

ABM FINANCIAL TREND REPORT  
PRESENTATION, 2000-2004

B2B PUBLICATIONS –  
A SOLID FOUNDATION FOR GROWTH?



SINCE 1987

*Presented by*  
Richard Mead, Managing Director  
The Jordan, Edmiston Group, Inc.

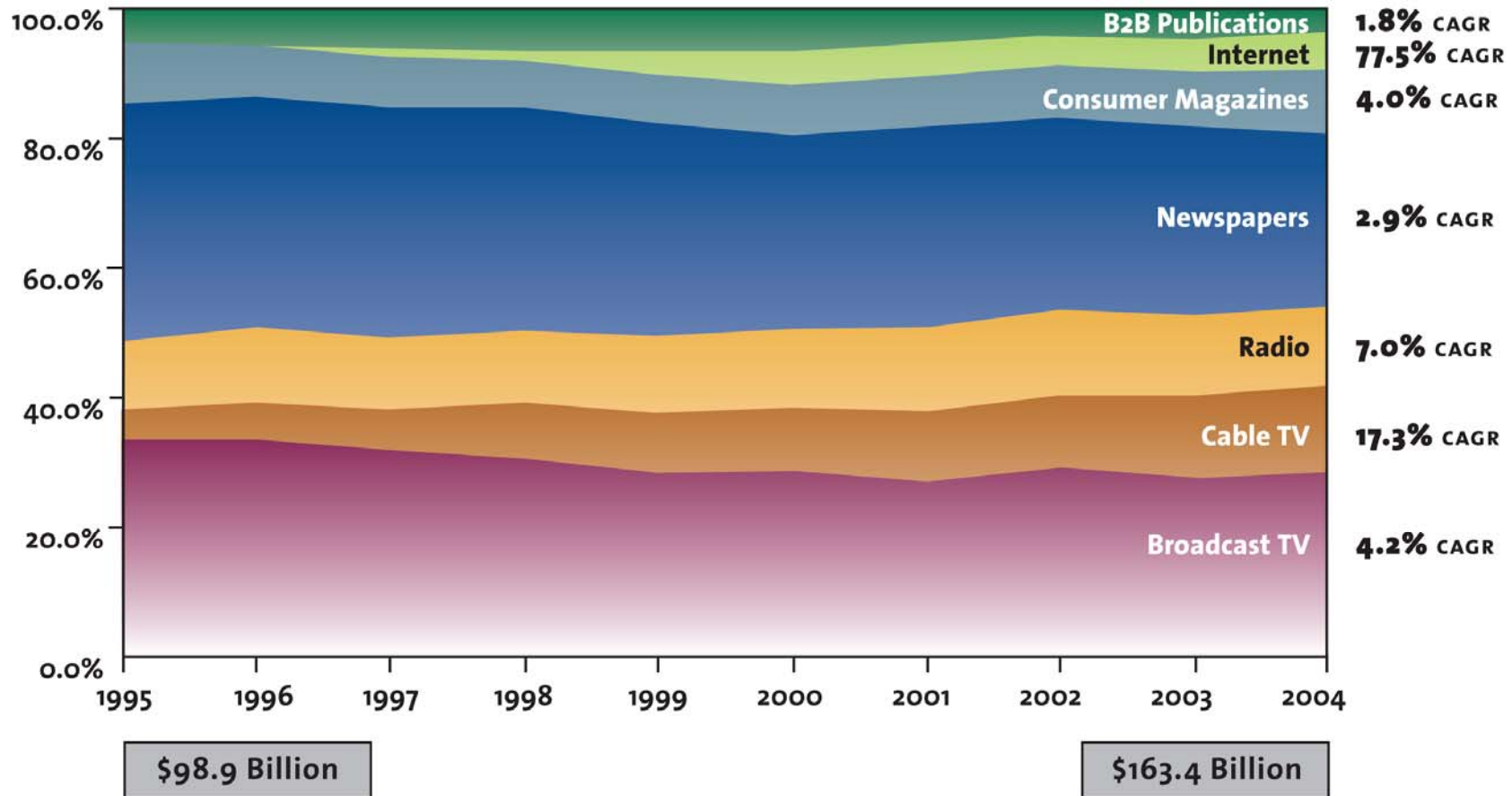
*in cooperation with*  
Padin & Estabrook, LLC

