mergers & acquisitions
an insider's guide to the media marketplace
the desilva+phillips report 2009

An Unforgettable Year Not to Remember: 2008

It will surprise no one to learn that 2008 was the worst year for media deals of the century, with 109 deals totaling just over $2 billion in value in those sectors of the media market we have been tracking for a dozen years. What is surprising, perhaps, is that compared with other years of this decade, the 2008 numbers are not that much worse. There have been three years since 2000 when the total deal volume in our media sectors[1] was less than $3 billion – 2003, at 2.7 billion, 2004 at 2.9 billion, and 2008 at $2.0 billion. In the deal count, this year's 108 deals topped the counts in 2000, 2002 and 2003, and in fact does not look far behind the deal count of recent years.

	Media Industry* M&A			
Year	**Deal Count**	**Value *($bil)***	***Strategics' share***	***Financials' share***
2008	**109**	**2.0**	***53%***	***47%***
2007	135	9.6	*33%*	*67%*
2006	151	20.5	*33%*	*67%*
2005	114	6.0	*33%*	*67%*
2004	124	2.9	*7%*	*93%*
2003	82	2.7	*33%*	*67%*
2002	90	3.9	*47%*	*53%*
2001	115	4.7	*80%*	*20%*
2000	102	25.0	*80%*	*20%*
High	151	25.0	80%	93%
Low	82	2.0	7%	20%
Avge	114	8.6	44%	56%
Median	114	4.7	33%	67%

Source: DeSilva+Phillips M&A Database

***see note below on definition**

As we predicted a year ago, strategic buyers took the lead away from financial buyers in this year's media deal market – unsurprising in this year of the credit implosion, with its absolute

[1] The DeSilva+Phillips media M&A report includes announced transactions for consumer and business magazines, medical media, trade shows and conferences, and closely related information, Internet, database and marketing service companies. We cover U.S. activity primarily, and include important non-U.S. acquisitions if made by a U.S. company. We exclude media deals in other sectors, such as book and newspaper publishing, radio, TV, outdoor and pure Internet or online.

freeze on bank debt. Strategic buyers have not led the pack since 2001. On the other hand, anyone has to admire the tenacity of private equity in the face of the debt crisis, closing nearly as many deals as the strategics, including two in the fourth quarter, when the credit crunch went from severe to merciless. The year's total deal count was down by 20% from 2007. But the annual statistic may be misleadingly rosy. The fourth quarter, which usually represents at least 25% of annual media deals, saw only 18 deals announced – 16.7% of the year's total volume. And, even more significant, the last quarter of the year saw transaction multiples decline to levels we haven't seen for some time. Of course in doing so, multiples in private deals were moving in step with the sharp decline in the average multiples in the public markets.

Another remarkable fact about the media deal market in 2007 demands a change in our practice of naming the annual Top Fifteen Media Deals. Because so many of the year's top fifteen deals were unreported and relatively small, we cannot give reliable numbers for each one. So we can only give general statistics for the top deals, rather than publish our usual list. However all transactions we mention in this note are among the top fifteen deals.

Transaction activity: B2B retakes the lead from consumer. In 2007, consumer media dominated the deal market, representing ten of the top fifteen deals and over 72% of the dollar volume. In 2008, the balance between consumer and B2B deals reverted to the century's norm: B2B deals represented nine of the top fifteen deals, and about two-thirds of the dollar volume.

Healthcare media – both B2B and consumer – showed the most resilience in this wretched M&A climate. On the B2B side, Wolters Kluwer's acquisition of UpToDate for a reported $400 million led the way, and Halyard Capital's acquisition of HCPro was also significant. On the consumer side, the biggest transaction was Waterfront's merger with Revolution Health (in a deal that valued Revolution at $100 million and the merged company at $300 million).

In the **digital sector**, the share of deals was roughly the same as last year – about 17%. Among them were the some of the biggest – the Waterfront/Revolution transaction – and many, no doubt, of the smallest. In 2008 traditional media continued the steady accumulation of digital properties which began the year before, with small acquisitions by Hearst Business Media, The Economist Group's Roll Call, Meredith, Martha Stewart and Modern Luxury. The acquisition tempo continued, but, like everything else, on a smaller scale.

In the **B2B sector**, the top deals included the sale of Randall Reilly to Investcorp for $180 million, the sale of Virgo Publishing to Arlington Capital for $101 million, the sale of Oakstone Publishing to Boston Ventures and the acquisition of Asset International by Austin Ventures.

In the **consumer sector**, some venerable names led the way: Time Inc. (founded 1923)

acquired Quality School Plans (founded 1963) from The Reader's Digest Association (founded 1922) for $110 million, and TV Guide Magazine (founded 1953) was sold to OpenGate Capital (the deal value includes the value of the magazine's subscription liability of $50 to $70 million). Among younger companies, Emeril Lagasse's consumer media business was sold to Martha Stewart Living Omnimedia for $50 million.

Of course, the big story in 2008 is the deals that did not get done. The dollar volume of deals that failed, including Informa ($6.7 billion), Reed Business Information ($1.0 billion), and Cygnus Business Media ($200 million), among others, dwarfed the $2.0 million dollar volume of the deals that went through. Seen in this light, the dealmakers – and their long-suffering advisors – who achieved the year's deal count of 109 deserve special recognition for helping the media business survive one of the most difficult years since the 1930s. To have sustained as they did the market for media assets during the past year may make 2008 a more significant year than the numbers suggest – and we may look back at this year not merely with a shudder, but with some pride as well.

At DeSilva+Phillips, we take pride in the fact that we completed twelve M&A transactions on behalf of our clients during the past year.

475 Park Avenue South, New York, NY 10016
Tel 212.686.9700 Fax 212.686.2172
www.mediabankers.com