

Media sector deal review Q2 2016



Recent private equity trends in the UK Media sector

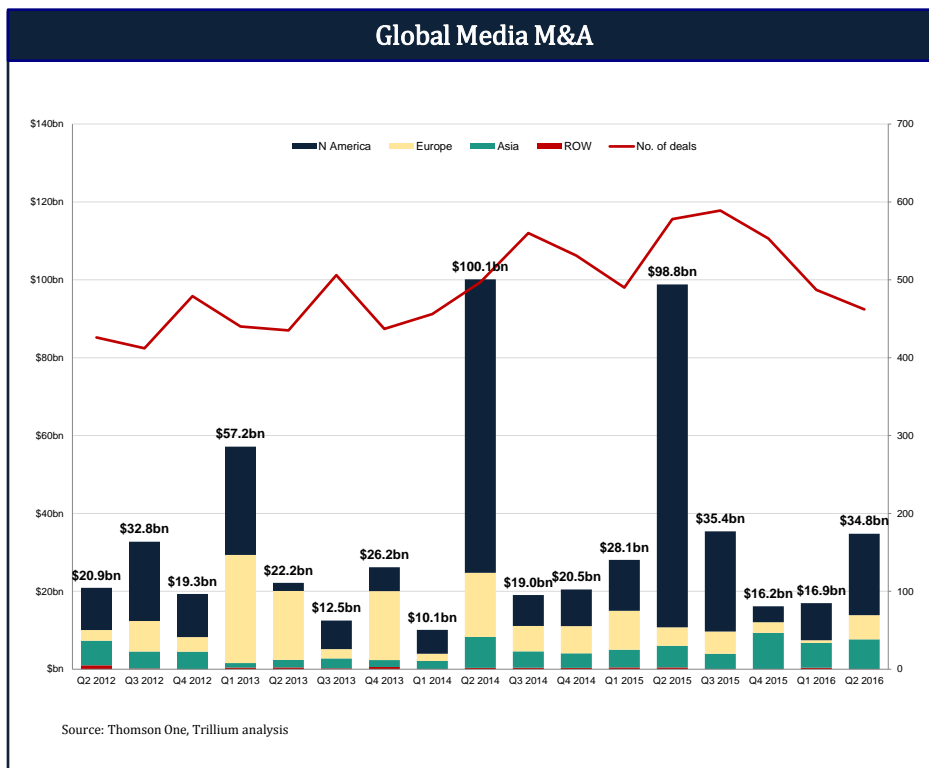
- Private equity (PE) has continued to be active in the UK Media sector during H1 2016, despite weaker global macroeconomic conditions and domestic uncertainty leading up to the UK referendum on EU membership. So far this year, PE has been willing to write large equity cheques and strong interest has driven up transaction multiples, especially in the Information and Education & Training spaces

Selected M&A transactions in H1 2016							
Rank	Date	Target	Target country	Media sub-sector	Acquiror	Acquiror country	Value (m)
1	Jun 16	Lifetime Training	UK	Education & Training	Silverfleet	UK	N/A
2	May 16	GL Education	UK	Education & Training	Levine Leichtman	US	c. £210
3	May 16	Argus Media	UK	Information	General Atlantic	US	c. £1,000
4	May 16	Learning Pool	UK	Education & Training	Carlyle Cardinal Ireland	US/Ireland	N/A
5	Apr 16	Babington Group	UK	Education & Training	RJD Partners	UK	£22
6	Apr 16	J.D. Power & Associates	US	Information	XIO	UK	\$1,100