*ABM Top Management*  
Chicago, IL  
November 14, 2005

## Recovery with a Twist

- The Internet's transformation of media audiences, distribution and revenue streams is **accelerating**
- Traditional B2B publishing companies must **transform** their business models to take part in this evolution
- Driving this is a virtuous cycle of evolving B2B customer behavior and **new forms of content** that attract key audiences
- Looking ahead, B2B media companies will increasingly **drive new value** through new forms of digital content...online and beyond

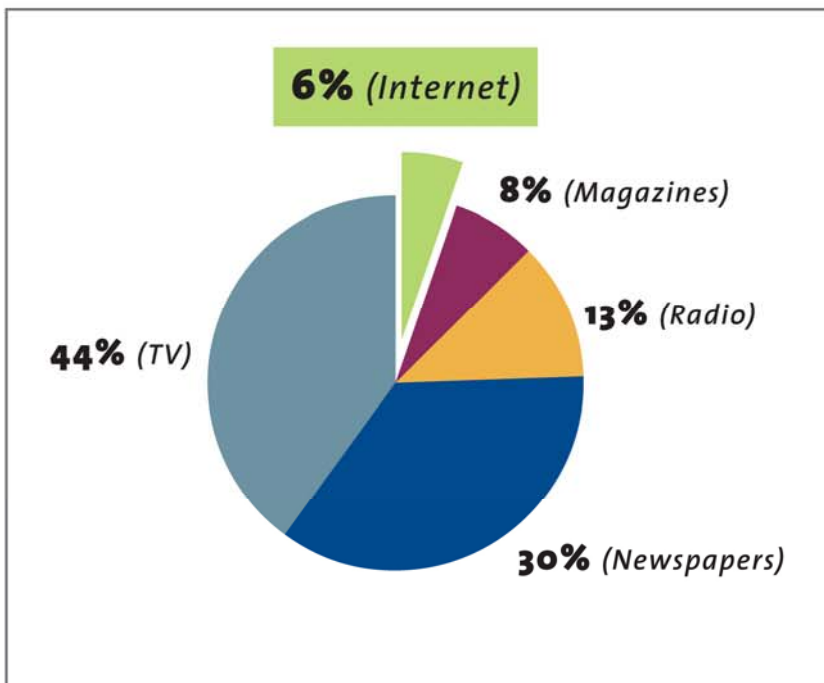
## Ad Spend Following Eyeballs Online



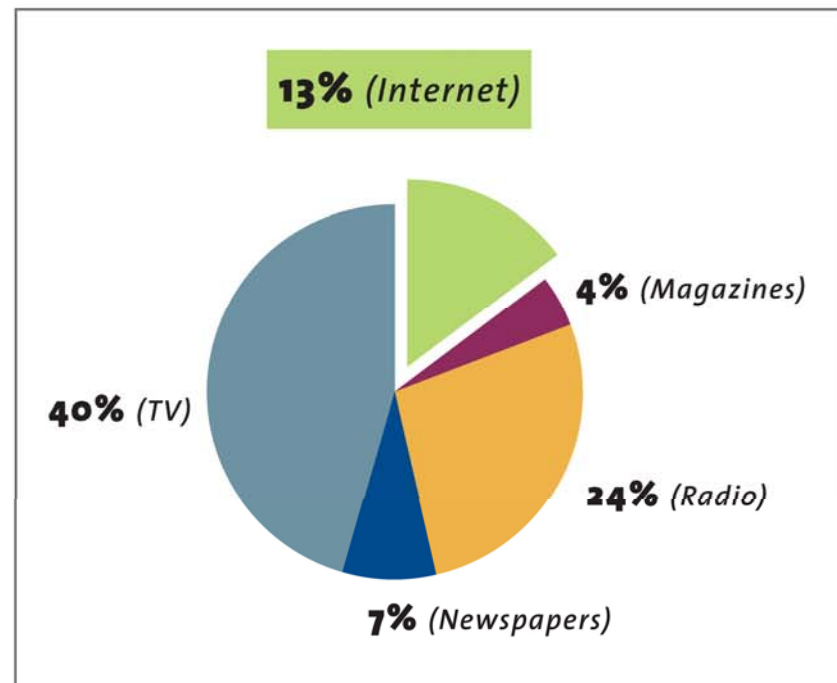
Sources: Interactive Advertising Bureau; PricewaterhouseCoopers; National Newspaper Association; Business Information Network; Television Bureau of Advertising; and Universal McCann

More Ad Growth to Come –  
 Internet captures **6%** of advertising spend vs. **13%** of media time

