

## MEDIA MERGERS AND ACQUISITIONS

2009 Market Survey

**A**DMEDIA PARTNERS, INC. conducted its fifteenth annual survey of senior executives at leading media companies in December 2008 to learn their views on prospects for industry mergers and acquisitions in the year ahead. More than 1,500 executives from the U.S. and abroad were surveyed.

The survey results clearly reflect the difficult environment in which media, and the larger economy, is operating as we begin the new year. While there is near universal agreement that the current recession will be significantly longer than any since 1958, our survey indicates that most media executives expect GDP growth to resume in 2009. The principal uncertainty in the minds of executives is the timing of a return to normal lending practices. Most respondents point to the excessive lending and subsequent collapse of the credit markets as the causes of the current recession. The resumption of lending at reasonable rates, expected by year-end by nearly three-quarters of the respondents, should enable businesses to resume normal economic activity.

Not surprisingly, most respondents expect M&A activity to be considerably reduced from 2008. Strategic buyers, who rely less on debt to complete a transaction than financial buyers, will have much less competition for deals. In fact, a solid majority of media executives surveyed (63%) expects to complete an acquisition in 2009 due to the number of attractive buying opportunities in the market. Respondents perceive current prices for most media properties as either fairly valued or, in some cases, even undervalued. Easing of multiples in 2009 across all media properties, including online businesses, is seen as certain. Newspapers are predicted to have the largest decline, as they seek a different and more sustainable business model.

The weakest segments for M&A activity in 2009 will be broadly defined “traditional media” such as broadcast (radio and TV), newspapers and consumer magazines. Online media, which has been strong in recent years, will for the first time weaken in 2009. Information/database publishing, professional publications and business-to-business magazines are expected to be the strongest segments in the coming year, but showing only moderate levels of activity.

Buyers are urged to “act now” by 61 percent of respondents in order to take advantage of the market dislocations in the current environment, up dramatically from the 46 percent who gave that advice in our last annual survey. Conversely, sellers are advised to be cautious, although good properties will still be attractive to strategic buyers.

Included in the following pages are the detailed findings of the 2009 Prospects for Media Mergers and Acquisitions Survey.

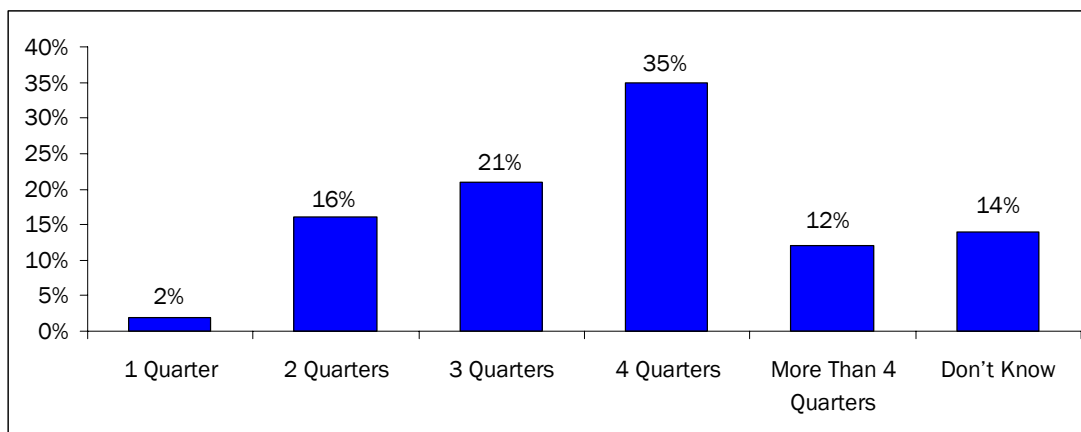
*Not surprisingly, four out of five respondents expect a weaker economy in 2009.*

**Expectations for the Economy in 2009 Compared to 2008**

	2009	2008
Weaker	80%	71%
Same	17%	22%
Stronger	3%	7%

- Ahead of the recent “official” announcement, virtually all respondents (99%) believed a recession was under way, and expect it will last longer than other recent recessions; however, nearly three-quarters do not see the recession continuing beyond 2009.

