desilva+phillips MEDIA INVESTMENT BANKERS

mergers & acquisitions
an insider's guide to the media marketplace
the desilva+phillips report 2008

Highlights of the 2008 Report

The Deal Year 2007

- 135 transactions – down from 2006 value but more than any other year in the past ten, with dramatic loss of momentum in the 4th quarter.
- Deal volume: $9.6 billion – less than half of the 2006 total.
- Strategics did 33% of the top 15 deals but 62% of dollar volume.

The Advertising Market

- The ad market lagged the economy, delivering only 0.2% growth.
- Consumer magazines excelled with 6.3% revenue growth.
- An historic event: the consumer magazine sector may overtake the newspaper sector to become the second-largest media sector, after TV.

Public Media Companies

- Our basket of 11 public companies declined 2.3% – the first time this century publics moved in the opposite direction to the markets.
- 3 of the basket's companies have disappeared from the public markets.

The Top 15 Deals

- Consumer deals dominated, with 10, including the 2 biggest, Gemstar-TV Guide and Primedia's Enthusiast Group. Consumer deals were 72% of the $8.06 billion total value of the list.
- Top B2B deals were Advanstar and ALM's sale by one financial (Wasserstein) to another (Apax Partners). 3rd biggest: Dolan Media's IPO, 4th best performing out of 90 NYSE IPOs.

Traditional Media Using M&A to Converge with Digital

- Traditional media built digital capability on a big scale.
- Niche rather than platform acquisitions prevailed.

Valuations

- Multiples unchanged from 2006 through the first three quarters of 2007.
- 2008 multiples will trend downwards between one and two clicks.

Outlook for 2008: M&A transactions will continue strong but at a slower tempo; watch for distressed deals and cross-border deals.

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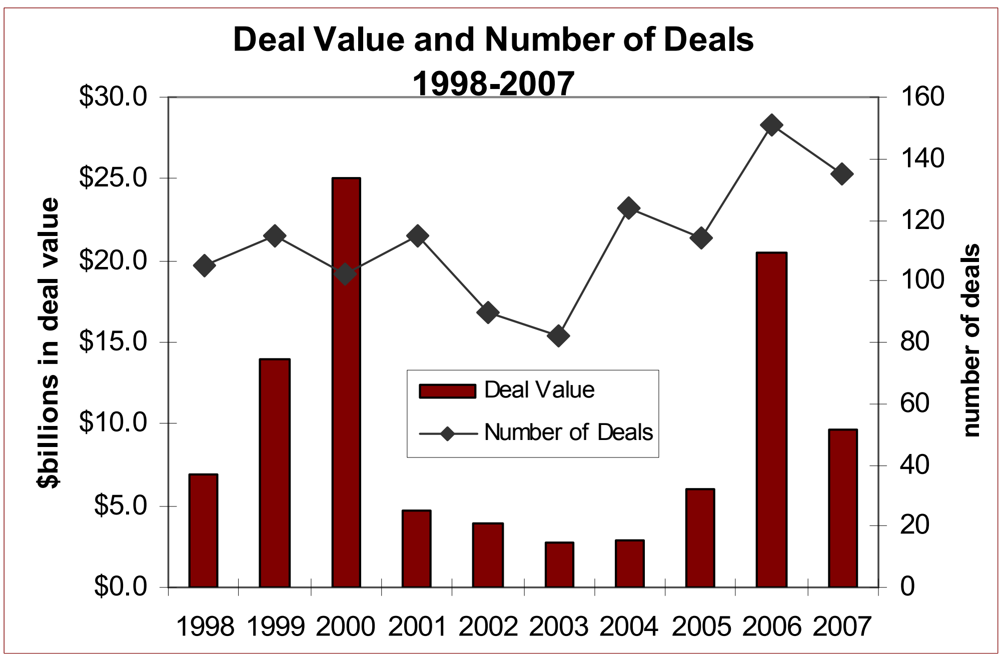
What kind of year was it? To understand the deal market for the year 2007, we need to put it in the context of the last decade – and 2006 in particular – the first year that showed substantial recovery from the shock of attack and war that dominated the years 2002 through 2005. With a dollar value of $20.5 billion, and a deal count of 151, 2006 was the first year that fit in with the trend line established in the last years of the 1990s, excluding the year of the Internet bubble of 2000. The five intervening years – 2001 through 2005 – were a long vacation from growth.