**ADVERTISING BY MEDIUM**

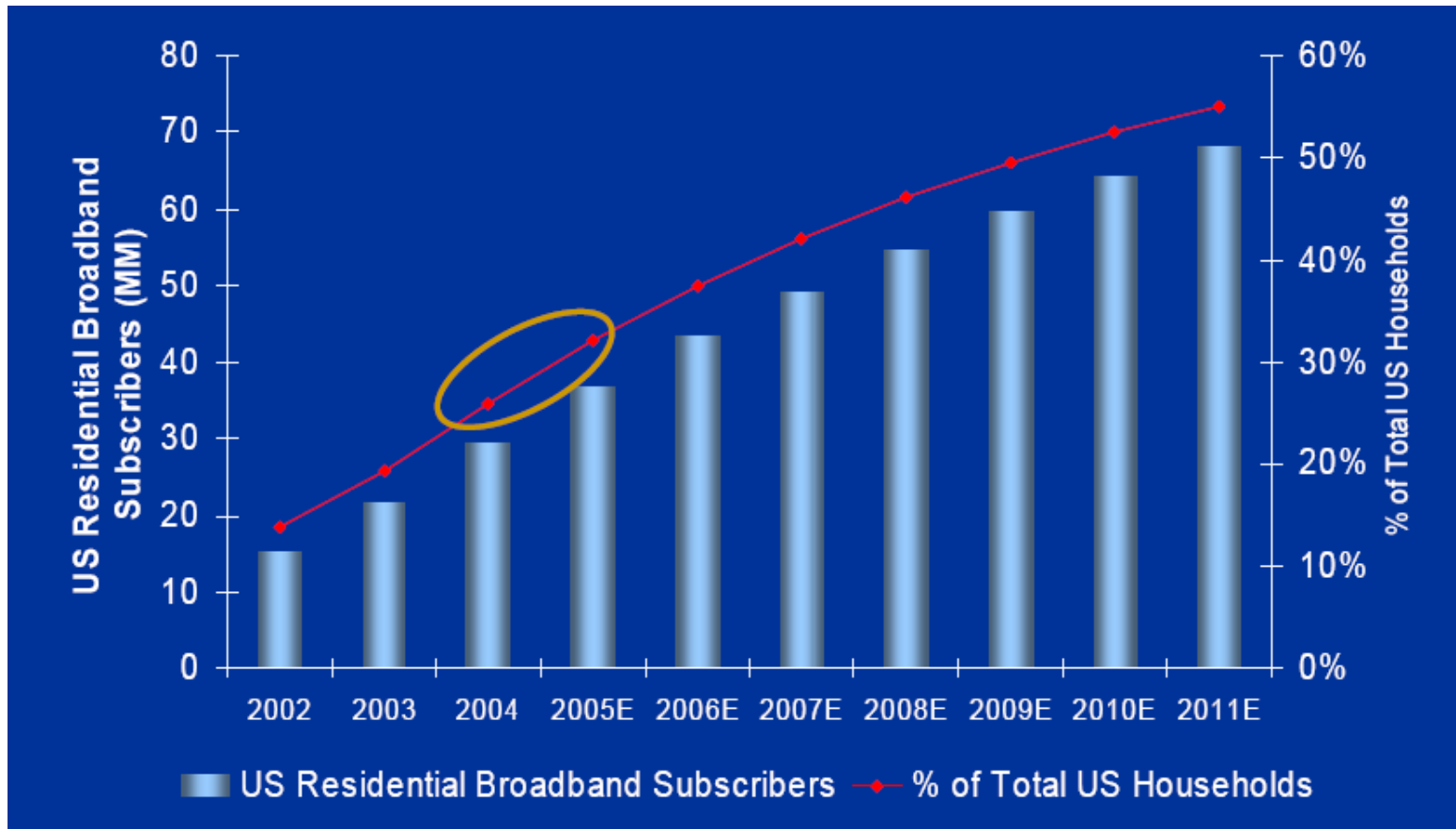


**MEDIA CONSUMPTION BY MEDIUM**



**Sources:** Interactive Advertising Bureau; PricewaterhouseCoopers; National Newspaper Association; Radio Advertising Bureau; Television Bureau of Advertising; and Universal McCann

