



SINCE 1987

2011 Private Equity Forum

Marketing Services M&A Update

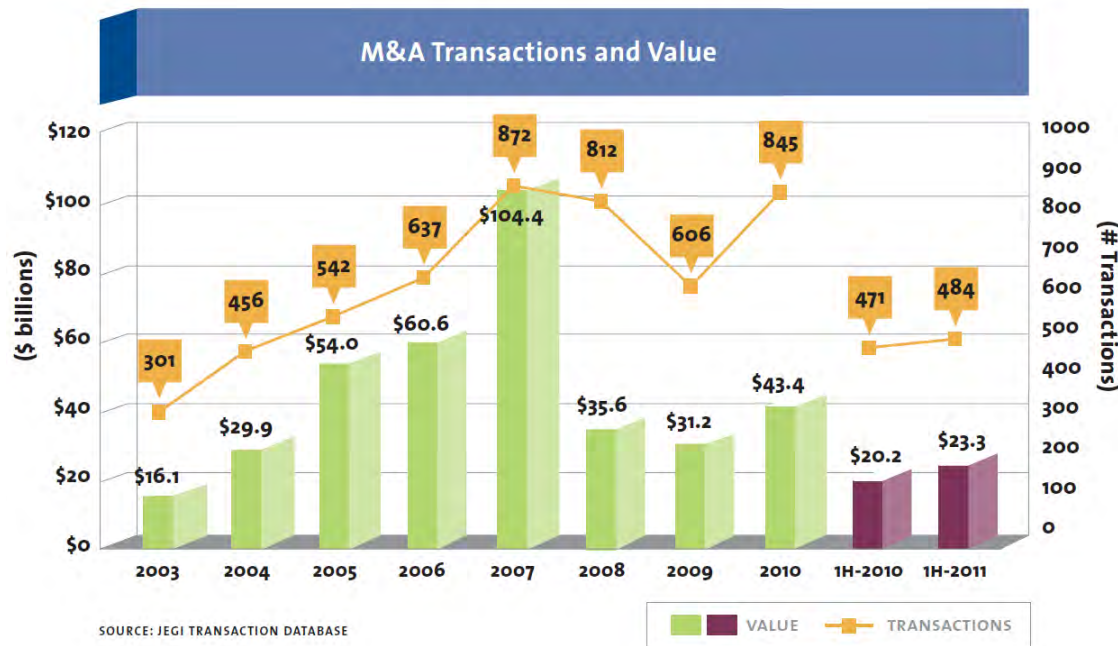
presented by

Tolman Geffs and Scott Peters, Co-Presidents

The Jordan, Edmiston Group, Inc.

September 22, 2011

M&A volume and value steady in 2011

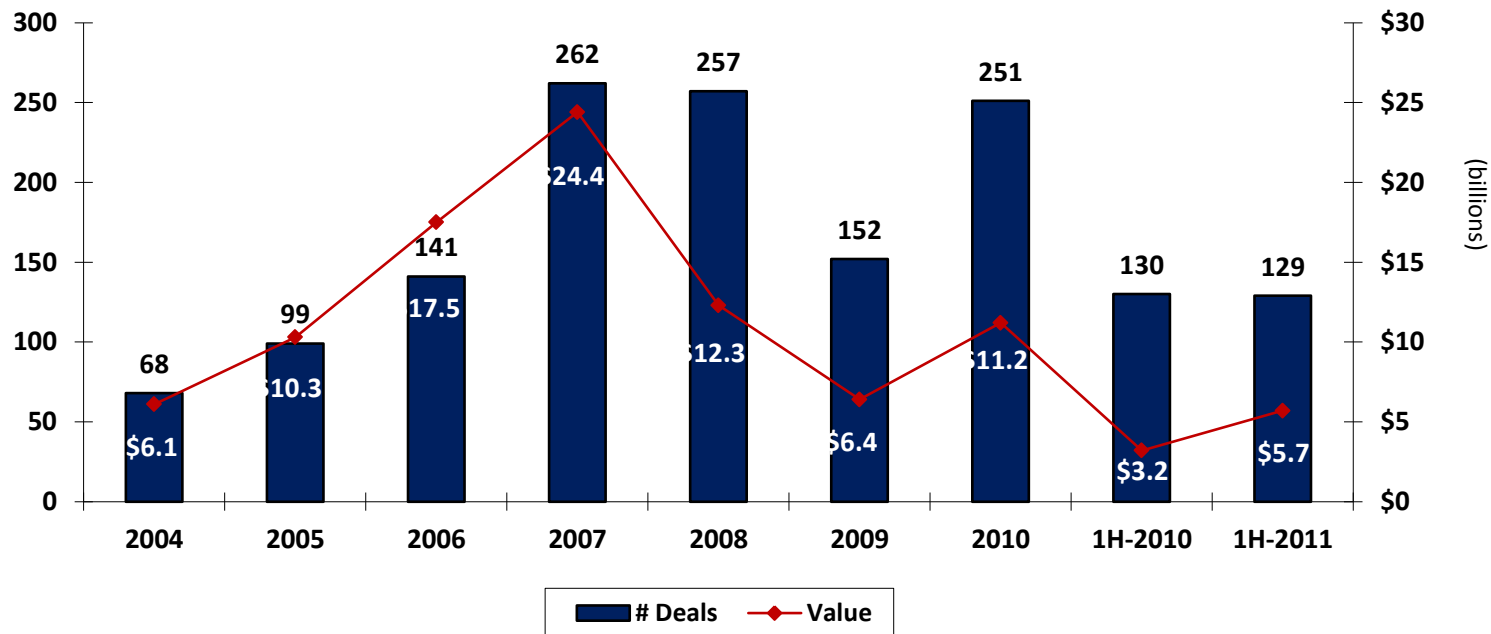


- After strong 2010 M&A rebound, 2011 M&A continues apace
- Strategic buyers dominate
 - Accelerate growth via acquisitions
 - Strong balance sheets – U.S. non-financials hold \$2+ trillion in cash
 - Retooling models to leverage technology and online platforms
- PE firms currently have over \$375 billion of investable capital
- Lack of leverage for companies with EBITDA of less than \$10 million

