The Events Industry

The opportunity for sustained growth

White Paper

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desilva+phillips MEDIA INVESTMENT BANKERS

AMR INTERNATIONAL LIMITED

The authors

DeSilva + Phillips and AMR International have been very active in transactions which have involved events. Between us, we advised on four of the six largest M&A transactions that included events from 2005 through June 2008. AMR advised on the acquisition of Advanstar Communications by Veronis Suhler Stevenson and the acquisition of ALM by Incisive Media. DeSilva + Phillips advised on the acquisition of Hanley Wood by CCMP (formerly JPMorgan Partners) and Penton Media by Wasserstein & Co.

About DeSilva + Phillips

Founded in 1996, DeSilva + Phillips is a leading media M&A firm, having completed 200 transactions worth over $8 billion. Many of its transactions involving events have been with, or for, some of the largest companies in the events sector: Penton Media, (20 trade shows), Hanley Wood (15 trade shows), Virgo Publishing (10 shows/conferences), Cygnus Business Media (16 trade shows), Randall Publishing, Reed Exhibitions, Advanstar Communications, Summit Business Media, dmg world media, Tarsus Group, Euromoney, CCMP (United Business Media), Canon, Red 7 Media and BNP Media.

About AMR International

Founded in 1991 by Denzil Rankine, AMR International is a strategic management consultancy with offices in New York, London and Frankfurt. Within AMR's media practice, events are a key sector. In events, we have conducted well over 200 assignments, working on the ground in 30 countries. We have a particular strength in commercial due diligence, but have also conducted dozens of market entry, performance improvement and other strategic assignments for various events businesses. AMR supports many of the world's most active events businesses such as Reed Exhibitions, United Business Media and Messe München, as well as investors such as Veronis Suhler Stevenson.

Contents

Introduction

By any measure, the global events organizing industry – which largely encompasses exhibitions and conferences – represents a significant and highly attractive business opportunity:

- It is large – approximately $100 billion total revenue across the globe in 2007.
- It is growing – at an average of 6.2% globally since 2003 – and is forecasted to grow through 2011 at a nominal CAGR of 5.5%. Some international growth rates will touch 20%.
- The industry can provide sustained growth. The world's leading exhibition organizer, Reed Exhibitions, reported a H1 2008 revenue improvement of 9% while operating profit grew 16%.
- The industry remains highly fragmented. The world leader, Reed Exhibitions, holds no more than 7% share of the global market.
- By its face-to-face nature, the event "medium" is highly defendable, and it has a high inherent resistance to lower-margin Internet versions such as webinars.
- Events can be highly profitable – with pre-tax margins often in the 20-30% range, and sometimes more than 40%.
- Exhibitions have excellent cash flow characteristics, with booth space deposits often paid up to a year in advance.
- There is a high degree of revenue integrity as exhibitor renewal rates typically are in the 65% to 85% range and sponsorship opportunities can sell out.

In summary, events and their associated conferences are an integral part of any integrated media company's overall strategy – in print, online and in person. Events can also be the foundation for a highly successful dedicated platform, as, for example, is the case with Reed Exhibitions and the major German organizers.

This paper explores the industry in three sections:

1. Summary and outlook
2. Industry trends
3. How the industry works

Section 1 – Summary and outlook

AMR International and DeSilva + Phillips see a number of developments in the events business which will continue to drive growth, profitability and value.

M&A activity will continue

- Acquisition multiples will remain strong, albeit at slightly lower levels than in 2007. The pace of acquisition activity will nonetheless be maintained – driven by the sector's attractive overall growth rate and the level of change in the markets served by trade show organizers.
- Strategics will continue to view events as a critical part of their business strategies. Pure-play organizers will continue to build their portfolios, and publishing-oriented groups will continue to acquire events to offset softness in print advertising revenue.
- Private equity firms will remain active in the sector. They will be attracted by the many opportunities of pure exhibition businesses, but otherwise will lean towards acquiring integrated B2B assets. Our survey shows that private equity buyers are willing to pay more than strategics for events assets.
- The fragmented nature of the industry will ensure a steady flow of acquisition opportunities.

Internal growth and development will remain strong

- The U.S. market will grow at 4.2%, and many international markets will grow even faster. Interest will grow in these international markets and particularly in emerging economies where organizers will seek growth through both launch and acquisition.
- The economic downturn and the squeeze on marketing spend will affect undifferentiated and poorly run events, possibly leading to their failure or sale.
- Inevitably there will continue to be launches in new and niche markets. The under-managed segments of select flagship events will also be attacked, particularly where owners have not updated events to keep up with market trends.
- Integrated businesses and publishing-oriented groups will aggressively add small events to their brands as they seek to provide the full range of B2B offerings to their communities.

There will be increased focus on asset quality and performance improvement

- Organizers will seek to optimize their revenue models. Conferences will invest more energy in sponsorship marketing, particularly in sectors where delegate numbers and rates are under pressure. Exhibitions will see initiatives such as premium pricing by location and attendee pricing. Managers will aggressively seek out international sales instead of regarding them as a bonus.
- Organizers will strive to increase their engagement with attendees. They will focus anew on event content, alongside their customary attention to attracting the right exhibitor mix and adding side events. The effort to improve content may involve migrating some of the spectacle of B2C events to B2B.
- The Internet will continue to grow in importance as exhibition organizers with commanding positions in their industries examine the opportunities of offering electronic services to their communities that extend beyond marketing and

registration. For example, webinars will be increasingly used to convey additional content to attendees. Cannibalization will not be a concern, as only the weakest events will be threatened by webinars (apart from the training market).

- Associations will continue to seek higher margins alongside their service mission to their members. Some will consider that members' best interests are served by selling, while others will contract out show management to upgrade the calibre of their events and conferences.

