

Q1-2009 – Major Media Companies Continue to Re-Tool for Digital and Growth

Strong Acquisition Opportunities of High-Growth, Emerging Businesses

New York, NY March 31, 2009 – The M&A market in the first quarter of 2009 went almost – but not quite – on hold in the face of the economic downturn, plus tight credit markets. Transactions and transaction value declined 36% and 91%, respectively, versus Q1 2008. In the first quarter of the year, 129 transactions were announced across the media, information, marketing services and technology sectors, as tracked by The Jordan, Edmiston Group, Inc. (JEGI) (www.jegi.com), the leading independent investment bank covering these core markets. The number of deals completed in Q1 marked a 7% decline against Q4 2008, and the \$1.3 billion in deal value in the first quarter is the lowest on record since JEGI began compiling M&A volume more than 10 years ago.

However, major media, information, marketing and technology companies continue to re-tool their businesses for digital and are actively looking for strong acquisition opportunities of high-growth, emerging businesses. George Gallate, Global Chairman, Euro RSCG 4D, told JEGI that his company is “absolutely” leaning forward and actively seeking acquisition opportunities.

Hearst is also actively looking for acquisition opportunities and feels “there is potential for more deals now than in prior years.” Meredith is looking to add complementary services to their digital capabilities through acquisitions, and for Pearson, “M&A is very active right now, especially in education.”

Top 20 Most Active Strategic Acquirers Over the past five years, top strategic acquirers, such as United Business Media (UBM), Thomson Reuters, Daily Mail & General Trust, Reed Elsevier, and WPP, have viewed – and continue to view – M&A as an important part of their corporate strategies and an essential driver of growth.

According to Sally Shankland, CEO, US, CMP Medica, a division of UBM, “Products and services

Top 20 Most Active Strategic Acquirers 2004-2008		
Rank	Strategic Company	Deal Count
1	UNITED BUSINESS MEDIA	50
2	THOMSON REUTERS	42
3	DAILY MAIL AND GENERAL TRUST	40
4	REED ELSEVIER	39
5	WPP	34
6	JUPITERMEDIA (KNA WEBMEDIABRANDS)	30
7	YELL GROUP	28
7	AEGIS	28
9	YAHOO!	27
10	MICROSOFT	26
10	TIME WARNER	26
12	GANNETT	25
13	GOOGLE	24
14	HEARST CORPORATION	23
15	NEWS CORPORATION	22
15	INTERACTIVE CORPORATION (IAC)	22
17	EXPERIAN	18
18	PUBLICIS	17
19	WALT DISNEY COMPANY	15
20	EBAY	14
TOTAL TRANSACTIONS COMPLETED		550

SOURCES: JEGI TRANSACTION DATABASE; SEC FILINGS; AND CAPITAL IQ.

NOTES: MINORITY STAKES OR INVESTMENTS ARE NOT INCLUDED. DEALS INCLUDE TARGETS LOCATED IN THE U.S., CANADA, AND SELECT PARTS OF EUROPE.



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that improve the effectiveness of healthcare are poised for growth.” It is likely that CMP Medica will be looking to add new businesses to its healthcare data platform in 2009 and beyond.

M&A Deal Activity and Transaction Value During the first quarter of 2009, 62% of the announced deals and 68% of total transaction value arose from two main industry sectors – Marketing & Interactive Services and Online Media & Technology, where smaller digital, interactive marketing, and technology growth companies are attractive acquisition targets. However, the sharp drop in Q1 deal volume is not entirely surprising, given that it takes a bit of time to realign valuations between buyers and sellers. Philip Hoffman, EVP, Corporate Development, Pearson, commented, “Sellers, especially in the private sector, are still basing valuations on historic multiples and have not reset their expectations for today’s market environment.”

After ranking #1 in 2008 (according to Bloomberg and 451 Group) for M&A deals completed in both the broader Media industry and the Internet sector, JEGI will remain active in 2009. In February, the firm assisted Connectiv Health in its sale of VersusMed, a provider of timely, unbiased medical information to healthcare executives, to Intellerus; and in March, JEGI represented mSnap, the largest SMS mobile advertising network in the U.S., in its sale to SmartReply.