Marketing & Interactive Services deals keep strong pace in 2011

- Diversified ad agencies continue to invest in interactive marketing services
- Large technology and media companies also in acquisition mode
- Private equity interest in sector is increasing

Marketing and Interactive Services M&A Transactions and Value



Source: JEGI Transaction Database

Marketing & Interactive Services continues as most active M&A sector

Media, Information, Marketing Services & Technology M&A Activity						
Industry Sector	2011		2010		% Change	
	January -June		January - June		No. of Deals	Value
	No. of Deals	Value (millions)	No. of Deals	Value (millions)		
B2B Online Media & Technology	39	\$3,056	26	\$363	50%	nm
B2C Online Media & Technology	130	\$4,554	124	\$2,977	5%	53%
Business-to-Business Media	8	\$23	23	\$87	(65%)	(74%)
Consumer Magazines	16	\$2,020	12	\$78	33%	nm
Database & Information Services	21	\$3,064	38	\$9,283	(45%)	(67%)
Education Information, Technology & Training	32	\$1,272	26	\$2,491	23%	(49%)
Exhibitions & Conferences	11	\$165	12	\$58	(8%)	184%
Healthcare Information & Technology	54	\$2,049	34	\$714	59%	187%
Marketing & Interactive Services	129	\$5,740	130	\$3,163	(1%)	81%
Mobile Media & Technology	44	\$1,345	46	\$1,041	(4%)	29%
Total	484	\$23,285	471	\$20,254	3%	15%

Source: JEGI Transaction Database

Strong investment interest in Ad and Digital Agencies, Ad Networks, Data & Analytics, Market Research and Technology and Social Media Marketing

Marketing & Interactive Services - M&A by Sub-Sector		
Industry Sector	2011 January - June	
	No. of Deals	Value (millions)
Ad Agency	15	\$827
Ad Networks	11	\$644
Data & Analytics	15	\$473
Digital Agency	22	\$806
E-mail Marketing	3	\$55
Market Research/Consulting	19	\$1,450
Marketing Technology	12	\$669
Measurement/Monitoring	6	\$382
PR Agency	2	\$20
Search Marketing	5	\$70
Social Media Marketing	17	\$250
Other	2	\$95
Total	129	\$5,740

Source: JEGI Transaction Database

After recovering from Great Recession, public trading multiples down again

Public Company Comps Median Values

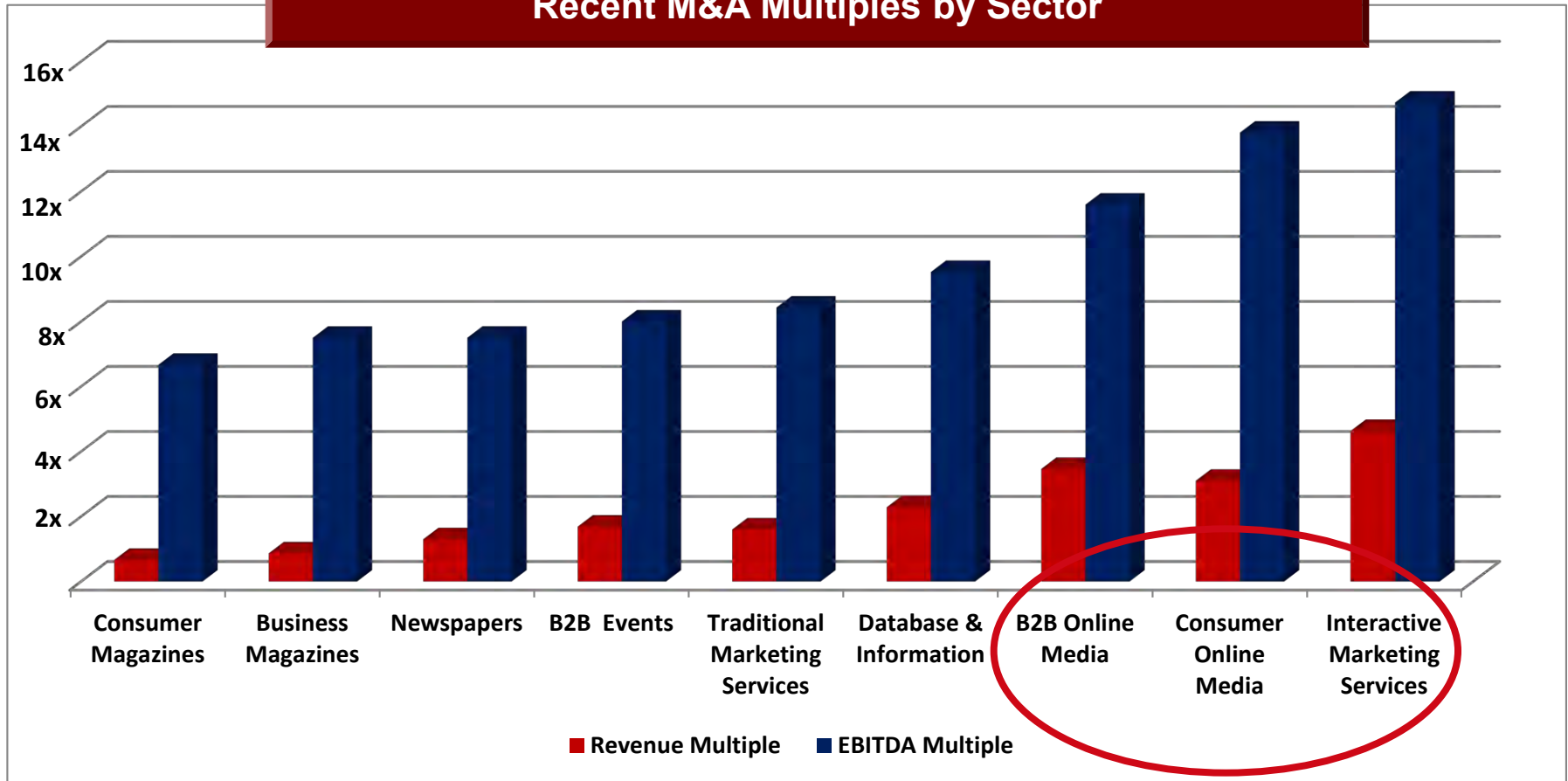
Market Sector	LTM Revenue Multiple				LTM EBITDA Multiple			
	10/1/2007	3/9/2009	7/7/2011	9/21/2011	10/1/2007	3/9/2009	7/7/2011	9/21/2011
Customer Contact BPO	0.9x	0.5x	0.9x	0.6x	8.4x	4.4x	6.9x	4.9x
Diversified Agency Services	1.4x	0.8x	1.2x	1.1x	10.3x	5.1x	8.6x	6.8x
Business and Marketing	2.7x	1.8x	2.8x	2.4x	11.5x	7.2x	10.8x	9.3x
Marketing Automation	4.3x	1.4x	3.5x	2.3x	26.2x	9.9x	28.2x	21.4x