Source: Company press releases, Thomson Reuters, press articles

- The **Information** sector attracted PE interest, reflecting the following trends:
 - Continued high demand for subscription content providers** whose recurring revenue profile is highly valued by PE buyers. The £1bn acquisition of Argus Media, the leading news and pricing provider in the energy and commodities markets, by General Atlantic is the latest example of this. Argus' "must-have" content (including proprietary benchmarks), high renewal rates and global reach resulted in extremely strong interest from a significant number of private equity buyers and contributed to an acquisition multiple that exceeded 20x EBITDA. The transaction also represents the largest PE deal in the European information space since the acquisition of Wood Mackenzie by Hellman & Friedman four years ago
 - Cross-border deals with a focus on Asian expansion:**
 - XIO Group, a UK-based PE firm with strong Asian connections, acquired J.D. Power, a US provider of consumer data, analytics, insights and customer satisfaction surveys across several industries (e.g. Automotive, Financial Services, Travel and TMT), for \$1.1bn (c. 21x operating profit) with the intention of further expanding the business into Asia
 - Earlier this month, Canadian firm Onex partnered with pan-Asian PE firm Baring to acquire Thomson Reuters' IP and Science business for \$3.55bn. A key driver of the acquisition was to support the development of the business in Asia, benefiting from the region's shift towards more knowledge-driven economies
- The UK **Education & Training** sector has also experienced continued interest from PE firms in H1 2016, driven by several factors:
 - UK-based educational firms are appealing** due to the high quality of English-language education products, their international potential and their strong pricing power. For example, a factor behind Levine Leichtman's c. £210m acquisition of GL Education, the London based provider of educational assessments used by 3m+ pupils every year, was the desire to leverage GL's strong position in the UK market to expand the full suite of assessments into English-speaking countries and international schools globally
 - Increasing focus on digital capabilities** for education & training companies. The investment by Carlyle Cardinal Ireland in Learning Pool, the UK-based provider of online compliance and performance improvement training solutions and learning catalogues in both the private and public sector, highlights the strong appetite from PE for e-learning and online training businesses
 - The new apprenticeship incentivisation scheme** sponsored by the UK government, which is intended to help fund three million new apprenticeships by 2020, may have spurred PE firms to acquire UK apprenticeship providers (such as Babington Group and Lifetime Training) and consolidate a fragmented sector in order to benefit from upcoming regulatory changes
- It is too early to be certain how last month's Brexit vote will influence the desire of PE to invest in UK media assets. However, PE funds continue to have substantial resources to invest and many funds denominated in non-sterling currencies will see a potential uplift in returns as a result of the recent depreciation in sterling. We expect PE will continue to court aggressively content businesses with strong fundamentals and predictable cash flow generation
- Trillium has a long track record of advising corporates (both listed and private) and financial sponsors on mergers, acquisitions, disposals, joint ventures and minority investments, as well as accessing the private equity and debt markets to support acquisition and development strategies. Our sector focus covers Broadcasting & Content, Education & Training, Information & Events and Marketing Communications. We would be delighted to hear from you if you think we might be able to assist you**

Global overview



- Reported global Media M&A transaction value in Q2/2016 was around \$35bn, which represents a 105% increase over Q1/2016, but represents a sharp drop compared with Q2/2015 (\$99bn) (but a 67% increase if the \$78bn Time Warner Cable deal is excluded from the 2015 number)
- The number of deals announced this quarter (462) was 5% lower than in Q1/2016
- Against the previous quarter, M&A activity by deal value has increased in North America and Europe while Asia has been stable

European overview

- Reported transaction value in Q2/2016 was \$6.2bn, an increase of 875% over the previous quarter
- This quarter also included:
 - Several large information deals, including the acquisition of Argus Media, the UK energy intelligence provider, by US PE firm General Atlantic (\$1.5bn); the acquisition of J.D. Power, the US customer satisfaction data provider, by UK PE firm XIO (\$1,100m); the acquisition of eMarketer, the US market research company, by the German publisher Axel Springer (\$250m)
 - Consolidation in the Broadcasting and Cable sectors, including the acquisition of Mediaset Premium, the Italian pay TV business, by Vivendi (\$826m) and the acquisition of the UK Wireless Group by News Corp (\$290m)
 - Further PE activity in Education assets, such as the acquisition of GL Education, the UK-based assessment provider, by US PE firm Levine Leichtman (\$308m)

