spending. A targeted print, Internet and exposition presence integrated with other media in a given market, creates additional selling points to present to marketers.

Significant forces driving growth in the advertising market this year include the U.S. government's census, the Sydney Olympics, the quadrennial election, and factors that generate a need for companies to invest in



Sources: Department of Commerce, The Jordan, Edmiston Group, Inc.

inflationary pressure the culprit that has often led to economic downturns in the past. The greatest potential danger to the U.S. economy that most experts identify is that growth will be too fast and bump up against labor resource constraints.

Real gross domestic product (GDP) growth outpaced inflation in 1999 and the consensus forecast is for it to continue to do so in 2000. The robust economy and strong growth in corporate profits are forecast to contribute to increased spending on marketing in 2000 and create an improved market for business-to-business advertising, which had declined in 1999. Media and exposition companies that provide integrated marketing solutions across different types of media will be in a

consumer brand awareness, such as the deregulation of electric utilities and the revolution in electronic commerce. Leading industry analysts place U.S. spending on advertising at more than \$230 billion in 2000, an increase of 8% over 1999 and an amount equivalent to 2.5% of GDP.

The biggest challenge facing most media and exposition companies in 2000 will be their Internet strategies and in particular, the integration of old and new media business models. For many media and exposition companies, 1999 will be difficult to beat. However, JEGI expects 2000 to be an even better year for all media industry segments from traditional publishers to emerging Internet firms.

## 222 Mergers in 1999 as B2B Sector Integrates and Consolidates

There were a total of 222 mergers and acquisitions, with an estimated aggregate value of \$13.7 billion, in the U.S. magazine publishing and exposition industry sectors announced in 1999. The total number of mergers and acquisitions and total aggregate value of transactions were all-time highs for these sectors. The key drivers behind the record activity in 1999 remain in place for 2000. Low cost of capital, shifts in corporate marketing expenditures and the emergence of the Internet will continue to contribute to an acceleration in the pace of mergers and acquisitions in the U.S. magazine publishing and exposition industry sectors this year.

### Top 10 Exposition Industry Mergers & Acquisitions of 1999

Month	Buyer	Seller	Property	Amount (\$ Millions)	M&A Advisor
8-99	VS&A Communications Partners	Hanley-Wood, Inc.	Hanley-Wood, Inc. and The Aberdeen Group	260.0	Morgan Stanley
7-99	Advanstar Communications, Inc.	Larkin Family	The Larkin Group, Inc.	133.0	Veronis, Suhler
5-99	Penton Media, Inc.	New Hope Communications, Inc	New Hope Communications, Inc	82.0	No advisor
4-99	Warburg, Pincus Equity Partners, L.P.	American Show Management, Inc.	45 IT and computer trade shows	Not Disclosed	Jordan, Edmiston
6-99	DMG Exhibition Group	CGS Associates	California Gift Shows	Not Disclosed	Jordan, Edmiston
3-99	EMAP Petersen	Liberty Management Corp.	New model auto shows	Not Disclosed	No advisor
6-99	DMG Exhibition Group	Atlanta Market Center	Surf Expo trade shows	Not Disclosed	Jordan, Edmiston
4-99	Pfingsten Partners	Commerce Publishing Company	Eight art industry expositions and three trade magazines	Not Disclosed	Jordan, Edmiston
12-99	Hanley-Wood, Inc. (VS&A Comm. Partners)	World Floor Covering Association	Surfaces trade show	40.0	Veronis, Suhler
10-99	Reed Exhibition Companies	National Soft Drink Association	InterBev beverage industry trade show	Not Disclosed	Jordan, Edmiston
<i>Trailing Twelve Month (TTM) Summary Multiples*</i>		<i>Enterprise Value (EV)/Revenue</i>		<i>EV/EBITDA</i>	<i>Deal Size (\$ Millions)</i>
<i>Mean</i>		<i>3.5x</i>		<i>12.2x</i>	<i>73.2</i>
<i>Median</i>		<i>2.9x</i>		<i>10.2x</i>	<i>48.0</i>

\* Multiples are calculated using the actual values for all 10 transactions.

## Hearst and Newsweek Make History

In December, Jordan, Edmiston had back to back deal closings of historical significance featuring two venerable brands. These two deals indicate JEGI's versatility in helping both major corporations and successful entrepreneurs achieve maximum value through the sale of businesses.

JEGI represented the Hearst Corporation in its first-ever sale of a magazine, the divestiture of *Sports Afield* to Bob Petersen, which marked his return to magazine publishing following the sale of the Petersen Publishing Company to Willis Stein and Partners in 1996. With nearly 50 years in the publishing business, Petersen was a dominant force in outdoor sports publishing. He founded and published outdoor niche titles including *Guns & Ammo*, *Petersen's Hunting*, and *Petersen's Bowhunting*, among others. "Purchasing *Sports Afield* is like a personal homecoming," commented Petersen. "It is a wonderful feeling to be back in the industry that I love and at the

helm of the oldest and most prestigious outdoor title in the business."

JEGI also represented Group XXVII Communications, publisher of the highly successful 1998 start-up *Arthur Frommer's Budget Travel*, which became the first-ever magazine acquisition for Newsweek Corp. In 1980, Newsweek management launched *Inside Sports*, which they sold to Century Publishing in 1983. With its acquisition of *Arthur Frommer's Budget Travel*, Newsweek Corporation for only the second time in its history, becomes a group magazine publisher.

Founded by Group XXVII President Don Welsh, *Arthur Frommer's Budget Travel* is a bimonthly magazine that has reached 350,000 circulation without benefit of direct mail. Newsweek Corp. COO Harold Shain said, "We look forward to building on that to create a magazine that will become the single most important source of useful travel information."

## JEGI 1999

### Deal Scorecard

#### Magazines

B2B	51
<u>Consumer</u>	<u>37</u>
<b>Total</b>	<b>88</b>

#### Expositions

#### Web Sites

#### Newsletters

#### Conferences

#### Book Publishers

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