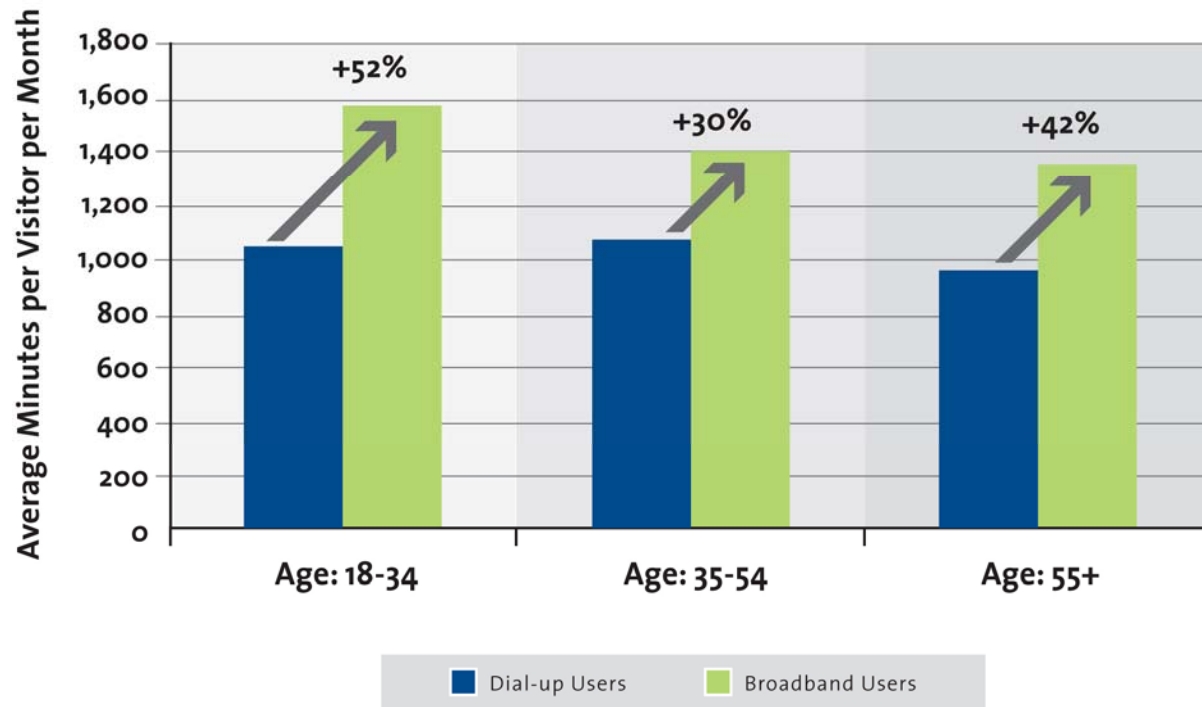
## US HH Broadband Penetration Passes 40% Tipping Point



Source: Morgan Stanley

## Net Usage Soars With Broadband

**AVERAGE TIME SPENT ONLINE BY BROADBAND USERS**



Source: Online Publishers Association

## The Game Is Changing, Driven By Evolving Customer Behavior

- Customers are increasingly media-savvy and in control
- They want to participate in media, manipulate media and interact with media – how they want to, when they want to
- New forms of content are emerging that cater to these desires
  - Vertical Search
  - Online Databases
  - Lead Generation

*“This is the age of customer-centered and customer-customized media. Marketers must create a “connection environment”, in which they meet their customers in their search for content and community.”*

*- Rishad Tobaccowalla, Publicis Groupe*

## GLOBALSPEC

The Engineering Search Engine

Find:  Limit your search to:

Database Last Updated: 10/26/05

[Free Registration](#)

### Engineering Resources

Search over 199 million engineering & technical Web pages:

- [The Engineering Web Part Numbers BETA](#)
- [Application Notes](#)
- [Material Properties](#)
- [Patents](#)
- [Standards](#)
- [Tools & Useful Links](#)
- [Conference Room 4 \(CR4\)](#)
- [Product Announcements](#)
- [Engineering Jobs](#)

### Services

**Find services and expertise**

**Contract Manufacturing and Fabrication**  
Machine Shop Services, Molding Services, Welding and Fabrication Services, more...

### What's New

- The Engineering Web<sup>SM</sup>** - The specialized search engine focusing on engineering and technical information to provide you with more relevant search results. [Learn more.](#)
- Take the Treb Challenge** - Put your physics muscles to the test! Custom build a trebuchet - the original siege engine - and then see how well you score in distance, accuracy and power. [Play now.](#)

- Sign up for our free e-mail newsletter
- See past issues
- [Download Engineering Toolbar](#)
- [Engineering Jobs](#)

### Products & Catalogs

**Find and compare products from more than 15,500 online catalogs**

#### Sensors, Transducers and Detectors

Acceleration and Vibration Sensing, Flow Sensors, Temperature Sensing, more...

