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BabyZone climbs into sandbox with Kaboose as websites merge

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By CP

TORONTO -- Kaboose Inc., the largest independent online children's website, has agreed to buy BabyZone.com Inc., the biggest independent online website focused on pregnancy and parenting in the United States.

The Toronto-based Kaboose yesterday said it had signed an agreement to acquire BabyZone.com for \$22 million US and two million Kaboose warrants. In addition, BabyZone shareholders may get further payments if the U.S. company meets pre-determined operating targets this year and next.

BabyZone generated earnings before interest, taxes, depreciation, amortization and share-based compensation of \$1.47 million US last year and has more than two million monthly users.

The company generates revenue through online branded advertising, of which 95 per cent is from the U.S.

Kaboose said BabyZone.com co-founders, Lew Bednarczuk, president and chief executive, and Jeanine Cox, executive vice-president and publisher, will continue in their current jobs and become part of the Kaboose management team.

"The acquisition of BabyZone is the biggest and most exciting step we have made in our strategy to consolidate the online family market," said Jason DeZwirek, co-founder and chief executive of Kaboose.

"BabyZone's two million unique monthly users vault Kaboose into one of the top-five most visited online family destinations with over 10 million combined unique monthly users, putting us only behind such giants as Disney and Viacom. This positions Kaboose as a premiere site for advertisers to reach this valuable niche audience of moms, who control approximately \$1.7 trillion in spending power."

Bednarczuk said, "We are very excited to be involved in creating the largest independent kids and family online media property in North America."

"Kaboose is one of the fastest growing new media companies in our space. Our complementary businesses, talented teams and shared visions will deliver unmatched value for consumers and advertisers."

The BabyZone acquisition is subject to regulatory approval and to Kaboose obtaining financing. The company has hired a syndicate of investment dealers, led by GMP Securities, Inc. to help it raise the money.

In another development yesterday, Kaboose announced it has signed an agreement to acquire Two Peas Inc., an online scrapbooking company for hobbyists, for \$600,000 US in cash and other benefits.

On the Toronto stock market, Kaboose shares closed down seven cents at \$1.40 -- a loss of 4.76 per cent.