



SINCE 1987

MEDIA M&A:  
The Digital Media Effect

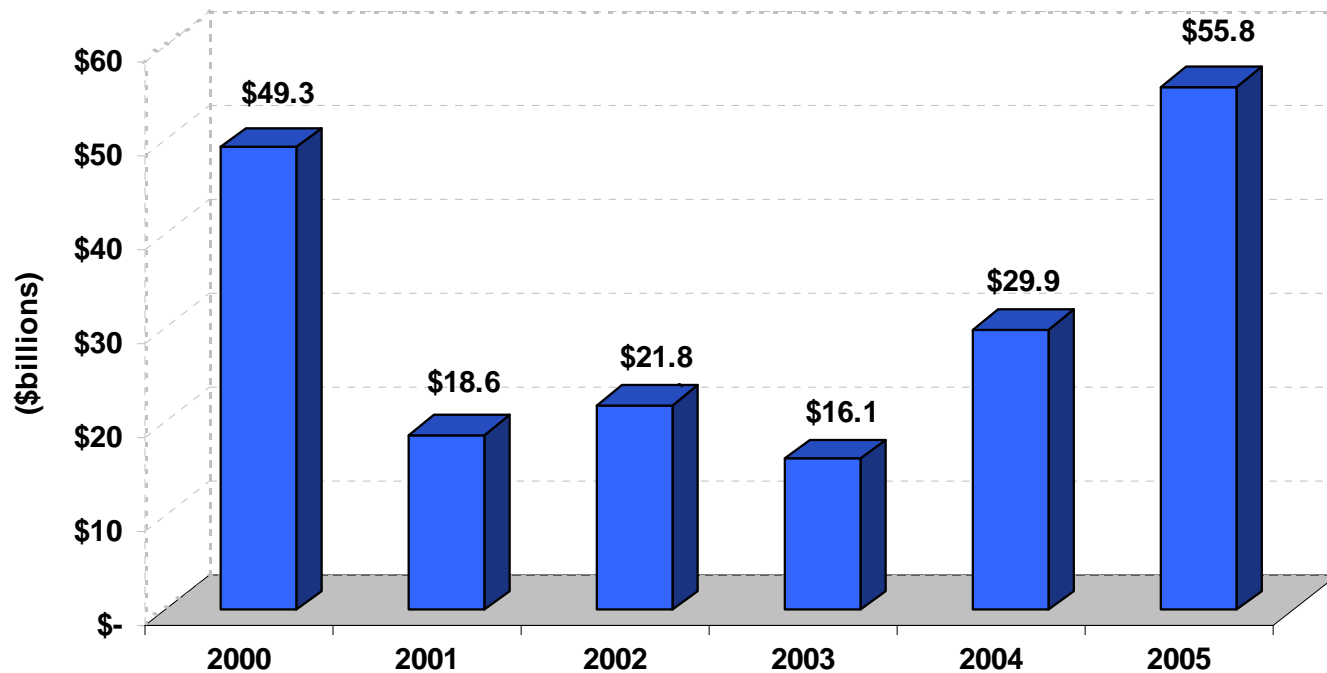
min DAY SUMMIT – NEW YORK, NY

*Scott Peters, Managing Director,  
The Jordan, Edmiston Group, Inc.*

*March 15, 2006*

M&A Transaction Volume Surpassed 2000 Levels in 2005 across the Media and Information Industries

Media and Information Industries M&A Transaction Volume, 2000-2005



**Note:** Media Sectors tracked: B2B and Consumer Magazines; Marketing & Interactive Services; Online Media; Business Information Services; Newspapers; Newsletters; and Directories. 2000 excludes America Online's purchase of Time Warner for \$106 billion.