**Length of Recession Expected by Respondents**



- Respondents’ expectations for the course of the economy are shaped by several uncertainties. The most important factors that respondents believe may determine the length of the recession include the timing of resumption of a flexible credit market (93%), the housing market (85%) and employment levels (75%).

*“The national atmosphere is so negative and the confidence indicators are so low that it will take many months for this to be altered in any significant way.”*

***M&A activity is expected to be moderate to weak in the sectors in which respondents operate.***

**M&A Activity that Respondents Expect in Their Primary Businesses in 2009**

	WEAK	MODERATE	STRONG
Overall	59%	37%	4%

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*Respondents believe M&A activity in two categories will remain relatively active: information/database publishing and business-to-business publications. In addition, it appears that prospects for M&A in online media businesses are similar to those of traditional media for the first time.*

**M&A Activity that Respondents Expect in Their Primary Businesses in 2009  
(Crosstab by Respondents' Primary Industry)**

	STRONG	MODERATE	WEAK
Professional Publications/Books/Journals	17%	39%	44%
Information/Database Publishing (including Directories)	10%	52%	38%
Broadcast (Radio & Television)	10%	20%	70%
Cable/Satellite	8%	33%	57%
Online Media	6%	38%	56%
Business-to-Business Publications	5%	43%	52%
Consumer Magazines	5%	31%	64%
Newspapers	3%	25%	72%

*In a finding similar to a year ago, respondents expect strategic buyers to play a larger role in media M&A relative to financial buyers.*

**Prospects for Industry M&A Activity in 2009**

	Industry M&A by Strategic Buyers		Industry M&A by Financial Buyers	
	2009	2008	2009	2008
Up	26%	30%	6%	13%
Flat	23%	51%	13%	19%
Down	51%	19%	81%	68%

- Though overall M&A activity is expected to be lower in 2009, the current market represents a buying opportunity for companies looking to make strategic acquisitions.

*“There may be several opportunities for strategic buyers to move into historically hard-to-enter, upscale markets, especially in the hotly contested ‘local and regional niche’ markets such as city and regional magazines and local business journals. For the strategic buyer who has the patience ... there will be several outstanding properties for sale and these will provide outstanding platforms for other revenue-producing products such as online, media, books, custom marketing and custom publishing.”*

*“Strategic buyers should be having a field day.”*

*“Share of market consideration will drive savvy strategic investors ... ”*

## MEDIA MERGERS AND ACQUISITIONS

*Despite the prospects of lower multiples, for the second year in a row the majority of respondents believe there are ample media acquisition targets to meet expected demand.*

### Are There Sufficient Media Acquisition Opportunities?

	2009	2008	2007	2006
Yes	76%	64%	41%	46%
No	24%	36%	59%	54%

- A sufficient number of potential acquisition opportunities still exists, despite the current recession and potential for reduced multiples.

*“Anyone who wouldn’t consider a transaction in this market ... has his head in the sand.”*

*“This is a wonderful time to be a buyer, not so good to be a seller. The drive for buyers should be to look deep into the intellectual property and information-gathering assets of the potential acquisition and to know, in advance, how to re-deploy, re-structure and extend those assets in a manner more appropriate to the vastly changed environmental and technological universe in which all media exist.”*

*“Strong players will be looking to take advantage of fire-sale/bankruptcy valuations for small tuck-ins. Spin-off/break-ups of conglomerates will drive larger deals. Mediocre players may merge or be forced to sell as poor economic conditions continue.”*

*Respondents are optimistic that credit markets will unfreeze within a year and banks will resume cash-flow-based lending, but there is some concern it may take longer than a year for this to occur.*

### When Cash-Flow-Based Lending by Banks Will Resume

Within 6 Months	20%
Within 12 Months	51%
Within 18 Months	20%
More than 18 Months	10%

### Expected Ratio of Debt to Cash Flow Once Lending Resumes

Less than 3X	43%
3–5X	53%
More than 5X	4%

- Many respondents expressed concerns about banks’ high-risk aversion, at least in the short term, and the subsequent tightening of lending requirements.