#### Electrical and Electronic Components

Connectors, Enclosures, Relays and Relay Drivers, more...

#### Mechanical Components

Bearings and Bushings, Brakes and Clutches, Springs, more...

#### Optical Components and Optics

Fiber Optics, Lasers, Optoelectronics, Optics, more...

*"As the indices of the major search engines grow to monstrous proportions, vertical search services can help users find what they need. The larger the database, the more difficult it is finding relevant results. Vertical search engines have focused tools and a much smaller universe to crawl."*

- Gary Price, News Editor, Search Engine Watch

KNOWLEDGESTORM.COM ALL KNOWLEDGESTORM SITES ABOUT KNOWLEDGESTORM PROJECT TOOLS

**KNOWLEDGESTORM**  
the leader in technology search

REGISTER | SIGN IN | HELP | HOME

**REGISTER NOW AND EXPERIENCE THE POWER OF KNOWLEDGESTORM**

BROWSE FOR VENDORS

**KNOWLEDGESTORM GIVES PROFESSIONALS ACCESS TO EXTENSIVE INFORMATION TO HELP THEM MAKE INFORMED TECHNOLOGY DECISIONS**

**IT Vendors**  
Become part of the KnowledgeStorm Network →

Generate leads and get broad exposure for your white papers, product or solution information, Webcasts, case studies and analyst reports. Find out more about how KnowledgeStorm can help.

**Start your search**

Search by:

[Advanced Search >](#)

**Top Requested Categories**

- > [Enterprise Accounting Solutions](#)
- > [Customer Service \(General\)](#)
- > [Human Resource Management](#)
- > [Supply Chain Management](#)
- > [Project Management Solutions](#)
- > [Security Solutions](#)
- > [Networking and Communications Solutions](#)
- > [Business Intelligence Solutions](#)
- > [Distribution and Warehousing](#)
- > [Enterprise Content Management \(ECM\)](#)
- > [Enterprise Resource Planning \(ERP\)](#)
- > [Customer Relationship Management \(CRM\)](#)

**In the news**

**Inc. 500** KnowledgeStorm Named to Inc. 500  
KnowledgeStorm ranks No. 168 on the 2005 Inc. 500 with three-year sales growth of 633%. October 25, 2005.  
> [Read more](#)

**Define What's Valued Online"**  
Highlights Critical Role of Internet in Purchasing Decisions

**Featured on KnowledgeStorm**

[MailFrontier Gateway Appliance - Email Security W](#)  
MailFrontier, Inc

[Reducing Total Cost of Ownership Through the U](#)  
Oracle Business Intelligence 10g by Oracle Corpor

[TIGER: Enterprise Information Integration Solutio](#)  
yOptimizing Business Communication in a SAP Ne

Inc.

[Executive Viewer@ Analysis & Reporting](#) by Temte

**"We do not expect a complete shift in focus from broad search engines to vertical ones, but we do expect marketers to increasingly look to vertical sites as an alternative for paying rising prices for popular keywords."**

**- Niki Scevak, Analyst, Jupiter Research**

Visit: Reed Construction Sites

Search for:  in Site

Home • Events • Subscriptions • Media Kit • About Us • Contact Us • Press Room

**Today's Top 10 Projects**

**PRODUCTS & SERVICES**

- Construction Project Leads
- Building Product Information (First Source & Buildcore)
- RSMeans Cost Data
- Associated Construction Publications (ACP)
- Construction Research & Analytics
- Construction Reference Center
- Advertising Opportunities
- International

**RESOURCE CENTER**

- Construction Employment Center
- Building Team Forecast
- Education & Training
- Industry Links
- Legal

**Reed | BULLETIN Construction Data**

Stay ahead of the competition with Reed Bulletin, our Comprehensive National Construction Projects Lead Service. With 24 hour access online and a weekly report delivery, Reed Bulletin provides construction project details on general building and civil projects in your area.

[Click here](#) to learn more.

**PRODUCT LAUNCH**

Reed Construction Data has announced the

**Top Ten Projects**

Looking for Construction projects? Reed Construction Data is the one provider of project information (including construction cost and download a spec).

Listed below is Construction Data projects.

