THE JORDAN, EDMISTON GROUP, INC.

Client Briefing

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

Year 2000 Media Industry M&A

Highlights

- Media Industry M&A activity remained strong in 2000.

- The 2000 Media Industry M&A market was characterized by fewer stand-alone media segment transactions (i.e., magazine company buying magazine company) and by more cross-segment purchases compared with 1999.

- Media M&A spending reached $49.4 billion in 2000, nine percent above 1999 levels, but fourth quarter spending eroded along with the decline in equity values and consecutive interest rate increases.

- Major diversified media companies accounted for nearly all of the notable acquisitions in 2000, while private equity investors were less prominent than in 1999.

- Multiples of cash flow in 2000 were above 1999 levels, an outgrowth of the rise in corporate profits and equity values during the first quarter. Acquirers were in a position to pay higher prices, prices were bid up and multiples of cash flow and revenue rose.

There were 362 mergers and acquisitions among media industry companies (not including radio, television and cable broadcasters and entertainment companies) in the US in 2000, with a total aggregate value of $49.4 billion. Activity reached a peak in the first quarter, rising to 118 mergers and acquisitions, and continued at a healthy pace through the remainder of the year despite declines in the ability to finance acquisitions with debt and the willingness of target companies to accept payment in stock.

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Media Industry M&A Activity (1999-2000)

US targets only, including announced and undisclosed deals

	1999 No.	1999 Amt. ($MM)	2000 No.	2000 Amt. ($MM)
Business-to-Business Media				
Magazines	93	$3,957.9	42	$2,071.9
Online	28	1,028.3	43	2,189.0
Newsletters	27	180.6	31	360.2
Directories	18	155.7	12	264.1
Expos and Conferences	31	652.8	11	150.9
Learning/Corp. Training	19	524.3	51	4,790.2
Subtotal	216	6,499.6	190	9,826.3
Consumer Media				
Magazines	42	11,872.8	37	1,497.9
Online	28	21,989.2	53	15,492.9
Directories	9	945.0	9	785.2
Expos and Conferences	8	222.4	4	30.7
Learning/Education	24	1,036.7	15	7,877.5
Books	23	632.1	18	1,138.4
Newspapers	34	1,893.8	36	12,698.0
Subtotal	168	38,592.0	172	39,520.6
Total	384	45,091.6	362	49,346.9

Sources: The Jordan, Edmiston Group, Inc., CommScan LLC

Note: Analysis omits the $106 billion AOL/Time Warner deal, whose size was so large as to obscure meaningful trends. Including the AOL deal, total Year 2000 Media M&A spending would be three times that of 1999, or approximately $155 billion.

Media Industry Outlook 2001

While the media industry is shouldering the burden of a slowing advertising environment, the pace of and level of consolidation has never been faster. Indeed, a few days ago the largest merger in corporate history between America Online and Time Warner received FTC approval.

Predicting future performance is more challenging than ever before. Today, the diversified media company model has become far more pervasive and sophisticated. Most media companies now produce tradeshows, entertainment events and conferences. Websites and database products that leverage print media brands are also commonplace.

With economic uncertainty looming, media companies will have their ability to soften the blow from an advertising slowdown put to the test. The deep ad recession in the early nineties and the emergence of the Internet in the mid-nineties are credited with being the impetus for the latest transformation of the media industry. We asked 12 media company CEOs and senior executives for their outlook for the first six months of 2001.

The outlook for the business press for the year 2001 is one of uncertainty. I believe advertising will be off from the highs of 1999 and 2000. However, as businesses face increasing competition, they will turn to those media companies that can provide solutions to their marketing and sales problems. Traditional ROP advertising will decline, but ancillary spending will increase. The increases will occur in seminars, direct mail and custom publishing.

J. Roger Friedman
President
Lebhar-Friedman, Inc.

B2B media, including VNU Business Media's properties, have enjoyed many consecutive

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peaked last year, when we benefited from the promotional activity surrounding the Millennium, the Olympics and the Presidential election.