*“Banks are nervous right now, with ... a low tolerance for risk. We will probably see initially a tight ratio, loosening as the economy improves.”*

*“Likely increase in regulation and bank requirements. And fear about direction of the economy, so much stricter credit requirements.”*

## MEDIA MERGERS AND ACQUISITIONS

*A majority of respondents now believe online media is overvalued in comparison to traditional media, driven principally by certain online business models. Notably, there is no consensus among respondents regarding the relative valuation of many traditional forms of media such as newspapers, consumer magazines and business-to-business publications.*

### Whether Certain Types of Media Properties Are Overvalued

	OVERVALUED	FAIRLY PRICED	UNDERVALUED	DON'T KNOW
Online Media	55%	19%	12%	15%
Exhibitions/Trade Shows/Conferences	29%	27%	8%	36%
Newspapers	27%	23%	23%	27%
Information/Database Publishing (including Directories)	23%	32%	14%	31%
Cable/Satellite	23%	17%	7%	52%
Consumer Magazines	22%	27%	24%	27%
Business-to-Business Publications	21%	25%	29%	25%
Professional Publications/Books/Journals	16%	28%	12%	45%

*In general, respondents still think growth opportunities for online media as a whole are rated fairly, though they believe social media networks and user-generated content are somewhat overrated. In addition, a majority of respondents believe growth opportunities for search are fairly rated.*

### Whether Growth Opportunities for Online Businesses Are Overrated

	OVERRATED	FAIRLY RATED	UNDERRATED	DON'T KNOW
Social Media Networks	71%	20%	2%	6%
User-Generated Content	51%	38%	6%	6%
Mobile Content	26%	42%	22%	10%
Gaming	21%	44%	9%	26%
Niche Enthusiast Content	14%	44%	28%	15%
Ad Networks	41%	37%	2%	19%
Search	28%	58%	4%	10%

■ **Opinions vary regarding the potential growth for online businesses.**

*“They have grown quickly because they started from zero. And yet, revenues are already starting to slide a bit.”*

*“Ad-driven, search-driven, e-mail-driven, mobile-driven platform revenue streams are all available to online content companies.”*

## MEDIA MERGERS AND ACQUISITIONS

**Compared to a year ago respondents are much less confident about the prospects for online content businesses.**

### Have Online Content Companies Developed a Sustainable Business Model?

	2009	2008
Yes	30%	51%
No	52%	49%
Don't Know	18%	N/A

- There are a number of changes that need to occur before the online business model becomes sustainable long term.

*“The business model for online media companies may not be sustainable at scale. What has been created to date are largely great products but bad businesses.”*

*“Model is sustainable only if accompanied by other media products (e.g., print, online). Online content alone is still a pretty shaky model.”*

*“Unless the online content providers change the revenue model for the value of their content, there can be little sustainability of their products. As online content becomes ever more free, the ones that will survive in the long run will be tied to some ongoing revenue or subscription model. Those products that already have such a model will be worth much more than the ‘content only with no revenue model’ properties.”*

*“Not everyone has been able to convince the advertising market that online media has intrinsic value, especially on the business-to-business side.”*

**Nearly all respondents believe online sources of revenue will eventually exceed traditional sources of revenue for print media companies. Depending on the media category, though, there is great variance in expectations on how long it will take online revenue to exceed traditional revenue.**

### When Online Business of Traditional Media Categories Will Represent More than 50 Percent of Total Revenue

	WITHIN 5 YEARS	5-10 YEARS	10-15 YEARS	MORE THAN 15 YEARS	NEVER
Newspapers	31%	34%	13%	9%	13%
Consumer Magazines	7%	45%	26%	10%	13%
Business-to-Business Magazines	51%	25%	17%	4%	3%

- A majority of those surveyed believes the online revenues of business-to-business publications may exceed 50 percent in less than five years. In contrast, the majority predicts newspapers will take longer to reach that milestone and consumer magazines will be even slower, perhaps reflecting the “entertainment” value of actually reading a magazine.

