

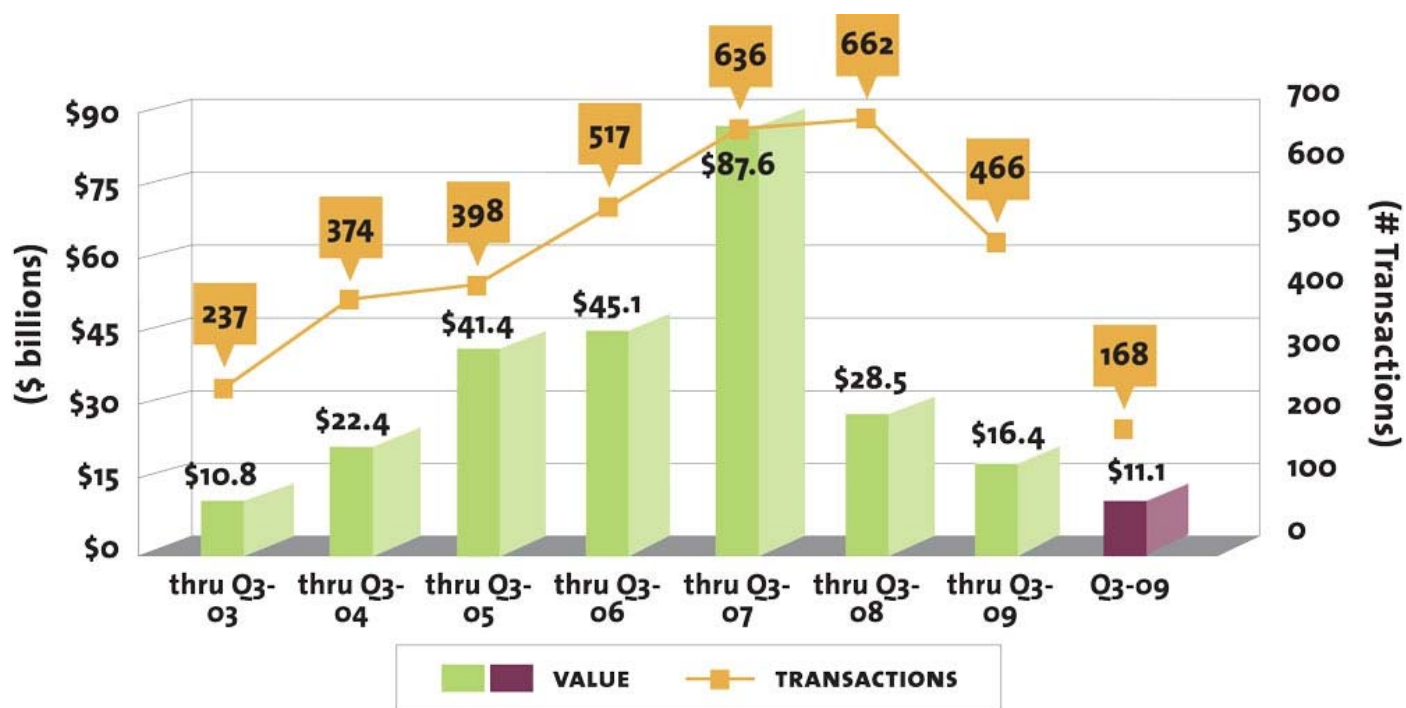
# JEGI Press Release

## JEGI Media and Information Industry Third Quarter M&A Overview

*Strong Uptick in M&A Activity in Q3, as Strategic Buyers Resume Larger Acquisitions*

New York, NY October 1, 2009 – The first three quarters of 2009 saw 466 M&A transactions worth \$16.4 billion announced across the media, information, marketing services and technology sectors, as tracked by The Jordan, Edmiston Group, Inc. (JEGI) ([www.jegi.com](http://www.jegi.com)), the leading independent investment bank specializing in acquisitions and divestitures across these core markets. Two markets actually saw growth in M&A activity in 2009 over 2008 – the Mobile and Education sectors.

Overall transaction volume fell 30%, while deal value declined 42% through the third quarter, versus the same period of 2008. While the number of announced deals is on par with 2005-2006 levels, total deal value is on pace with 2002-2003 levels.



SOURCE: JEGI TRANSACTION DATABASE

### Strategic Company Acquirers Lead Strong Uptick in Q3 M&A Activity

While the first two quarters of the year were moribund, the M&A market showed signs of life in Q3 with 168 announced transactions valued at \$11.1 billion. By comparison, the entire first half of the year saw only \$5.3 billion in deal value, with a high concentration of small distressed sales. This resurgence was driven by over a dozen \$100+ million and \$1+ billion transactions, which drove average deal size from \$18 million in the first half of the year to \$66 million in Q3.



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Education Information, Technology and Training deals increased by 15% in number and 41% in value to \$3.2 billion, as this sector benefits from innovation, government spending and some shelter from the economic cycle. Meanwhile, the Mobile Media & Technology sector saw 25 transactions worth just under \$400 million, up 56% in number and 76% in value from 2008, as this long-expected market begins to accelerate.