Obviously, much of the advertising growth resulted from the development of the Internet for information delivery and exchange. The tremendous fascination of the public and the financial community with the Internet has supported a rich environment for research and development and for brand building. The Web's possibilities have spawned many wonderfully creative and challenging B2B enterprises, many of which have seen the wisdom of brand building through traditional media, including business publications, expositions and conferences.

Today, there is a sea change occurring for many web-based companies that are losing out to competitors with more sustainable business propositions and better financial staying power. The likely outcome of this winnowing process is fewer, and hopefully, more committed advertisers for our traditional media.

The economic outlook for 2001 is a bit cloudier than it has been at the start of the past several years. Still, there remain many favorable media markets with sizeable growth potential. On balance, my view is that we should approach the year in a cautious manner, particularly during the first six months.

John Wickersham
Chairman and CEO
VNU Business Media

The market is still trying to determine what the future holds in store for many companies in the B2B Sector. The days of "start it and they will come" are over, and that, by my reckoning, is good. Now new economy companies will survive and thrive only if they are solid businesses, with products and services that are needed and a revenue model that generates profits. In GLM's case, our consolidation with two potential competitors, Daily Mail & General Trust and Dallas Market Center, was the best way we saw to cost effectively develop and implement the technologies our existing customer base wants and needs. Within our industries we think that there is a real role for Internet based B2B activity, but it will require a long term investment.

Everyone is tired of investing in what have turned out to be risky or short run technologies that don't have the financial staying power to succeed or the management skills to survive. Now, it seems that the ability to deliver real products, from substantial companies with 'brick and mortar' assets, is what will impact the market.

Jeff Little
President
GLM Shows

We are clearly in a slower economy than we have seen for several years. Whether the economy achieves the soft landing desired by the Fed, or the economy hits with a hard landing, it is likely that most publishers will experience a slowdown in advertising spending in 2001. The good news for most B2B publishers is that we never experienced the huge benefit from dot.com advertising that many consumer magazines experienced in late 1999 and early 2000. Therefore, the year on year comparisons will not be as pronounced. The hardest challenges will be for the hugely successful new economy management titles such as *Business 2.0, The Industry Standard, Fast Company*, and *Red Herring*.

Accountability of Internet investments will be the key issue facing both traditional media companies, as well as pure Internet media businesses in 2001. The market is no longer impressed with the idea of investing (read "losing money") in Internet products.

Investors (public and private) want to see the return on those investments in 2001. There is no longer any PR benefit to announcing huge Internet investments, as many traditional media companies did in late 1999. Most of those spending plans will be sharply curtailed in 2001.

The days of spinning off Internet businesses with IPOs are all but dead for the near term. The challenge for those traditional media companies that set up their internet businesses as separate operations will be to re-integrate those operations with the off-line parts of their businesses to gain synergies and much-needed cost reductions.

The M&A market may remain relatively strong, but it is likely that valuations will decline as a result of a slowing economy, tight credit markets, and fewer acquisitive strategic buyers. While there is still abundant private equity money available, the tighter lending requirements, higher interest rates, a non-existent high yield market, and high hurdle rates will limit the multiples in the market that financial buyers are willing to pay.

Higher quality businesses with integrated media and decent future growth will still attract competitive bidding and decent multiples (over 10 times). However, print-centric media businesses in mature markets will have a difficult time commanding multiples above mid-single digits.

Tom Kemp
CEO
Penton Media, Inc.

2001 marks the real beginning of the new millennium and the re-emergence of trade publishing. Less than a year ago, we were chided for not "getting the Internet." Now we feel vindicated as trade publishers routinely get calls from dot.com companies seeking us as partners. Trade publishers are confident and knowledgeable. More technology and tools exist to help us realize expanded opportunities to leverage our products through the Internet.