### **Disruptive Trends and Technologies**

***Respondents believe traditional media is currently buffeted by a number of disruptive trends and technologies.***

*“Media is evolving as never before in our lifetimes. These are very turbulent times. Those of us who see the reader/user as our compass will weather the storms ahead. We are key players in the industry segments we serve. In order to continue to serve our segments, we must adapt to whatever media our readers choose. We create content for them, but they choose the medium from which to consume it.”*

***Though there was no agreement on a single cause, many see the changes occurring as permanent alterations in the media landscape. The major trends and technologies that respondents identified may be broadly classified in four ways: economy/advertising, free content/competition, social media/search and the reaction of traditional media companies.***

- **Economy/Advertising** — A change in the composition of advertising has occurred as many of the dollars historically spent on traditional media are now migrating to online media channels. In addition, the massive dislocation of the financial and automotive industries in 2008 has led to an advertising environment that must operate with a substantial decrease in overall advertising spend.

*“Potential disappearance of automotive advertising, radical decrease in financial services advertising.”*

*“Volatility of marketing and advertising markets; there’s little doubt that a major economic and business development realignment is taking place; old industries are challenged and collapsing while new ones are emerging ...”*

- **Free Content/Competition** — Free content online, additional competition from non-traditional media providers and the resulting commoditization of information and content are believed by many respondents to be the most disruptive trends in traditional media.

*“Consumers are more and more willing to trust untested brand names for their information. The value associated (with) saying, ‘I read it in the New York Times’ is no longer that much greater than saying, ‘I read it on Techcrunch.’”*

*“Continued proliferation of free online media and corresponding reluctance of consumers to pay for content.”*

- **Social Media/Search** — Many respondents cited specific technologies, especially social media and search, as disruptive as they continue to alter consumer habits in media consumption.

*“The modern market is far less loyal than the markets that most of us grew up with; thus, there is no problem from the consumer point of view in dropping one form of media for something newer ...”*

- **Traditional Media Reaction** — Many respondents alluded to the inability of traditional media companies to react and adapt to the rapidly changing technology and format of the media landscape as a major driver of industry change. This inability to adapt would undoubtedly favor the growth and continued evolution of “new” media companies that will compose a much greater proportion of the overall media market in the future. Interestingly, some respondents are willing to bear responsibility for their problems. As one expressed it, the only thing Big Media had to fear was itself.

*“The smaller, more popular niche properties that have a stronger, more loyal subscriber or reader base are much more able to provide what readers want and/or need! They can also adapt much faster and have lower overhead issues. The successful ‘future’ media businesses will adopt more of the ‘who you reach’ concept than a ‘how many you reach’ concept. This will fight with the conventional wisdom about how you expand the online properties!”*

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*Value estimates expressed as multiples of EBITDA continue to revert to the norm, sliding for all media. In a long-term trend, newspaper businesses saw another dramatic reduction in value. Interestingly, for the first time in the 15 years of this survey, valuations of online properties are also expected to decline.*

### Applicable Multiples of EBITDA (Median Ranges)

	2009	2008	2007	2006	2005	2004	2003	2002
Online Media	9-10x	12-15x	12-15x	10-14x	10-12x	7-10x	8-9x	5-6x
Information/Database Publishing	8-9x	9-10x	9-10x	8-10x	8-10x	6-8x	6-8x	7-9x
Consumer Magazines	5-6x	7-9x	7-9x	8-10x	8-10x	7-10x	7-10x	5-8x
Business-to-Business Publications	6x	7-8x	7-9x	7-9x	6-9x	5-8x	5-8x	5-8x
Exhibitions/Trade Shows/Conferences	5x	7-8x	8-9x	7-9x	7-10x	5-8x	5-8x	5-8x
Newspapers	3x	5x	5-7x	<9-10x	10-13x	8-12x	9-12x	8-10x