Strategic buyers accounted for roughly 80% of total deal value through Q3, as they took advantage of better-priced opportunities and invested in innovative business models, new growth and integrated solutions. Private equity firms have played only a minor role in acquisitions so far this year, as many have been focused on improving profitability and restructuring debt in overleveraged portfolios.

## Media, Information, Marketing Services & Related Technology Significant M&A Transactions in Q3 2009

Date	Buyer (Parent)	Seller (Parent)	Brief Description	Price (\$ millions)
Jul-09	Amazon	Zappos.com	Online apparel and footwear merchant	\$928
Jul-09	Asset International	<b>Strategic Insight</b>	Research and business intelligence to the mutual fund industry	n.a.
Jul-09	Charterhouse Capital Partners	Wood MacKenzie	Research and consulting to energy, metals and mining industries	\$910
Jul-09	IBM	SPSS	Predictive analytic software and solutions	\$1,200
Aug-09	Apax Partners	Bankrate	Internet-based consumer banking and personal finance network	\$571
Aug-09	Barnes & Noble	Barnes & Noble College Booksellers	Campus bookstores for academic institutions	\$596
Aug-09	Google	On2 Technologies	Video compression software and related services	\$109
Aug-09	Helios Investment Partners	INM Outdoor (Independent News & Media)	Outdoor advertising, radio, and live entertainment services	\$142
Aug-09	Publicis Groupe	Razorfish (Microsoft)	Interactive ad agency	\$530
Aug-09	Roll Call (Economist Group)	<b>Congressional Quarterly (Times Publishing Co.)</b>	News, information and analysis on Congress	n.a.
Aug-09	Syniverse Holdings	VeriSign's Messaging Business	Mobile messaging platform	\$175
Sep-09	Adobe	Omniture	Online business optimization products	\$1,800
Sep-09	Silver Lake Investment Group	Skype (eBay)	Video and voice calls over the Internet	\$1,900
Sep-09	Intuit	Mint.com	Online personal finance service	\$170

SOURCE: JEGI TRANSACTION DATABASE

NOTE: COMPANIES REPRESENTED BY JEGI ARE HIGHLIGHTED IN BOLD RED.



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## Re-Heating Sectors Drive M&A

The most active M&A markets covered by JEGI have been Education Information, Technology & Training; Marketing & Interactive Services; Mobile Media & Technology; and Online Media & Technology. Together, these four sectors accounted for 337 deals or 72% of the transactions announced and 87% of deal value (\$14.2 billion) in the first three quarters.

Given strong growth forecasts for online advertising in the years ahead, interactive and mobile categories continue to see active M&A. According to Rob Norman, CEO, GroupM Interaction, global Internet advertising will climb 11% to \$64.7 billion in 2010, accounting for 15% of all global measured ad spending, up from a 13% share in 2009. Meanwhile, global mobile advertising is expected to climb 19% to \$3.3 billion in 2010.

A recent Yankee Group report estimates that nearly seven billion US Smartphone application (app) downloads will generate \$4.2 billion in revenue by 2013, up from \$343 million in 2009. With the number of US Smartphone users set to quadruple to 160 million by 2013, Yankee Group describes the anticipated market growth as a gold rush.

## Looking Forward

JEGI recently announced two noteworthy transactions: Times Publishing's sale of government information provider Congressional Quarterly to The Economist Group; and the sale of Strategic Insight, a provider of news, analysis and information to the mutual fund industry, to Asset International, a portfolio company of Austin Ventures. The firm has a robust pipeline and expects to close several transactions in the final quarter of 2009.

## M&A Highlights

- M&A activity for the **business-to-business media** sector declined significantly through the first three quarters of 2009, as no large deals were announced and deal activity primarily comprised distressed assets. Private equity firms, which were a key driver of M&A in this sector from 2005 to 2008, are focused on strengthening the financials of their portfolio companies, and few large transactions of b2b media assets are expected in the short-term.
- There has been little M&A activity in the **consumer books** market over the past few years. This market went through mass consolidation in the late 1990's and early 2000's. Only three deals were completed in this sector in the first three quarters of 2009, and none were announced in Q3. Four deals were completed over the same period of 2008.
- The **consumer magazine sector** has been active, with 31 announced deals in the first three quarters, as compared to 33 transactions over the same period of 2008. However, most of this year's transactions have been small, often distressed sales of strong brands with weakened economics. In these distressed



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situations, the circulation liabilities of the business dominate deal structure, and in some cases, magazines will sell only for the assumption of liabilities (e.g., *TV Guide*).

