Winning Exhibition Strategies through 2015 and Beyond

Webinar – May 10, 2012 at 12PM EST

Richard Mead
Managing Director
The Jordan, Edmiston Group, Inc.

Denzil Rankine
Executive Chairman
AMR International
EVENT INDUSTRY GROWING, ACQUIRING AND TRANSFORMING

Richard DW Mead
The Jordan, Edmiston Group, Inc.

May 10, 2012
You Can’t Shake Hands on the Internet

Trade Shows – at the Heart of Commerce

- Historically, print magazines were the leading medium in B2B marketing spend in the U.S., providing a regular monthly link between buyers and sellers
- In 2000, B2B print and online advertising represented over 60% of total B2B media spending
- Today, we are at an inflection point, with trade show revenues surpassing print magazine revenues, but ahead even further in profitability

- Exhibitors, attendees and investors in most industries now perceive trade shows as being at the heart of international and domestic commerce
- Multi-billion dollar transactions are consummated on show floors every year, many with just a handshake

US Exhibition Industry Grew 2.7% in 2011; Forecast 5% CAGR to 2015

- The US industry outpaced real GDP growth by 1% in 2011, according to CEIR (Center for Exhibition Industry Research)
- The industry saw gains in all four key metrics for the year – NSF, Revenue, Number of Exhibitors and Attendance

- AMR International’s authoritative global industry forecast shows 4-9% growth annually to 2015, with the US forecast at 5% CAGR
Q1 2012 saw a large increase in number of deals, although deal value was down slightly from Q1 2011
- M&A activity led by corporations looking for strategic tuck-in acquisitions, with PE firms increasing their participation
- Credit markets are rebounding, with leverage available for healthy, growing, profitable businesses

Events market saw a large increase in both number of deals and value in Q1 2012
- UBM led the way with five deals in Q1, primarily in emerging markets (China and India), as well as Yankee Group’s 4G World, a US-based telecom and wireless tradeshow

<table>
<thead>
<tr>
<th>Industry Sector</th>
<th>2012 No. of Deals</th>
<th>Value (millions)</th>
<th>2011 No. of Deals</th>
<th>Value (millions)</th>
<th>% Change No. of Deals</th>
<th>Value (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>B2B Online Media &amp; Technology</td>
<td>17</td>
<td>$182</td>
<td>23</td>
<td>$2,838</td>
<td>(26%)</td>
<td>(94%)</td>
</tr>
<tr>
<td>B2C Online Media &amp; Technology</td>
<td>70</td>
<td>$1,540</td>
<td>78</td>
<td>$3,357</td>
<td>(10%)</td>
<td>(54%)</td>
</tr>
<tr>
<td>Business-to-Business Media</td>
<td>9</td>
<td>$63</td>
<td>4</td>
<td>$15</td>
<td>125%</td>
<td>nm</td>
</tr>
<tr>
<td>Consumer Magazines</td>
<td>16</td>
<td>$83</td>
<td>7</td>
<td>$1,421</td>
<td>129%</td>
<td>(94%)</td>
</tr>
<tr>
<td>Database &amp; Information Services</td>
<td>20</td>
<td>$3,862</td>
<td>11</td>
<td>$564</td>
<td>82%</td>
<td>nm</td>
</tr>
<tr>
<td>Education Information, Technology &amp; Training</td>
<td>12</td>
<td>$516</td>
<td>12</td>
<td>$463</td>
<td>0%</td>
<td>12%</td>
</tr>
<tr>
<td>Exhibitions &amp; Conferences</td>
<td>14</td>
<td>$258</td>
<td>6</td>
<td>$34</td>
<td>133%</td>
<td>nm</td>
</tr>
<tr>
<td>Marketing &amp; Interactive Services</td>
<td>145</td>
<td>$3,081</td>
<td>57</td>
<td>$1,922</td>
<td>154%</td>
<td>60%</td>
</tr>
<tr>
<td>Mobile Media &amp; Technology</td>
<td>30</td>
<td>$682</td>
<td>23</td>
<td>$469</td>
<td>30%</td>
<td>46%</td>
</tr>
<tr>
<td>Total</td>
<td>333</td>
<td>$10,267</td>
<td>221</td>
<td>$11,081</td>
<td>51%</td>
<td>(7%)</td>
</tr>
</tbody>
</table>

Source: JEGI Transaction Database
How Have Trade Shows Taken “Center Stage” in the B2B Marketing Mix?