At this time last year, we predicted that the growth would continue in 2007. We were both right and wrong. Deal count fell slightly, but with 135 transactions, 2007 still saw more deals than any other year in the past ten years. Deal volume was $9.6 billion – less than half of the 2006 total. But in the middle market (excluding the VNU megadeal of 2006) – the 2007 total would have been equal to 2006 at about $9.5 billion, despite the debt market turmoil in the fourth quarter.



What the yearly numbers don't show is the dramatic loss of momentum in the fourth quarter of 2007. Through August, the pace of deal closings was running almost 13% ahead of 2007, with 108 deals compared with 96 for the same period in 2006. But when the credit crunch made itself felt, only 27 more deals were completed in the last four months of the year. Had the deal tempo stayed on the pre-September beat, there would have been twice that number of deals completed in the last four months of 2007.

Of course, this was hardly a media business issue, but a tidal wave that washed across every industry. In the first half of 2007, *BusinessWeek* estimated that a record $2.7 trillion in M&A took place worldwide. But according to its analysis, the number of deals that took place once the credit crunch set in declined by 49% from the same period in 2006.

The credit crunch may also have affected the eternal tug-of-war between strategic and financial buyers. As we've noted before, in the 1990s, strategics accounted for the vast majority of deals. In the aftermath of the media recession, the collapse of the Internet bubble and the 9/11 turmoil of 2000-2002, financial buyers stepped forward, and they dominated the deal market in the first years of this decade. Then in 2005, as the strategics' business and balance sheets began to recover, they reasserted themselves as buyers. They did not recapture their late-twentieth-century dominance, to be sure, but they did recover from their lows of 2003 and 2004, when they did fewer than one out of five of Top Deal List transactions.

What about the lion-and-the-unicorn contest between financials and strategics in 2007? Measured by their participation in the top 15 deals of the year, the strategics maintained their ground, doing five of the top 15 deals this year, just as they did in 2006. Their 33% deal-count share, however, understates the strength of strategic buyers: the value of those five deals represented almost two-thirds (62%) of the total dollar value of the top fifteen deals.

The interesting question is how did the ongoing turmoil in the credit markets affect the two rival camps in 2007 – and how will it affect their fortunes in the year to come? In the short run, the credit crunch disrupted every deal of size in the fourth quarter, particularly those transactions that were hit, in a sense, in mid-flight. But in the long run – or at least as long as the credit markets are disrupted by the problems of the subprime crisis – we expect that strategics, whose deals tend to be less leveraged than financial deals, will gain a comparative advantage over financial buyers.

$ billions	All Deals		Top 15 Deals		
Year	**Deals**	**$ Value**	**$ Value**	**Strategics %**	**Financials %**
2007	135	9.6	8.1	*33%*	*67%*
2006	151	20.5	18.9	*33%*	*67%*
2005	114	6	5.2	*33%*	*67%*
2004	124	2.9	2.1	*7%*	*93%*
2003	82	2.7	2.5	*33%*	*67%*
2002	90	3.9	3.6	*47%*	*53%*
2001	115	4.7	3.8	*80%*	*20%*
2000*	102	25	23.6	*80%*	*20%*

**2000 excludes the AOL-Time Warner deal*

The Advertising Economy

In 2007, the advertising market substantially underperformed the general economy, delivering only 0.2% growth (through the first three quarters, according to TMS Media Intelligence). Once again, consumer magazines have done well, delivering stronger growth than the year before, at 6.3%. In fact, the consumer magazine sector will likely reach an historic milestone this year, thanks in part to its own steady growth since 2002 – it will at least tie but will probably overtake the newspaper sector to become the second-largest media sector, after TV (a year earlier than we predicted last year). Consumer magazines have not held the number two ranking among the media sectors since the triumph of radio in the 1930s.