Source: Capital IQ as of 09/21/2011



Interactive continues to drive strongest trading valuations

Recent M&A Multiples by Sector



Source: JEGI Transaction Database. Note: Newspaper sector reflects public trading multiples due to lack of recent transactions.

CONSUMERS



SOCIAL ACTIVITY

MAJOR MEDIA



ACTIONS



PLATFORMS



APPS



Direct to Consumer

DEALS



GAMING



Agency/Data Tools

AD NETWORKS



AD TARGETING



AGENCIES



Enterprise Tools

SOCIAL CRM



ENTERPRISE S/W



MARKETING MGMT



SENTIMENT



Publisher Tools

CONTENT



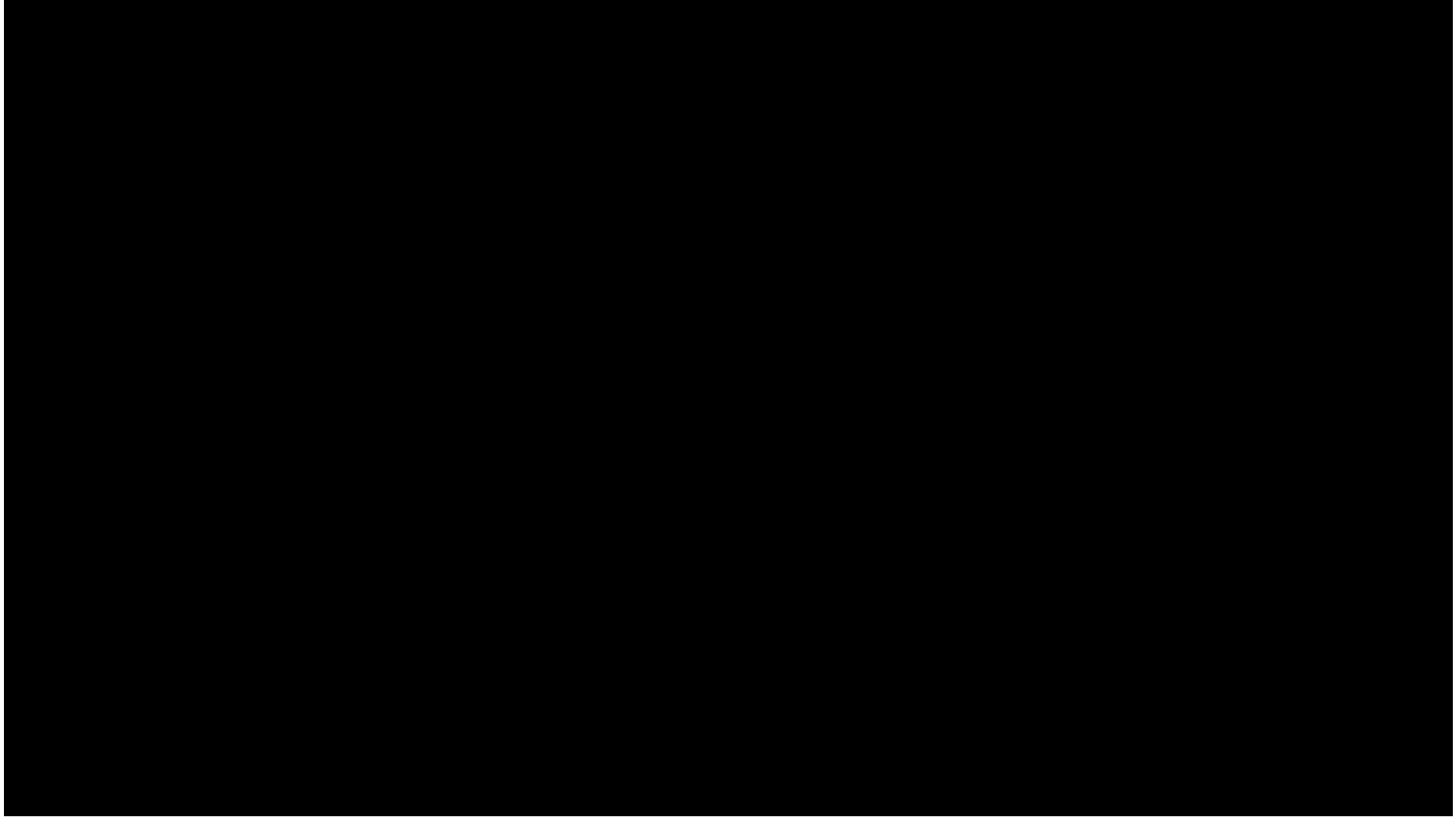
PLATFORM



WIDGETS



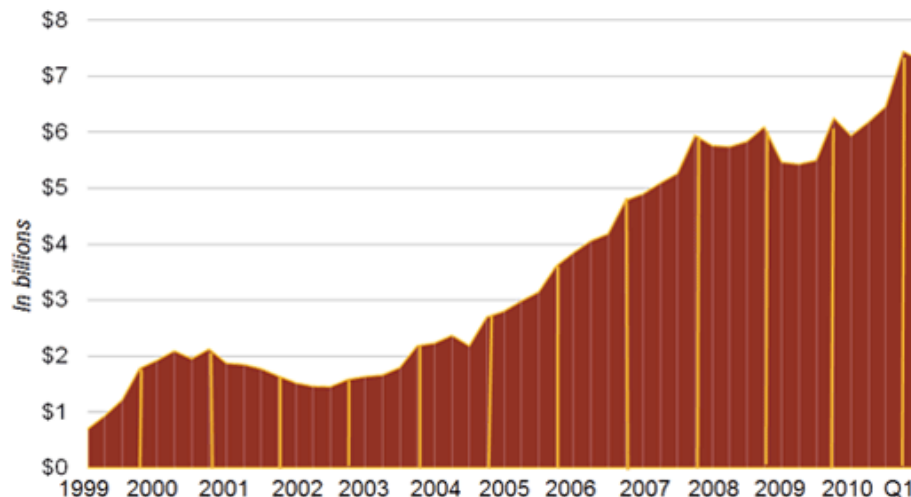
MARKETERS



Online advertising still growing, although TV grabbing more new dollars