**Source:** The Jordan, Edmiston Group, Inc. Transaction Database

## Key drivers of growth in media M&A

- Major strategic companies pursuing growth through acquisition
  - Strong corporate balance sheets
- Large investable cash positions by private equity firms
- Available bank financing at attractive lending multiples
  - Still historically low interest rates
- Strong US economy and outlook is promising
  - Low unemployment; GDP expected to grow 3-4% in 2006
- *Growth of online media and interactive marketing...*

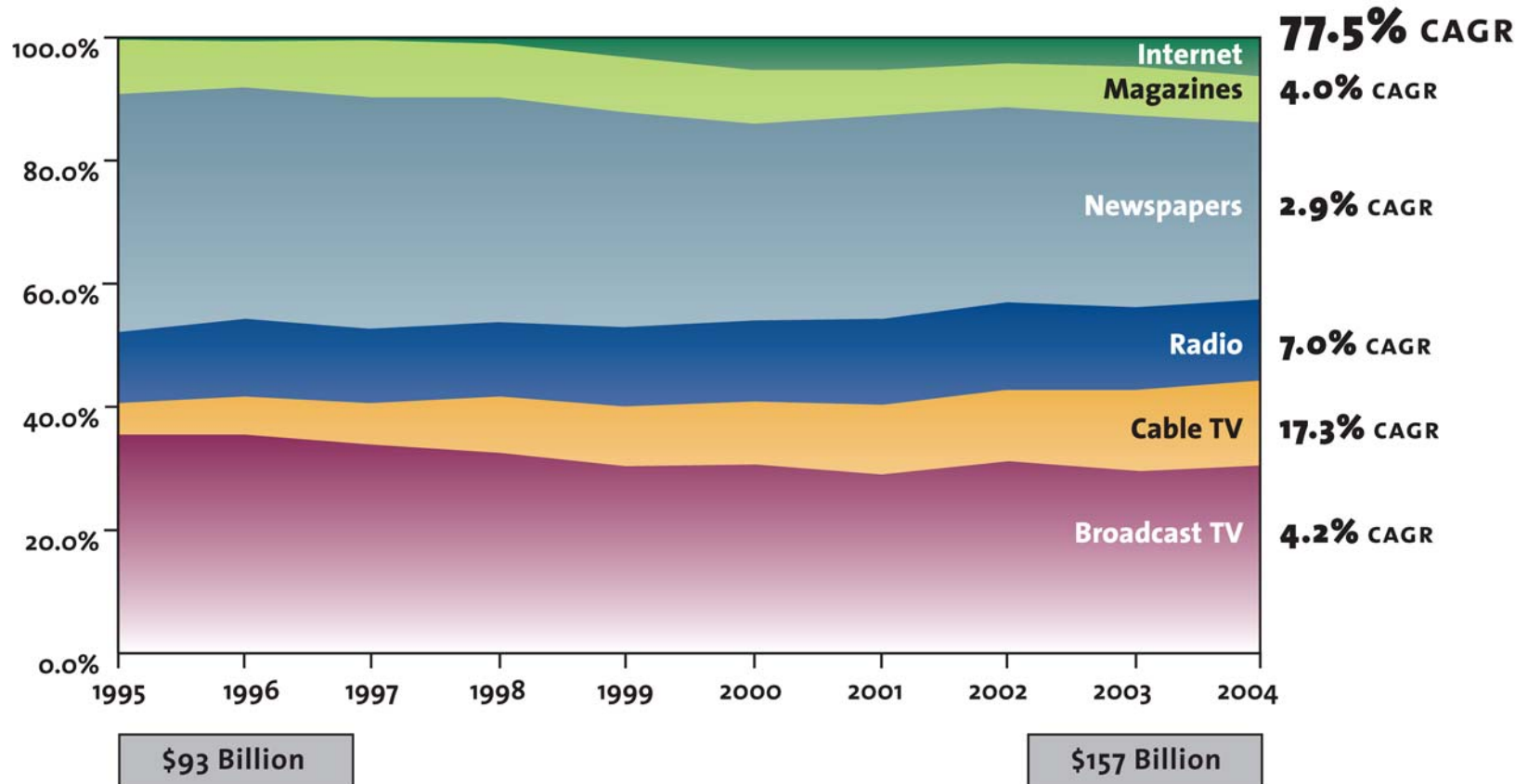
## Evolution of customer behavior driving change