Two popular Internet notions -- that everything on the web must be free and that banner advertising would quickly erode -- have both been proven false. In the future, publishers and editors will create new revenue streams by packaging print and online offerings and by generating special online content for pay. Also, B2B banner advertising and sponsorships are increasing, not declining. Our customers -- readers and advertisers -- are now looking to us, not the dot-coms, to provide the leadership on web-based and web/print offerings. It's a great time in our business.

Jayne Gilsinger
Senior Vice President
Pennwell Publishing Company

Well, it really is a Space Odyssey, is it not! No question that the economy is slowing. I believe it was Nobel laureate economist Paul Samuelson who once proclaimed that the stock market has predicted 8 out of the last 4 recessions.

Emmis Publishing LP is primarily involved with City/Regional magazines, and to some extent we might be sheltered from a national recession as the preponderance of our advertising sales are local. We still feel the effects of a national slowdown, but our relationships with local retailers are such that we can predict future business much more accurately.

As magazine advertising revenue growth slows, the worst approach a magazine can take is to panic. Even in negative growth periods, some industry segments do well. Sales staffs need to remain optimistic, as panicked, pushy, desperate salespeople are the last people you want in front of an important client.

HSR Reform Legislation To Take Effect on February 1st

Highlights

- The size of transaction threshold is increased from $15 million to $50 million.
- Elimination of the 15% size of transaction threshold. This means that the $50 million threshold will be an absolute floor - no transaction resulting in an acquiring person holding less than that amount of assets or voting securities of an acquired person will be reportable.
- Transactions valued at greater than $200 million will be reportable without regard to "size of person." The current size of person test (which generally requires one side of the transaction to have sales or assets in excess of $100 million and the other $10 million) will continue in place for transactions valued between $50 million and $200 million.
- Dollar thresholds and the new tiered filing fee structure will be adjusted each fiscal year, beginning with FY 2005, for changes in GNP during the previous year.
- Implementation of a tiered fee structure. Currently, the acquiring person in all reportable transactions must pay a $45,000 filing fee. Under the new legislation, the fee that the acquiring person must pay will be based on the value of the voting securities or assets held as a result of the transaction.
- The new filing fee tiers are as follows:

Size (value) of transaction	Fee
<$100 million	$ 45,000
$100 million - <$500 million	$125,000
$500 million or more	$280,000

Remember this: research has shown that those advertisers who stop advertising for a short period of time spend 2-3 times more later to make up lost ground.

Magazine publishers need to remain flexible, expecting and reacting to lower revenues. At the same time, they need to keep the investment in the editorial, design and quality of the magazine at the highest possible level.

We should consider ourselves lucky to have participated these last few years in an industry that has seen double-digit advertising growth. Advertising growth in 2001 has been predicted somewhere in the range of 3% to 7%. Nevertheless, given likely postal, people and manufacturing cost increases and a clear need for many publishers to invest in firming up soft circulation numbers, we should expect flat growth and plan accordingly.

Looking ahead, I see a trick bag, and we are sure to be tested in the next six months -- a period that may prove deadly to those publications that have not been profitable in the past.

Gary Thoe
Chief Operating Officer
Emmis Publishing LP

The media market will be very tight for the next six months, although not for every print title. The leaders in each category will be okay with flat to slightly increased lineage. The second and third books in a category will have a very tough first-half. Budgets are being cut back to 1998 levels (i.e. Chrysler). 2001 will be a fair year -- not the boom we enjoyed in 2000, but not the awful year that many have predicted.

Steve Florio
President & CEO
Conde Nast Publications, Ltd.

Over the next six months, Primedia will be focused on the next stage of becoming a totally integrated, targeted media company as we merge with About, the #7 company on the Internet (with Primedia, we leapfrog Disney to #6) as well as the most targeted and largest content producer. We are more convinced than ever that the Primedia model combining targeted content with endemic advertising across a full spectrum of both consumer and B2B print, video and electronic media will prove to be the right model. This will make Primedia both the "safe haven" and "high growth" media stock during this period. Watch out for new integration strategies, new distribution techniques, and new products from Primedia.