- Trade shows are long established as the preeminent marketplace where buyers and sellers meet face-to-face to do business.
- Trade shows performed better than ad-driven media during the recession, and most are now fully recovered, with growth in 2011 and beyond.
- Trade shows have strong EBITDA margins and cash flow characteristics, having provided quality services to their served communities for decades.
- Trade show formats can be “geo-cloned”, making it easier for operators to replicate this marketing channel wherever their customers want to do business.
- Trade shows have deep, trusted relationships with their communities.
- Consequently, trade shows are uniquely positioned to expand those relationships through new, online initiatives, leading to more effective, timely lead generation year round, and ultimately to the Holy Grail of e-commerce.
The Future is Bright for Trade Shows

Trade Show Companies Will Continue to Acquire and Operators Will Continue to Innovate

- Trade shows are evolving from single events serving their markets for a few days annually into core components of multi-platform, year-round marketing engines

- Trade shows have a golden opportunity to utilize the Internet, software and other B2B marketing products to create a more fully integrated marketing platform
  - Broadening their geographic reach and increasing their percentage of marketing budgets

- These efforts will only strengthen barriers to entry as well as making trade show business more fully integrated with their customers’ marketing plans

- To achieve this, we expect trade show companies will continue to acquire event businesses to extend their reach in current and new markets, as well as investing in technology and talent

- Investors will increasingly see this new trade show model as meeting their key investment criteria, leading to superior ROI and valuations

- Capital will flow into the trade show industry. Everyone will be happy.
JEGI Welcomes the AMR Initiative on Trade Shows

Now for the Big Show…

- JEGI has had the good fortune to be deeply involved in the B2B media and marketing sector for 25 years
  - Participating in the major trade show organizations – SISO, IAEE and CEIR
- The firm is proud to have represented clients in many of the signature B2B media M&A transactions, particularly those involving trade shows
- We are delighted to support Denzil Rankine and his colleagues at AMR International and applaud the work that they have undertaken in the B2B media and trade show industry
- AMR International has provided strategic support to most of the top 20 trade show organizers globally over the past 20 years, as well as numerous PE funds
Winning exhibitions strategies to 2015 and beyond

Denzil Rankine

Webinar May 10, 2012
Exhibitions markets have substantially differing growth rates

Exhibitions market growth by geography 2010-15F, $bn

Source: Globex 2011, AMR International analysis
To succeed in 2015, organizers need a dual strategy

Winning exhibitions strategy in 2015

Mature markets
Address challenge of delivering value

Emerging markets
Determine most suitable options for market entry and growth
CMOs’ focus on ROI is sharper than ever. By 2015 it will be the single most important measure of marketing success

Seven most important measures to gauge marketing success by 2015*

- Marketing ROI: 63%
- Customer experience: 58%
- Conversion rate/new customers: 48%
- Overall sales: 45%
- Marketing-influenced sales: 42%
- Revenue per customer: 42%
- Social media metrics: 38%

“Today’s CMOs are in much the same position as CFOs were a decade ago, when their role was evolving from guardian of the purse strings to strategic business adviser.” (IBM)

Note: *N=1,734, CMOs across B2B and B2C brands, in 19 industries and 64 countries
Source: IBM CMO Report 2011
Exhibitions are about delivering quality attendees. Total Attendee Time (TAT) is fundamental to the value proposition

Exhibitor value proposition

What do organizers offer exhibitors?

Exhibitor $ \rightarrow \text{Time with quality attendees}

- Attendee quality
- Number of attendees
- Attendee time at show

Total Attendee Time is calculated as the number of attendees attending the trade show multiplied by the hours they spend at the show

Source: AMR International analysis
TAT per $ declined by 28% between 2000-2008; in 2010, it was still 16% below 2000 levels

Exhibitor value through access to attendee time, US

Note: *Defined as total attendee time (TAT) per exhibitor $ spent. Includes spend on exhibitor rented space, fees, sponsorship and advertising
Source: VSS, Exhibit Surveys, AMR International analysis
AMR expects the structural decline in TAT to continue to 2015

CAGR, Total Attendee Time (TAT) spent at trade shows

Source: Exhibit Surveys, VSS, FKM, AMR International analysis
While trade shows will continue to grow, CMOs will increasingly dedicate share of budget to digital


<table>
<thead>
<tr>
<th>Category</th>
<th>Share gain/loss 2010-15F</th>
<th>CAGR 2010-15F</th>
</tr>
</thead>
<tbody>
<tr>
<td>B2B Outsourced Custom Publishing</td>
<td>+1%</td>
<td>8%</td>
</tr>
<tr>
<td>E-Media</td>
<td>+7%</td>
<td>13%</td>
</tr>
<tr>
<td>B2B</td>
<td>-7%</td>
<td>0</td>
</tr>
<tr>
<td>Magazines</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Webinars &amp; other online live events</td>
<td>+3%</td>
<td>21%</td>
</tr>
<tr>
<td>Seminars &amp; conferences</td>
<td>0</td>
<td>6%</td>
</tr>
<tr>
<td>Tradeshows</td>
<td>-3%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Overall B2B media spend

- 6%

Source: VSS, AMR International analysis
Organizers have three levers to increase their share of attendee time within and beyond the show

Three levers to increase share of attendee time – detail

Source: AMR International analysis
With growth in B2B mobile and online usage continuing apace, organizers will increasingly use digital and interactive media to reach their audience.

