

THE TRAINING INDUSTRY MERGERS & ACQUISITIONS MARKET

Baran Rosen

President

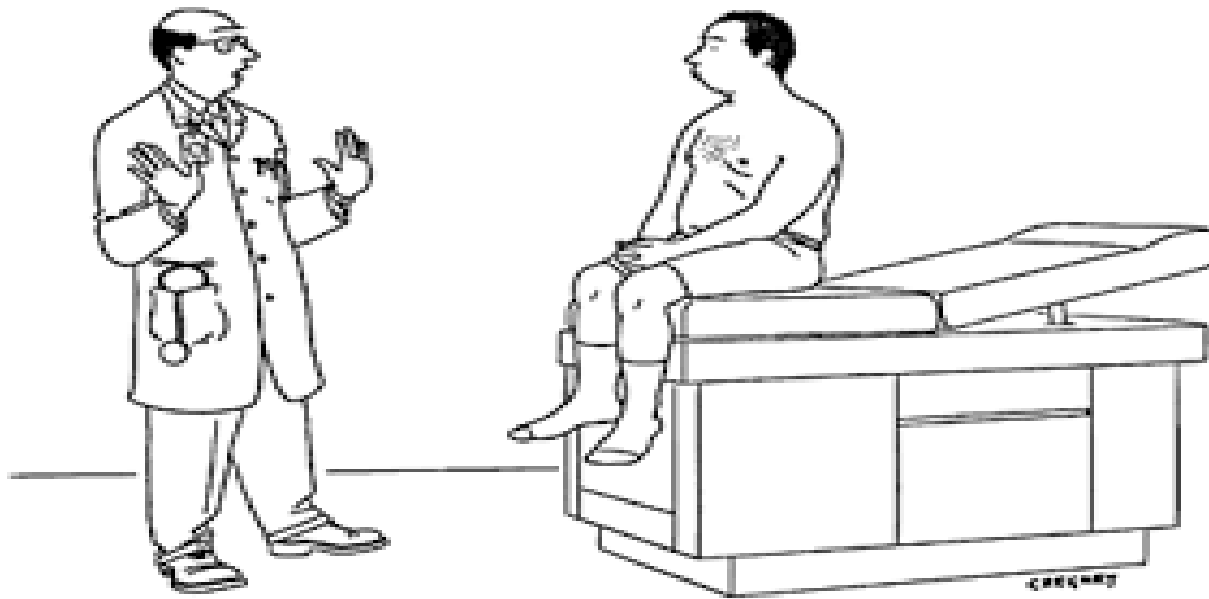
Whitestone Communications, Inc.



TOPICS

- Measuring Valuation Multiples
- Overall M&A Market
- Sample Revenue and Profit Multiples
- Drivers and Challenges
- Training Industry M&A Picture
- Major Training Industry Deals
- Samples of public training company performance
- Training company multiples
- Price of Your Company
- Forecast

© Cartoonbank.com



"Whoa—way too much information!"

