

Client Briefing

INVESTMENT BANKERS TO THE PUBLISHING, INFORMATION AND EXPOSITION INDUSTRIES



January - August 2002 M&A Overview

NEWSPAPERS, DIRECTORIES AND DATABASE SERVICES CONTINUE TO LEAD 2002 M&A MAGAZINES AND EXPOSITIONS DOWN SHARPLY FROM 2001

Highlights

▶ **The 2002 year-to-date publishing, information and exposition industry M&A market trails 2001 levels by nearly 20%, as difficult economic conditions for the industry continued throughout the second quarter and into the third.**

▶ **The \$13.5 billion value of all global transactions through August 2002, representing 247 deals in the ten sectors tracked by The Jordan, Edmiston Group, Inc. (JEGI), is 19.8% less than the \$16.8 billion value, representing 303 deals, announced for the same period in 2001.**

▶ **In four of the ten industry sectors tracked by JEGI, however, the number of 2002 transactions to date have exceeded the 2001 counts: database information services, +39%; directories, +33%; Internet/online media, +7%; and educational and professional publishing, +5%.**

▶ **Directories and newspaper publishing** were the only industry sectors in which the total 2002 deal value exceeded the 2001 amount, up 73% and 238%, respectively. Major drivers behind this growth were The Carlyle Group's purchase of QwestDex's directories and reference guides and Johnston Press and Lee Enterprises acquisition of newspaper companies Regional Independent Media Holdings Ltd. and Howard Publications, respectively.

▶ **The total of 49 magazine transactions** reported to date in 2002 is 25.8% below 2001's magazine deals for the same period. And the \$1.7 billion dollar value of these 2002 transactions is 72.6% below last year's transaction value of \$6.1 billion. The average 2002 magazine transaction size was \$34 million, but the median transaction size, which reflects the midpoint of all transactions, was only \$6 million.

▶ **Conference and trade show deal value** fell to \$62.3 million for the first eight months

of 2002 compared to \$495.4 million in the same period last year. The average transaction size for the 21 trade show deals was less than \$3 million, extremely small for this sector, which was among the most active in 2000 and 2001.

▶ **The U.S. accounted for 80% of the worldwide media transactions** (253 deals) and 87% of the deal value (\$11.7 billion). Newspaper deals generated the largest non-U.S. dollar value, as \$1.0 billion, or 42% of the \$2.4 billion total newspaper deal value, came from four European transactions.

▶ **Private equity (PE) buyers announced** 40 transactions valued at \$8.7 billion, or 64% of the total 2002 deal value. Although \$7.1 billion of this came from one transaction, PE buyers accounted for anywhere from 20% to 50% of the deal value in four key industry sectors: consumer and B2B magazines, trade shows and directories.

(continued on page 2)

Publishing, Information and Exposition Industry M&A Activity: January - August 2002

Industry Sector	2002 January - August		2001 January - August		% Change January - August	
	No. of Deals	Amount (\$MM)	No. of Deals	Amount (\$MM)	No. of Deals	Amount
Consumer Magazines	26	1,358.3	33	3,955.4	(21.2%)	(65.7%)
Business-to-Business Magazines	23	302.2	33	2,096.7	(30.3%)	(85.6%)
Conferences & Trade Shows	21	62.3	38	495.4	(44.7%)	(87.4%)
Database Information Services	32	590.3	23	818.4	39.1%	(27.9%)
Internet Online Media	47	203.8	44	955.4	6.8%	(78.7%)
Directory & Reference Publishing	24	8,335.1	18	4,813.1	33.3%	73.2%
Newspaper Publishing	34	2,388.4	70	705.8	(51.4%)	238.4%
Newsletter Publishing	9	29.5	13	79.1	(30.8%)	(62.7%)
Consumer Books	10	115.3	11	279.9	(9.1%)	(58.8%)
Educational & Professional Publishing	21	133.7	20	2,647.1	5.0%	(94.9%)
Total	247	\$13,518.9	303	\$16,846.3	(18.5%)	(19.8%)