Of course, as the novelist Gore Vidal reminds us, "it is not enough to succeed – others must fail." And for consumer magazines to achieve this landmark, the newspaper sector has indeed succeeded in failing, and by an accelerating percentage – down 5.2% through the first three quarters of 2007 and down 2.7% in 2006. The B2B magazine segment fared no better than newspapers – falling 5.5% in 2007 and 2.0% in 2006.

Advertising Spending by Sector – 3Q YTD

$ billions **Media Sector**	**2006**	**2007**	**Change**	**% Change '06 vs '07**	**% Change '06 vs '05**
Internet	7,149	8,380	*1,231*	*17.2%*	*17.9%*
Consumer Mags.	17,984	19,121	*1,137*	*6.3%*	*5.8%*
Television	47,286	46,401	*-885*	*-1.9%*	*5.2%*
Radio	7,973	8,115	*143*	*1.8%*	*-1.1%*
B2B Mags.	2,842	2,687	*-155*	*-5.5%*	*-2.0%*
Newspapers	20,295	19,239	*-1,056*	*-5.2%*	*-2.7%*
FSI's	1,386	1,373	*-14*	*-1.0%*	*24.2%*
Outdoor	2,828	2,952	*125*	*4.4%*	*8.0%*
TOTAL	**107,743**	**108,268**	***525***	***0.5%***	***4.0%***

Source: TMS Media Intelligence

The question is – if the economy grew at a reasonable overall rate, why is measured advertising spending falling behind? The Internet-measured advertising economy is not the answer; measured spending online grew substantially, by a huge percentage, but on a small base. The impressive percentage growth in Internet advertising amounted to a dollar increase of $1.2 billion – clearly not enough to offset the collective decline of $2.1 billion in newspapers, TV and B2B magazines.

There is a disconnect between economic growth and advertising stagnation. Despite a positive year for the U.S. economy in 2007, key sectors did not grow at anything like that 3% economic growth rate. In fact, the automotive industry and the housing market are suffering, and these are precisely the sectors that are critical to the advertising market, particularly in newspapers and TV. The slide in auto sales has led to advertising spending reductions of 9.1% and 6.1% in domestic and foreign auto advertising (affecting TV and magazines), and the collapse of the housing bubble has led to a decline in real estate advertising (down 13.9% to $2.1 billion) and home/building retailers (off 1.9% to $3.5 billion). In particular, real estate and automotive advertising are two of the three main supports (along with recruitment advertising) of the newspaper industry.

It's now five years since the worst year for the media industry, 2002, and it's instructive to look at advertising sector shares of market in 2007 compared to five years ago. Of course, Internet leads the pack with a 59.2% improvement in share of market. It is now bigger than the B2B magazine and Radio sectors. Most observers foresaw that development. However, we believe that no one forecasted the immense growth improvement in consumer magazine SOM, which improved by 23.8% over the five -ear period, a huge gain for such a stable and mature – some thought outmoded – medium. Once again, the pundits who have been predicting the demise of the print magazine medium will have to move the goalposts.

Advertising Market Share 2007 vs. Five Years Earlier

Media Sector	2002	2007*	Pts. Change	% Change
Television	44.2	42.9	-1.3	-2.9%
Newspaper	20.6	17.8	-2.8	-13.6%
Consumer Mags.	14.3	17.7	3.4	23.8%
Radio	7.7	7.5	-0.2	-2.6%
B2B Mags.	6.2	2.5	-3.7	-59.7%
Internet	4.9	7.8	2.9	59.2%
Outdoor	2.1	2.7	0.6	28.6%

**YTD through third Quarter*

Public Media Companies

In general, public media companies had a dismal year compared to the public markets as a whole and the general economy. Our basket of eleven public companies showed a collective decline of 2.3% in market value, far below the Dow's 6.4% gain and the broad-based Wilshire 5000's 3.9%. Even more significant was the inconsistency of these companies' results. Last year, ten out of eleven of the public companies moved up – this year, four were up but seven were down.