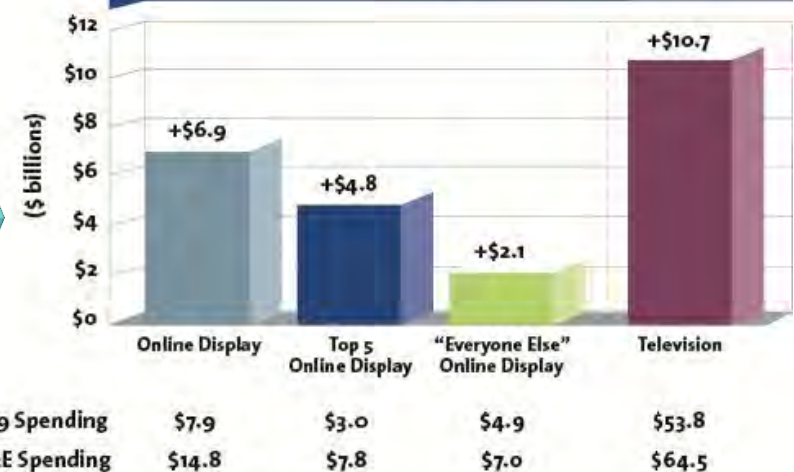
- Online display advertising is expected to nearly double from 2009 to 2012
- Most growth captured by “Big 5” – Google, Yahoo, Microsoft, AOL and Facebook
- TV still outpacing online as marketer go-to medium

Online Advertising – Quarterly Revenue Growth Trends



Source: IAB and PWC

Growth in Total US Display Spending, 2009-2012E



SOURCE: EMARKETER

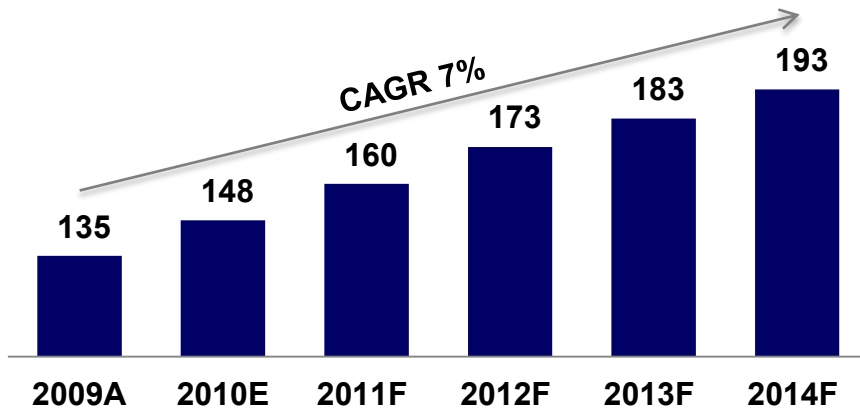
Video ads will reach \$2 billion this year – fastest growing online segment

- 36 billion U.S. video views monthly
- 13 hours per viewer
- Dramatic growth in video ad spend



- Delivering audiences at scale
- Hungry for entertainment
- Real monetization, not “digital dimes”

U.S. Unique Online Video Viewers (millions)