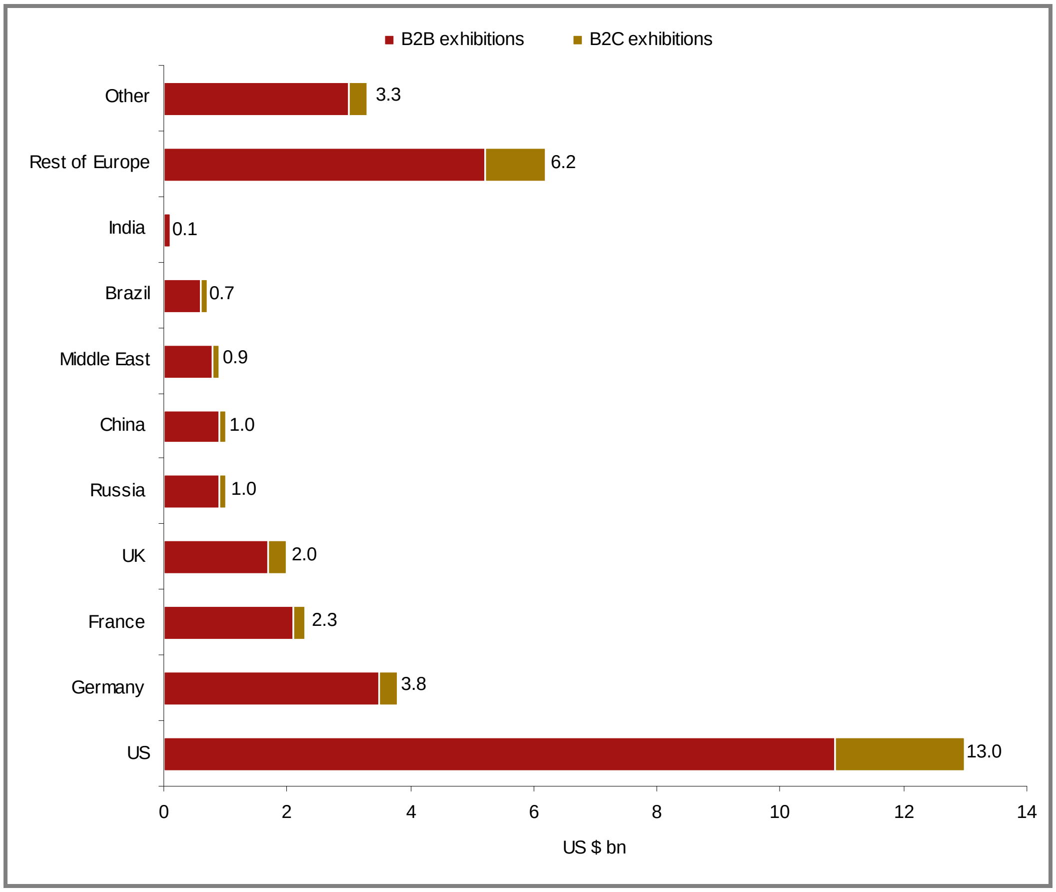
Section 2 – The industry

Size and growth

On a global basis, the trade shows/events/conference organizing industry represents approximately $100 billion in revenue. About two-thirds is comprised of various types of conferences; the remaining one-third – approximately $34 billion – represents exhibitions. Within exhibitions, B2B events dominate the market, accounting for 87% of value.

In 2007, the U.S. exhibition industry represented well over one-third, or $13 billion, of the $34 billion market, as shown in Figure 1.

Figure 1: Global exhibition organizing market by territory, 2007



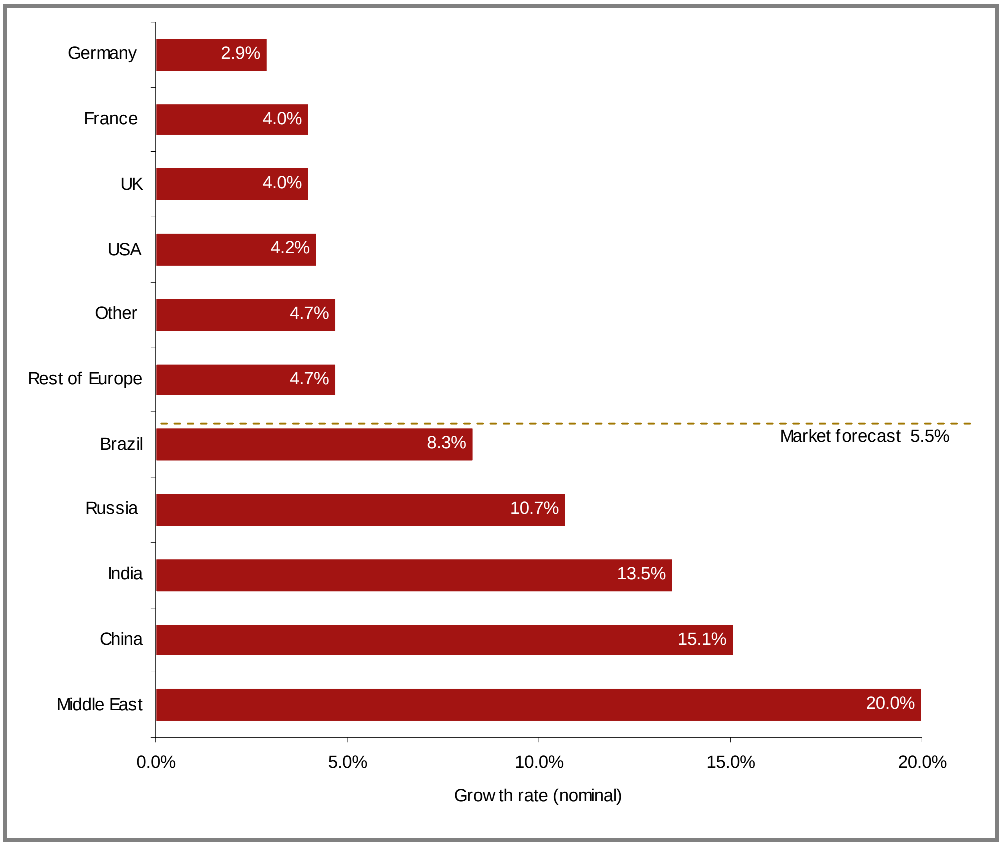
Source: AMR International, VSS, AUMA, CEIR Index, BSG Asia Report, UFI, Fondazione Fierra Milano, Salon et Foires

In recent years, the events industry has continued to flourish even as traditional print dollars have migrated to digital media. The global exhibition organizing industry grew at an average of 6.2% from 2003 through 2007. This is a higher growth rate than any "traditional" medium, all of which have lost ground to their Internet competitors.

Every indication suggests that this growth will continue. AMR International forecasts the global exhibition organizing industry to grow at 5.5% CAGR through 2011. In the more mature U.S. market, growth will be slightly lower at 4.2%. In international markets where the events markets remain relatively immature, all projections point to very strong growth, the highest growth rate being 20% in the Middle East.