Of course, the most important development was the disappearance of three of the most senior companies in the basket from the public markets (for the sake of year-to-year comparison, we left their final sale values in the collective average): Dow Jones, Reader's Digest and Gemstar-TV Guide (which will close in 2008). Although the three companies combined represent only about 7.5% of the total market cap of the eleven companies we've been following, they will be missed. Of the four companies whose stock prices rose in 2007, three were in this group. If the results of the acquired companies are excluded from the basket for the year, the group's total declines dramatically, by 14.3%.

Stock Price Activity

Media Company	Stock Price 2006	Stock Price 2007	% Change '07 vs '06	% Change '06 vs '05
Reed Elsevier PLC	44.04	53.90	*22.4%*	*17.0%*
Scholastic	35.84	34.89	*-2.7%*	*26.0%*
Time Warner	21.78	16.51	*-24.2%*	*25.0%*
Martha Stewart Living Omnimedia	21.90	9.27	*-57.7%*	*26.0%*
McGraw-Hill Inc.	68.02	43.86	*-35.5%*	*32.0%*
Meredith	56.35	54.98	*-2.4%*	*8.0%*
Playboy Enterprises	11.46	9.07	*-20.9%*	*-18.0%*
Primedia	10.14	8.50	*-16.2%*	*5.0%*
Totals - Excluding Acquired Companies	**269.53**	**230.98**	***-14.3%***	***22.4%***
Dow Jones	38.37	60.00	*56.4%*	*8.0%*
Gemstar-TV Guide International	4.01	4.76	*18.7%*	*54.0%*
Reader's Digest Association	16.70	17.00	*1.8%*	*10.0%*
Totals - Including all Companies	**320.16**	**312.74**	***-2.3%***	***17.1%***

*Note: Companies in **blue** have been acquired.*

This is the first year of the decade that the public companies have moved in the opposite direction to the markets as a whole, and we suspect that it is a sign that our basket of public companies may shrink further in number by January 1, 2009.

The DeSilva+Phillips Top 15 Deals of 2007

This year, the list of the Top 15 Deals, for the first time since 2002, is dominated by consumer properties. Ten of the fifteen deals involved consumer magazines, events, newsletter, and Internet properties, including the two largest deals. The dollar value of the consumer deals represents over 72% of the $8.06 billion total.

The Top 15 Deals of 2007

Deal	Property	Description	Seller	Buyer	Price ($millions)
1	**Gemstar-TV Guide**	consumer magazine, television listings provider	**News Corporation**	**Macrovision Corp.**	**2,800**
2	**Primedia's Enthusiast Media**	73 consumer magazines, 96 Web sites, events	**Primedia Inc.**	**Source Interlink**	**1,200**
3	**Advanstar Communications**	58 B2B magazines, 87 trade shows, Web sites	**DLJ Merchant Banking Partners**	**Veronis Suhler Stevenson/Citigroup Private Equity/New York Life Capital Partners**	**1,142**
4	**American Lawyer Media**	33 B2B magazines and newspapers	**Wasserstein & Co.**	**Incisive Media/Apax Partners**	**630**
5	**Various Inc.**	13 consumer Web sites	**Various Inc.**	**Penthouse Media Group Inc.**	**500**
6	**Modern Luxury**	25 consumer magazines	**Shamrock Capital Advisors**	**Clarity Partners**	**250**
7	**Dennis Publishing**	3 consumer magazines	**Dennis Publishing**	**Quadrangle Capital Partners**	**225**
8	**Time4Media, Parenting Group**	18 consumer magazines	**Time Inc.**	**The Bonnier Group**	**225**
9	**Dolan Media Company (52.5%)**	business information/journals	**Dolan Media Company**	**Initial public offering (NYSE:DM)**	**196**
10	**Daily Racing Form**	consumer magazine, information	**The Wicks Group of Companies**	**Arlington Capital Partners**	**180**
11	**Thomson Medical Education**	medical information and events	**Thomson Corporation**	**ABRY Partners**	**170**
12	**Phillips Investment Resources**	23 consumer newsletters, services	**Phillips International Inc.**	**Avista Capital Partners**	**150**
13	**Ziff Davis's Enterprise Group**	3 B2B magazines, online, events, other	**Ziff Davis/Willis Stein**	**Insight Venture Partners**	**150**
14	**North American Membership Group**	11 consumer magazines and membership clubs	**Doughty Hanson**	**Pilot Group**	**130**
15	**Jumpstart Automotive Media**	Online consumer advertising network	**Jumpstart Automotive Media**	**Hachette Filipacchi Media US**	**110**
				Total	**8,058**