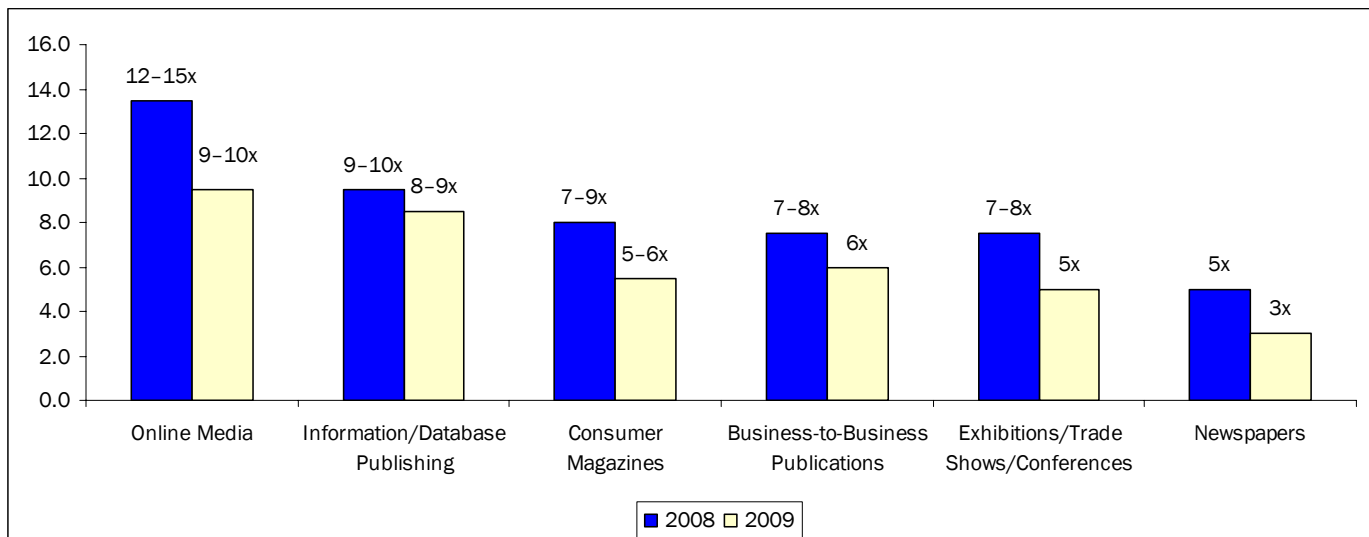
- **The credit market contraction, combined with the difficult economic climate, has led to a reduction of valuation multiples from recent levels.**

*“Many financial buyers went a little nuts in the past paying what now seems, in hindsight, to be crazy-high multiples. They have to average down now with lower multiples.”*

*“Valuation guidelines are more than ever advertising-driven. Subscriptions are much more difficult to sell in this climate, and publishing costs (including postage) continue to rise at an unhealthy rate.”*

*“Fundamentals are out the window for the time being.”*

### 2008 and 2009 Comparison of Applicable Multiples of EBITDA for Major Media Categories (Median Ranges)



Note: Graph represents the midpoint value of respective valuation ranges.

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*Although respondents expect an overall decline in M&A from previous years, a large majority plans to complete an acquisition or divestiture. In addition, one-third of respondents may seek investment funding, an attractive option for prospective sellers reluctant to enter a turbulent market.*

### Activities that Respondents Expect Their Firms to Pursue in the Year Ahead

	2009	2008	2007	2006
Complete an Acquisition or Divestiture	69%	83%	80%	82%
Contemplate Sale of the Company or a Divestiture of a Subsidiary	39%	41%	40%	34%
Seek Investment Funding (i.e., not sell control)	32%	N/A	N/A	N/A
Be Involved in an M&A Transaction Outside the U.S.	23%	38%	31%	42%
Seek Valuation of Firm in Case of Sale	16%	N/A	N/A	N/A

*The availability of attractive buying opportunities is driving M&A planning in the year ahead for a majority of respondents as they look to take advantage of the current environment.*