Valuations

Quick Review

- Revenue multiples
- Profit multiples
 - With and without owner addbacks

OVERALL M&A MARKET

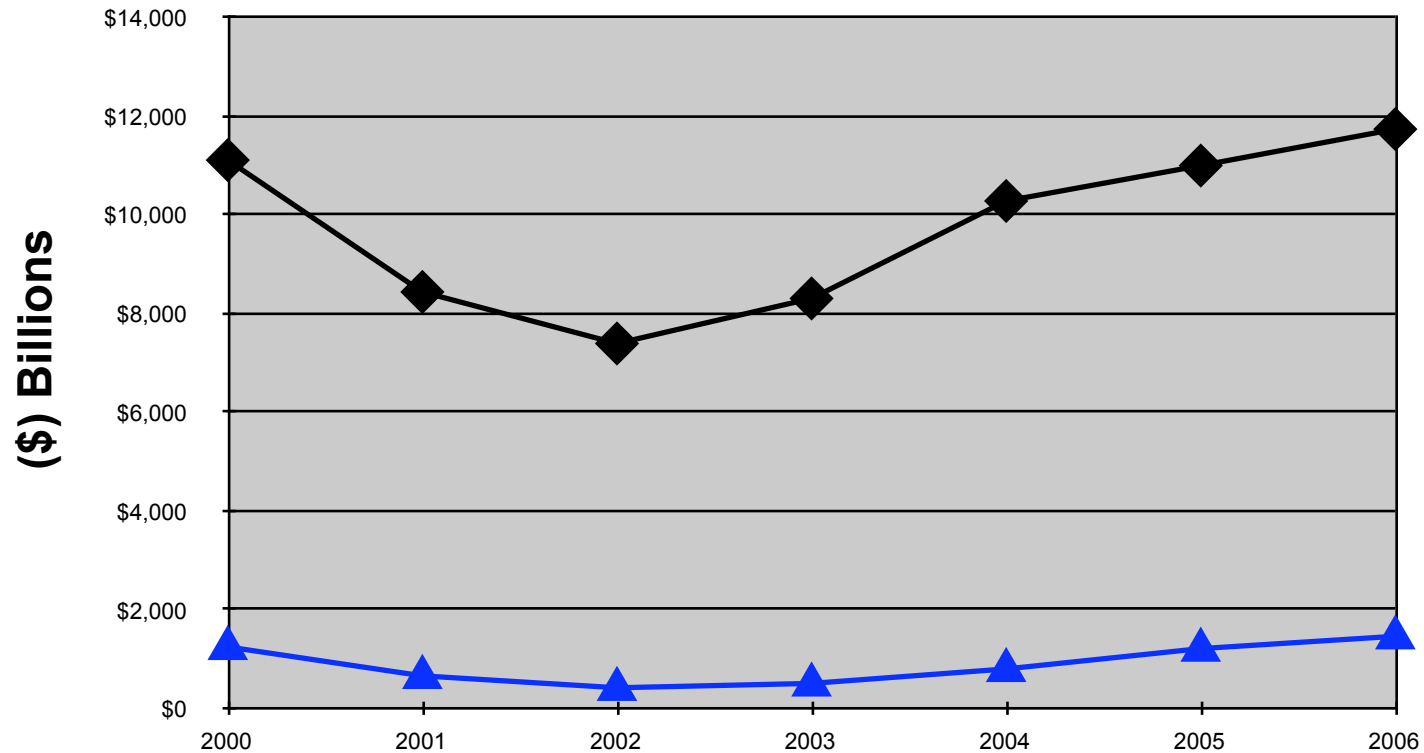
- Hottest Market Since the Dot Com Bubble

© Cartoonbank.com



"I want my bubble back."

M&A Activity Across All U.S. Industries 2000-2006



Déjà Vu All Over Again

Revenue Multiples

Buyer	Seller	Revenue
<i>E.W. Scripps</i>	<i>uSwitch</i>	14.6
New York Times	About, Inc.	10
Greenfield Online	Ciao (Germany)	6.6
Marchex	IndustryBrains	4.4
IAC/Interactive	AskJeeves	4.1
E.W. Scripps	Shopzilla	3.8
<i>Hellman & Friedman</i>	<i>DoubleClick</i>	3.6
<i>Providence Equity Partners and Goldman Sachs Capital Partners</i>	<i>Education Management Corporation</i>	3.4
T&F Informa	IIR Holdings	2.4
SumTotal Systems	Pathlore Software	2.0
Saba	Centra Software	1.6
CMP Media (United Business Media)	Incoming Calls Management Institute	0.9
CrossOff Inc. (Canada) <i>Deals in italics are from 2006</i>	Corporate IT and business skills portion of CDI Education	0.5

“Profit” Multiples

Buyer	Seller	Profit Multiple	Definition
Hellman & Friedman	DoubleClick	50	Op. Inc.
IAC/Interactive	AskJeeves	35	Net Inc.
SumTotal Systems	Pathlore Software	32	Op. Inc.
New York Times	About, Inc.	29	EBITDA
Marchex	IndustryBrains	28	Op. Inc.
E.W. Scripps	Shopzilla	16	Profit
Greenfield Online	Ciao (Germany)	17.9	Op. Inc.
Meredith Corporation	Gruner + Jahr – Parents, Child, Family Circle	12	EBITDA
Citigroup Venture Capital Equity	ABRY Partners – Network Communications	9.5	EBITDA
T&F Informa	IIR Holdings	16.1	EBITDA
Saba	Centra Software	NM	
CMP Media (United Business Media)	Incoming Calls Management Institute	6.3	EBITDA
CrossOff Inc. (Canada)	Corporate IT and business skills portion of CDI Education		

DRIVERS AND CHALLENGES

- ***DRIVERS***

- Strong economy
- Strong stock market
- Company results up, attract good values
- Optimism: Buyers have confidence to pay up
- Large corporates buy high

ALL RIGHTS RESERVED
<http://www.cartoonbank.com>

©1994 Leo Cullum from The Cartoon Bank, Inc.



