

2009 Mid-Year Digital Media M&A Round Up

Peachtree Media Advisors, Inc. – Digital Media & Technology Investment Banking

There were 342 digital media transactions in the first half of 2009, which is slightly below the number of transactions in the same period for 2008. Although the volume of transactions was down only 12.3% in the first half of 2009, the reported transaction value was way below the comparable period last year. In the first six months of 2009, there were \$4.2 billion in digital media transactions, representing a 61% decrease in reported deal value from the same period in 2008. Had it not been for the Live Nation Ticketmaster merger with \$2.5 billion in combined enterprise value, the drop-off in transaction values for the sector would have been much more drastic.

The news is not all bad though. There were several small transactions in the first half of 2009, which typically do not report deal value since most small business owners would rather not share this information publicly. It was also a period of Spring cleaning since companies sold non-core assets (or corporate orphans), shut down unprofitable divisions, shed costs and trimmed staff. Most transactions in 2009 were small strategic tuck-in acquisitions or follow-on capital raise transactions for companies that had already secured early stage financing. These small strategic acquisitions will continue throughout the year as companies have a tepid appetite for acquisitions that would provide the need to recapitalize or alter their balance sheets. Examples of small strategic tuck-in acquisitions include:

- UGO (Hearst) acquired 1UP (Ziff Davis Media);
- Disney acquired Kaboose;
- AMC acquired Filmcritic.com;
- The Knot acquired Breastfeeding.com; and
- HealthCentral acquired Wellsphere.com.

Although there were no splashy deals (due to a new focus on accountability and ROI), the successful IPO of OpenTable.com was definitely the most noteworthy transaction so far this year. The company's current enterprise value of \$600 million represents a significantly higher valuation multiple than most publicly traded digital media, interactive marketing services and e-commerce companies. Although the average valuation multiples of ad-supported digital media companies increased from 2.5x Revenue in April 2009 to 2.7x Revenue in June 2009 and EBITDA multiples increase from 10.9x EBITDA in April 2009 to 12.3x in June 2009, these valuation multiples are well below the lofty multiples for OpenTable.com. It is not clear whether VCs are holding onto their OpenTable shares to drive demand and keep the share price high or a newly energized market. But it is clear that valuations have stabilized and pension fund money is returning to the market. Money managers are overweight VC/Private Equity and are finding interactive media stocks to be relatively cheap or solid growth prospects in the event of a cyclical upturn.

2009 Reported Transaction Value by Category

First Half of the Yr.	2009	2008
Consumer	\$418	\$4,404
Business	343	3,884
Mobile	141	254
Enabling/ Analytics/ Ad Serving	507	1,214
Commerce	2,750	906
Total Reported Deal Value	\$4,159	\$10,662

2009 Transaction Volume by Category

First Half of the Yr.	2009	2008
Consumer	122	170
Business	50	95
Mobile	38	22
Enabling/Analytics/ Ad Serving	95	77
Commerce	37	26
Total Number of Transactions	342	390

of Capital Raises by Category

First Half of the Yr.	2009	2008
Consumer	75	88
Business	39	27
Mobile	26	18
Enabling/Analytics/ Ad Serving	75	49
Commerce	24	6
Number of Capital Raises	239	188

