

Valuation update for the media and marketing services industry

Consumer spending on daily online offers is expected to reach US\$1.25 billion in the United States this year, according to a recent forecast by research firm BIA/Kelsey. Revenues for daily deal sites such as Groupon, Inc. and LivingSocial.com are expected to grow steadily, reaching US\$3.9 billion by the end of 2015. In its most optimistic scenario, BIA/Kelsey projects that sales from daily online offers could exceed US\$6 billion by 2015, representing a 47 percent compounded annual growth rate. Some analysts believe the bullish forecast is attainable, given Groupon's revenue growth from US\$33 million in 2009 to US\$760 million in 2010.

Merger and acquisition activity in the media and marketing services industry remained active in March. Select notable transactions announced in March include:

- Customer relationship marketing agency **Merkle, Inc.** announced it has acquired search marketing agency **IMPAQT, Inc.** for an undisclosed amount. Pennsylvania-based IMPAQT offers search-based paid placement campaigns and organic Web site optimization solutions to marketers. Merkle made the acquisition to expand its analytics, database, and digital marketing capabilities. (Source: *Merkle, Inc. press release, March 29, 2011*)
- Online retailer **eBay, Inc.** (NASDAQ: EBAY) announced it has agreed to acquire ecommerce and interactive marketing services provider **GSI Commerce, Inc.** (NASDAQ: GSIC) for approximately US\$2.4 billion in cash. The deal implies a valuation of 1.4x revenue and 18.1x EBITDA based on GSI's 2010 results. Pennsylvania-based GSI has the infrastructure in place to help merchants of all sizes conduct e-commerce and by combining GSI with eBay Marketplaces and PayPal, eBay will strengthen its position as a strategic global commerce partner for retailers and brands. With the deal, eBay gets an order-management, fulfillment, and shipping business that will allow eBay to compete with other fulfillment service providers such as Amazon, Inc. As part of the transaction, eBay will divest 100 percent of GSI's licensed sports merchandise business and 70 percent of ShopRunner and Rue La La. (Source: *eBay, Inc. press release, March 28, 2011*)
- Drugstores operator **Walgreen Co.** (NYSE: WAG) announced it has signed a definitive merger agreement to acquire **Drugstore.com, Inc.** (NASDAQ: DSCM) for approximately US\$400 million in cash. The deal implies a valuation of 0.8x revenue and 48.9x EBITDA based on Drugstore.com's 2010 results. Washington-based Drugstore.com operates as an online retailer of a variety of health, beauty, vision, and pharmacy products. Walgreen made the acquisition to expand its presence in the fast-growing online retail business and access Drugstore.com's more than 3 million online customers. (Source: *Walgreen Co. press release, March 24, 2011*)
- Online media company **Glam Media, Inc.** announced it has acquired **BBS Media** for an undisclosed amount. Canada-based BBS Media provides branded online advertising services and maintains relationships with many premium content providers. The acquisition creates the fifth international country media subsidiary for Glam Media and will allow premium brands to more effectively engage with Canadian audiences online and provides targeted content across Glam Media's lifestyle verticals. (Source: *Glam Media, Inc. press release, March 17, 2011*)
- **Google, Inc.** (NASDAQ: GOOG) announced it has acquired **BeatThatQuote.com, Ltd.** for approximately US\$61 million in cash. The deal implies a valuation of 4.4x BeatThatQuote.com's 2010 revenue. U.K.-based BeatThatQuote.com operates as a price comparison Web site and allows people to search, compare, and apply for products in the areas of personal finance, insurance, travel, utilities, and retail. The deal further extends Google's reach into vertical search markets and will allow it to offer more transparency and better pricing information than existing online offerings. (Source: *Google, Inc. press release, March 8, 2011*)



KPMG Corporate Finance LLC – Valuation Update for the Media and Marketing Services Industry