Leo Cullum

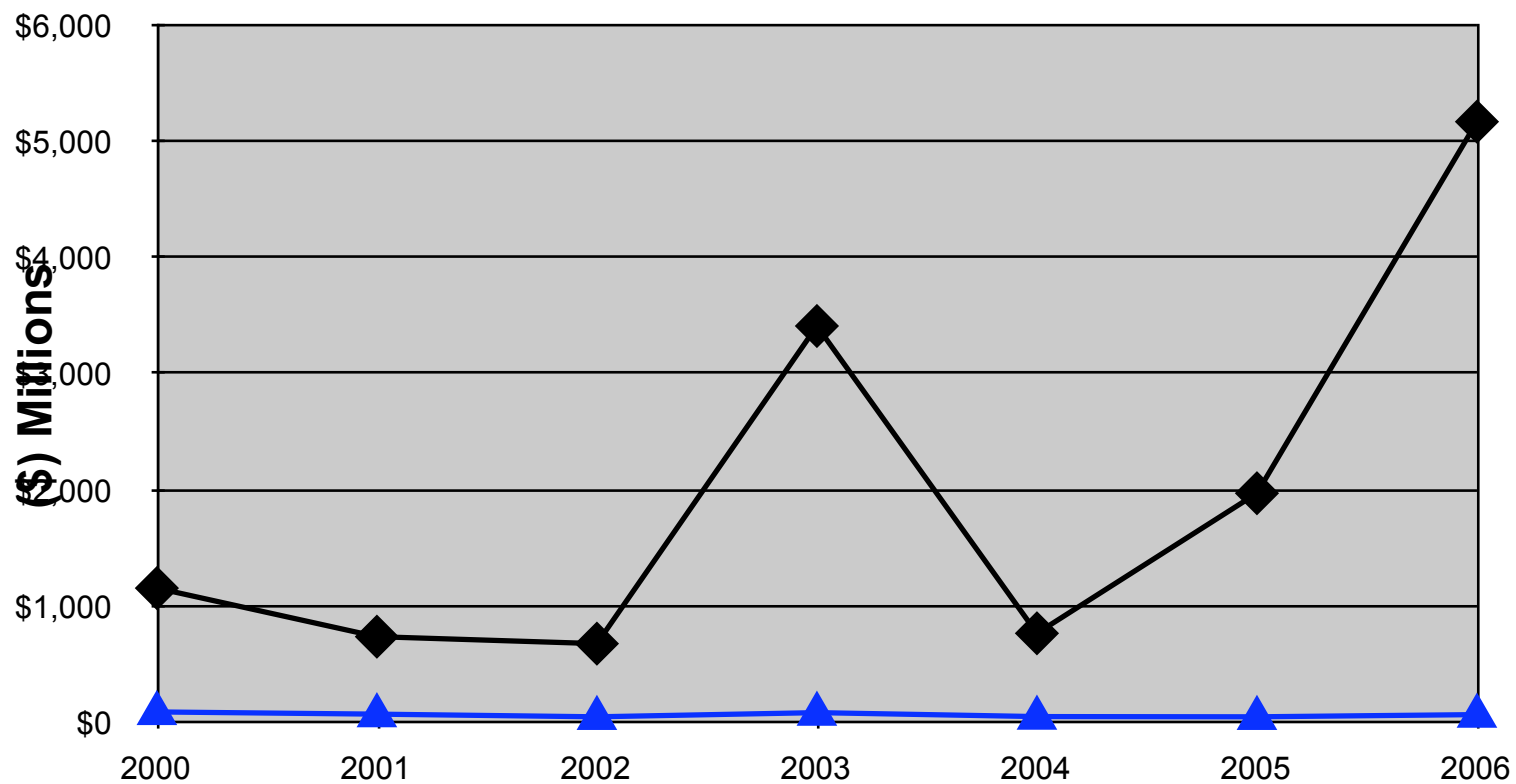
"Well, let's do something and do it quickly, because I'm sitting on a big pile of cash over here."