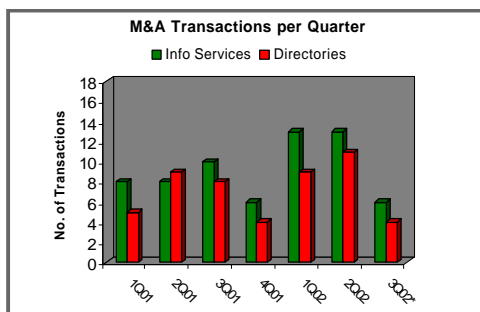
M&A Overview

(Continued from page 1)

Directories

Directories attracted the most deal dollars in 2002, continuing their top ranking for the same period in 2001. With 24 deals in 2002, directory deals totaled \$8.3 billion, an increase of 73.2% over last year. This increase includes the largest media deal of the year, the Carlyle Group's purchase of QwestDex's Yellow Pages directory business for \$7.1 billion in August. This transaction accounts for over one-half the total M&A value generated in 2002. In addition, four telephone directory deals are among the ten largest transactions for the year. They are: the #1-ranked QwestDex deal; Apax and Hicks, Muse's \$600 million purchase of McLeod, ranked #5; Spectrum Equity Investors' \$345 million acquisition of Cincinnati Bell's Broadwing, Inc., ranked #6; and VNU's successful \$168 million bid for UK's Golden Pages Ltd., ranked #10.

Private equity (PE) buyers completed 11 of the 24 directory deals in 2002, or nearly 50%, and these PE deals accounted for 97% of the total dollar value of the directory transactions.



Database Information Services

Given the advertising recession of 2001 and 2002, it is not surprising that two of the most active media sectors this year are paid, subscription-based businesses: directories and database information services. The 32 database company deals announced reflect a 39.1% increase over the 23 in 2001. Total deal value of \$590.3 million, however, was 27.9% lower than the \$818.4 million generated during the same period last year. PE firms have not been a major factor in this sector, accounting for only \$37.3 million or 6.3% of the total deal value. Two major strategic buyers led all acquirers. Thomson announced three database company acquisitions totaling \$24 million, and Wolters Kluwer announced four, totaling \$143 million. These two buyers also acquired five and two software tool companies, respectively, to help their customers achieve increased productivity in using the information they provide.

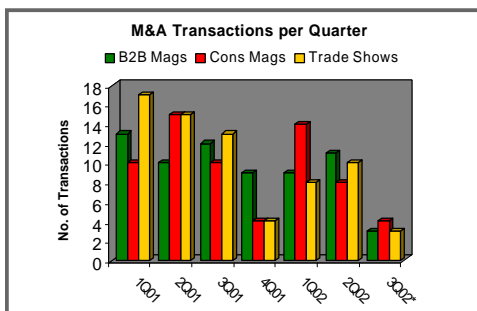
JEGI Capital Brain Trust Meeting - June 2002



FROM LEFT TO RIGHT: RICHARD HUNTER, VICE PRESIDENT AND DIRECTOR OF SECURITY RESEARCH, GARTNER2; MICHAEL D. FLEISHER, CHAIRMAN OF THE BOARD AND CEO, GARTNER, INC.; WILMA JORDAN, FOUNDER AND CEO OF JORDAN, EDMISTON AND JEGI CAPITAL; WILLIAM M. GODFREY, CO-FOUNDER, PRESIDENT AND CEO OF APRIMO; ROGER KRAKOFF, PARTNER OF JEGI CAPITAL; AND TOM CROWLEY, MANAGING PARTNER, JEGI CAPITAL.