Figure 2 below sets out the nominal growth rates for the major country markets across the globe.

Figure 2: Exhibition market forecast growth rate by territory 2008-2011



Source: AMR International, VSS, AUMA, CEIR Index, BSG Asia Report, UFI, Fondazione Fiera Milano, Salon et Foires

The industry's continued growth will be underpinned by the sustained importance of events within marketing budgets and by the continued thirst of attendees for information and insight through personal contact and networking.

Growth will be driven by the launch of new events by pure play organizers and by the further addition of events to B2B portfolios. Increased sponsorship sales and exhibitor and attendee pricing initiatives will also enhance growth. Growth constraints will include the struggle to maintain attendee numbers and exhibitor loyalty at mature, major events.

In less mature country markets, above-GDP growth is being driven by the professionalization of the industry both by international and domestic organizers. It is also supported by the opening of new venues, particularly in the Middle East.

Veronis Suhler Stevenson has recently published its forecast for the U.S. trade show and exhibition market. This is reproduced, with their permission, in figure 3 on the following page.

Figure 3: U.S. trade show and exhibition market

		Forecast		CAGR	CAGR
Year	2005	2008	2012	2005-2008	2008-2012
Exhibit space (mm Sq ft)	383	407	441	2.0%	2.0%
Growth %	*3.2%*	*1.0%*	*2.2%*		
Average price per square foot ($)	20	22	25	3.6%	2.9%
Growth %	*2.6%*	*4.3%*	*3.5%*		
Total spending on exhibit space ($mm)	7,530	8,895	10,811	5.7%	5.0%
Growth %	*5.8%*	*5.4%*	*5.8%*		
Fees, sponsorships and advertising ($mm)	2,184	2,702	3,518	7.4%	6.8%
Growth %	*7.7%*	*7.0%*	*7.5%*		
Total trade show spending ($mm)	9,714	11,597	14,329	6.1%	5.4%
Growth %	*6.3%*	*5.8%*	*6.2%*		

Source: Veronis Suhler Stevenson, "Communications industry forecast: 2008-2012"

M&A activity

Introduction

To take a measure of M&A activity in the events sectors, we examined the M&A transactions of the past three and a half years and looked ahead to determine what might be expected in the next year or two. Our analysis focused on transactions conducted by U.S. media or private equity buyers or sellers.

Recent M&A transactions were culled from statistics in our database for the period from January 2005 through June 2008 to determine transaction values, average multiples and who the most active buyers were. In addition, we explored the types of companies that were acquired – exhibitions, integrated businesses, or conferences. Events services businesses were excluded.

To assess the M&A outlook for events businesses in the next year or two, we polled key executives from some of the largest and most active owners or acquirers of events businesses, including B2B and consumer media companies as well as private equity firms.

M&A market overview

As readers of this report who are active in media M&A are well aware, there have been a number of significant changes in the M&A market for events over the past year. These changes include:

- The market for debt to facilitate M&A transactions has been sharply curtailed. As a result, private equity buyers who depend on leverage for their transactions have been forced either to offer lower prices or to use more of their own equity to make acquisitions.
- The housing downturn in the U.S. has raised concerns about the overall economy, including views from some economists that the U.S. is in recession.
- Buyers of media businesses are hyper-focused on revenue and EBITDA growth; businesses that are showing flat or declining revenue are far less appealing to buyers.
- Recent increases in the cost of oil have raised concerns that attendance at events might be negatively impacted. Our survey revealed that some buyers

believe this is a concern in considering how attractive events companies are as acquisition targets.

Transaction numbers

During the period January 2005 to June 2008, there were 149 events transactions. Excluding the 2006 sale of VNU NV (now Nielsen) for $11.1 billion, these transactions, including either a U.S. buyer or U.S. seller, combined for an estimated value of $6.3 billion over the three-and-a-half-year period.

Figure 4: Events transactions by type: January 2005 – June 2008

Type	Number
Exhibitions	71
Integrated B2B (publishing and events)	45
Conferences (including CME)	33
Total	**149**

Source: DeSilva + Phillips database

Of the total 149 transactions, 80% were B2B, including CME (Continuing Medical Education), and 20% were consumer events.

Half of the transactions were private equity (including add-ons by private equity platforms) and the other half were by strategic buyers. Associations are rarely buyers.

The largest events-related transactions over this period of time were:

Figure 5: Top seven events related transactions ($mm)

Rank	Year	Target	Buyer(s)	Type	Price ($mm)
1	2006	VNU NV	Valcon Acquisition BV (private equity consortium)	Integrated	11,100
2	2005	IIR Holdings	Informa	Conferences	1,400
3	2007	Advanstar	Veronis Suhler Stevenson Citigroup Private Equity New York Life Capital Partners	Integrated	1,142
4	2005	Hanley Wood	JPMorgan Partners	Integrated	650
5	2007	ALM	Incisive Media (Apax Partners)	Integrated	630
6	2007	Penton Media	Wasserstein & Co.	Integrated	530
7	2007	51% stake in George Little Management	dmg world media	Exhibitions	155

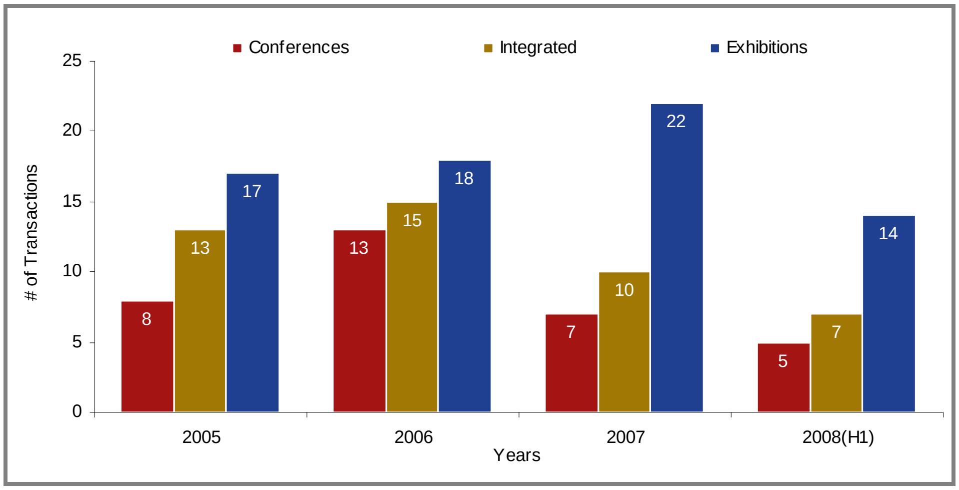
Source: DeSilva + Phillips database

Compared to other events, the exhibitions segment has experienced the highest number of deals in each of the recent years. Exhibitions are typically the smaller deals in the sector and are often a part of roll-up strategies. After excluding outliers like the mega-deals listed above, the average exhibition transaction was valued at only about $9 million.