*“The single biggest change in our industry is what’s sitting on everyone’s desk. So, we’re moving from magazines with useful information delivered on Monday to fluid information products that are part of the customers’ workflow. The products become “must have” as opposed to “useful”.*

- Jim Casella, Vice Chairman, Reed Business Information

**TechTarget**  
The Most Targeted IT Media

- About TechTarget
- Press Room
- Job Opportunities
- Editorial Staff
- For Advertisers and Sponsors
- Resources for Marketers
- Opportunities by Market
- Media Kits
- Online Advertising
- Magazine Advertising
- Conference Sponsorships
- Client Consulting Services
- Market Research Services
- International

**TechTarget News**

- [TechTarget Year-to-Date Revenue Increases 51%](#)
- [IT Consultancy Uses Webcasting to Educate Targets](#)
- [TechTarget Launches "TargetROI: Brand" Online Branding and Measurement Program](#)

**Reaching Millions of Enterprise IT Professionals in Technology-Specific Markets**

TechTarget's highly targeted media properties deliver unparalleled value to enterprise IT professionals. Access to industry experts, unbiased, vendor-neutral content and a unique industry-specific perspective deliver the information that enterprise IT pros need to do their jobs and advance their careers. [Learn more](#)

**Advertising a**

Our approach to created technol needs of enterpr of technology c

**Application D**  
Web Services

**CIO Decisions**

**TechTarget IT Media**

**Web Sites:**

- Bitpipe.com
- SearchTechTarget.com
- The IT Pro's Guide to the TechTarget Network
- Expert Answer Center
- Search390.com
- Search400.com
- SearchCIO.com
- SearchCRM.com
- SearchDataCenter.com
- SearchDataManagement.com
- SearchDomino.com
- SearchEnterpriseVoice.com
- SearchExchange.com
- SearchMobileComputing.com
- SearchNetworking.com
- SearchOpenSource.com
- SearchOracle.com
- SearchSAP.com
- SearchSecurity.com
- SearchSMB.com
- SearchSQLServer.com
- SearchStorage.com
- SearchVB.com

**Learn creative ways to target your IT audience and track down the right lists**

[Click to Register](#)

**TechTarget Named to**

*"Return on marketing investment and accountability are top-of-mind for almost every B2B marketer today ...still 73% of respondents reported a lack of confidence in understanding the sales impact of a marketing campaign."*

- Brian Carroll, B2B Lead Generation Blog

- We have seen the evolution of new digital products and the transition of business media companies to the Internet
- There still exists a need for the print product, which has also gone through a significant transition over the past five years in response to market changes
- By reviewing the results of the report (The ABM Financial Trend Report, 2000-2004), you can see that print advertising has leveled off in 2004
- Meanwhile, print publication costs were contained and significantly reduced in some key operating centers to help maintain margins

## Overview of the data and the “average publication” model

- Based upon Publishing Cost Report data from 2000-2004 (the Period)
  - The report aggregates the data from 134 publications by 44 media companies who reported consistently across the Period
  - Data were compiled by Bay Sherman Craig & Goldstein, LLP; JEGI/P&E had no access to “by-publication” data
- The report presents the “Model Publication” – an average of each data point across the 134 reporting publications
  - Provides key trend data across the Period for the average B2B publication
  - Year-to-year data is designed to provide a benchmark for specific operating departments – both revenue and expenses
    - Comparing revenue and cost line-item increases or decreases
    - Plotting your company’s performance against the average of 134 titles

- Period began in 2000 with record levels of B2B advertising revenue and publishing spending
- 2001 saw downturn in overall advertising marketplace
- Post 2001 saw publishers manage-down costs, while revenue continued to fall
  - Reduced ad staff and commissions
  - Pared down subscriber lists to focus on core customers
  - Innovated and adapted through new processes and technology, etc.

(000)	2000	2001	2002	2003	2004	2000-2004 CAGR	2003-2004 % change
Total revenue	\$7,314	\$6,079	\$5,159	\$4,816	\$4,750	-10.2%	-1.4%
Change vs. year ago		-16.9%	-15.1%	-6.7%	-1.4%		
Total operating expenses	\$5,348	\$4,914	\$4,042	\$3,802	\$3,658	-9.1%	-3.8%
Change vs. year ago		-8.1%	-17.7%	-5.9%	-3.8%		
Contribution	\$1,966	\$1,165	\$1,116	\$1,014	\$1,092	-13.7%	7.7%
Change vs. year ago		-40.7%	-4.2%	-9.2%	7.7%		
Contribution margin	26.9%	19.2%	21.6%	21.0%	23.0%	--	--

