

W WHITESTONE COMMUNICATIONS, INC.

WHO'S BUYING WHOM[®]

SECOND QUARTER 2002 VERSUS FOURTH QUARTER 2001

April 2002

News on mergers and acquisitions in the publishing, information and training markets from Whitestone Communications, Inc., a leading M&A advisory firm. For a complimentary valuation of your business, or to learn more about how Whitestone can help your company meet its strategic goals, please contact Whitestone President Baran Rosen at 212-957-7100, ext. 209, or email "brosen@whitestonecommunications.com."

M&A DEAL PACE SHOWING SIGNS OF RECOVERY?

New York, NY, April 8, 2002—The decline in the pace of mergers and acquisitions in the publishing, information and training fields stopped in the first quarter 2002, with the number of transactions running at levels comparable to the fourth quarter 2001, reported investment bank Whitestone Communications which tracks M&A deal activity for its annual *Who's Buying Whom* report.

"It looks like we are seeing a bottoming out of the big decline in mergers and acquisitions that hit in the fourth quarter 2001 as a result of September 11 and the recession," noted Whitestone Managing Director Sharon Sevrens. "While we are encouraged to see the deal pace leveling off, we are still running at a level about 40% below where we were before the recession began. The total number of deals this first quarter was 85 acquisitions versus the fourth quarter 2001 at 83. But the pace of the first two quarters last year was 125-140 deals per quarter."

A positive note from the first quarter 2002 is that the value of deals is up significantly from the fourth quarter 2001—from \$683 million to \$1.94 billion. However, the big jump is due mostly to one large deal—Readers Digest purchase of Reiman Publications for \$760 million.

The number of investments in the first quarter was down from the fourth quarter 2002—from 28 to 21—but the value of the investments increased from \$212 million to \$290 million.

The sectors with the most acquisitions in the first quarter were Training (16), Internet (content-related—12), and Business and Trade Magazines (each with 10).

2002 First Quarter Acquisition and Investment Activity

\$000	Acquisitions		Investments		TOTAL	
	No.	Value	No.	Value	No.	Value
Trade Magazines/Trade Shows	10	82	2	60	12	142
Consumer Magazines	7	833	2	70	9	903
Trade Book Publishing and Other Consumer Media	12	236	1	2	13	237
Education/Reference/Technical	4	75	1	0.1	5	75
Finance and Real Estate	9	417	1	11	10	428
Newsletters, Directories	2	9	0	0	2	8.5
Publishing-Related Software	3	13	4	78	7	91
Internet (Content-related)	12	50	2	2.5	14	53
Business, Legal	10	88	1	10	11	98
Training	16	142	7	57	23	199
Total	85	1,944	21	290	106	2,234



MAGAZINES

MAGAZINE DEAL PACE HOLDING STEADY AFTER LAST YEAR'S BIG DECLINE

New York, N.Y., April 8, 2002— The pace of magazine/trade show acquisition activity in the first quarter held even with the fourth quarter of 2001, indicating the deal pace may be steadying after its dramatic fall off at the end of last year, according to investment bank Whitestone Communications which tracks M&A activity for its annual *Who's Buying Whom* report. In addition, deal value in the fourth quarter—excluding one large transaction—was triple the prior quarter, a further sign of recovery.

“As the economy has started to revive,” noted Whitestone Managing Director Sharon Sevrens, “so has the confidence of potential buyers. The dramatic decline in M&A activity we saw following September 11 appears to have leveled off. Also, we are seeing a high level of activity on the part of venture funds seeking transactions in the magazine field. As a result, investing activity in magazines picked up in the first quarter.”

Whitestone reports:

- The number of acquisitions in the first quarter was 17—same as that for the fourth quarter. Deal value climbed to \$915 million—or \$155 million excluding the major deal noted above-- versus \$53.5 million. The major deal was Reader's Digest acquisition of Reiman Publications for \$760m

- The number and value of investments climbed to four totaling \$130 million versus just one at \$5 million in the prior quarter.

The deal pace stayed about the same for the two magazine categories--trade magazines/trade shows and consumer magazines--while deal value for each category increased.

In the trade magazine/trade show category, the largest deal was Advanstar's purchase of First Global Media in the U.K. First Global, with revenues in the \$30-40 million range, publishes automotive industry magazines. Also significant was ABRY Mezzanine Parters' \$50 million investment in Penton Media, which had been reeling from the advertising recession.