### Factors Driving 2009 M&A Plans

Attractive Buying Opportunities	63%
Strategic Refocusing	46%
Need to Become More Digital	41%
Need to Diversify	35%
Changing Credit Markets	22%
Potential Increase in Capital Gains Tax	6%

*Similar to last year's results, the United States and Canada hold the greatest perceived growth potential for M&A in the year ahead.*

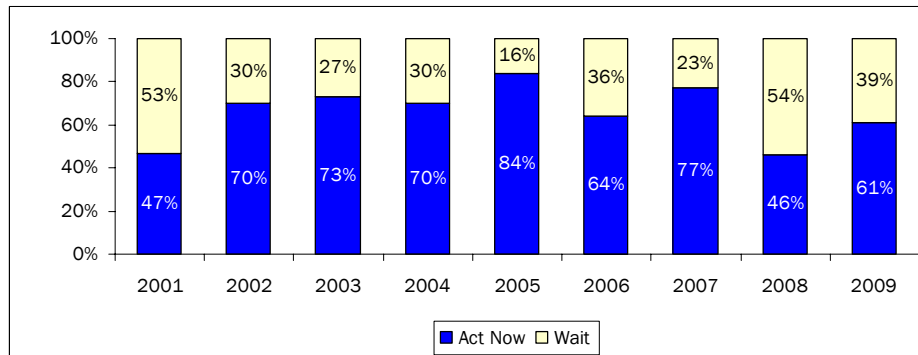
### Geographic Market that Holds the Most Growth Potential for Media M&A

United States/Canada	50%
Asia	28%
Latin America	11%
Europe (excluding UK)	9%
Middle East	3%
United Kingdom	0%
Australia	0%
Africa	0%

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*Consistent with other expectations, and in a sharp reversal from a year ago, a majority of respondents would urge buyers to act now on prospective transactions, while three-quarters advise sellers to wait. Notably, this is the same recommendation made by respondents during the last recession of 2002–03.*

### Given the M&A Climate, Buyers Should:



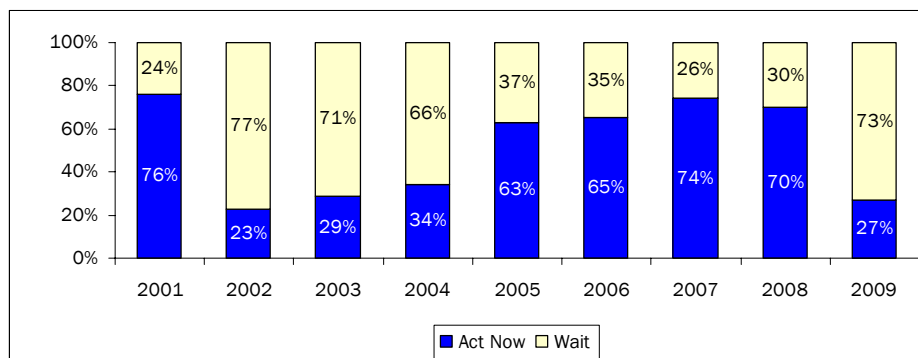
- **There has been a dramatic shift in 2009 sentiment to favor strategic buyers seeking to make acquisitions and investments in related businesses.** The majority of respondents agree that now is the time for buyers to act and take advantage of buying opportunities in the market.

*“The best opportunities are in a down market.”*

*“I would advise buyers to buy if an acquisition is highly strategic and the business model is not likely to be hurt by the current and further downturn.”*

*“Buyers : Start identifying targets and follow them over the next six months.”*

### Given the M&A Climate, Sellers Should:



- **A majority of respondents believe sellers should not expect to realize the same type of valuations in 2009 as they did in the prior year.**

*“Anyone who wants to sell now should expect to sell at a discount.”*

*“Sellers : Wait six months until market starts recovering.”*

## Methodology:

This report is based on a uniform, 37-item Web-based survey of more than 1,500 senior executives with a wide range of media organizations as well as private equity investors. More than 93 percent are from the U.S. and Canada. Responses were analyzed using a standard online survey tool. All percentages were rounded up or down to the nearest whole number.