Media, Information, Marketing Services & Related Technologies						
M&A Deal Activity & Transaction Value, Q1-2009 v. Q1-2008						
Industry Sector	Q1-2009		Q1-2008		% Change	
	No. of Deals	Value (\$MM)	No. of Deals	Value (\$MM)	No. of Deals	Value
Business-to-Business Media	3	5	7	415	(57.1%)	(98.8%)
Consumer Books	3	15	2	14	50.0%	5.6%
Consumer Magazines	17	75	9	49	88.9%	53.3%
Database Information Services	8	101	11	6,901	(27.3%)	(98.5%)
Directory & Reference Publishing	1	10	2	30	(50.0%)	(66.7%)
Educational & Professional Publishing	4	58	5	65	(20.0%)	(10.8%)
Exhibitions & Conferences	8	38	14	328	(42.9%)	(88.4%)
Marketing & Interactive Services	37	467	65	2,279	(43.1%)	(79.5%)
Newsletter Publishing	0	0	2	4	(100.0%)	(100.0%)
Newspaper Publishing	5	108	7	233	(28.6%)	(53.6%)
Online Media & Technology	43	398	77	3,045	(44.2%)	(86.9%)
TOTAL	129	1,275	201	13,363	(35.8%)	(90.5%)

Source: JEGI Transaction Database

M&A Highlights

- The **business-to-business media** sector saw very little activity during the first quarter of 2009, with three deals completed and no significant transactions. The majority of transactions in this sector were single magazine sales, such as the divestitures of *Canadian Industrial Machinery* and *Sources & Design Magazine*. In the first quarter of 2008, there were several larger b2b integrated media deals, including the sale of Randall-Reilly to Investcorp.
- The **consumer books** sector saw three deals completed in the first quarter of 2009, valued at \$15 million. While Crown Publishing Group, a division of Bertelsmann, acquired Philip Wood, a publisher of non-fiction books, this sector has not seen a significant transaction since Bertelsmann acquired Time's 50% stake in Bookspan for an estimated \$150 million in April 2007.
- Activity in the **consumer magazine** sector gained in Q1 2009, as the number of transactions and overall value jumped 89% and 53%, respectively, over subdued 2008 levels. With the downturn in the economy and consumer magazine ad revenue, several strong consumer magazine brands were acquired opportunistically by both strategic and private equity buyers (e.g., Sandow Media's acquisition of *Western Interiors and Design* and Indigo Acquisition's purchase of *Garden & Gun*).
- The **database and information services** sector saw eight transactions completed in the first quarter of 2009. Deal value for this sector sharply declined from the first quarter of 2008 in the absence of multi-billion dollar transactions, such as Hellman and Friedman's purchase of Getty Images for \$2.4 billion and Reed Elsevier's \$4.1 billion purchase of Choicepoint.
- The **educational and professional publishing** sector saw a 20% decline in deal activity in the first quarter of 2009, compared to Q1 2008. Still, several multi-million dollar transactions were completed, including EBSCO's acquisition of Salem Press and the acquisition of William Andrew Publishing by Elsevier (Reed Elsevier Group).
- The **exhibitions and conferences** sector recorded eight deals in the first quarter of 2009, valued at \$38 million. There were no \$100+ million transactions in the quarter to compare with VSS's acquisition of Clarion Events for \$234 million in Q1 2008, although Access Intelligence, a VSS portfolio company, acquired the Offshore Communication and Energy Ocean events.
- **Marketing and interactive services** was very active in the first quarter, with 37 deals announced, valued at \$467 million. However, there were few significant transactions in Q1 2009 to compare with the more notable transactions of Q1 2008, such as the recap of Undertone Networks by JMI Equity and the sale of e-Dialog to GSI Commerce. Noteworthy transactions in Q1 2009 include JEGI's sale of mSnap to SmartReply, and Haggin Marketing's acquisition of SolutionSet.
- Over the past few years, the **newspaper** sector has been pummeled by declining circulation and advertising revenue. While many newspaper groups are willing sellers, few buyers stepped forward in the first three months of 2009, with only five deals announced. As with consumer magazines, there were opportunistic acquisitions in this sector in Q1, such as Platinum Equity's acquisition of the *San Diego Tribune* from Copley Press.



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- **Online media & technology** was the most active sector for M&A in Q1 2009, with 43 transactions, accounting for 33% of total deals announced. Major media companies, such as The Walt Disney Company, were active in acquiring consumer online media companies to expand their digital offerings. Others spun off non-core assets, such as IAC's sale of Match.com to Meetic for \$100+ million, and its divestitures of ReserveAmerica and 236.com. However, many transactions were last-resort exits for companies that could not continue independently, which helped account for an 87% drop in deal value, as compared to the first quarter of last year.

About JEGI

The Jordan, Edmiston Group, Inc. (JEGI) of New York, NY is the leading provider of independent investment banking services for media, information, marketing services and related technologies. Since being founded in 1987, JEGI has completed nearly 500 high-profile M&A transactions for global and emerging companies; entrepreneurial owners; and private equity and venture capital funds. JEGI has established an impeccable reputation in the marketplace, which reflects its superior performance on behalf of its clients. The firm's executive team of investment bankers has over 200 years of combined experience across the media, information, marketing services and related technology sectors that JEGI serves. For more information, visit www.jegi.com.

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