**US growth in professional online and mobile consumption, hours**

<table>
<thead>
<tr>
<th>Category</th>
<th>2005-10</th>
<th>2010-15F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile</td>
<td>157%</td>
<td>133%</td>
</tr>
<tr>
<td>Online</td>
<td>33%</td>
<td>30%</td>
</tr>
</tbody>
</table>

- Mobile has increased its share of B2B internet usage, growing 133% between 2010-15
- Interactive media is also seeing steep growth; B2B social media usage grew by 81% between 2008 and 2011*

*Note: US, Europe & Asia
Source: VSS, Toolbox/PJA Social Media index, AMR International analysis
Trade shows can meet a broad range of attendee needs. Organizers must understand what attendee need(s) each show meets.

Attendee workflow

- Network
- Keep up to date
- Learn / Problem-solve
- Find
- Evaluate
- Transact

Where are we?

“In the know”

Sourcing
Trade show organizers then have the opportunity to extend their audience contact beyond the confines of the trade show dates

Extending trade shows’ share of time within the attendee workflow

Note: Contact during trade show dates, Website access pre and post-show
Source: AMR International analysis
Trade shows can extend their attendee contact through a range of digital and face-to-face products and services

Attendee resources

Source: AMR International analysis
Digital interaction helps extend and expand commercial relationships, but is not a substitute for F2F

Percentage of respondents who see F2F meetings as more effective than online/virtual

- Meetings with current customers: 56%
- Meetings with prospective customers: 82%

Online is not as a substitute for face-to-face, in particular for establishing new client relationships

Source: Oxford Economics USA, Meeting Professionals International, 2009
To succeed in 2015, organizers need a dual strategy

Winning exhibitions strategy in 2015

- Mature markets
  - Address challenge of delivering value
- Emerging markets
  - Determine most suitable options for market entry and growth
## Tier 1 markets offer high growth, but are increasingly competitive; Tier 2 markets can be good alternatives

### High growth markets

<table>
<thead>
<tr>
<th>Tier</th>
<th>Countries</th>
<th>Market size 2011 ($m)</th>
<th>CAGR 2010-2015F</th>
<th>Key challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>China</td>
<td>1,300</td>
<td>9%</td>
<td>High level of competition for large attractive independent targets</td>
</tr>
<tr>
<td></td>
<td>Brazil</td>
<td>500</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Hong Kong*</td>
<td>200-700</td>
<td>6%</td>
<td>Limited venue capacity</td>
</tr>
<tr>
<td></td>
<td>Russia</td>
<td></td>
<td>7%</td>
<td>Corruption / red tape</td>
</tr>
<tr>
<td></td>
<td>Turkey</td>
<td></td>
<td>8%</td>
<td>Market is centered on Istanbul</td>
</tr>
<tr>
<td></td>
<td>GCC</td>
<td></td>
<td>9%</td>
<td>Strength of position of incumbent venue owners and organizers</td>
</tr>
<tr>
<td></td>
<td>India</td>
<td></td>
<td>10%</td>
<td>Limited opportunity outside Dubai</td>
</tr>
<tr>
<td></td>
<td>Mexico</td>
<td></td>
<td>10%</td>
<td>High association ownership of top 20 shows</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>High crime rate</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Limited venue capacity in Mexico City</td>
</tr>
</tbody>
</table>

*While Hong Kong is a relatively established market, it offers a potential entry point to the Chinese market

Source: Globex 2011, AMR International analysis
A variety of approaches are available to gain a foothold and achieve growth in emerging markets

Emerging markets – potential approaches and key considerations

- **Partnering**
  - Relationships and execution capability of partner

- **Set up country office**
  - Relationships with venues, associations, authorities & market

- **Acquisition**
  - Price
  - Competition for targets
  - Due diligence

- **Joint venture**
  - Constrained decision making power

- **Clone**
  - Cloneable exhibitor relationships
  - Competitive position

Source: AMR International analysis
In Summary

- Trade shows continue to offer attractive growth opportunities
- In mature markets, two factors combine to mount a structural challenge to exhibitor value: the decline in total attendee time at events; and the steady increase in prices per square foot
- Organizers need to compete more effectively for share of attendee time, both during and after the show
- Trade shows need to get smarter with digital tools, to understand and track exhibitor value, to support exhibitors with their broader marketing efforts and to better understand and meet the needs of the attendee base
- Organizers should increasingly develop revenue generating opportunities outside the traditional show format (e.g., matchmaking, sponsorship or user fees)
- Emerging markets continue to offer strong underlying growth and organizers should consider a range of options to increase their portfolio exposure to these markets, and select the approach best suited to their capability and needs
Questions?