Conferences were next biggest, averaging $17 million valuation per transaction, while those that were a part of integrated media companies were highest at approximately $31 million.

Following is a summary of transactions by segment by year.

Figure 6: Transactions by segment by year



Source: DeSilva + Phillips database

Figure 6 above shows the positive trend in the number of completed deals leading up to the market turmoil, which began in the summer of 2007. Initially, 2007 was a very active year for exhibition deals, which are typified by a larger number of lower cost transactions. But as the sub prime mortgage market collapsed in the late summer, the number of deals fell off sharply. The last four months of 2007 were severely impacted, with only eight events-related transactions. In 2008, however, the pace picked up with twice that number of transactions in the first six months of the year.

Despite overall reduced M&A activity, the events market seems to be holding its own, and may in fact have another strong year of M&A. Deal volumes appear to be holding up, despite the fact that buyers are paying lower multiples due to financing constraints and a weaker overall market outlook. United Business Media has evidently concluded that the market is ripe for acquisitions, having made four purchases already this year.

There are a number of private equity firms who have been very active in events-related M&A transactions since 2005. Combined, the top nine acquirers have accounted for 26% of the transactions in events since 2005. The most active firms have been:

Figure 7: Private equity acquirers

Firm	Portfolio companies
ABRY Partners	Cygnus Business Media Penton Media F+W Media
Audax Group	Questex Media
CCMP	Hanley Wood Ascend Media
Nautic Partners and Alta Communications	1105 Media
Spectrum Equity	Apprise Media
Veronis Suhler Stevenson	Hanley Wood Advanstar Access Intelligence Ascend Media Red7Media Schofield Media

Wasserstein & Co	ALM Hanley Wood Prism Media Penton Media
The Wicks Group	Wicks Business Media
Wind Point Partners	Active Interest Media Summit Business Media

Source: DeSilva + Phillips database

Strategic and platform companies (owned by private equity firms) accounted for 36% of all acquisitions, the nine most active acquirers of the past three-and-a-half years have been:

Figure 8: Most active strategic/platform company acquirers

Type of acquisitions	Company
B2B	United Business Media Canon Communications/Apprise Media (Spectrum Equity)[1] 1105 Media (Nautic Partners, Alta Communications) Hanley Wood (CCMP, Wasserstein) Diversified Business Communications Advanstar Communications (DLJ, VSS)[1] Questex Media (Audax)
Consumer	Affinity Group Interweave/Aspire Media (Frontenac Company, Catalyst Investors)

Note: [1]Advanstar and Apprise Media have acquired both B2B and consumer events
Source: DeSilva + Phillips database

Other active acquirers include Reed Exhibitions, Access Intelligence, PennWell, dmg world media and Incisive Media.

Two Case Studies: Roll-up Strategy

Affinity Group

In 2005, Affinity Group announced a new division, AGI Events, to own and operate recreation-focused consumer shows throughout the U.S. AGI's most noteworthy event at that time was the Great North American RV Rally which had 10,000 attendees. It began a roll-up strategy in 2005:

- 2005: Two acquisitions, adding 15 events
- 2006: Two acquisitions, adding 10 events
- 2007: Two acquisitions, adding 6 events
- 2008: Two acquisitions, adding 15 events

As of June 2008, after completing eight acquisitions, AGI has 45 consumer shows with a total audience of 500,000 attendees, and is the nation's largest provider of outdoor recreation events.

Canon Communications

In 2005, Canon Communications, a leading B2B media company with 15 tradeshows and 15 magazines for the global medical devices market, was acquired by Apprise Media for $200 million. In 2006, Canon began making a series of acquisitions:

- 2006: Two acquisitions, adding nine events and two magazines
- 2006: Two acquisitions, adding 10 events

- 2007: Four acquisitions, adding nine events and two magazines

As of November 2007, Canon had grown its EBITDA by 33% and its revenue by 55%. So far in 2008, Canon has continued to pursue acquisitions:

- 2008: Two acquisitions, adding two events

Today, after completing ten acquisitions, Canon has broadened its focus to encompass the technology-based manufacturing industry and has created a large footprint in Europe.

Multiples and valuation drivers

Multiples for events businesses for the period 2005 through the first half of 2008 in the DeSilva + Phillips database show average multiples of:

- Revenue: 2.4x
- EBITDA: 9.2x

As in most other M&A markets, larger transactions command higher multiples. For example, transactions over $250 million had average EBITDA multiples of 12x, or more; whereas smaller transactions under $100 million had, on average, EBITDA multiples of less than 9x. Of course, these multiples have trended downwards in the past 12 months. Although they have not declined dramatically, we do expect that trend to continue until there is a broader rebound in the credit market.

In our experience, the key valuation drivers for events transactions are:

- **Growth**. The higher growth a property can demonstrate, the higher the multiples buyers are willing to pay.
- **Profit margins**. Events typically enjoy high margins, and high margins command a higher purchase price.
- **Diversification**. Revenue spread across media that is not dependent on print advertising is increasingly important. Events are an obvious complement to traditional magazine businesses.
- **Competitive advantage**. Buyers seek properties with strong market positions that are not threatened by competition.
- **Cash flow and predictability**. Strong forward bookings for exhibition space and attendance, and sold-out sponsorship inventory, are clear signs of predictable revenues.

Case Study: Big Deals, Big Multiples

dmg world media and George Little Management

In 2000, dmg world media acquired 25% of George Little Management ("GLM"), the largest privately held U.S. tradeshow management company, for $70 million. The implied valuation of the company at that time was $280 million, and based on GLM's EBITDA of $18.1 million, the transaction multiple was 15.5x EBITDA. For a reader in 2008, this is an eye-popping multiple, but for a vintage 2000 deal for a pre-eminent exhibition business it was less so.