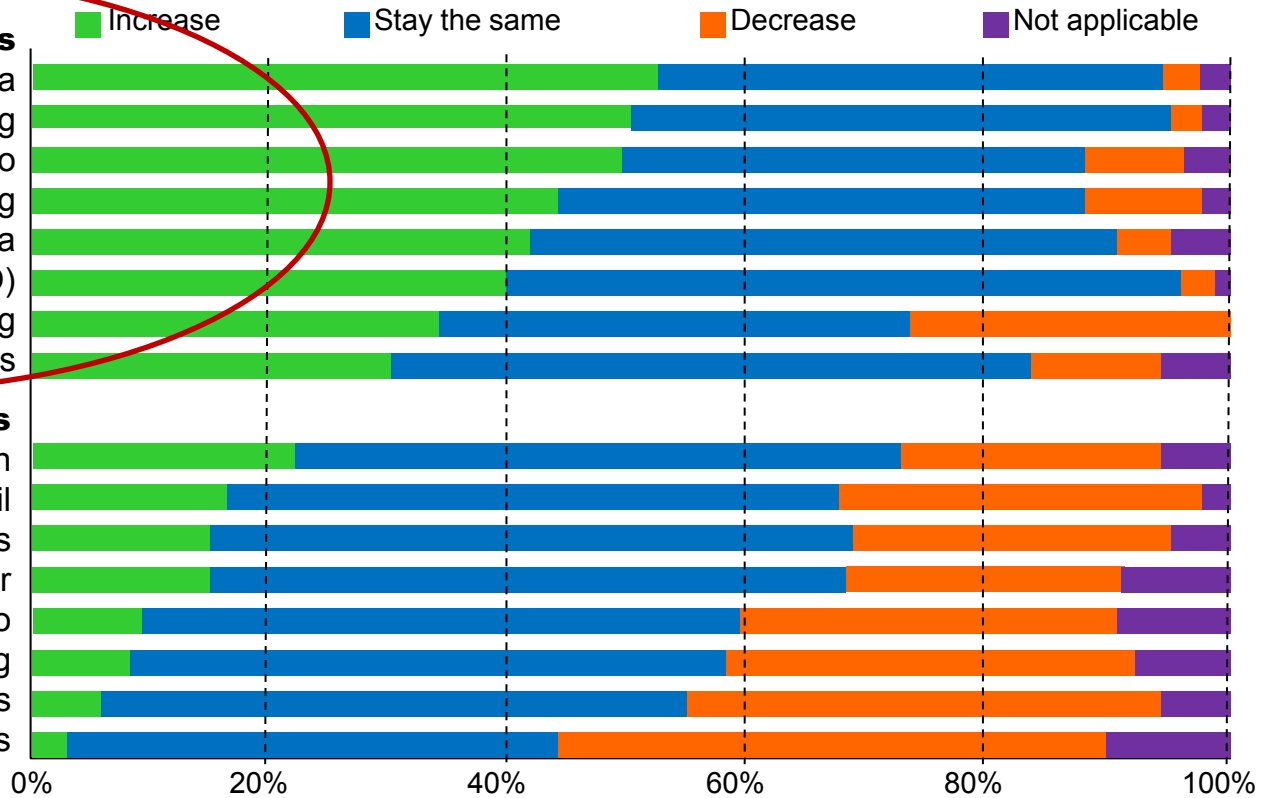
Marketers plan dramatic increase in use of interactive marketing

Interactive marketing tactics

- Created social media
- Mobile marketing
- Online video
- Email marketing
- Paid placement in social media
- Search engine optimization (SEO)
- Display advertising
- Paid search listings

Traditional marketing tactics

- Television
- Direct mail
- Magazines
- Outdoor
- Radio
- Telemarketing
- Yellow pages
- Newspapers



Source: U.S. Interactive Marketing Forecast Online Survey, Forrester Research, 2011

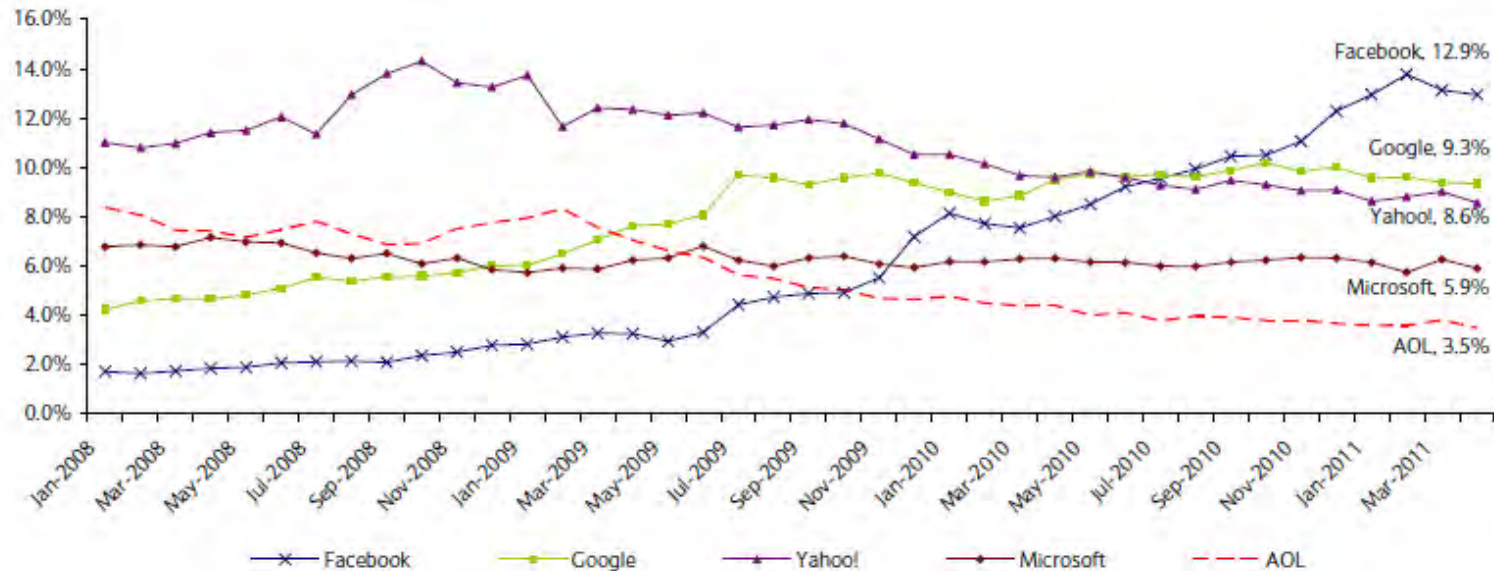


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Social networks eclipsing portals in online consumer engagement