- Private equity firms money to burn; buyer today as likely to be a private equity firm as it is a corporate (strategic) buyer
- Banks eager lenders, relatively low interest rates

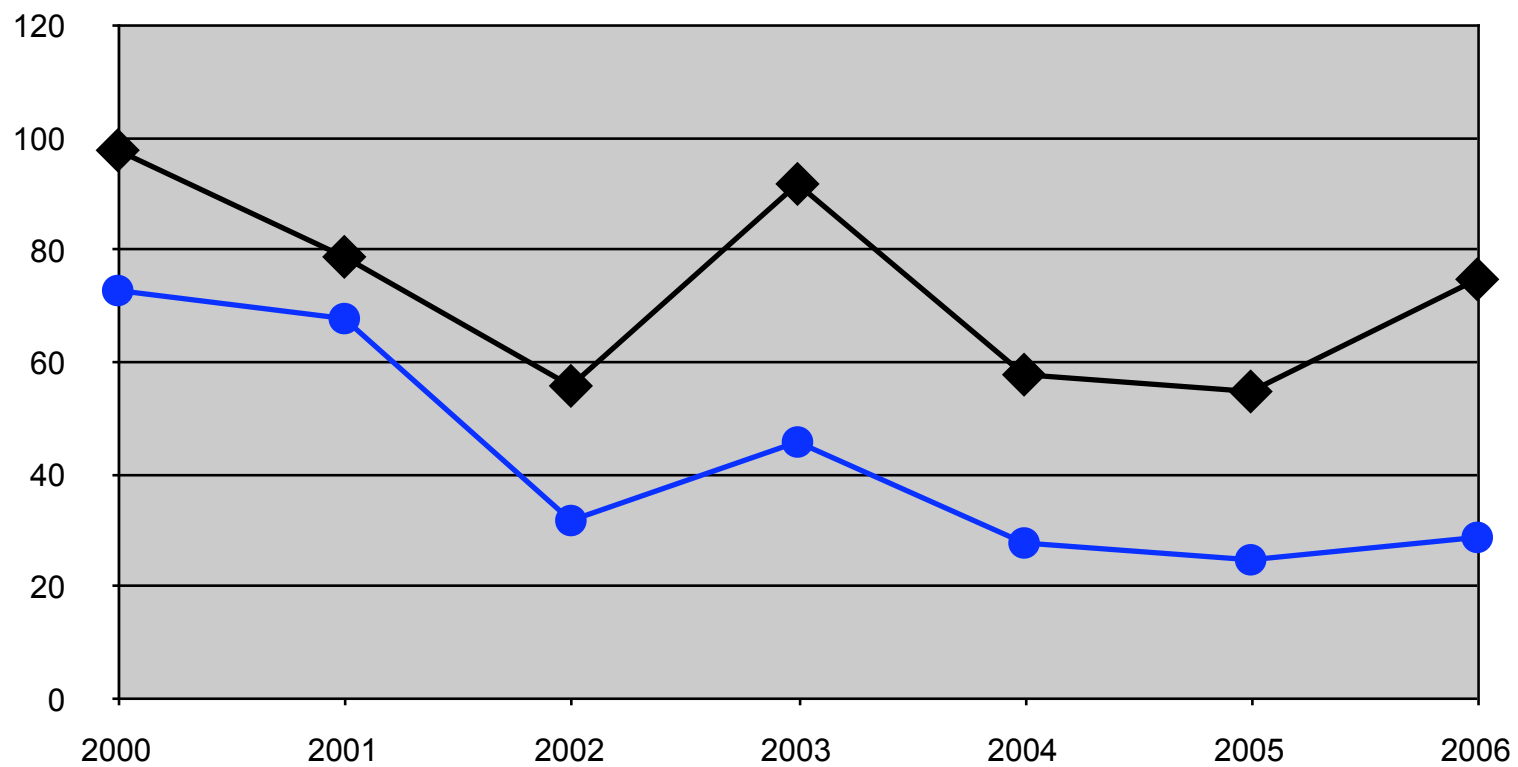
- ***CHALLENGES***

- Challenge today: Getting attention of buyer, too many deals?
- No major training company roll ups, few active, broad-focused buyers (except Kaplan and others in postsecondary education)