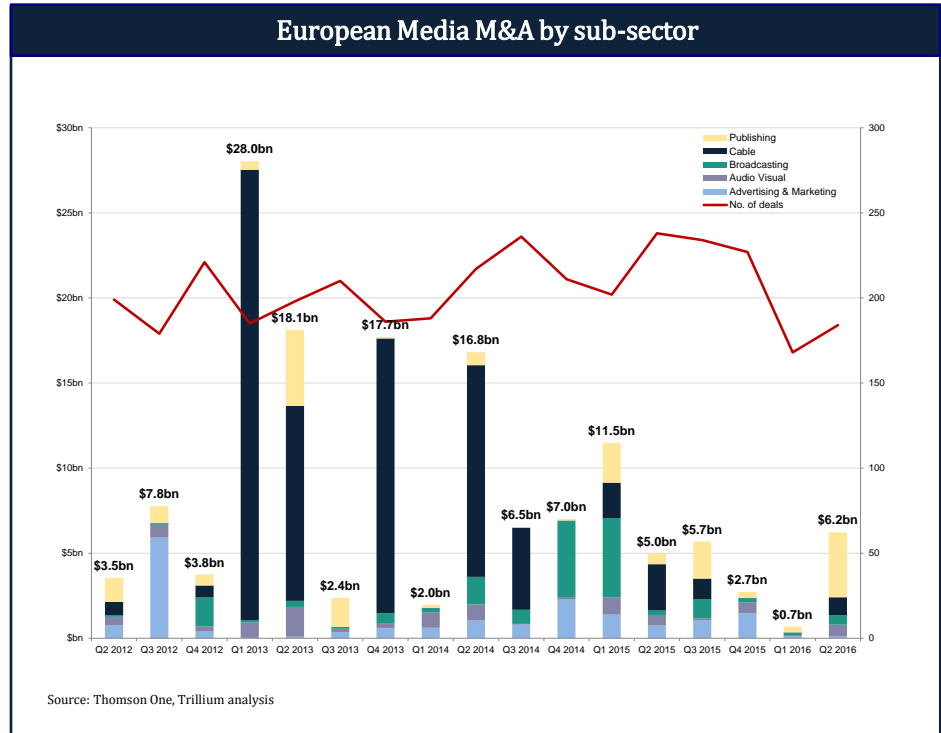
Q2/2016 – Top 20 European Media transactions

Rank	Date announced	Target name	Target country	Media sub-sector	Acquirer	Acquirer country	Value	Status
1	May 16	Argus Media	UK	Publishing	General Atlantic	US	\$1,450 m	Pending
2	Apr 16	JD Power & Associates	US	Publishing	XIO	UK	\$1,100 m	Pending
3	Apr 16	RCS	Italy	Publishing	Cairo Communication	Italy	\$969 m	Pending
4	Apr 16	Mediaset Premium	Italy	Cable	Vivendi	France	\$826 m	Pending
5	Apr 16	Mars Entertainment	Turkey	Audio Visual	CJ-CGV and IMM	South Korea	\$687 m	Completed
6	May 16	GL Education	UK	Education	Levine Leichtman	US	\$308 m	Pending
7	Jun 16	Wireless Group	UK	Broadcasting	News Corp	UK	\$290 m	Pending
8	Jun 16	eMarketer	US	Publishing	Axel Springer	Germany	\$250 m	Jan 00
9	Jun 16	Boxer TV Access	Sweden	Cable	Com Hem	Sweden	\$191 m	Pending
10	Apr 16	Mediaset	Italy	Broadcasting	Vivendi	France	\$151 m	Pending
11	May 16	CTC Media	Russia	Broadcasting	Shareholders	Russia	\$122 m	Completed
12	Jun 16	The Bio Agency	UK	Advertising & Marketing	Tech Mahindra	India	\$66 m	Pending
13	Apr 16	Babington Group	UK	Education	RJD Partners	UK	\$31 m	Completed
14	Jun 16	TMC Monte Carlo	Monaco	Cable	Television Francaise 1	France	\$29 m	Pending
15	Jun 16	Electronics titles (UBM)	UK	Publishing	Arrow Electronics	US	\$23 m	Pending
16	Jun 16	Imagine Publishing	UK	Publishing	Future	UK	\$21 m	Pending
17	Jun 16	Norstedts Forlag	Sweden	Publishing	Storytel	Sweden	\$18 m	Pending
18	Jun 16	Content Marketing Institute	US	Publishing	UBM	UK	\$18 m	Pending
19	Jun 16	Agora	Poland	Publishing	MDIF	US	\$18 m	Completed
20	Apr 16	Together Creative	UK	Advertising & Marketing	Next Fifteen	UK	\$10 m	Pending