- The **database information services** sector also had strong M&A activity, with 34 announced transactions through the third quarter, versus 36 deals over the first three quarters of 2008. Strong interest from strategic acquirers continues for data-driven products and services and recurring subscription revenue businesses. In Q3, many large global information companies made acquisitions in this sector: Economist Group acquired Congressional Quarterly (a JEGI transaction); United Business Media acquired RISI; Hearst added a 20% stake in Fitch Group; D&B/Bisnode; Pearson/Mandate Wire; Wolters Kluwer/Stormwater Research; Thomson Reuters/AMG Data Services and Abacus Enterprises; and IHS/Environmental Support Solutions and LogTech.
- The **directory and reference publishing** sector has seen little M&A in the past few years, following a major consolidation supported by large private equity transactions. Only four announced deals through Q3 compared to seven in the same period of 2008, with none of size.
- The **education information, technology and training** sector has been one of the strongest for M&A over the past year. Through Q3 2009, the Education sector saw 62 deals valued at a total of \$3.2 billion, representing 15% and 41% respective gains over 2008 levels. Significant transactions in Q3 included Barnes & Noble's acquisition of Barnes & Noble College Booksellers for \$596 million. And, private equity firms have resumed investing in this growth sector, including TA Associates' acquisition of Vatterott Educational Centers from Wellspring Capital Management in September 2009.
- The **exhibitions and conferences** sector has not seen many recent larger transactions. M&A in this sector has been driven by the acquisition of one-off events that fit squarely into existing event portfolios, such as Clarion Events' acquisition of the Counter Terror Expo and United Business Media's acquisition of China International Optoelectronic Expo. Deals also reflect strategic company decisions to exit non-core businesses, including dmg world media, which was the seller on four of the nine exhibition transactions in Q3.
- Strong M&A activity continues in the **marketing and interactive services** sector, which saw 109 transactions valued at a total of \$5 billion through the first three quarters. While deal activity continued to lag 2008 levels by 46%, deal value spiked in the third quarter, led by several significant announced transactions, including IBM's \$1.2 billion acquisition of SPSS and Adobe's \$1.8 billion acquisition of Omniture. Other noteworthy deals included Publicis Groupe's acquisition of Razorfish from Microsoft for \$530 million and Google's acquisition of On2 Technologies for \$109 million.
- The **mobile media and technology** sector showed the largest year-over-year gains, with 25 announced transactions valued at \$396 million through the first three quarters of 2009, up 56% and 76%, respectively, over 2008. Strategic acquirers seeking to enhance their product offerings in this burgeoning market led the way. The largest deal in Q3 was Syniverse Holdings' \$175 million



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acquisition of VeriSign's mobile messaging platform. Other key areas of investment in the mobile sector included social networking, advertising, location-based applications and software, content and information, and marketing services.

- M&A activity has been very quiet in the **newsletter publishing** sector. Through the first three quarters, only three newsletter transactions were announced versus 11 transactions through Q3 2008.
- The **newspaper publishing** sector has been deeply affected by the shift in ad dollars from print to digital outlets. As a result, many newspaper publishing companies, whether public, private or private equity owned, are now in restructuring or distressed sale mode. Q3 brought two noteworthy distressed sale announcements: the sale of Philadelphia Media Holdings (Philadelphia Inquirer; Philadelphia Daily News) to a group of local investors for \$52 million; and the sale of Sun Times Media Group (Chicago Sun-Times and 58 other newspapers) to a local investor for \$25 million.
- The **online media and technology** sector saw the largest number of transactions announced and the highest transaction value through the first three quarters of all sectors covered by JEGI. However, the 141 deals valued at \$5.6 billion lagged 2008 levels by 31% and 26%, respectively. Still, many of the largest and fastest growing online media companies were active acquirers in Q3, including Facebook, which acquired FriendFeed for \$50 million; IAC, which acquired People Media for \$80 million; Amazon, which acquired Zappos for \$928 million; MySpace, which acquired iLike.com for \$19.5 million; Yahoo, which acquired Maktoob for \$85 million; and Google, which acquired ReCaptcha.

Media, Information, Marketing Services & Related Technology M&A Activity						
Industry Sector	2009		2008		% Change	
	January - September		January - September		No. of Deals	Value
	No. of Deals	Value (millions)	No. of Deals	Value (millions)		
Business-to-Business Media	11	\$51	20	\$394	(45.0%)	(87.1%)
Consumer Books	3	\$15	4	\$28	(25.0%)	(46.4%)
Consumer Magazines	31	\$163	33	\$165	(6.1%)	(1.1%)
Database Information Services	34	\$1,583	36	\$8,645	(5.6%)	(81.7%)
Directory & Reference Publishing	4	\$40	7	\$295	(42.9%)	(86.4%)
Education Information, Technology & Training	62	\$3,162	54	\$2,238	14.8%	41.3%
Exhibitions & Conferences	29	\$140	40	\$712	(27.5%)	(80.4%)
Marketing & Interactive Services	109	\$5,033	203	\$7,164	(46.3%)	(29.7%)
Mobile Media & Technology	25	\$396	16	\$225	56.3%	75.7%
Newsletter Publishing	3	\$6	11	\$153	(72.7%)	(96.1%)
Newspaper Publishing	14	\$199	33	\$936	(57.6%)	(78.7%)
Online Media & Technology	141	\$5,629	205	\$7,571	(31.2%)	(25.6%)
<b>Total</b>	<b>466</b>	<b>\$16,417</b>	<b>662</b>	<b>\$28,525</b>	<b>(29.6%)</b>	<b>(42.4%)</b>

Source: JEGI Transaction Database



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## 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 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. For more information, visit [www.jegi.com](http://www.jegi.com).

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