TRAINING M&A MARKET



TRAINING M&A MARKET

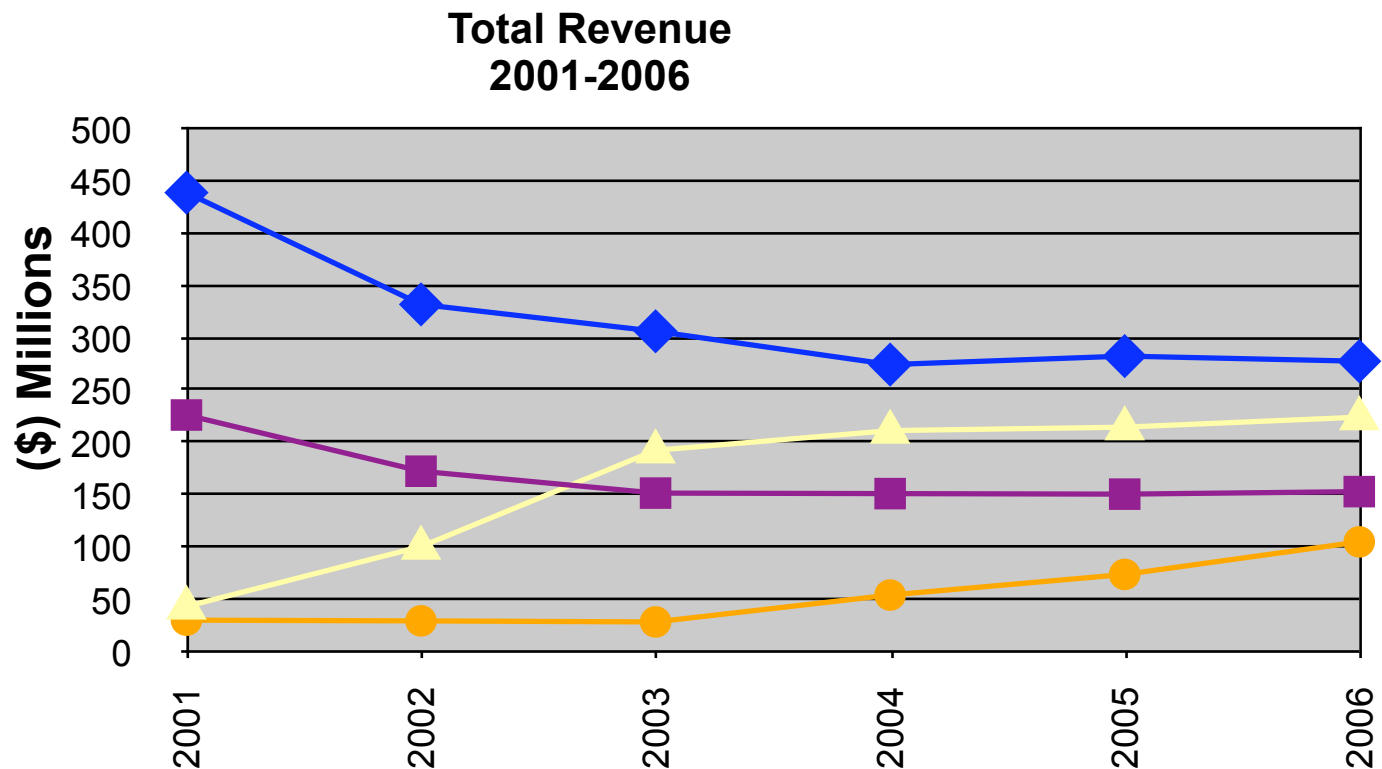


LARGEST TRAINING COMPANY DEALS

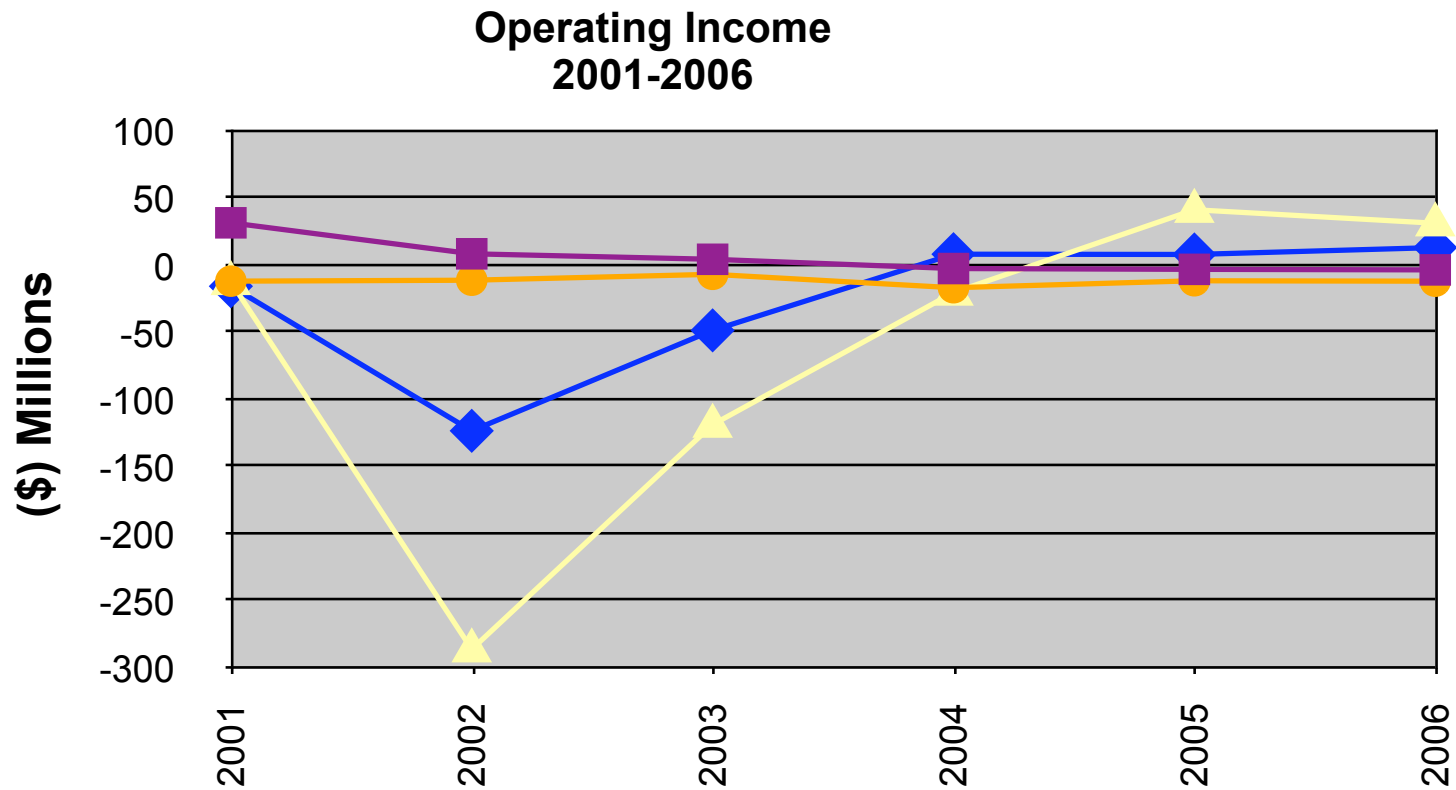
Year	Buyer	Seller	Comments
2006	Providence Equity Partners and Goldman Sachs Capital Partners	Education Management Corporation	\$3.4 billion; Post-secondary career training and educational services; Rev. \$1.0 billion, EBITDA \$169MM
2005	T&F Informa plc (Informa Group Plc – U.K.)	IIR Holdings Limited (U.K.)	\$1.4 billion; Organizer of conferences and exhibitions, and developer of custom training services for corporations and governments; 2004 rev. \$572.6MM, 2004 EBITDA \$87.8MM
2006	SkillSoft PLC	NETg (Thomson Corp.)	\$285MM; Instructor-led training, custom consulting services, print-based content and third-party training products; Rev. \$160MM
2006	Unnamed corporate buyer	Senad Group (UK)	\$150MM; Hiring automation, employee selection programs and performance analytics services for employers; Rev. \$50MM
2005	Rockwell Collins, Inc.	Evans & Sutherland	\$71.5MM; Simulation training products for military and commercial customers
2005	Kaplan Professional (Kaplan – Washington Post Co.)	BISYS Education Services (BISYS Group)	Licensing, education and compliance services for financial services, institutions and professionals