Market Snapshot										
Company	Market Cap ¹	Share Price	52-Week Low	52-Week High	Price % Change 1 Mo	Price % Change 3 Mo	Price % Change 1 Yr	EV ² /Sales	EV ² /EBITDA ⁴	EV ² /EBIT
Advertising/Public Relations										
Havas ³	2,310.2	5.37	4.68	6.12	-4.8%	5.4%	6.6%	1.0x	6.9x	8.4x
Interpublic Group of Companies, Inc.	6,149.2	12.57	6.86	13.35	-4.8%	18.4%	51.1%	0.9x	8.2x	10.4x
Omnicom Group Inc.	13,934.8	49.06	33.50	51.25	-3.6%	6.1%	26.4%	1.2x	8.7x	10.2x
Publicis Groupe SA ³	10,235.2	56.12	43.84	59.33	-1.6%	10.2%	31.0%	1.3x	7.3x	8.6x
WPP Group plc ³	15,579.4	12.33	9.69	13.87	-10.4%	0.6%	19.0%	1.3x	8.4x	11.5x
Advertising/Public Relations Mean					-5.1%	8.1%	26.8%	1.1x	7.9x	9.8x
Diversified Marketing Services										
Axiom Corporation	1,153.0	14.35	12.19	19.99	-16.3%	-19.2%	-20.0%	1.2x	5.8x	12.3x
Harte-Hanks Inc.	757.8	11.90	9.60	15.84	-6.2%	-6.4%	-7.5%	1.0x	7.6x	9.5x
Valassis Communications Inc.	1,473.6	29.14	27.00	38.43	3.3%	-9.0%	4.7%	0.8x	6.6x	8.4x
Diversified Marketing Services Mean					-6.4%	-11.5%	-7.6%	1.0x	6.7x	10.1x
Internet Marketing										
DG FastChannel, Inc.	899.1	32.19	15.02	44.19	-2.8%	15.0%	0.8%	3.3x	7.4x	10.0x
Digital River Inc.	1,460.7	37.43	23.22	39.85	11.5%	8.3%	23.5%	3.0x	24.6x	NM
Experian Group Limited ³	12,355.0	12.39	9.07	13.18	-2.3%	-0.5%	25.9%	3.5x	11.2x	16.3x
Marchex, Inc.	280.3	7.87	3.63	10.03	-12.5%	-18.0%	54.0%	2.5x	NM	NM
QuinStreet, Inc.	1,062.4	22.73	9.79	24.91	4.3%	16.7%	33.6%	2.8x	15.1x	21.9x
ReachLocal, Inc.	574.7	20.00	11.80	28.39	5.0%	3.0%	NA	1.7x	NM	NM
ValueClick, Inc.	1,167.4	14.45	8.88	17.23	-3.2%	-9.9%	42.6%	2.3x	8.1x	10.5x
Internet Marketing Mean					0.0%	2.1%	30.1%	2.7x	13.3x	14.7x
Consumer Internet										
Amazon.com Inc.	81,239.4	180.13	105.80	191.60	3.9%	-1.8%	32.7%	2.1x	40.8x	51.9x
eBay Inc.	40,276.5	31.04	19.06	35.35	-7.4%	9.4%	15.1%	3.9x	12.5x	17.1x
Expedia Inc.	6,210.2	22.66	18.30	29.85	14.1%	-11.4%	-9.2%	2.0x	8.1x	9.1x
Google Inc.	188,656.3	586.76	433.63	642.96	-4.3%	-2.4%	3.5%	5.4x	13.5x	15.4x
GSI Commerce Inc.	2,113.6	29.27	17.77	31.35	40.8%	24.8%	5.6%	1.5x	19.5x	NM
HSN, Inc.	1,858.5	32.03	22.03	34.66	-1.4%	4.2%	8.8%	0.6x	8.2x	9.2x
IAC/InterActiveCorp.	2,734.3	30.91	20.25	32.13	-0.5%	3.0%	35.7%	1.0x	11.0x	28.0x
Interval Leisure Group, Inc.	936.5	16.35	11.61	17.94	-3.3%	-3.0%	12.3%	2.7x	7.9x	10.7x
Yahoo! Inc.	21,841.0	16.68	12.94	19.12	1.7%	0.4%	0.9%	3.0x	10.6x	15.5x
Consumer Internet Mean					4.8%	2.6%	11.7%	2.5x	14.7x	19.6x
Small Cap										
Local.com Corp.	82.6	3.89	3.22	8.85	-2.0%	-41.2%	-41.2%	0.9x	7.5x	20.6x
LookSmart, Ltd.	28.3	1.64	0.96	2.48	-6.8%	-20.4%	59.2%	0.1x	1.3x	7.3x
Tree.Com, Inc.	64.6	5.89	5.64	9.77	-13.5%	-34.6%	-35.6%	0.5x	17.2x	NM
Small Cap Mean					-4.4%	-30.8%	9.0%	0.5x	4.4x	14.0x
Publishers										
Belo Corp.	903.8	8.81	5.04	9.45	10.5%	23.2%	29.2%	2.6x	7.2x	8.3x
The E. W. Scripps Company	593.0	9.90	6.71	11.76	3.4%	-3.4%	17.2%	0.5x	4.3x	8.6x
Liberty Interactive, Inc.	9,618.2	16.04	10.08	17.49	-0.1%	2.9%	4.8%	1.5x	7.7x	11.3x
Meredith Corp.	1,549.2	33.92	28.92	38.08	-3.8%	-3.0%	-1.4%	1.2x	6.4x	7.7x
News Corp.	47,031.7	17.58	11.61	18.11	1.2%	20.7%	22.0%	1.6x	8.4x	10.2x
The Washington Post Company	3,552.7	437.56	295.56	547.58	1.0%	-0.6%	-1.5%	0.7x	3.7x	5.6x
Publishers Mean					2.1%	6.6%	11.7%	1.4x	6.3x	8.6x
Total Media and Marketing Services Industry Mean					0.2%	0.2%	16.2%	1.8x	10.3x	13.5x

Source: Capital IQ and company filings as of March 31, 2011

KPMG Corporate Finance LLC regularly monitors performance of a select group of publicly traded companies within the media and marketing services industry.

¹ Market Capitalization amounts are in US\$ millions, based on closing Share Prices as of March 31, 2011.

² Enterprise Value (EV) equals Market Capitalization plus Debt, Preferred Equity, and Minority Interest, minus Cash and Cash Equivalents.

³ Market Capitalization and Share Prices are based on foreign exchange listed securities and converted to US\$.

⁴ EBITDA equals Earnings Before Interest, Taxes, Depreciation, and Amortization.

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www.kpmgcorporatefinance.com

Contact Us

Cyrus Lam

Managing Director
New York
212-872-5540
clam3@kpmg.com

Amal Lahoud

Director
Los Angeles
213-955-8604
alahoud@kpmg.com

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