B2B Magazines

The market for B2B magazines has been relatively quiet through the first eight months of 2002. Total global deal value of the 23 transactions to date reached \$302.2 million, down 85.6% from 2001. The U.S. market accounted for \$174.9 million from 17 of these transactions, while the non-U.S. market accounted for \$127.3 million for the other six transactions. PE buyers accounted for eight of the 23 deals and \$190 million, or 63%, of the total deal dollar value. With only three B2B magazine transactions announced in July and August 2002, the third quarter pace could be even slower than last year's sluggish fourth quarter.



Consumer Magazines

After a robust first quarter in 2002, the pace of consumer magazine transactions slipped from May through August with only four deals announced. The major sales in 2002 were Reader's Digest's purchase of Reiman Publications for \$760 million and two acquisitions by Aurelian Communications, backed by Providence Equity Partners: F&W Publications for \$135 million and Krause Publications for \$120 million. PE firms made six deals for \$329.2 million or 24% of the total deal value.

Conferences and Trade Shows

The trade show sector, the leader in M&A activity in 2000 and 2001, fell in July and August after rising during the first and second quarters of 2002. Total sector deal value was only \$62.3 million, and no single deal exceeded \$25 million. PE buyers accounted for five of the 21 transactions and \$34.8 million, or 56%, of the total deal value. Cornerstone Expositions, Inc. was the most active buyer, making three small acquisitions.

Top Buyers and Transactions

The most active buyers to date in 2002 have been information services companies and PE firms.

Companies	No. of Deals	Value (\$MM)
Thomson	10	75
Wolters Kluwer	9	221
Thomas H. Lee Co.	6	12
CSFB Private Equity	5	55
VNU	4	179
Reed Elsevier	4	23
ABRY Partners	4	131

Nine of the ten largest transactions were directory and newspaper deals. The tenth deal was Reader's Digest's acquisition of Reiman Publications' consumer magazines.

Buyers	Sellers	Value (\$ MM)
Carlyle Group	QwestDex, Inc.	7,050
Johnston Press	Regional Independent Media Holdings Ltd.	796
Reader's Digest	Reiman Publications	760
Lee Enterprises	Howard Publications	694
Apax/Hicks, Muse	McLeod USA	600
Spectrum Equity	Broadwing, Inc.	345
GTC Transcon.	CanWest Global	255
Socpresse	Le Figaro (40%)	218
Community News	Dow Jones	182
VNU	Golden Pages Ltd.	168

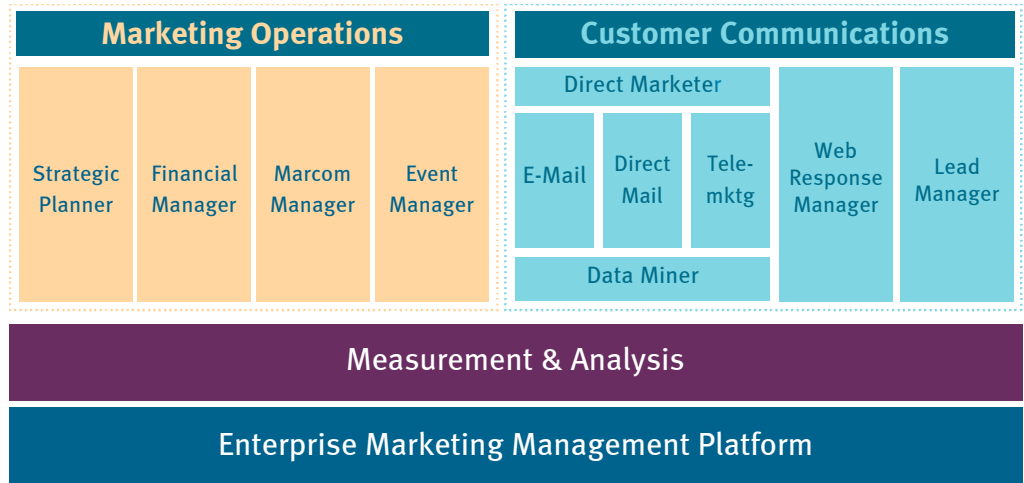
THE NEXT WAVE OF APPLICATION SOLUTIONS

Marketers are under severe pressure these days. In most companies, the mantra of growth in the 1990s has been replaced by a tight focus on effectively and efficiently implementing and managing the marketing process. In an increasingly competitive environment, marketers are expected to: help their companies drive top line sales by successfully positioning old and new products and services; deliver crisp, relevant programs/messages to markets of "one"; collaborate with their agencies, suppliers and associates; and deliver programs quickly that produce results.