Over the next seven years, in three additional transactions, dmg world media acquired the remaining 75% of GLM. Adding the four transactions together, the combined purchase price was $281.1 million. The implied valuation for each of the four transactions is shown below:

Figure 9: dmg world media and George Little Management

Month/Year	Price ($mm)	Portion Acquired	Implied Valuation ($mm)
November-2000	70.0	25%	280.0
January-2005	35.1	15%	234.0
January-2007	21.0	9%	233.3
September-2007	155.0	51%	303.9
Total	**281.1**	**100%**	**281.1**

Source: DeSilva + Phillips database

Presumably, the deal in 2000 was to acquire subsequent portions based on the fixed EBITDA multiple of 15.5x. If that was the case, it appears that GLM's EBITDA had declined between January 2005 and January 2007, and only rose to above the 2000 level in September 2007.

Where do the top events company acquirers think the market is headed?

We surveyed the leading buyers of events businesses for 2005 through the first half of 2008. Our respondents accounted for 58% of the 149 transactions and were responsible for 81% of the $6.3 billion cost of acquiring these businesses.

Based on our survey respondents' input about what they are willing to pay, the prevailing EBITDA multiples for events, by type, are somewhat lower than the average 9.2x EBITDA multiples that were paid in the period 2005 through the first six months of 2008. Here is the breakdown:

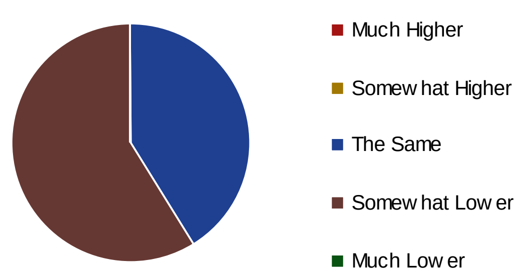
Figure 10: Event EBITDA Multiples by type

Event type	Strategics	Private Equity
Standalone Exhibitions	7.9x	8.5x
Standalone Conferences	6.4x	8.2x
Integrated Media Companies with Events	8.0x	8.9x

Source: DeSilva + Phillips database

Figure 11 below shows that the consensus among buyers on prevailing multiples in today's market is that they are either the same or somewhat lower than they were one year ago.

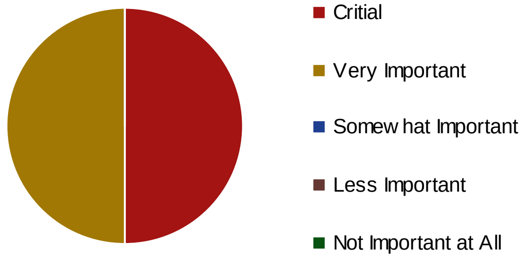
Figure 11: Multiples today vs. one year ago



Source: DeSilva + Phillips

Figure 12 shows that strategic acquirers consistently describe events as either critical or very important to their acquisition strategies. This is a significant indicator for sustained future M&A activity in events, despite the increasingly uncertain economic climate. Although they might struggle to pay as much for events acquisitions as private equity bidders, the leading strategic players in the industry are not wavering in the execution of their growth initiatives.

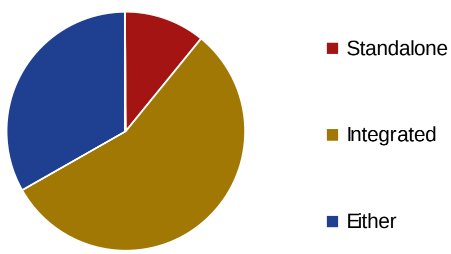
Figure 12: Importance of events to acquisition strategy – Strategics/Platform Companies



Source: DeSilva + Phillips

Responses from private equity groups with holdings in the events market were less uniform, and some suggested that events are less critical to their growth strategy. Figure 13 shows that private equity groups find integrated events businesses more desirable than standalone events businesses and would consequently offer lower multiples for standalone events businesses. More specifically, those groups with a less aggressive acquisition strategy in events are more interested in integrated events businesses.

Figure 13: Most desirable type of acquisition – Private Equity Firms



Source: DeSilva + Phillips

Globalization

Events markets offer worldwide growth opportunities. Many international organizers are targeting the BRIC (Brazil, Russia, India, and China) economies as they have strong underlying GDP growth and the events industries are relatively immature. There is also substantial growth and investment in the Middle East, which has been spurred by massive investment in venues such as the $136 million Abu Dhabi National Exhibition Center, a gleaming 600,000 square feet facility.

The potential prize is substantial. For example, the UK-listed organizer ITE targeted Russia in the 1990s. Its mixed launch and acquisition strategy propelled ITE to become Russia's leading organizer, positioning it to benefit from the substantial, sustained underlying growth rate of Russia's GDP.

In those industries that are global, such as aerospace or chemicals, events can be sensibly organized on a regional or even global basis – the Le Bourget and Farnborough airshows, for example, attract attendees from around the world. Other industries are inherently more national/regional: building products events, for example, attract local attendees.

International development can be hampered by a range of factors. Many countries lack venue capacity, and the quality of facilities can be poor – the worst often located in the capital city. In some territories, the exhibition culture is undeveloped, while in others there can be a two-tier market. For example, in China there are low-priced domestic events, which resemble fairs, as well as international events which are far more like regular trade shows.

A classic international development strategy is to geo-clone events into new territories. German organizers have been particularly adept at this, often using international clones as a mechanism to strengthen and sell into the main show in Germany. For example, Messe Frankfurt has exported its German brands such as Heimtextil to Russia and India; Techtextil to North America and India; Ambiente to Italy and Japan; and Beautyworld to Japan and the Middle East. An alternative is to acquire a local organizing company in an attractive geography, for example, Diversified has done this in Australia, as has Reed Exhibitions in Brazil.

The Internet and events

The dotcom boom had pundits predicting the demise of the events sector. They were wrong. While larger slices of marketing budgets are now dedicated to e-media, this growth has been more at the expense of traditional media such as print advertising than of the events budget. Attendees still value the ability to network, learn in person, and interact with suppliers and peers and to discuss products and services. While e-media can distribute the content of events, it cannot compete with the most highly valued aspects of event attendance. We do not see this changing in the near or mid term.

As traditional media owners see their traditional print revenues eroding through online migration, events have moved higher on their list of priorities as a source of more predictable revenues and profits.