- Consumers are increasingly media-savvy and in control
  - They want to participate in media, manipulate media and interact with media
  - New forms of content are emerging that cater to these desires (original features, proliferation of new formats and rich interactivity)
  - Opportunity to merge online expertise with strong offline brands
- *Advertising dollars following customers online...*

*“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

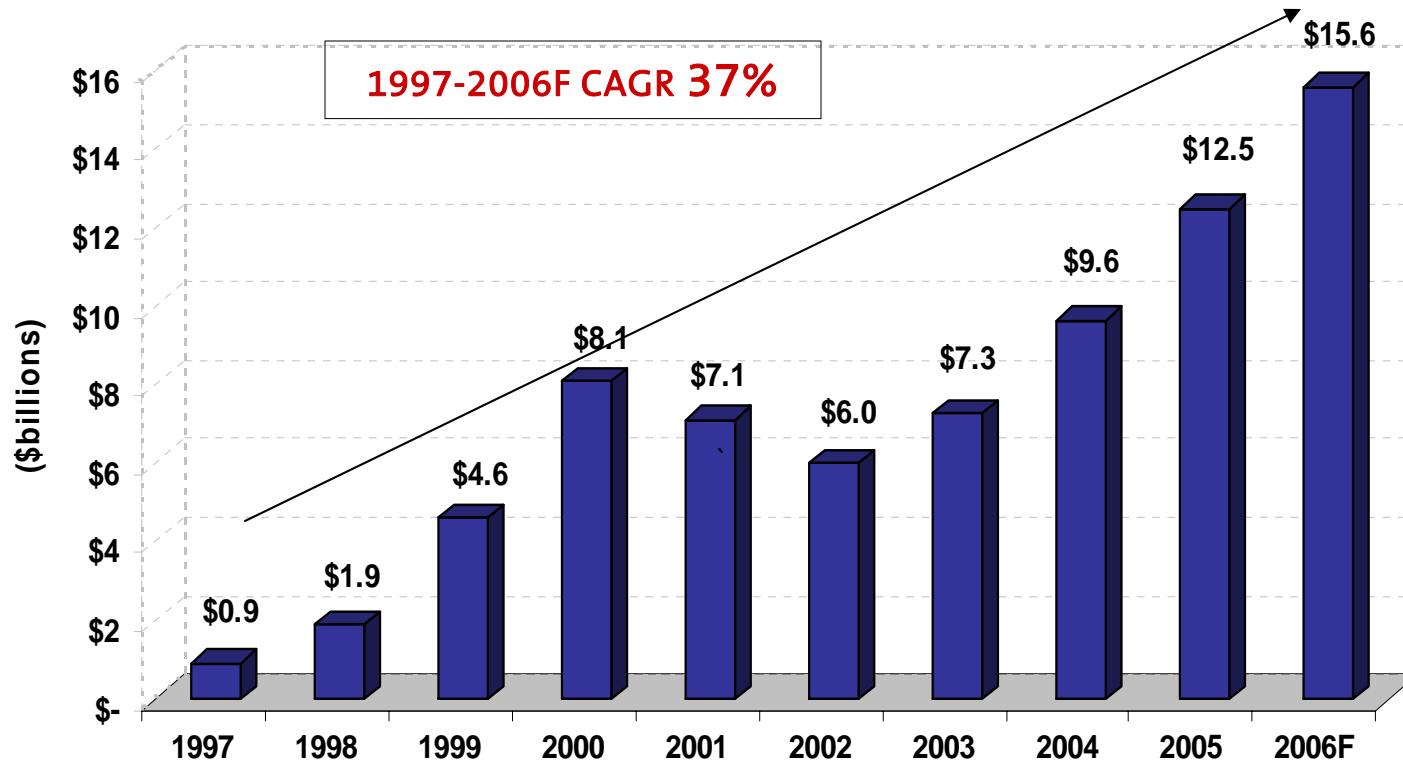
Ad spending following eyeballs



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

Strong growth in online advertising is expected to continue through 2006, as marketers direct larger percentages of their budgets online as...