Tom Rogers
Chairman and CEO
PRIMEDIA, Inc.

The training industry continues to focus on producing measurable outcomes, tying training and educational programs to assessment and testing. That's great news for all of us in the industry. There's no better engine for growth than having your customers know that for every dollar they spend on your products they get a quantifiable return on their investment.

Bob Russell
President and CEO
Thomson Learning, Lifelong Learning Group

Despite the disruptive effects of technology, the training industry has begun a shift toward greater integration. Corporations and other large organizations have shown a preference for more complete solutions to their training needs. E-learning companies are increasingly offering a solution that includes content, learning management capabilities and services. Classroom based training organizations are now embracing e-learning as a new revenue source, whereas not long ago, they viewed it merely as a threat to their traditional business.

Bruce Barnes
CEO
ElementK

Anticipating what 2001 holds for the training industry, the view into the crystal ball is more than cloudy -- it's a veritable wild storm. The world of training is square in the midst of reinventing itself (or better be!). Everything is changing faster than any of us dreamed it would, driven largely by technology.... The players are changing, the learning environment is changing, competition is changing, client expectations are changing, and industry leadership is literally up for grabs. It promises to be quite a year.

Marguerite W. Sallee
Chairman and CEO
Frontline Group

We see our customers looking for one-stop-shopping solutions for all their learning needs. We feel that we have all the pieces required by customers: technology (LMS and Admin systems), content (we are the largest content aggregator, and have RFP exchange, the first reverse auction mechanism for the learning industry), and services (both learning consulting and implementation services.) We feel that the combination of all three from one shop will drive a lot of consolidation in the market as others will need to provide the same full-service solutions.

Hemang Dave, CEO
THINQ
Learning that Powers Business!

Year 2000 M&A continued from page 1

"In our view, media companies increased their market focus by continuing efforts to align their portfolios with their key strengths and market opportunities in publications, online communities, learning and expositions and conferences," said Wilma Jordan, CEO of The Jordan, Edmiston Group and JEGI Capital.

Although no subsequent quarterly performance matched Q1 2000, overall M&A activity nearly matched 1999 and surpassed it in terms of total aggregate dollar value.

Strong revenue growth in the Learning/Corporate Training and Online segments, improved corporate earnings, adoption of the core-market integrated media company approach, healthy economic growth, the strongest advertising market since 1984 and an increasing demand for information all combined to propel media industry M&A activity in 2000.

There were fewer mega deals in 2000 than in 1999, although the largest deals of the year Terra Networks acquisition of Lycos for $12.5 billion; Reed Elsevier's purchase of Harcourt General's STM textbook and K-12 education and testing divisions; and Thomson Learning's purchase of Harcourt's higher education and corporate training businesses, would rank among the top ten deals in any of the past five years.

The absence of billion dollar blockbuster deals except for the Terra Networks-Lycos combination caused significant declines in total value in the consumer magazine segment from $11.9 billion in 1999 to $1.5 billion in 2000 and the consumer online segment from $22.0 billion in 1999 to $15.5 billion in 2000. There were several mega deals in 1999, including Gemstar International's purchase of TV Guide magazine for $9.2 billion, which spurred the total value of consumer magazines deals across the $10 billion mark and consumer portal Yahoo!'s acquisition of Broadcast.com for $4.7 billion and GeoCities for $4.6 billion; @Home purchasing Excite for $6.7 billion; CMGI obtaining AltaVista and Zip2 from Compaq for $2.3 billion; and Disney buying the remaining interest of Infoseek that it did not already own for $1.5 billion. These mega deals in 1999, totaling $9.2 billion for consumer magazines and $19.8 billion for consumer online media, accounted for more than 85 percent of the total value of all M&A activity in these two segments for 1999.