- **Advertising sales** – maintaining key advertiser relationships with less staff and smaller T&E budgets
- **Circulation** – managing-down subscriber file sizes; adopting the Internet for circulation promotion and subscriber re-qualification
- **Editorial** – fewer edit pages to be produced; less out-sourced help; expanding role into Internet and other digital applications content
- **Production** – combined falling paper prices with technology advances and reduced output to keep costs in-line; fewer copies of smaller folios
- **Distribution** – hit with USPS rate and handling cost increases that more than offset reduced number of copies distributed

## Key revenue driver faced its share of challenges

- As ad revenue fell, so did ad expenses – down (8.8%) CAGR
  - Salaries, commissions and bonuses: (9.0%) CAGR
  - T&E: (12.7%) CAGR
  - External promotion and research spending: (9.9%) CAGR
- The role of print media evolved from lead generation to branding
  - Internet applications cannibalized lead generation budgets
  - Print spending cuts have flattened out
  - Doubtful print revenues will return to historic levels

	2000	2001	2002	2003	2004	2000-2004 CAGR	2003-2004 % change
Total ad pages sold	903	768	691	674	701	-6.1%	4.0%
Change vs. year ago		-15.0%	-10.0%	-2.5%	4.0%		
Total net advertising revenue	\$5,871	\$4,688	\$3,897	\$3,636	\$3,658	-11.2%	0.6%
Change vs. year ago		-20.1%	-16.9%	-6.7%	0.6%		
Total advertising expenses	\$1,521	\$1,369	\$1,151	\$1,045	\$1,053	-8.8%	0.8%
Change vs. year ago		-10%	-15.9%	-9.2%	0.8%		
Ad exp % ad revenue	25.9%	29.2%	29.5%	28.7%	28.8%	--	--

## Managed down subscriber files to protect profitability

- Initially, spending was reduced by trimming subscriber files
  - Agent-generated subscriptions
  - Expires being carried-over
  - Less qualified controlled subs
- Transitioned portions of traditional direct marketing to Internet promotional alternatives
- Developed effective on-line re-qualification processes
- Cut costs faster than revenue losses

(000)	2000	2001	2002	2003	2004	2000-2004 CAGR	2003-2004 % change
Total circulation/issue (not 000's)	61,765	57,515	53,435	52,688	50,204	-5.0%	-4.7%
Change vs. year ago		-6.9%	-7.1%	-1.4%	-4.7%		
Total circulation revenue	\$564	\$540	\$478	\$445	\$408	-7.8%	-8.4%
Change vs. year ago		-4.3%	-11.4%	-6.9%	-8.4%		
Total circulation costs	\$918	\$773	\$612	\$646	\$571	-11.2%	-11.6%
Change vs. year ago		-15.8%	-20.9%	5.5%	-11.6%		

## Publishers minimized editorial staff cuts to protect the core of their businesses

- Declines in ad pages brought reductions in editorial output to maintain ad/edit ratio in the mid-40% range
- Fewer editorial pages to produce, less staff needed – internal staff costs reduced (3.1%) CAGR over Period
- Largest cost reductions in T&E (-12.4% CAGR) and out-sourced work (-9.4% CAGR)
- Overall edit quality protected, as cost per edit page reduced by marginal amount comparatively (1.7%) CAGR over Period

	2000	2001	2002	2003	2004	2000-2004 CAGR	2003-2004 % change
Editorial pages	831	775	703	701	717	-3.6%	2.3%
Average edit pages per issue	47	47	41	42	43	-2.1%	2.9%
Change vs. year ago		-0.3%	-11.6%	1.4%	2.9%		
Total editorial costs (000)	\$862	\$900	\$740	\$704	\$694	-5.3%	-1.4%
Change vs. year ago		4.5%	-17.8%	-5.0%	-1.4%		
Edit cost per edit page	\$1,037	\$1,162	\$1,053	\$1,004	\$968	-1.7%	-3.6%
Change vs. year ago		12.0%	-9.4%	-4.7%	-3.6%		

Production departments blended reductions in cost structures with reduced output to contain spending

- Production department staffs started Period leanly, so no real staff cost savings
- Large cost saving in paper, printing and binding and pre-press
  - Output in pages produced fell at a (9.0%) CAGR over the Period
  - Paper prices began to plummet, along with demand, in 2001 – paper costs/1,000 pages declined at (8.0%) CAGR
- New technology helped to cut costs in pre-press and page make-up