It's hard to overstate how strongly the consumer media sector as a whole has dominated the year's deals. And it's equally important to understand the lessons to be learned from the individual consumer deals that dominate the list. In many cases, the buyers of consumer media companies are not themselves other media companies as we have traditionally understood them. For example, in the number one deal, News Corporation sold its remaining interest in *TV Guide*, once one of the very biggest consumer magazines, for $2.8 billion (as recently as 2000, the business was valued at $30 billion). The new owner, Macrovision Corporation, is not a publisher, but an information, software, and digital rights management company. The value driver in the buyer's eyes is not the venerable magazine it acquired, but the Gemstar technology and the TV listings IP. Taken by itself, this single deal crystallizes the transforming power of digital media.*

The number two deal is also an example of the tendency of media to break out of the conceptual box: Primedia's Enthusiast Media group of specialty magazines was acquired by a major newsstand distributor, Source Interlink, whose primary business is magazine distribution and other ancillary activities rather than publishing content itself.

On the other hand, most of the smaller consumer deals on the Top 15 List involve attempts to relaunch or revivify highly focused consumer publishing franchises. In the deal number five and the third biggest consumer deal, Penthouse has acquired the adult-oriented Web content and businesses of Various Inc. – deciding to buy rather than (as its competitor Playboy Enterprises had decided to do) to build. Clarity Partners will now take on the task of funding the impressive growth of Michael Kong's group of luxury hyperregional publications serving top markets in the U.S. from another private equity group, Shamrock – purchasing the assets for $250 million for which Shamrock had paid $50 million in 2004.

The long-expected sale of Dennis Publications' crown jewels, *Maxim* and its brother bad-boy publications, finally took place, with Quadrangle placing them under the wing of Wenner Media's long-time COO, Kent Brownridge. And in one of the relatively few consumer cross-border deals of this century, Sweden's Bonnier, added Time Inc.'s Time4Media and the Parenting Group to its earlier purchase of World Publications. Time4Media consists largely of the Times Mirror Magazine Group which Time Inc. purchased in 2000 in a hotly contested auction for $475 million. Along with Time4Media, Bonnier got the Parenting Group, which Time acquired from its founder in the 1980s, for $225 million.

As with the Modern Luxury deal, several fine properties were passed from one private equity owner to another, for reasons having to do more with the investment horizons of a particular fund than anything else. The Wicks Group of Companies sold the *Daily Racing Form* – once, with *TV Guide*, a part of the giant Annenberg holdings – to Arlington Capital Partners. And Doughty Hanson, the UK-based fund, sold the membership-based publications of the North American Membership Group (formerly part of the marketing giant CUC, which became Cendant) to the Pilot Group, a fund led by Robert Pittman, a distinguished veteran of MTV, Time Warner and AOL.

The last major part of Tom Phillips' once substantial newsletter empire, his financial and investor newsletter group, was bought by Avista Partners, a private equity firm with an interesting portfolio. In 2004 Avista acquired Thompson Publishing, and last year it acquired the Star Tribune Company, the publisher of the Minneapolis-St. Paul newspaper of the same name.

The last consumer deal on the list, Hachette Filipacchi's purchase of Jumpstart Automotive Media, an online advertising network, is a fine example of the new kind of vertical integration that digital media makes possible. Time Inc. once owned the forests that provided the paper for its magazines: Hachette is buying at the same time an audience for its own online automotive business (of course it owns the *Car & Driver* and *Road & Track* franchises) and a sales force to sell its advertising space inventory.

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* At the time of writing, the Macrovision/Gemstar deal is not a slam-dunk. Some Macrovision shareholders are expressing displeasure and may move to block the deal. As of Jan. 14, even though the offer values Gemstar at $5.53 a share, the stock is trading 17% below that, at $4.67 per share, suggesting, according to *The Deal,* that "arbitrage traders still see a lot of risk with the deal going through."