These challenges have increased in complexity over the past few years, as marketing media options have proliferated while targeting and measurement tools have become more sophisticated. Recently, a new set of software tools have emerged to help marketers meet the objective of improved operating performance and corporate accountability, while preserving or improving bottom line results. The emergence of this marketing automation software follows the successful introduction of software solutions, for businesses of all sizes, that automate important business functions such as HR, finance, manufacturing and sales. In fact, sales of software to help executives in each of these areas have created billion dollar market opportunities for such industry leading companies as PeopleSoft, Hyperion, SAP and Siebel.

In the marketing automation arena, a new set of software applications under the banner of Enterprise Marketing Management (EMM) appears to be the next wave of application solutions. EMM software helps companies effectively integrate the planning, tracking and analysis of the marketing function (designated as Marketing Operations in the chart above) with the actual execution of its marketing programs and campaigns (Customer Communications.) EMM's promise lies in its ability to inter-connect everyone and everything marketing related in much the same way that enterprise resource planning (ERP) systems connect the back office, and manufacturing resource planning (MRP) systems connect the plant.

The Gartner Group predicts that, by 2005, more than 30% of Global 1000 companies



MODULES HELP CLIENTS PLAN, IMPLEMENT AND ANALYZE MARKETING PROGRAMS AND COLLABORATE WITH AGENCIES AND SUPPLIERS. FOR MORE INFORMATION VISIT APRIMO'S WEB SITE: WWW.APRIMO.COM.

will be using EMM in one or more of its business units or geographical divisions, if not the entire enterprise. This dramatic market penetration forecast anticipates EMM's effectiveness in helping organizations get better control of the more than \$1.1 trillion of annual marketing spending, as estimated by Accenture Consulting. This reflects a 45% CAGR (from 2001 to 2005).

Earlier this year, JEGI Capital reviewed the state of the marketing automation market in an effort to identify its underlying trends and leading software providers. Through this process, JEGI Capital concluded that Aprimo, Inc. was in the best position to deliver the tools and solutions to help marketers manage the business of marketing. As the chart above shows, Aprimo offers a comprehensive suite of web-based software application modules that enables a company to better manage the full range of its marketing activities and operational support, including campaigns, direct marketing, leads, events, finances, web response, e-marketing, marketing communications and strategic planning.

"Our extensive customer and industry analyst interviews of the marketing automation sector validated both Aprimo's vision and its newly released software platform," said Roger Krakoff, general partner of JEGI Capital. "One of the most exciting aspects of Aprimo is that it has been building its success against a carefully executed plan and is achieving its financial and customer satisfaction goals." Aprimo's customers are found in several industry sectors, including media, financial services, professional services and technology. Aprimo clients include Bank of America, JD Edwards, E&Y and Autodesk. 🍷🍷



Harry Quadracci In Memoriam

No adequate words can convey the profound sadness that all of us at Jordan, Edmiston felt upon hearing that Harry Quadracci had passed away on July 29. Harry was an extraordinary entrepreneur, a true visionary, a passionate humanitarian and a close friend of the firm.

President and Founder of Quad/Graphics, Harry started his business in 1971 with 11 employees, a leased press and a borrowed binder in a 20,000 square-foot plant in Pewaukee, Wisconsin. Over the past 30 years, he built it into a leading printing, technology and media company that services more than 1,000 magazine, catalog, retail insert and direct mail clients.