What is more, some leading events organizers are now seeing the Internet as a useful aid to their properties, although harnessing it remains a challenge. Those who have substantial brands and positions in an industry sector are now actively exploiting the Internet to attain a long-sought-after goal: transforming the one-time-a-year creation of a physical community into a year-round relationship. We expect that in pursuit of this goal, organizers will target electronic acquisitions of all sizes, in order to bring various forms of content or aspects of community to their brands.

In the training sector, e-learning (also known as distance learning) has had a significant impact. As we said earlier, e-learning has measurably cannibalized traditional revenues as participation has moved to low-revenue online media from high revenue face-to-face training. Leading organizers are addressing the problem by supplementing traditional learning with e-materials and competing with their competitors: seeking themselves to take share in distance learning from rivals.

Section 3 – How the industry works

Business models

There are numerous business models in events, any of which can be successful:

- Industry "horizontal" trade shows, e.g., Magic

  An event which covers a range of related industry segments, typically with coherence around the attendee base – for example, in the case of Magic, around buyers of women's fashion.

  These events can develop powerful brands and considerable momentum. In their prime they are very hard to challenge as their success creates a competitive vacuum in their sector. There have also been some significant failures, however, in cases where the show stagnates in a rapidly changing industry and fails to keep up with the needs of participants. The most notable example is the IT show Comdex.

  Major events can also spawn a range of satellite events, or parasites. Las Vegas can see as many as 20 or 30 fringe events in minor venues around a major show as other organizers seek to exploit the opportunity to reach the attendee base that is in town for the main event. There are similar phenomena elsewhere, including Cannes. The organizer of the main event has three choices: Kill, Co-habit or Acquire. In many cases organizers can cohabit with these fringe events.

- Industry "vertical" trade shows, e.g., National Restaurant Show; All Things Organic

  These events are focused on the buyers and sellers in a specific industry segment. They have the specific advantage of a clear focus. Some conference or other content can be added to the events, though it may not always be substantial or compelling.

  These events can be national, regional or local, and some organizers have been successful in rolling out brands through a series of regional events. Another development approach is to co-locate events that serve a similar attendee base. For example, Interop is effectively a set of four co-located events.

- Congresses, e.g., ICSC Convention Leasing Mall & Trade Expo

  Congresses (sometimes referred to as confex) are events that combine an industry conference and a trade show. Attendees are drawn to the compelling content of the conference and some will also be interested in the trade show element. Other attendees will be interested in the trade show element alone and will not participate in the conference program.

  Many congresses are association-owned events, run for the benefit of members, but often managed by a professional organizer. They are often peripatetic, rotating through cities domestically or internationally, though some remain rooted in a particular location, such as Medica in Düsseldorf.

- Conferences, e.g., Association of Corporate Growth (ACG)

  These events typically focus on an industry sector or sub-sector and are designed to bring together industry participants both for information-gathering and networking.

  In those that have established a strong brand and are networking-led, the delegate mix is key, and the organizer has to refresh the content each year.

Other events are driven by current topics (e.g., renewable energy), so the quality of content and speakers is paramount.

There are a number of other formats, including one-to-one events in which vendors pay for access to qualified buyers, industry awards dinners, and the like.

- Training events, e.g., Fred Pryor, American Bar Association

  These events are often driven by continuing professional development or compliance needs, often mandated by individual professional organizations, as well as general functional training. Events tend to be considerably smaller than regular conferences, and many are trainer-led, as opposed to the conference format. Events include a mix of “evergreen” topics and others that shift with the times.

  Training events are the most likely to overlap with Internet versions or e-training. Forward-thinking businesses are moving towards an integrated model, offering both physical and interactive content.

- CME-driven events, e.g., M/C Communications

  Continuing medical education events form their own segment. These events are driven by the need for clinicians to continue their education, and the need to earn CME credits each year. CME events’ revenue derives from educational grants from pharmaceutical companies and medical device manufacturers.

  The wealth of available pharmaceutical company grants has made the sector attractive – for example, allowing M/C Communications to be sold less than 10 years after start-up for over $400 million.

  Increased regulation and restrictions on how pharmaceutical companies can support events have, however, recently taken some of the shine off the CME sector.

- Consumer events, e.g., Comecon

  The consumer events market is even more fragmented than the B2B market, since consumer exhibitions cover a wide range of topics from broad-based home shows to more specialist events, while consumers are much more likely to be local/regional than professional and trade groups. As a rule of thumb, the more focused the event and the more committed the consumer (“prosumer”), the more resilient the event. Their interest is more easily maintained than attendees at broad-based events, which, by contrast, can suffer sharply during a slowdown.

  Consumer events tend to be seasonal, creating a logistical headache for the organizer, and are typically local or regional. Often, the organizer can duplicate a successful brand geographically. For example, IMS, the consumer motorcycle event, has now established about 20 events over the summer months across the U.S. Affinity group has conducted a successful roll-up in consumer events.

  Consumer events share many of the characteristics of B2B events, but typically enjoy lower margins as exhibit space is sold at a lower price and attendee promotion is inherently more expensive. Interestingly, major media groups with strong local and regional reach such as newspapers and radio have not entered the sector in the U.S., although this practice has been a profitable part of UK newspaper publishing for decades; for example, the Daily Mail’s famous Ideal Home Show was founded in 1908.

Ownership models

There is a variety of ownership models for events – but there is no one rule as to which is best.

- Dedicated events organizer, e.g., Reed Exhibitions

  These businesses have no interest in other media types and focus only on events. As a result, they represent best practices in the sector. A future trend may be for their powerhouse brands to take the opportunity to leapfrog the paper medium of their publishing competitors and to develop electronic offerings.
- Mixed B2B media owners, e.g., Advanstar, Nielsen

  These groups have strong skills in both events and publishing, although there is often a limited overlap in their selected markets. For example, Advanstar has no fashion publishing. These companies – together with integrated media companies (below) – are best positioned to take advantage of cross-media opportunities between events, print and electronic media in the same industry.
- Integrated Media companies, e.g., Hanley Wood, United Business Media, 1105 Media

  These media owners have a leading position in select industry segments, seeking to provide the full range of B2B services around a range of platforms. There is a growing trend towards integrated B2B – for example, Cygnus has sought to transform itself in this way by building a set of B2B services around each of its brands.

The top organizing and management companies in the U.S. are seen in Figure 14.