PERFORMANCE OF PUBLIC TRAINING COMPANIES

- Revenues stabilized or improving

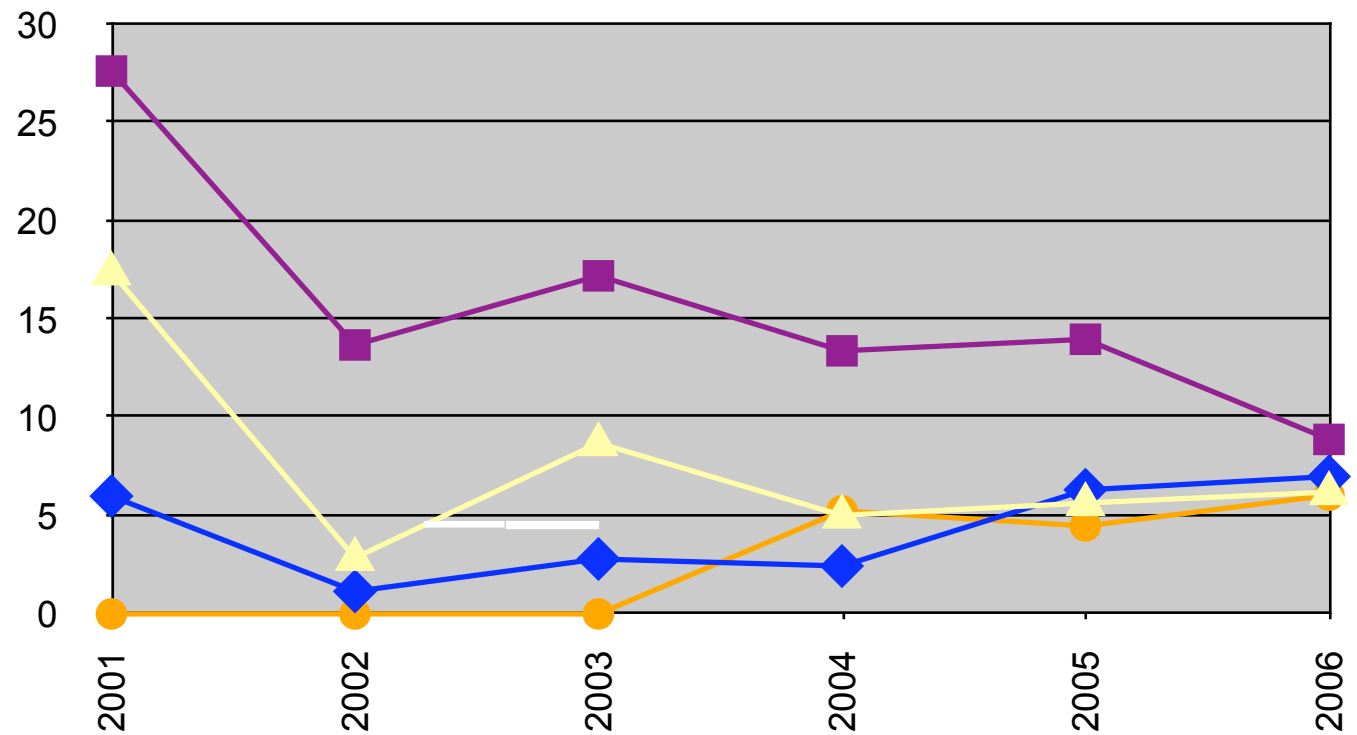


TRAINING COMPANIES WEAK, BUT BETTER PROFITS



TRAINING COMPANY STOCK PRICES

Stock Prices
2001-2006



GENERAL MULTIPLES OF “PROFIT”

- Key operating stats:
 - 5-10% annual growth
 - 15% plus profit margin
- Major Deals (\$100MM revenue plus)
 - 9 to 11 Times
- Mid Level (\$25-100MM)
 - 8 to 10 Times
- Small (\$5-25 MM)
 - 6 to 9 Times

VALUATION RANGES FOR YOUR COMPANY – WORKSHEET – IN CLASS EXERCISE

- Growth rate
- Profit margin
- Proprietary product
- Repeat customers
- Revenue size

FORECAST

© Cartoonbank.com



"We study, we plan, we research. And yet, somehow, money still remains more of an art than a science."

RECAP

- Overall M&A is hot
- Training industry M&A cool...warming?
- Multiples high for certain mega deals
- Buyers are active
- Near term future looks good for deal making

ALL RIGHTS RESERVED
<http://www.cartoonbank.com>



"Look at me. Do I look worried?"