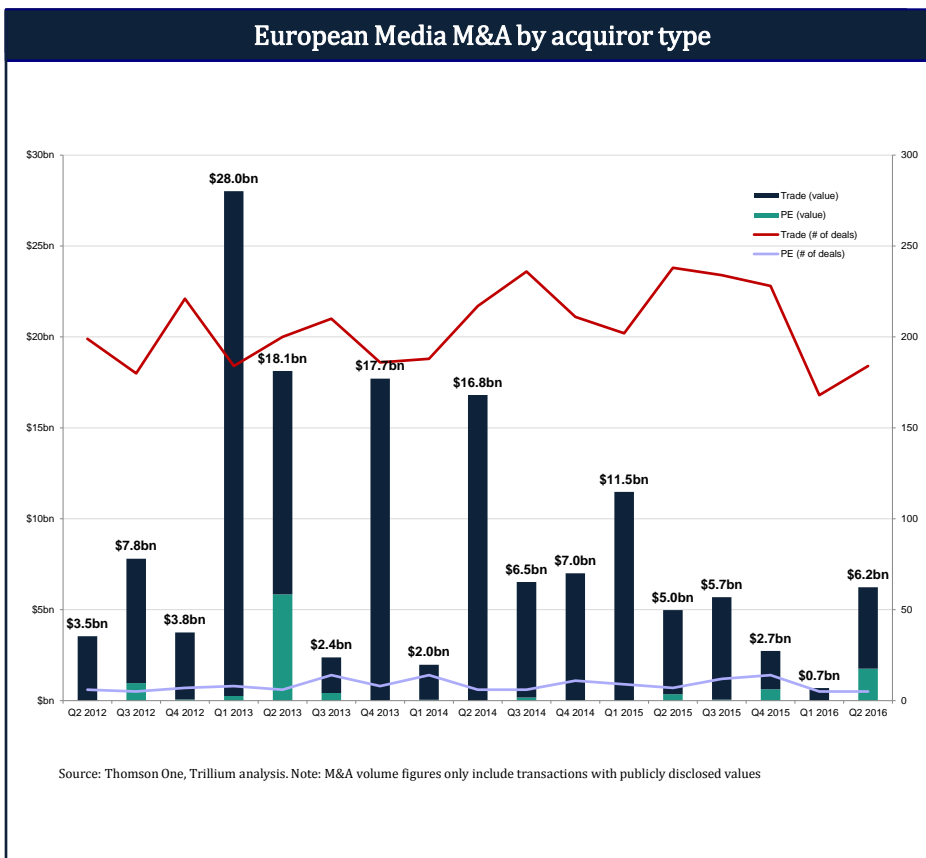
Source: Thomson One, Trillium analysis. List includes only deals with disclosed transaction values

European Media M&A by sub-sector

- 184 deals were announced in Europe in Q2/2016, representing a 10% increase over the previous quarter
- Publishing was the most active sub-sector with 75 deals, followed by Advertising & Marketing (62)
- The majority of deal value (61%) came from Publishing acquisitions (\$3.8bn), 17% was derived from Cable, 11% from Audio Visual, 9% from Broadcasting and 2% from Advertising & Marketing