Figure 14: Top U.S .organizing and management companies

Organizer/Manager	Number of events in 'Tradeshow Week' top 200
Dmg world/GLM	18
Nielsen Business Media	11
Reed Exhibitions	10
Advanstar	4
Hanley Wood	4
Smith Bucklin	4
Hall Erickson	4

Source: Tradeshow Week

- Venue-driven organizers, e.g., the organizing arms of the German Messen

  In Germany and a number of other countries, the organizing arm of a venue runs events in order to fill up its own venues. These organizers then tend to develop by cloning their events internationally. A downside of owning the venue can be the constraint of being inflexible in choice of location, which can limit growth or adaptability.

  In 2008 Viparis, the merger of the two major Paris venues will become a venue powerhouse. Total revenues, including those from hall ownership, will be over $700 million.

  The table below shows that three venue organizing arms feature in the top five organizers worldwide.

Figure 15: Top event organizers' organizing revenues ($mm)

Exhibition company	2005	2006	2007
Reed Exhibitions	1,016	1,133	1,243
United Business Media	298	404	443
Messe Frankfurt	342	360	382
Messe Düsseldorf	284	274	319
dmg world media	279	299	301

Note: Except Reed Exhibitions, all data is adjusted to exclude venue and service fees.
United Business Media and dmg world media figures were published in £m and converted to $mm
Source: KME Consulting / AMR International estimates

- Associations, e.g., International CES, Las Vegas, NV (Consumer Electronics Association)

  Associations are the natural haven for events as they provide a service to their members. Often it is manufacturer or producer associations (i.e. those that represent exhibitors as opposed to attendees) that run the events. In the medical arena, however, many conferences and congresses are run by associations that represent the delegates. Associations enjoy the revenue streams, but often they are less commercial than professional organizers. Consequently, professional organizers are often contracted to run the events. For example the International Hotel/Motel & Restaurant Show is owned by three trade associations, but it is run by GLM, a major events management company.

The listing below shows the top 10 events in the U.S. It shows the scale and importance of associations as five out of the top ten exhibitions are association-owned. (It was seven out of ten until the World Shoe Association's change of statute in 2007.)

1. 2007 International CES, Las Vegas (Consumer Electronics Association)
2. International Construction & Utility Equipment Exposition, Louisville (Association of Equipment Manufacturers)
3. The WSA Show (February), Las Vegas (WSA Global Holdings)
4. MAGIC Marketplace (August), Las Vegas (Advanstar)
5. The WSA Show (July), Las Vegas (WSA Global Holdings)
6. MAGIC Marketplace (February), Las Vegas (Advanstar)
7. SEMA Show, Las Vegas (Advanstar)
8. ICSC Spring Convention Leasing Mall & Trade Expo, Las Vegas (Council of Shopping Centers)
9. The International Builders Show, Orlando (National Association of Home Builders)
10. NBAA Annual Meeting & Convention, Atlanta (National Business Aviation Association)

Source: Tradeshow Week

- Private equity investors, e.g., Veronis Suhler Stevenson, Wasserstein, Quadrangle, and CCMP

  Private equity investors are also owners of events businesses. For example Veronis Suhler Stevenson owns Advanstar and Bain Capital owns M/C Communications. These owners are seeking growth that can be monetized in a successful exit. Private equity can be very successful owners of events, including those that have faced difficult times. For example, as AMR is currently verifying this data Tailwind successfully exited MediaLive – the core property of which was Comdex, the formerly troubled major electronics show – to United Business Media.

Revenue models

As described below, revenue models vary widely by segment.

Trade shows

At trade shows, organizers typically capture about 20-25% of the total cost of exhibiting. The balance is spent on travel, accommodation, booth construction and a range of related services. Other areas of trade show spend are harder for organizers to capture and are less attractive as most have a lower margin opportunity.

Nonetheless, organizers do generate revenues from a range of sources beyond booth sales (also called space sales). Revenue sources for organizers include:

- Booth sales

  These are the traditional core revenue stream. In major events demand can be relatively inelastic, allowing organizers to push prices up faster than inflation – but exposing themselves to the risk of an exhibitor resistance or a competitive launch.
- Sponsorship

  Increasingly, organizers are using sponsorship sales as a way of tapping into the marketing budgets of exhibitors.
- Attendee entrance fees

  To encourage attendance, many trade shows do not charge an entrance fee to qualified attendees. The organizer collects data on attendees for its database and future promotion campaigns. While there is a trend towards organizers seeking to initiate or raise attendance fees, it is tricky to achieve in practice without affecting attendee numbers, which are themselves under pressure.
- Conference sales

  Major trade shows are able to add conferences as side events, thereby increasing the content of the event and attendee appeal. Conferences are not always well attended, however, and even when they are, exhibitors may complain that the floor is empty as key contacts are taken away by the conference.
- Hotel booking commissions

  Organizers are often involved in organizing the travel and accommodation for participants and earn a commission from the hotels and airlines.
- Additional services

  There are a number of additional services that organizers can offer depending on the event and location.

Conferences

The revenue model in conferences is somewhat simpler, but there are still several sources of revenue.

- Delegate fees

  The primary revenue source for conferences is delegate fees.

- Sponsorship

  Sponsorship sales have become increasingly important to organizers, who now offer more sophisticated tiered programs, with a range of benefits for platinum, gold, silver, bronze etc. Organizers can offer key sponsors category exclusivity, special access to VIP attendees and other sophisticated programs.

  Some CME events have developed an interesting hybrid model, with delegate fees subsidized by sponsoring pharmaceutical companies. However, they must ensure that the events remain educational rather than marketing in their focus.

- Content revenues

  In the training segment of the conference market, e-learning is a major factor. It provides some new revenue opportunities as delegates are offered enhanced content, and they can be accessed in wider geographies. Delegate revenues can be cannibalized, however, as buyers use electronic substitutes in the place of physical attendance.

- Cost subsidies

  The bottom line can be enhanced as conference organizers typically strike a hard deal with venues, seeking not to pay for the space but guaranteeing the number of hotel nights that delegates will buy.

The growth challenge

The growth basics

To achieve growth in the exhibition sector, the basics are clear:

- Well-defined set of buyers and sellers (attendees and exhibitors).

  A successful event requires a coherent set of buyers and sellers who want to do business with each other. Some organizers are tempted to allow events to increase in size by selling more booths at the risk of diluting a coherent attendee base.

- Attractive dynamics in the underlying attendee and exhibitor markets (that is, the “served markets”). They require:

  Growth – For the most part, events reflect the health of the industry segment they serve. It is hard to grow an exhibition when the underlying markets are retracting. It is possible, however, when the organizer is highly attuned to the needs of both exhibitors and attendees, and accordingly offers content that addresses all of their needs. On the other hand, rapid growth and transformation in an industry can be as much of a challenge to an event organizer as decline.