	2000	2001	2002	2003	2004	2000-2004 CAGR	2003-2004 % change
Average folio size	107	103	90	89	93	-3.5%	4.2%
Change vs. year ago		-4.1%	-12.6%	-0.8%	4.2%		
Total pages produced (000)	132,905	111,191	94,368	90,409	91,192	-9.0%	0.9%
Change vs. year ago		-16.3%	-15.1%	-4.2%	0.9%		
Paper cost/1,000 pages	\$3.31	\$3.18	\$2.69	\$2.44	\$2.37	-8.0%	-2.9%
Change vs. year ago		-3.9%	-15.6%	-9.1%	-2.9%		
Total production costs (000)	\$1,118	\$933	\$764	\$674	\$641	-13.0%	-5.0%
Change vs. year ago		-16.5%	-18.2%	-11.7%	-5.0%		

## Smaller folio sizes and contracting circulation both impacted distribution expenses

- Circulation reductions lowered copies distributed per issue by (5.0%) CAGR over the Period
- Smaller folio size meant fewer pages to ship – reduction of (9.8%) CAGR
- Total distribution costs decline in-line with total copies delivered (5.7%) CAGR
- Cost per average copy distributed remained relatively flat over Period
  - Costs not down as significantly as volume, so inflation in per copy costs

(000)	2000	2001	2002	2003	2004	2000-2004 CAGR	2003-2004 % change
Total distribution per issue	61,765	57,515	53,435	52,688	50,204	-5.0%	-4.7%
Change vs. year ago		-6.9%	-7.1%	-1.4%	-4.7%		
Total pages distributed	117,478	98,203	81,785	78,687	77,680	-9.8%	-1.3%
Change vs. year ago		-16.4%	-16.7%	-3.8%	-1.3%		
Total distribution costs	\$538	\$493	\$416	\$435	\$426	-5.7%	-1.9%
Change vs. year ago		-8.3%	-15.8%	4.6%	-1.9%		
Distribution cost per copy (not 000)	\$0.491	\$0.517	\$0.457	\$0.493	\$0.510	1.0%	3.5%
Change vs. year ago		5.3%	-11.7%	7.9%	3.5%		

Looking at print-only financials is misleading for today's multi-platform B2B media company

- Three primary revenue streams working together to deliver revenue and profits to today's business media company – Print; Online; Events
- Traditional print product remains the foundation of the media brand and reader franchise
- However, digital and event dollars are growing significantly faster than print and produce much higher margins
  - Haven't yet fully replaced lost print revenue, but they have redefined the business media financial model

	2003	2004	2003-2004 % change
Print Revenue	\$4,816	\$4,750	-1.4%
Print Margin	21.0%	23.0%	
Online Revenue <sup>1</sup>	\$545	\$704	29.3%
Online Margin	35.0%	38.9%	
Event Revenue <sup>2</sup>	\$2,611	\$3,059	17.1%
Event Margin	63.5%	66.4%	

<sup>1</sup> Survey of 165 ABM Member Websites <sup>2</sup> ABM/SISO 2005 Cost Report

- Business publications remain core to the brand and the franchise
  - Tried and trusted
  - Abundant goodwill
- However, evolving media consumption patterns have realigned the B2B media paradigm
  - Need to provide content through all media, so customers can decide how and when they want to be reached
- Publication cost structure appears to be in good shape to maintain operating margins
  - Unlikely that publication advertising will regain pre-2001 levels
  - Need to leverage brand across Internet and events (high-growth businesses) to make up for the print ad revenue shortfall

- In 2005, ad dollars and pages up over 2004 – 3.4% and 1.3%, respectively – YTD according to BIN
- Online ad dollars continue to expand
  - According to PWC, online ad revenue up 26% to \$5.8 billion in first half 2005 v. 2004
  - ABM Forrester study indicated marketers are spending 24% of ad dollars in B2B digital media and that percentage is expanding
- In 2006, some cost increases expected to challenge publishers' bottom lines
  - USPS rate increase; Paper prices; Distribution costs

Looking forward to 2006 and beyond, business media companies will increasingly need to use the Internet to drive marketing spend

- Business media companies have seen the value of their traditional publishing franchises eroded by the Web
- Online efforts of traditional business media companies initially centered on repurposing publishing content
  - That strategy worked to maintain audience and build some new revenue
  - But by itself, probably not enough to backfill the profit gap
- Now, business media companies have an opportunity to drive new value through creating new online platforms

- Sent out Executive Summary of Financial Trend Report
- Full Report will be ready and sent within next two weeks
- Focus on continuing to add value to this data and the resultant report
  - Provide more data points across all media, not just publications
  - Increase the number of participating members
  - Work with other associations to drive understanding of the complete business media company