In smaller deals, two large strategics were particularly active. The Meredith Corporation made four acquisitions and NCI acquired seven consumer guides.

Only a third of the deals among the Top 15 were in the B2B sector, but they featured some legendary names. For the third time in the new century, Advanstar appeared on the list, after scoring the number ten deal in 2005 (selling its IT group for $185 million), and as the buyer in the number four deal of 2003 (acquiring Thomson Healthcare for $135 million). DLJ acquired Advanstar in 2000 for $900 million. The portfolio of a major B2B company is a constantly moving target, but the size of this deal (together with other major divestitures in the past few years) is a tribute to the skill of management in nursing this company over the seven troubled years for B2B publishing during which DLJ owned the company – a skill which has perhaps been underappreciated. The new owners, VSS, have the resources and the strategic vision to help Advanstar grow in the future, perhaps concentrating on a smaller number of specialty areas.

The next biggest B2B deal is also a transfer from one financial buyer to another. Apax Partners' aggressive new property, the UK-based Incisive Media, acquired Wasserstein & Company's American Lawyer Media (ALM) for $630 million. In 2006 – soon after its own acquisition by Apax – Incisive made its first U.S. acquisition, buying the marketing trade medium ClickZ from JupiterMedia. ALM, which many regard as Wasserstein's crown jewel, was assembled from American Lawyer, which Wasserstein purchased for $70 million in 1998, and National Law Publishing, which it acquired for $200 million. The Incisive purchase produced a nice return on Wasserstein's investment and pairs a great property with an ambitious new owner.

The third biggest B2B deal was number nine on the list: Dolan Media's IPO, one of the most successful IPOs of the year by any measure. The result – a $196 million transaction for 52.5% of the company – was impressive in more than one way. To begin with, the IPO took place on August 1, a time when the credit markets were already shaky. Moreover, the IPO pricing, $14.50 a share, has been ratified and re-ratified by the market as a whole. The close on the first day was $17.72, and even at this writing (January 17, 2008), at the end of a terrible week for the stock market, the issue's current price is $27.17. At the close of 2007, Dolan Media's shares had outperformed all but three of the over 90 companies with IPOs listed on the New York Stock Exchange last year.

The last two B2B deals also involve long-established publishing properties. Thomson (which also happens to be controlled by Woodbridge) sold Thomson Medical to ABRY Partners, and Ziff Davis sold its Enterprise Group, built around the brands *eWEEK*, *Baseline*, and *CIO Insight*, to Insight Venture Partners.

Other notable players in the B2B world include Britain's United Business Media. UBM acquired six B2B properties in the U.S., but it bought another six properties in the U.K., as well as a seventh non-media acquisition here. For sheer volume of activity, Apprise and 1105 Media also deserve a mention, each of which completed five transactions.

The Merging (and Acquisitioning) of Traditional and Digital Media

The year 2007 was the biggest year by far for watching traditional media using the acquisition route to acquire digital properties. There was at least a score of such deals. The biggest of them earned a place on the Top 15 Deal List: Penthouse's $500 million acquisition of Various Inc., the adult-oriented social network operator, partly in response to Playboy's 2006 launch of PlayboyU.com. But Penthouse was not the only old-line icon to act decisively this year. Meredith (with four such acquisitions), Hearst (which acquired RealAge and eCrush), Hachette, Time Inc., National Geographic Ventures, Wicks Sports Media and Primedia all made consumer-oriented digital acquisitions. In the B2B sector, Reed Business, Forbes Media, PennWell, MediMedia, WoltersKluwer, IDG and Ziff Davis Enterprise made significant digital acquisitions.

Most, but not all, of these deals involved the acquisition of a digital media business. Some of the most notable deals involved digital advertising sales organizations, agencies and networks. Meredith acquired two such companies, Genex and New Media Strategies, and in a Top 15 Deal List move, Hachette Filipacchi USA acquired Jumpstart Automotive Media, a niche advertising sales organization, for $84 million in cash and $26 million in future consideration.