- 81% of Internet users visit a social network each month
- Social networks account for 17% of total minutes online – 13% for Facebook alone
- Facebook has surpassed 750 million users globally

Top 5 Domestic Web Properties by Share of Total Minutes



Source: comScore

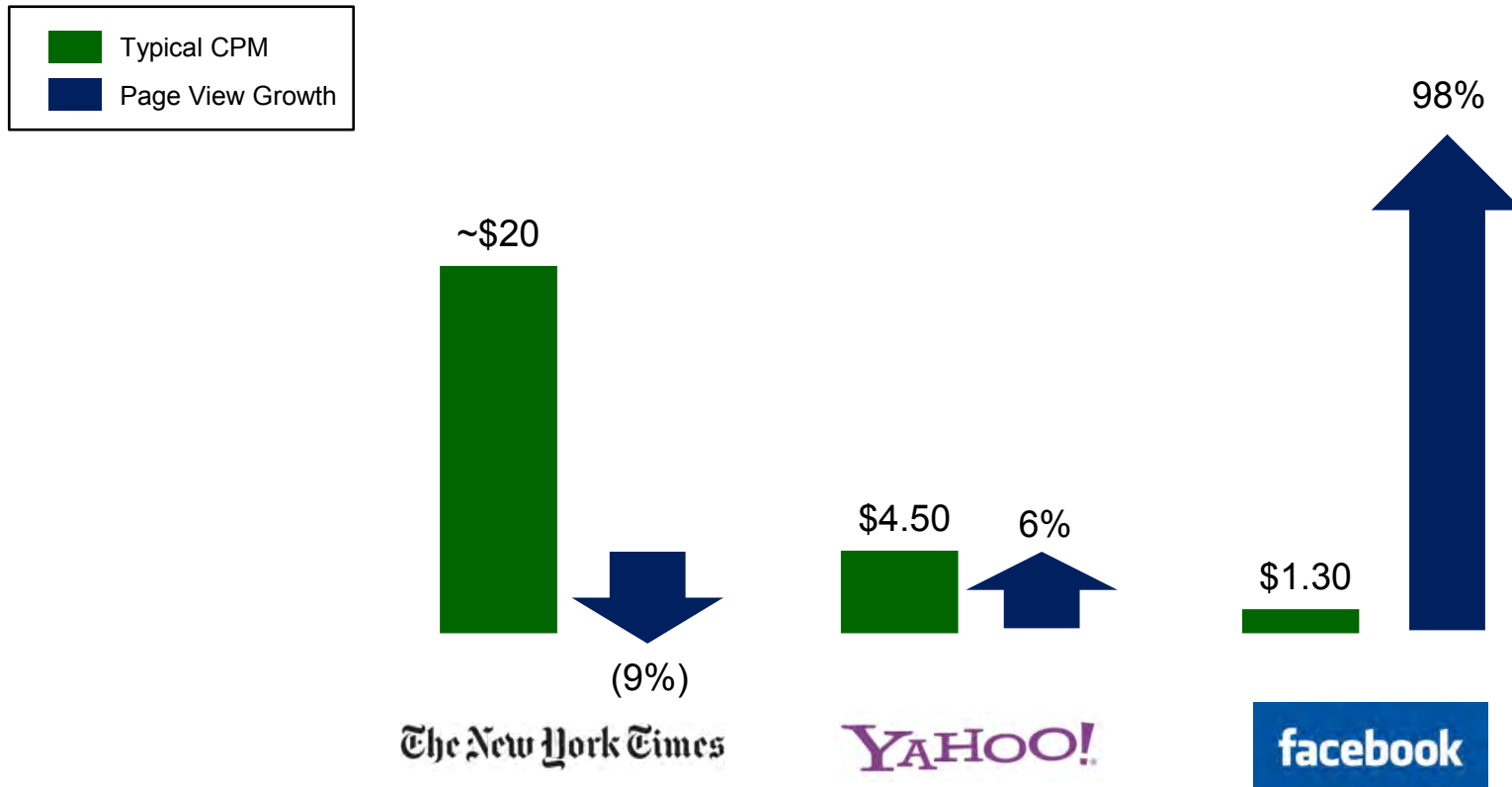
Social network advertising to reach nearly \$3 billion in 2011 – 24% of display and 10% of total online ad spend

- Social sites – led by Facebook – generate unprecedented page views and ad impressions
- Social sites also amass large amounts of user data for ad targeting
- Facebook share of U.S. online display spend to hit 17.7% in 2011, up from 12.2% last year
- Flood of low-cost inventory has massively disrupted the online ad economy

Growth of U.S. Social Network Advertising Revenue

	2009	2010	2011E	2012E	2013E	2014E	2015E
U.S. Social Network Advertising	\$1,430.0	\$1,990.0	\$2,885.5	\$3,953.1	\$5,218.1	\$6,470.5	\$7,635.2
% Growth	NA	39.2%	45.0%	37.0%	32.0%	24.0%	18.0%
Social as a % of display	17.9%	20.1%	24.1%	27.8%	31.3%	33.7%	35.1%
Social as a % of total online ad spend	6.3%	7.6%	9.5%	11.3%	13.1%	14.5%	15.5%

Facebook and other social media flooding market with low cost inventory; Severe CPM pressure on incumbents



Note: Illustrative CPMs; Year-over-year growth August 2011 vs. August 2010
Source: comScore

Investors continue to pour capital into social media companies

Company	Description	Amount (\$millions)
Twitter	Social media message distribution platform	\$800
Zfere Holdings	Technology for e-commerce, social and mobile	\$682
Zynga	Social media gaming	\$500
Tumblr	Social media sharing platform	\$100
Zfere Holdings	Technology for e-commerce, social and mobile	\$100
Buddy Media	Social media management solutions	\$54
Intertainment Media	Rich media applications	\$51
Foursquare Labs	Social media platform	\$40
Facebook	Social networking website	\$38
Addictive Interactive	Social media platform	\$32
CrowdStar	Social media gaming	\$23
RadiumOne Inc.	Online ad network leveraging social data	\$21
SocialVibe	Social media engagement marketing	\$20