His visionary leadership in the printing industry earned him many awards including 1997 Wisconsin's Master Entrepreneur of the Year, 1999 winner of the Offset Association's inaugural Vision Award and 2000 recognition as a national hero by the Polish government because of Quad/Graphics' investments in Polish print partner Winkowski. Harry's humanity, friendship and zest for life will be missed. We extend our deepest sympathies to his wife, Betty, and their children - H. Richard, Kathryn, Joel and Elizabeth. 🍷🍷

Extraordinary Success in Closing Deals

15TH ANNIVERSARY

THE JORDAN,
EDMISTON
GROUP, INC.

JEGI CAPITAL

The mission of The Jordan, Edmiston Group is to be the leading M&A boutique in the Publishing, Information and Exposition industries. The firm strives to operate with overall excellence and maximize value for each client through an orderly, effective and timely process. Essential to the firm's success is its commitment to provide market-leading knowledge and to perform at the highest level of integrity, quality, creativity and teamwork.

JEGI Capital makes minority investments in early-stage, enabling technology, support service and infrastructure companies that help transform the business of media and marketing communications in a technology-enhanced economy.

VULCAN PUBLICATIONS
has sold its
Construction and Industrial Divisions
to
cygnus
Business Media
June 2002

PRIMEDIA
has sold
Teddy Bear & Friends and Doll Reader Magazines
to
ASHTON INTERNATIONAL MEDIA
July 2002

DOWJONES
has sold its interest in
America economica
to the other shareholders of
NANBEI, LTD.
March 2002

FT FINANCIAL TIMES
has sold
FT Energy Group
to
platts
a division of
The McGraw-Hill Companies
September 2001

BUDGET LIVING LLC
has raised funding from private investors to launch
Living
Magazine
and related media ventures
April 2002

MILLER SPORTS GROUP
has sold
THE SOURCE COMPANY
to
WORLD PUBLICATIONS
July 2002

The Economist Group
has sold
Pyramid
to
Executive Insight
October 2001

REED EXHIBITION COMPANIES
has sold
EastPack, WestPack and SouthPack regional tradeshow
to
CANON COMMUNICATIONS
April 2001

INDIVIDUAL INVESTOR GROUP, INC.
has sold
Special Situations Report
to
HORIZON PUBLISHING COMPANY
May 2002

Reed Business Information, Formerly Cahners Business Information
has sold
Pollution Engineering, Industrial Paint & Powder, A ssembly and Quality Magazines
to
BNP BUSINESS NEWS PUBLISHING
January 2001

UNIVERSAL ENGELBREIT COX, LLC
has sold
HOME COMPANION
to
Belvoir PUBLICATIONS, INC.
December 2001

AIIM International
has sold
AIIM International Exposition & Conference
to
ADVANSTAR
January 2002

Readers Digest
has sold the subscriber list of
Time Inc Health
September 2001

FIRST DATABANK
a leading provider of electronic drug information and a wholly owned subsidiary of The Hearst Corporation
has sold certain assets
to
Wolters Kluwer
January 2002

Reed Business Information, Formerly Cahners Business Information
has sold
American Metal Market, Metal Center News and New Steel Magazines
to
METAL BULLETIN
for
\$14,000,000
May 2001

time world media
has acquired a 25% interest in
UNIVERSAL SHOWS, INC.
February 2001

Reed Business Information, Formerly Cahners Business Information
has sold
Dairy Foods, Prepared Foods, Food Engineering, Food Master, Alimentos Processados and El Libro Maestro Magazines
to
BNP BUSINESS NEWS PUBLISHING
January 2001

Verticalnet
has sold
The Small and Medium Business Group
to
CORRY Publishing
July 2002

Allured
has acquired
Global Cosmetic Industry Magazine
from
ADVANSTAR
December 2001

The Economist Group
has sold its
Trade and Transportation Information Division
to
Commonwealth BUSINESS MEDIA
November 2001

JEGI CAPITAL PORTFOLIO OF COMPANIES



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