2007 was, above all, the year of the digital niche acquisition. Most of the acquisitions we note involve adding a niche focus to a big company, rather than a major platform. The acquisition strategy involves targeting a company that improves digital results – adding features or even (in the case of Meredith's and Hachette's advertising acquisitions) improved back-office functionality. Earlier in the decade media companies aspired to large-scale transformational acquisitions – like The New York Times Company's purchase of About.com two years ago. The new niche strategy is a sign of maturity – and of a growing self-confidence on the part of big media that they can make the kinds of acquisitions that enhance their present strategy.

Company Valuations

In the opening days of 2008, it's too early – for the first time in years – to pinpoint the trend in media company valuations. The table below gives the general range of multiples for deals closing in 2007 through September. There were simply too few deals since then from which to draw general conclusions. However, it's our feeling that multiples will trend downwards between one and two clicks as changes in the credit markets establish new parameters to price and value companies. And of course there will always be exceptions on the high side for extraordinary companies with unusually high margins, a dominant market share, and substantial barriers to entry.

EBITDA Multiples in 2007 Transactions

Sector	*EBITDA Multiples*
Consumer Magazines:	
Over $100 million	*10.0 - 13.0x*
Under $100 million	*7.5 - 9.5x*
B2B Magazines:	
Over $100 million	*9.5 - 12.5x*
Under $100 million	*7.0 - 9.0x*

Source: DeSilva & Phillips M&A database

Looking Ahead

The credit crunch produced by the subprime meltdown is the big story – but not the only story. Where the subprime crisis ends, nobody knows, but apart from that the economy continues in Goldilocks mode, just as it did in 2006. The year 2007 is expected to produce 3% growth in real GDP, nearly 1% growth in consumer spending, and more than 3% growth in real after-tax incomes. Core inflation is around 2%, with headline inflation (yes, including energy) at 2.5%. And despite the hand wringing by bank executives, economists don't see a recession coming.

In *BusinessWeek's* survey of 54 leading economists in last month's annual economic outlook survey, the consensus projects 2.1% real GDP growth in 2008 (after what the economists expect to be a tough first quarter). Industrial production and employment are strong, the balance of payments is at least moving in the right direction, and the economy shows no signs – to say the least – of "irrational exuberance" or the formation of new bubbles. Despite the turmoil in the debt markets, industrial and commercial loans are up substantially from a year ago. We are cautiously optimistic that these trends favor the continuation of a good-enough deal market.

As we've noted, 2007 was a year marked by an explosion of acquisitions of digital media properties by traditional media companies. We expect such purchases to continue in 2008 – indeed, to accelerate. For the past few years, we've been looking in the other direction. We expected cash-rich digital media business to acquire traditional media business – because of the relationships with advertisers and consumers that should complement the digital business as well as the arbitrage between the valuation multiples placed on the two businesses.

A wave of digital acquisitions of traditional media did not materialize, however, and we are now convinced that it will never do so. Here's why. First, most of the digital operators are not comfortable managing traditional media businesses. Secondly, and even more important, is the impact of the different growth rates of the digital and traditional media businesses. Digital media grows so rapidly that managers and owners need to spend their time managing that growth. The result is that digital operators tend to ignore traditional media properties if they already own them. If they don't, digital owners want to preserve their "purity" so that when they exit they don't dilute their multiple with the lower multiple for traditional media. And they certainly don't want some buyers to be turned off entirely by having to take traditional assets with the deal. So we expect even more aggressive buying from traditional media.

A year ago, we predicted a deal market as good as we've ever seen, basing it on five factors: availability of funds, favorable interest rates, buyers who don't have time to build rather than acquire, brands that need digital delivery platforms, and a regulatory regime that tends to discourage public ownership. In essence, four of the five factors are still at work. M&A transactions will continue apace, but because of increased friction from the debt markets, at a slower pace than in the past two years. We'll be keeping an eye on distressed deals, and expect to see more cross-border deals, with European companies finally making their move in advance of a recovering U.S. dollar. The deal market may not be bigger than it was in 2007, but it will be more complex, and ever more fascinating.