### Respondents' Lines of Business

Books (Educational or Consumer)	17%
Broadcast (Radio and Television)	8%
Business-to-Business Publications	50%
Cable/Satellite	10%
Consumer Magazines	50%
Exhibitions/Trade Shows/Conferences	31%
Information/Database Publishing (including Directories)	24%
Newspapers	26%
Online Media	71%
Professional Publications/Books/Journals	19%

### Respondents' Companies' Annual Revenues

Under \$10 million	27%
\$11-50 million	29%
\$51-100 million	15%
\$101-500 million	16%
Over \$500 million	13%

### Whether Respondents' Companies Are Privately Held or Public

Privately Held Company	91%
Public Company	9%

## ABOUT ADMEDIA PARTNERS, INC.

**ADMEDIA PARTNERS** is an independent M&A financial advisory firm serving digital and traditional media, marketing and information businesses.

Founded in 1990 by former advertising, media and financial executives, the firm focuses on mergers and acquisitions, divestitures, valuations and strategy consulting. AdMedia has provided transactional services and strategic and financial advice to the world's leading media and advertising companies. The firm's industry knowledge and strong transactional skills provide the best outcomes for both buyers and sellers – the strategic value that AdMedia Partners brings to every assignment.

### ADMEDIA SERVES A VARIETY OF INDUSTRIES INCLUDING:

- **Media:** Consumer Magazines, New Media Content, User-Generated Content, Online Communities, Business-to-Business Publishing, Directories, Newspapers, Newsletters, Information Publishing and Tradeshows.
- **Marketing Services and Communications:** Advertising, Media Buying and Planning, Marketing Research, Direct Marketing, Entertainment Marketing, Public Relations, Corporate Communications, Government Affairs, Consulting and Sales Promotion.
- **Interactive and New Media:** Online Advertising and Measurement, Search Engine Marketing, Online Market Research, Performance Marketing and Lead Generation, Affiliate and Ad Networks, Mobile Marketing, Content and Applications, Web Development, Web 2.0 and Interactive TV.

### NOTABLE TRANSACTIONS ADMEDIA PARTNERS CLOSED IN 2008 INCLUDE:

- **Bonnier Corporation**, one of the leading consumer-publishing groups in America, in its acquisition of Working Mother Media, Inc., the largest multimedia company focused on the advancement of women and diversity in the workplace, from MCG Capital Corporation.
- **Range Online Media**, a search engine marketing agency, in its sale to iProspect, a subsidiary of Aegis Group plc.
- **Centro**, the leading solution provider for planning and executing national buys of online local media, in its acquisition of Real Cities from The McClatchy Company.
- **Brulant**, one of the largest independent interactive marketing agencies, in its sale to Rosetta, a portfolio company of Lindsay Goldberg.
- **Juli B**, an online luxury and lifestyle brand that e-mails local content on 14 cities in the U.S. and Europe to over 700,000 subscribers, in its sale to Modern Luxury Magazines, a portfolio company of Clarity Partners.
- **Barefoot**, a premier creative and interactive advertising agency, in its sale to Omnicom's BBDO Worldwide.
- **Manhattan Research**, a premier healthcare market research and advisory services firm, in its sale to Decision Resources, a world leader in healthcare market research publications, advisory services and consulting.
- **Big Communications**, a leading digital healthcare marketing communications company, in its sale to Meredith Corporation, one of America's premier media and marketing companies.
- **Inside Communications**, a leading publisher in the competitive cycling and triathlon segments of the endurance sports industry, in its sale to Competitor Group, Inc., a leading endurance sport media platform created by Falconhead Capital, LLC.
- **SchoolSports**, a leading active lifestyle sports media and events company for high school sports, in its sale to ESPN Rise LLC, a subsidiary of ESPN.



ADMEDIA PARTNERS, INC. | Three Park Avenue | New York, NY 10016

t: 212.759.1870 f: 212.888.4960 e: [info@admediapartners.com](mailto:info@admediapartners.com)

[www.admediapartners.com](http://www.admediapartners.com)