Source: JEGI Transaction Database



Target Overview

- Leading pure-play social media marketing agency; emphasis on video
- Social AOR for General Motors and T-Mobile
- Scalable social tools, process, content studio and distribution network

Deal Rationale

- Strategic social media center for VivaKi
- Providing paid, owned and earned social media reach
- Extend creative and content resourcing for Publicis agencies

BUDDY MEDIA



Target Overview

- Leader in social media management for major marketers
- Enables brands to manage Facebook pages and activity globally
- Explosive revenue growth, huge first mover advantage, flood of pursuers

Deal Rationale

- Private placement raised \$54 million in August 2011; total raised >\$90 mm
- Extend global leadership with sales and service expansion

GGV CAPITAL



BAY PARTNERS

INSIGHT VENTURE PARTNERS



DEEP FOCUS



ENGINE

Target Overview

- Leading social marketing and creative services agency
- Engagement marketing for entertainment and lifestyle brands and consumer tech companies
- “First” on MySpace, Facebook and Zynga

Deal Rationale

- “New model” UK-based ad holding company
- \$52 mm recent backing by HIG Capital to support acquisitions
- Emerging key component of marketing mix; platform for U.S. expansion

radian⁶

Target Overview

- Social media measurement, analysis and reporting for major enterprises
- Engage and analyze hundred of millions of social media conversations
- Enable social CRM for sales and marketing leverage

Deal Rationale

- Acquire market leader in social media monitoring
- Incorporate social media technology into SaaS product offerings
- \$340 million acquisition

@WalmartLabs



Kosmix

OneRiot

Target Overview

- Kosmix: Filters and organizes content in social networks, connecting people with real-time information
- OneRiot: Social targeting ad network for mobile ads within apps

Deal Rationale

- Allows Walmart to engage customers through social media and mobile
- Ultimately reduce search spending via more direct consumer engaging
- ~\$400+ million spent on ~\$80 million combined investment

LinkedIn



Target Overview

- Largest online professional network with over 120 million members
- Diversified revenue : jobs, ads, premium subscriptions
- Successful IPO in May 2011 – massive “social media” valuation premium

Deal Rationale

- \$45 IPO, soared to \$122, now trading \$76 per share
- 12x NTM revenue, 80x NTM EBITDA
 - Compared to Salesforce at 4 times the size, trading at 7x / 35x
 - Or IBM at 200 times the size, trading at 2x / 8x
 - Is LinkedIn really worth 10x IBM's EBITDA multiple?
 - That prices in a lot of future growth of TBD revenue sources

Media Companies
















Advertising, Data, Direct Marketing Companies and Traditional Print Services Providers













































































Technology Companies



Private Equity Firms Investing in a Wide Array of Marketing Services and Technology Companies

Fund	Marketing Services & Tech Investments	Fund	Marketing Services & Tech Investments
	 		  
	    		  
	      		
	  		 
	  		 

EMPOWER Research
 a leading provider of social media insights via search, monitoring and measurement
 has been sold to
GENPACT
 September 2011

adjug
 a leading European display ad exchange for premium unsold inventory
 majority owned by **TOMORROW FOCUS**
 has been sold to
IGNITION ONE
 a unit of **dentsu NETWORK**
 August 2011

BIG FUEL
 FROM CONTENT TO CONSUMER
 a leading global social media agency
 has been sold to
vivaki
 a unit of **PUBLICIS GROUPE**
 July 2011

PRIORITY
 INTEGRATED MARKETING
 a leading provider of integrated marketing solutions
 has been sold to
dowden
 health media
 a portfolio company of **highroad**
 CAPITAL PARTNERS
 June 2011

blue state digital
 a leading interactive marketing agency and CRM solutions provider
 has been sold to
WPP Digital
 a division of **WPP**
 December 2010

@-Behavior
 the leading provider of consumer shopping predictive targeting data
 has been sold to
KBM GROUP
 a division of **WPP**
 November 2010

DEEP FOCUS
 a leading full service interactive marketing agency
 has been sold to
ENGINE
 October 2010

HEARST corporation
 has acquired
icrossing
 a global digital marketing services company
 June 2010
JEGI initiated this transaction on behalf of Hearst and acted as Hearst's exclusive financial advisor.

Experian
 has sold
Vente
 a leading online permission-based marketing and lead generation firm
 to
Q INTERACTIVE
 a portfolio company of **INTREPID INVESTMENTS**
 October 2009

acerno
 an online behavioral targeting network
 has been sold to
Akamai
 for approximately \$95,000,000
 November 2008

Intercept Interactive, Inc.
 operator of **UNDERTONE NETWORKS**
 a premier online advertising network
 has accepted a strategic investment from
JMI EQUITY
 March 2008

m:metrics
 the mobile media authority
 the leader in mobile measurement
 has been sold to
comSCORE
 May 2008

KNOWLEGESTORM
 REACH. SEARCH. RESULTS.
 has been sold to
TechTarget
 The Most Targeted IT Media
 for \$58,000,000
 November 2007

circles
 a leading provider of loyalty marketing services
 has been sold to
Sodexo
 October 2007

GORILLA NATION
 a leading online media company focused on brand advertising sales
 has sold a significant investment to
GREAT HILL PARTNERS
 May 2007

In each transaction listed above, JEGI's client is mentioned first.