  Fragmentation – Consolidation is the enemy of an event organizer. For example, consolidation in the manufacturing sector means fewer organizations to buy booths at industrial fairs. Consolidation among pharmaceutical companies means fewer buyers of equipment to attend events.

  Continuing change or innovation – If there is nothing new to see or learn about, then there is little point in attending an event. While the fashion industry has two major seasons (and several more sub-seasons) each year, leading to spring and fall events, the corrugated (carton) sector has an exhibition every four years as there is little more to innovate.

Manageable competitive environment – Market leading events seem to create a competitive vacuum, as they suck in all of the best attendees and relevant exhibitors. The events sector, however, can be very competitive: Rival organizers can quickly spot a gap in a major event, where perhaps it has failed to keep up with the needs of attendee groups.

Growth routes

Exhibition organizers can achieve growth via three routes:

- Organic

  This is the hardest. It means launching a new event from scratch. There are two types of launch:

  - ✓ New market launch. For example, organizers are launching a range of events to serve the markets for emerging fuel technologies.
  - ✓ Competitive launch. A broad-based show can easily fall out of touch with the specific needs of its attendee base, allowing a rival organizer to launch a “vertical” (single segment) attack. For example, Nepcon West suffered at the hands of Apex, which was launched by the surface mount industry association, IPC.
- Clone

  An organizer with a successful brand can clone this brand, both by geography and by time. Primed holds its CME events across the U.S. and has extended its brand overseas. The German halls have driven much of their international expansion through the launches of cloned events. This is a low-risk strategy because the organizer has good knowledge of the market and can leverage its existing brand to attract exhibitors.
- Acquire

  Acquisition is a widely used development tool in the exhibition industry. Some major organizers – who are better at growing and defending their assets than launching events – become serial acquirers. Others make acquisitions in order to make a step change in their business. For example, UBM added MediaLive to its IT portfolio, allowing it to become a more integrated B2B player in the sector.

Growth challenges

Regardless of the growth routes chosen, the challenges are the same:

- Attendee interest and time pressure. It is a common complaint that events calendars are too crowded. Attendees and delegates can only justify allocating a limited amount of their time to them. In the developed economies, the long-term trend towards downsizing, particularly in mature industries, is hurtful and is reflected in the gradual reduction in the potential attendee base.

  Attendee numbers are measured and reported (with varying levels of accuracy around the world) so organizers are keen to see numbers maintained, as well as to maintain the “buzz” on the show floor. It is, however, attendee quality that is more important than sheer numbers. (Buyers are far more valuable than students bussed in for the day.) No organizer has really done a good job at measuring quality.
- Sustained (exhibitor and sponsor) marketing budget pressure. Exhibition and sponsorship spending comes out of marketing budgets which are coming under increasing scrutiny, with ROI being either talked about or measured.

- Maintaining innovation and keeping the event "fresh." Events must reflect the markets they serve. It is a common fault for event teams to fall somewhat out of touch with the latest developments in their markets and allow their events to drift. It is too easy to take last year's formula and roll it out again, not paying sufficient attention to emerging technologies or changes in buyer groups.

  When this happens, events can maintain their momentum for one or two editions, but they will then soon come under threat from a competitor attack focusing on the new segments, or they will find their exhibitor and sponsor base eroding.
- Intense competition. The barriers to entry in events can be relatively low, allowing competitors to launch fairly easily. The exceptions are cases where organizers have carved out a clear franchise by attracting the major buyers and sellers in a market segment. The National Restaurant Association has done this with its annual Chicago show. Any competitors have to be clearly separated in time and geography.

  An aggressive launch will target the same segment and same dates (but obviously a different venue) to the target event.

Adding value to an events business

After growth, the question that most organizers pose to themselves is: "what steps can I take to add value to my events business?"

The goal is to achieve predictable, growing revenue streams, as this is what shareholders value. The inherent difficulty is that events businesses can be impacted relatively quickly by adverse market forces or aggressive competitive action.

The following steps help organizers to add value to their events:

- ***Have the right scale***

  Typically, the larger the event, the higher the margin. However, there is no point in building scale for its own sake by adding irrelevant or unfocused elements to an event. These detract from the attendee experience. Event attendees are relatively sophisticated consumers. After a possible short term win, attendees will vote with their feet and the event's value will erode.

  An organizer should have a coherent set of properties, each with scale and a leading position in its market. An integrated B2B owner can argue that a small event enhances the overall position of its brand in the market.
- ***Hold a clear, differentiated position in the market or segment***

  Differentiation is essential and market leadership brings a significant prize. Undifferentiated events get lost in the shuffle, while the leading event secures the attention of the most important attendees. The key is to understand which market segment the event is addressing and then to deliver the right content.
- ***Understand the specifics of what attendees want and value***

  Attendees are the lifeblood of events. In conferences they are the major revenue source, and in exhibitions they are the reason why exhibitors are prepared to pay a lot of money for a booth. Few exhibition organizers really understand why attendees do not sleep at night, or the detail of how their needs are evolving. Those exhibition organizers that can provide highly relevant content for senior attendees are the ones that achieve sustained success. Conference organizers have no choice but to provide relevant content in their programs, or their delegates will not sign up.

The management team needs to be close to the industry. Event organizers can be at a disadvantage to print/online trade media, because events are generally annual, while publications are weekly or monthly, and online is up to the minute. A trade show can be seen as the equivalent to a publication, with the readers walking around the advertising, which has become an integral part of the content. The event needs to innovate by providing the right content – whether it's the conference itself, exhibitor mix, or both – and attracting the right attendees.

- ***Be a part of the industry***

  Events become more valuable when they become an integral part of the industry business cycle. Major aircraft orders are announced annually at Farnborough or Le Bourget; innovations are announced at IT conferences; rights are sold at book fairs and TV summits and so on. The trick is to make your event a leading industry meeting place.

Events can be highly profitable. As events operate off a relativity fixed cost base and costs do not increase materially in line with the size of the event, well-managed organizers should be able to grow the bottom line faster than the top line – and major brands are able to achieve EBITDA margins of 40% or more.

In summary, the success formulae in the sector are straightforward:

- **Clear focus + strong management = profit**
- **Increased scale = increased margin**

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