With $13 billion in cash, including over $8 billion from liquidating its AOL Europe holdings, Bertelsmann AG aggressively pursued acquisitions. Through its American magazine subsidiary, Gruner & Jahr USA Publishing, Bertelsmann obtained *Fast Company* magazine from Mortimer Zuckerman for a reported $340 million plus an earnout of $150 million based on performance and *Inc.* magazine from Goldhirsh Group for $200 million. Time Inc. purchased 19 consumer magazines in the Times Mirror Magazine Group from Tribune Company after Tribune obtained the Times Mirror Company for $5.4 billion in the second largest deal of 2000, which included *The Los Angeles Times* and *Newsday* in addition to the Times Mirror Magazine Group.

There were no billion dollar deals in the consumer book segment. Acquisitions totaled $1.1 billion in 2000, an increase from $632 million in 1999. Pearson's purchase of Dorling Kindersley for $492 million and Scholastic obtaining children's publisher Grolier for $400 million were the two largest deals in 2000.

Characterized by a 170 % increase in activity and an 800 % increase in total value, mergers and acquisition in the learning/corporate training segment reached an all-time high of 51 deals with a total value of $4.8 billion. Companies with two or more acquisitions in 2000 included Compass Knowledge Holdings, EntrePort, Frontline Group, Gilat Communications (Mentergy), Global Learning Systems, Knowledge Pool, Pearson, Provant, SmartForce (formerly CBT Systems) and Thomson Learning.

Between 1999 and 2000, the value of business-to-business media mergers and acquisitions increased by more than 50%, from $6.5 billion to $9.8 billion. The surge in B2B media M&A spending was the result of a growing number of integrated media company deals. For the year as a whole there were 11 such deals valued in excess of $100 million. The two most notable deals--CNET Networks' acquisition of Ziff-Davis's remaining assets (including ZDNet, SmartPlanet, *Computer Shopper* magazine and an equity interest in *Red Herring* magazine) and Thomson Learning's acquisition of Sylvan Learning Systems' computer-based testing and assessment services division Prometric--accounted for a significant proportion of the growth in value in the Online and Learning/Corporate Training segments.

The growing trend toward developing integrated media companies was evidenced in the five largest B2B magazine deals of 2000. DLJ Merchant Banking Partners purchased Advanstar Communications and Hive4.com from Hellman Friedman Capital Partners for $900 million; VNU nv obtained Miller Freeman North America from United News & Media for $650 million; Cahners Business Information acquired CMD Group from Boston Ventures for $300 million; private equity investor ABRY Partners purchased Cygnus Business Media from Kelso & Company; and Duke Communications International was sold to Penton Media for $100 million plus an earnout of as much as $50 million based on performance objectives through 2002.

Diversified media companies such as dmg world media and Penton Media led the way in the tradeshow segment with dmg world media obtaining a 25% equity interest in GLM Shows (the largest producer and marketer of tradeshows for consumer goods in the US) and an agreement to acquire further shares in the company in 2010 and 2014 from George Little Management. Penton Media was responsible for two of the most significant deals in the tradeshow segment obtaining Streaming Media from First Conferences for $65 million plus a $35 million earnout based on performance and Professional Trade Shows from 1st Communications for $17 million.

Further evidence of the move toward integrated media companies is apparent from the increasing M&A activity and value in the newsletter segment, which benefited from strong corporate profitability and demand for information to boost management productivity. In 2000, the total value of newsletter mergers and acquisitions doubled to $360 million. Private equity investors were active newsletter acquirers, led by Veronis Suhler's purchase of Phillips Business Information for $120 million. The largest acquisition by a newsletter publisher was the Bureau of National Affairs (BNA) which obtained Kennedy Information for $47 million. Media focused private equity investor Wicks Business Information acquired Asset Alternatives and Georgetown Publishing.