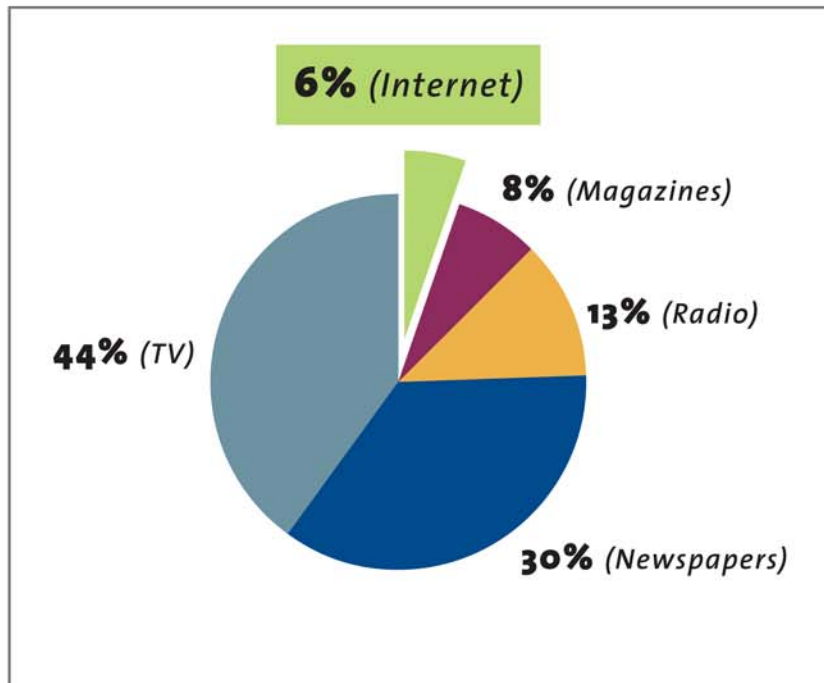
Online Ad Revenue Growth, 1997-2006F



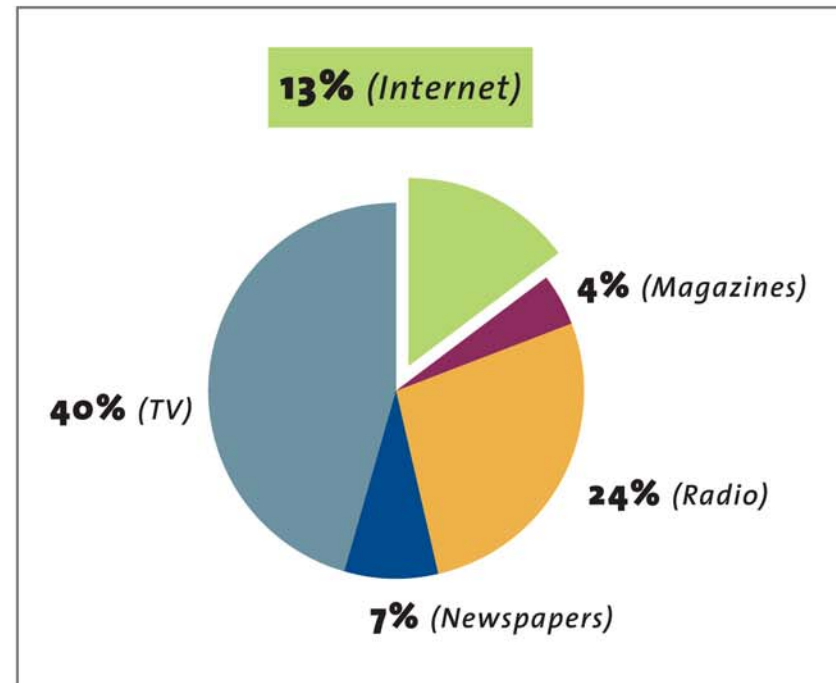
Sources: IAB (Interactive Advertising Bureau); PriceWaterhouseCoopers (PWC); and eMarketer