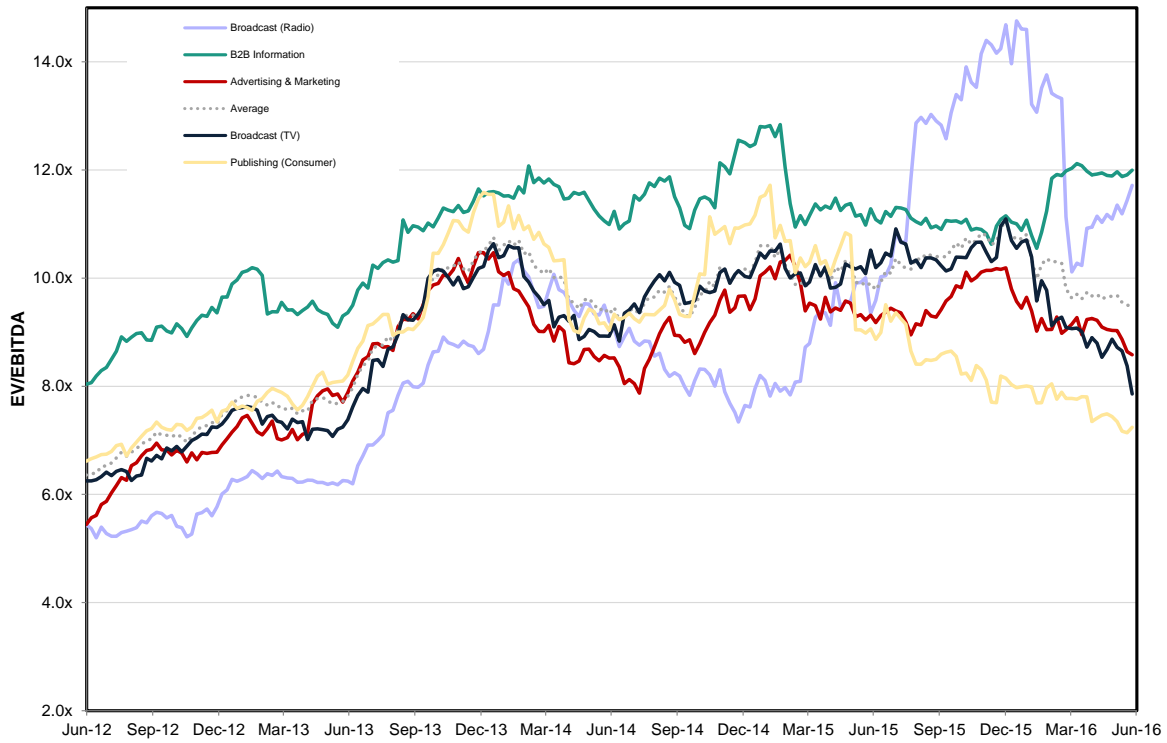
European Media M&A by acquiror type



- PE accounted for approximately 30% of deal value, or \$1.8bn, in Q2/2016
- The transaction value of trade deals reached \$4.5bn, while transaction volume also increased by 10% to 179 deals (163 in Q1/2016)

Trading multiples - EV/EBITDA (1 year forward)

Trading multiples – European Media sub-sectors



Source: Thomson One, Trillium analysis. Data as of 30th June, 2016

- The average forward EV/EBITDA multiple of our selected Media sub-sectors is 9.5x. The forward EV/EBITDA multiple across all sub-sectors declined in Q2/2016, except for B2B Information (which remained stable) and Radio Broadcasting (which was distorted by the bid premium relating to the Wireless Group)
- The B2B Information (12.0x) and Radio Broadcast (11.7x) sub-sectors currently trade at a premium to the sector average

Notes re trading multiples:

Enterprise Value (EV) defined as:

Market Cap. + Net Debt (non-current liabilities + current liabilities excluding trade payables – cash) + Minority Interest + Preferred Stock

Average multiples comprise the companies as follows: **Broadcast (Radio)**: NRJ Group, Wireless Group; **Broadcast (TV)**: BSKyB, ITV, STV, Telenet Group; **Advertising & Marketing**: Havas, Huntsworth, M&C Saatchi, Next Fifteen, Publicis, WPP; **Publishing (B2B)**: Ascential (multiple included from March 2016), Centaur Media, Euromoney, Informa, RelX, Tarsus, UBM, Wilmington; **Publishing (Consumer)**: Daily Mail & General Trust, Future, Independent News & Media, Lagardere, Pearson, Schibsted, St Ives, Trinity Mirror

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