 <p>a leading provider of social media insights via search, monitoring and measurement</p> <p>has been sold to</p> <p>GENPACT</p> <p>September 2011</p>	<p>dmg :: events a division of DMGT plc has announced the sale of</p>  <p>a leading producer of trade shows serving the U.S. retail markets for gifts, home furnishings, action sports and antiques</p> <p>to</p> <p>PROVIDENCEEQUITY</p> <p>August 2011</p>	<p>Sequence <i>personal</i></p> <p>a leading content personalization platform serving the publishing industry</p> <p>has been sold to</p> <p>RR DONNELLEY</p> <p>August 2011</p>	 <p>a leading B2B lead generation provider for IT vendors</p> <p>has been sold to</p>  <p>a portfolio company of</p>  <p>August 2011</p>	 <p>a leading European display ad exchange for premium unsold inventory</p> <p>majority owned by TOMORROW FOCUS</p> <p>has been sold to</p>  <p>a unit of dentsu NETWORK</p> <p>August 2011</p>	 <p>a leading global social media agency</p> <p>has been sold to</p>  <p>a unit of</p>  <p>July 2011</p>	 <p>a leading Australia-based online community for parents</p> <p>has been sold to</p>  <p>News Corporation</p> <p>July 2011</p>	
<p>It's About Time a division of</p>  <p>and a leading educational provider of middle and high school inquiry-based science and math programs supported by the National Science Foundation</p> <p>has been sold to</p> <p>IAT Interactive, LLC</p> <p>June 2011</p>	 <p>a leading provider of integrated marketing solutions</p> <p>has been sold to</p>  <p>a portfolio company of</p>  <p>June 2011</p>	 <p>has sold</p> <p>Summers Press and select CCH OSHA compliance and employment guide publications to</p> <p>MANCOMM</p> <p>March 2011</p>	<p>JOURNALISM ONLINE</p> <p>a leading provider of e-commerce solutions to publishers via</p>  <p>has been sold to</p> <p>RR DONNELLEY</p> <p>March 2011</p>	 <p>a marketing solutions provider for the convention, meeting and visitor travel industries</p> <p>has been sold to</p>  <p>March 2011</p>	<p>bluestate digital</p> <p>a leading interactive marketing agency and CRM solutions provider</p> <p>has been sold to</p> <p>WPP Digital a division of WPP</p> <p>December 2010</p>	 <p>the leading provider of consumer shopping predictive targeting data</p> <p>has been sold to</p>  <p>a division of WPP</p> <p>November 2010</p>	 <p>has sold</p> <p>ALL ISLAND MEDIA</p> <p>a leading local media and marketing services provider to</p> <p>WAFRA PARTNERS</p> <p>November 2010</p>
<p>HIGHLINE FINANCIAL</p> <p>a leading provider of banking information and analytics</p> <p>has been sold to</p>  <p>November 2010</p>	<p>DEEP FOCUS</p> <p>a leading full service interactive marketing agency</p> <p>has been sold to</p>  <p>October 2010</p>	<p>Accela COMMUNICATIONS</p> <p>a leading marketing technology company providing interactive video communications</p> <p>has been sold to</p>  <p>September 2010</p>	<p>msnap</p> <p>a leading mobile messaging and marketing platform</p> <p>has been sold to</p>  <p>September 2010</p>	<p>RIGZONE.com</p> <p>a provider of content, data, advertising, and career services for the oil and gas industry</p> <p>has been sold to</p> <p>Dice Holdings, Inc.</p> <p>August 2010</p>	<p>Forbes</p> <p>has sold</p>  <p>a leading financial information and investing education website to</p>  <p>for \$42,000,000</p> <p>August 2010</p>	<p>HEARST corporation</p> <p>has acquired</p>  <p>a global digital marketing services company</p> <p>June 2010</p> <p><i>JEGI initiated this transaction on behalf of Hearst and acted as Hearst's exclusive financial advisor.</i></p>	 <p>a division of DMGT plc</p> <p>has sold its</p> <p>Alberta Gift Show and Montreal Gift Show</p> <p>to</p>  <p>April 2010</p>
<p>Reed Business Information, a division of Reed Elsevier</p> <p>has sold</p> <p>Publishers Weekly</p> <p>to</p> <p>PWxyz, LLC</p> <p>April 2010</p>	<p>Reed Business Information, a division of Reed Elsevier</p> <p>has sold</p> <p><i>Home Accents Today, Furniture/Today and Six Sister Publications and Related Online Assets</i></p> <p>to</p> <p>SANDOW MEDIA <i>Always exceeding expectations.</i></p> <p>March 2010</p>	<p>Reed Business Information, a division of Reed Elsevier</p> <p>has sold</p> <p><i>Library Journal and School Library Journal</i></p> <p>to</p>  <p>a portfolio company of Riverside</p> <p>February 2010</p>	<p>Reed Business Information, a division of Reed Elsevier</p> <p>has sold the U.S. assets of <i>Electronic Design News, Design News, Test & Measurement World and Packaging Digest</i> to</p>  <p>February 2010</p>	<p>Reed Business Information, a division of Reed Elsevier</p> <p>has sold the Asia-based assets of <i>Electronic Design News, Design News, Test & Measurement World and Packaging Digest</i> to</p>  <p>February 2010</p>	<p>EDGAR Online</p> <p>a leading distributor of company data and public filings for equities, mutual funds and a variety of other publicly traded assets</p> <p>has secured \$12 million in growth capital from</p> <p>Bain Capital Ventures</p> <p>January 2010</p>	<p>The Economist Group</p> <p>has sold</p> <p>CFO</p> <p>the leading business-to-business media brand focused on the information needs of c-level and senior finance executives to</p> <p>CFO Publishing Holdings, Inc. a portfolio company of</p>  <p>January 2010</p>	 <p>a leading research and advisory firm serving the IT industry</p> <p>has been sold to</p> <p>Gartner.</p> <p>January 2010</p>

In each transaction JEGI's client is mentioned first.



SINCE 1987

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