...there is a disconnect between advertising spending on the Internet and media consumption (currently **6%** v. **13%**)

ADVERTISING BY MEDIUM



MEDIA CONSUMPTION BY MEDIUM



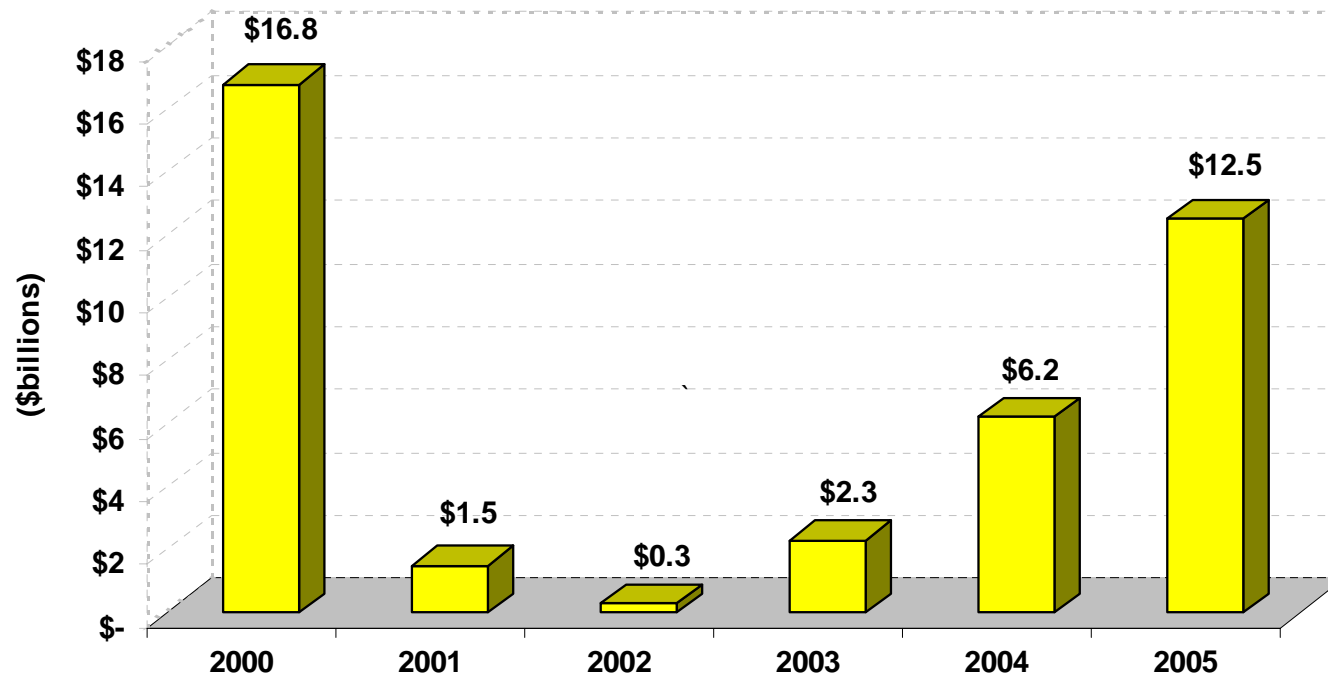
Sources: Interactive Advertising Bureau; PricewaterhouseCoopers; National Newspaper Association; Radio Advertising Bureau; Television Bureau of Advertising; and Universal McCann