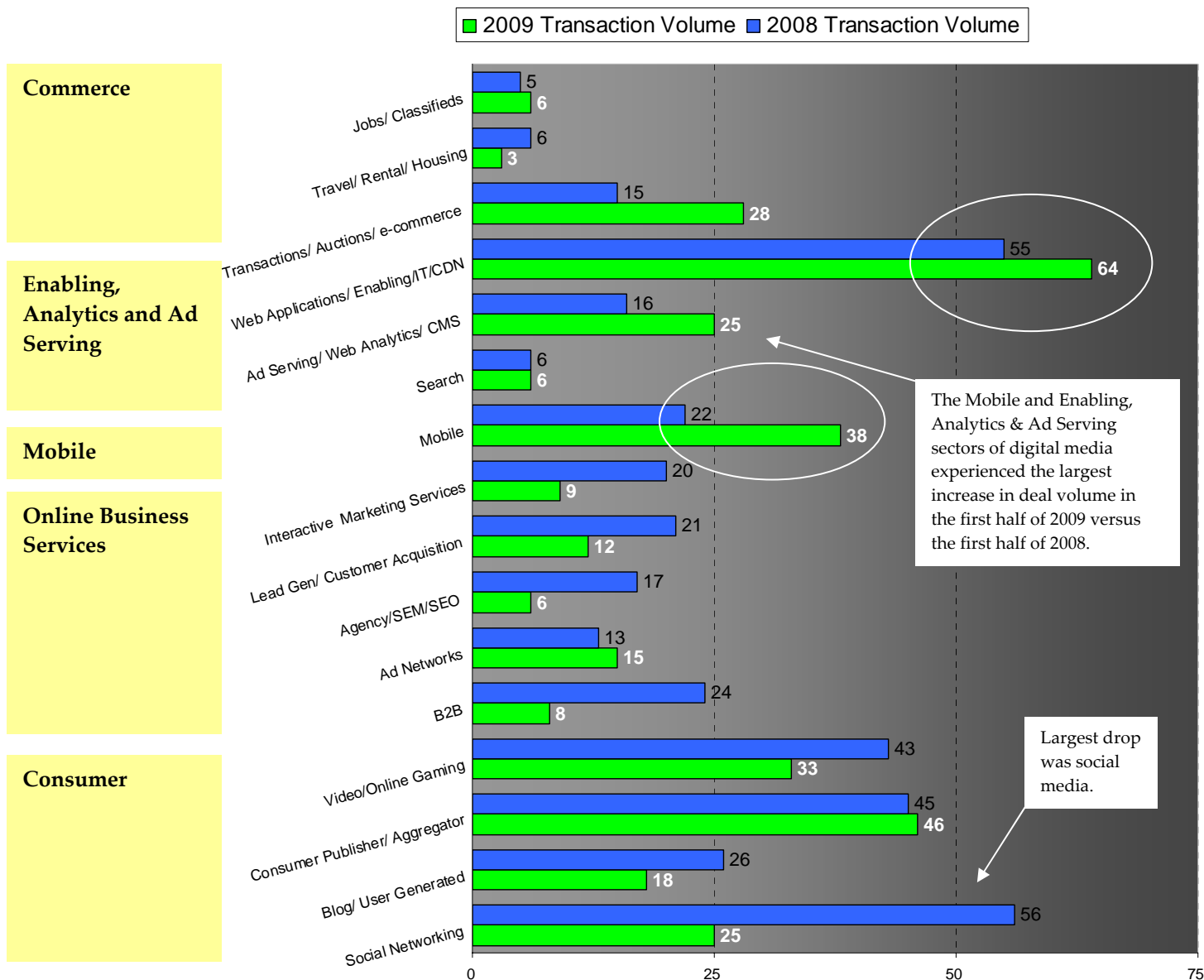
\$ Amount Capital Raised

First Half of the Yr.	2009	2008
Consumer	\$336	\$1,000
Business	290	215
Mobile	141	212
Enabling/Analytics/ Ad Serving	505	698
Commerce	232	87
\$ Amount of Capital Raised	\$1,504	\$2,212

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2009 and 2008 1st Half Transaction Volume # of Deals



About Peachtree Media Advisors, Inc.

Peachtree Media Advisors, Inc. is a digital media investment banking firm headquartered in New York City that provides M&A advisory services to growth and middle market digital media and technology companies. The company's founder, John Doyle, has substantial insight in all media verticals, 10+ years of media industry focus and completed over 20 transactions with a focus on maximizing value at each stage of the process. Peachtree Media Advisors, Inc. is a small but growing firm that delivers expert advice in valuing digital media and technology properties, structuring deals, positioning companies during the sell or buy-side process in addition to developing the necessary tools and analysis to manage the deal process from initial contact to close.