## Growth in content delivery and revenue generation via online media driving M&A activity

- Evolution as advertising revenue transitions from traditional media products to online media properties and channels
- Diversified media companies acquiring fast growing online content and delivery channels
  - Gannett; Dow Jones; News Corp.; New York Times; NBC
  - Offset pressure on traditional media products
- Google, Yahoo!, Microsoft and other cash-rich technology/Internet companies actively acquiring
  - Looking for smart technologies and innovations

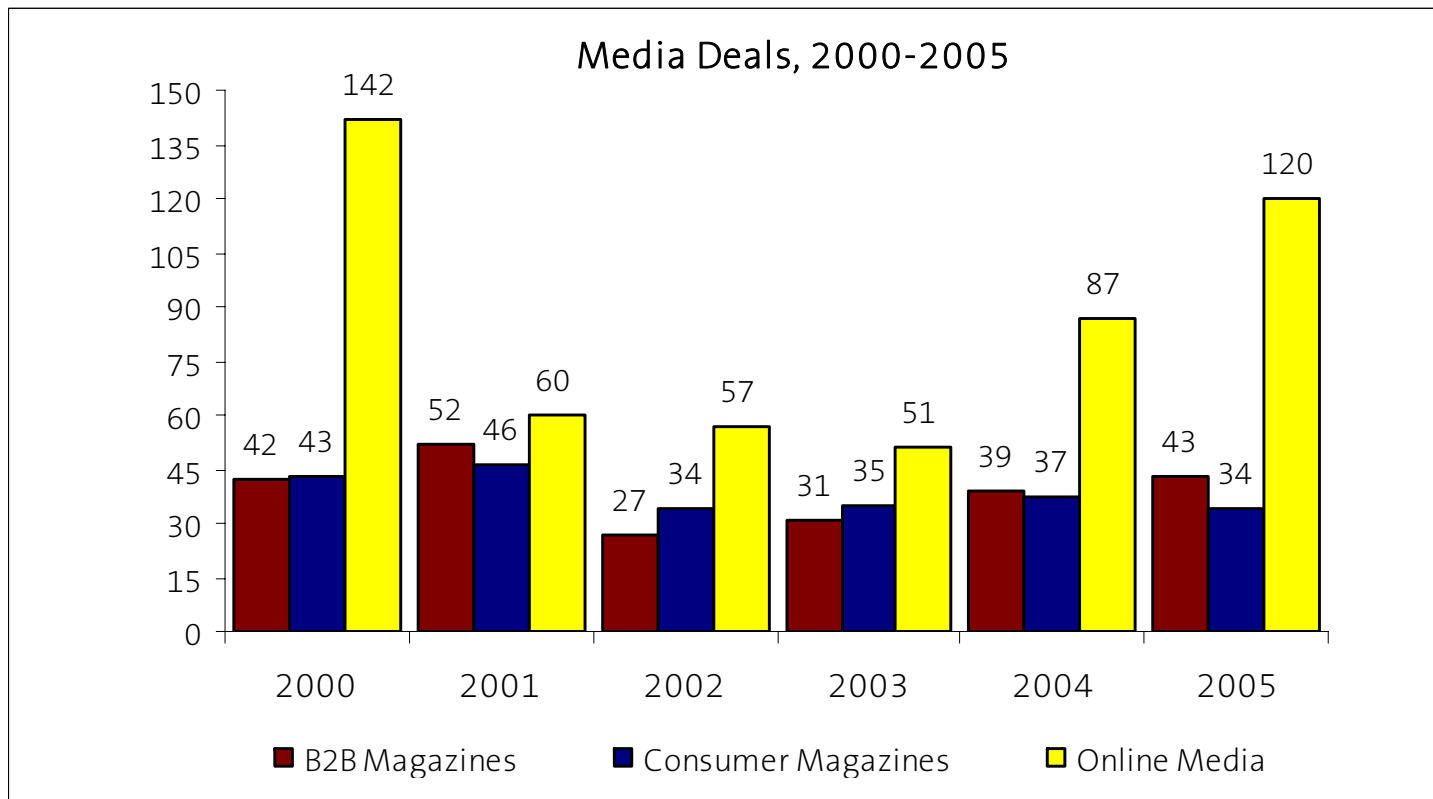
In 2005, Online Media M&A more than doubled over 2004;  
in 2006, Online Media M&A is trending to surpass 2000 levels

Online Media Transaction Volume, 2000-2005



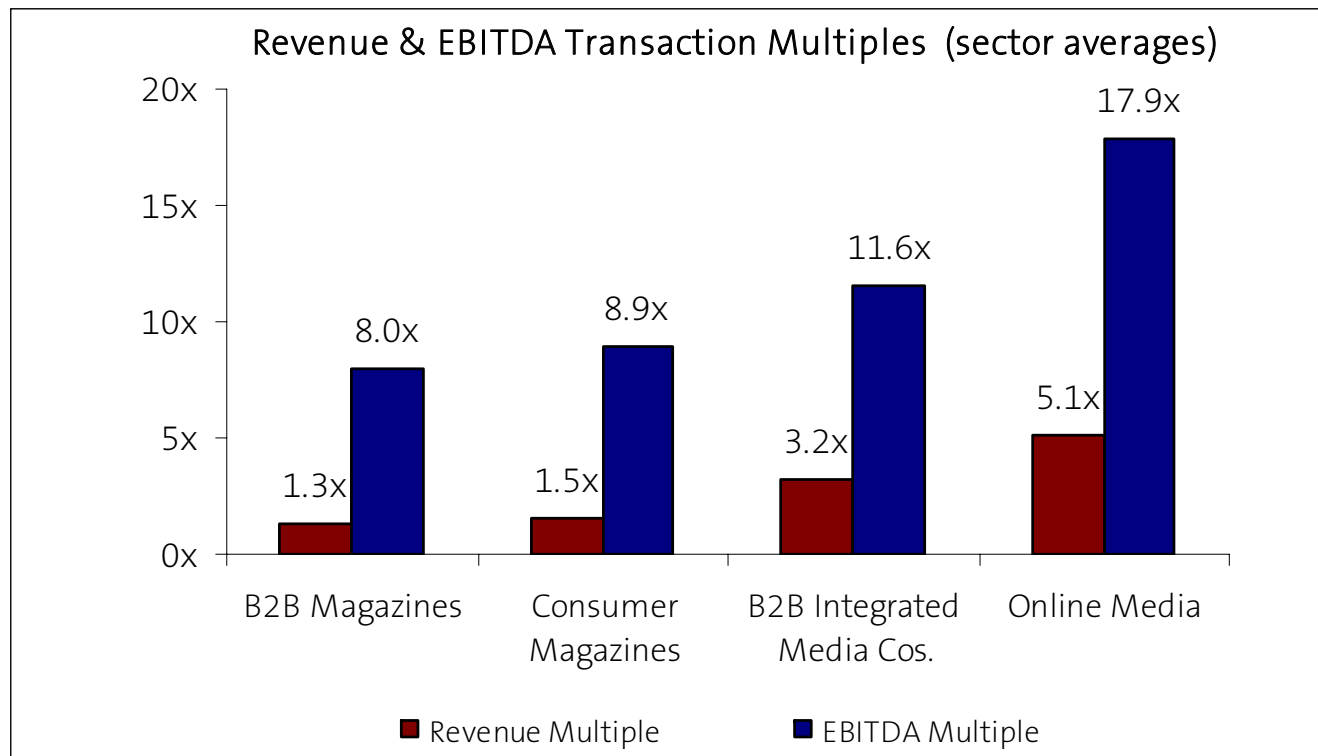
Source: The Jordan, Edmiston Group, Inc. Transaction Database

The sharp increase in M&A activity that started in 2004 and continued through 2005 was led by the Online Media sector



Source: The Jordan, Edmiston Group, Inc. Transaction Database

**Integrated B2B media companies (combination of magazines, related events and online media) and online media properties are attracting high multiples**

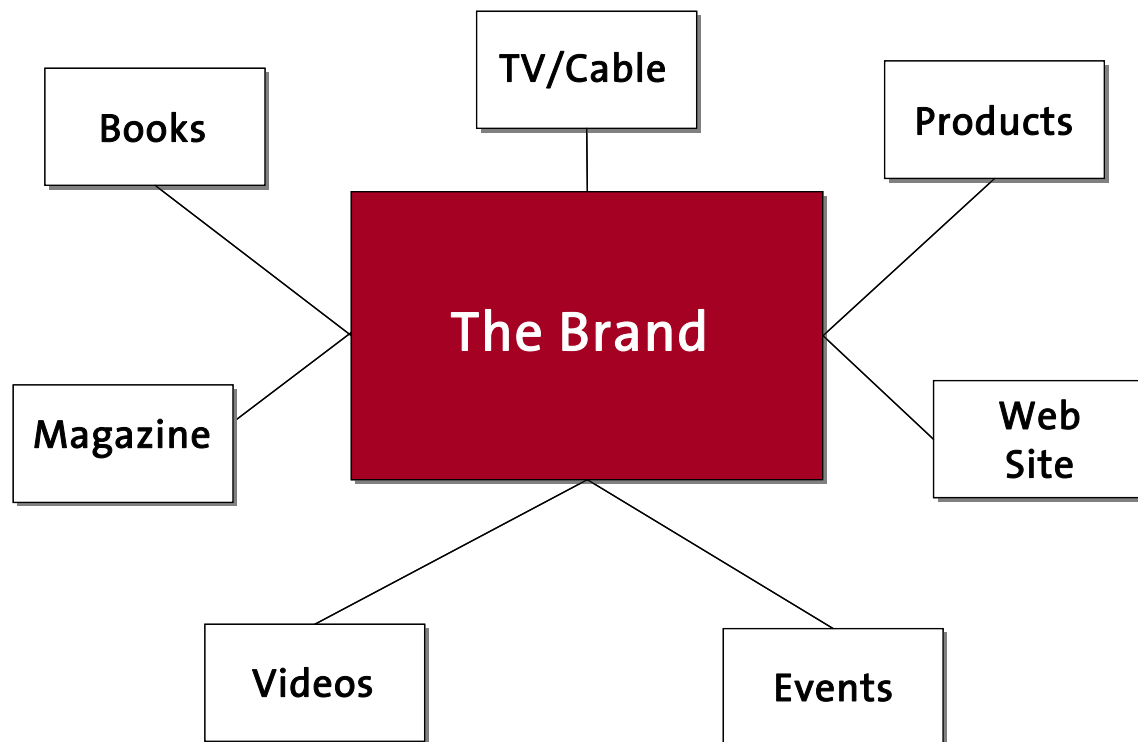


Source: The Jordan, Edmiston Group, Inc. Transaction Database

## It's all about the BRAND

- The Internet's transformation of media audiences, distribution and revenue is **accelerating**
- Traditional magazine publishers are **transforming** their business models to take part in the growth
- Driving this is a virtuous cycle of evolving consumer behavior and **new forms of content** that fill the pipes and attract the audiences
- Looking ahead, traditional media companies will increasingly **drive new value through the BRAND**

- Brands are at the center of the integrated media model, and the best brands are leading the evolution and becoming fully diversified media platforms (many of them are here today)
  - Reed's Variety, Playboy, Forbes, Martha Stewart, ESPN, Meredith's Better Homes & Gardens, Conde Nast Traveler, to name a few



# Media M&A: The Digital Media Effect

min Day Summit Presentation

**March 15, 2006**

For a copy of this presentation,  
visit the Industry Reports section of our Web site:

**[www.jegi.com](http://www.jegi.com)**

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