In the consumer magazine category, Conde Nast Publications scored the second largest deal behind the Reader's Digest deal with its \$52 million purchase of the Modern Bride Group from Primedia. Among investments, the largest was ValueAct Capital Partners' \$45 million purchase of a 6% stake in Martha Stewart Living Omnimedia.

EDUCATION/ REFERENCE

PACE OF ED/REF COMPANY ACQUISITIONS PICKS UP

New York, N.Y., April 8, 2002— The pace of acquisitions of educational, reference and technical book/journal publishers picked up just slightly in the first quarter of 2002, reported investment bank Whitestone Communications which tracks M&A activity for its annual *Who's Buying Whom* report.

Whitestone counted just four deals with a value of \$75 million for the first quarter, but this count still exceeded the fourth quarter which showed only one transaction for \$10 million.

“M&A activity had been crushed by the double impact of September 11 and the recession,” noted Whitestone President Baran Rosen. “But with the improving economy and our country's successes in Afghanistan, a new confidence has returned to the marketplace. Buyers are now willing to make bets again on the future in the form of acquisitions.”

The number of investments in the first quarter of 2002 approximated the fourth quarter 2001 results—six investments for \$69.9 million versus seven and \$57 million. Among the larger 2002 investments was the purchase by American Capital Strategies of 50.1% of Network for Medical Communications and Research. The latter provides specialized medical education programs, research and content for physicians and other medical personnel.

**Whitestone
Communications**
-
**The Leading M&A
Advisory Firm in the
Publishing,
Information and
Training Industries**



**NEWSLETTERS/
DIRECTORIES**

**NEWSLETTER
ACQUISITION DEAL
ACTIVITY AT A
STANDSTILL IN
FIRST QUARTER**

New York, N.Y., April 8, 2002— Newsletter merger and acquisition activity came to a near halt in the first quarter of this year, according to the investment banking firm of Whitestone Communications which tracks the pace of deals for its publication, *Who's Buying Whom*.

The number of deals in the first quarter was only two compared to the approximate 10 deals per quarter that were being done in 2001 and 10-20 deals per quarter in 2000.

"The dearth of newsletter deals is mainly due to the lingering effects of the 2001-2002 recession," explained Whitestone associate Jenifer Lindenman. "We believe that as the economy picks up, so will the pace of deals. In fact, we are seeing banks eager to lend on transactions and venture groups desperate to spend money on good deals.

"Another factor influencing the pace of deals could be consolidation," added

Lindenman. "Until the recession, we had been seeing more and more large publishers buying up the smaller companies, leaving a shrinking number of available acquisition candidates."

TRAINING

**TRAINING
COMPANY
ACQUISITION DEAL
PACE LEVELING
OFF**

New York, N.Y., April 8, 2002— The pace of training company acquisitions appears to be leveling off after a big decline in last year's fourth quarter, according to investment bank Whitestone Communications which tracks M&A activity for its annual *Who's Buying Whom* report.

While the number of deals in the first three quarters of 2001 was running approximately 20 per quarter, the number dropped to 14 in last year's fourth quarter and was 16 for this year's first quarter. The dollar value of deals jumped to \$142 million in the first quarter versus only \$93.2 million in the fourth quarter 2001.

"The pace of acquisitions in the training field has come down, but appears to be leveling off," noted Whitestone Managing

Director Eugene Gartlan. "Some key strategic deals are still being done such as Chancellor Academies purchase of Beacon Education Management. Kaplan, a division of the Washington Post, was the most active buyer in the first quarter, completing three deals, including the purchase of Texas Careers, Thompson Institute and Technology Education College."

Venture capitalists continued to have strong interest in the training field. Venture firm Huron Capital Partners picked up Delta Educational Systems, an operator of postsecondary vocational schools offering degree and diploma programs, primarily in the IT, healthcare and business fields. ■

Whitestone Communications, Inc.
 1350 Avenue of the Americas, New York, NY 10019
 (212) 957-7100

President:	Baran Rosen	Senior Associate:	Susan Isserman
Managing Director:	Gene Gartlan	Senior Advisor:	Walter D. Serwatka
Managing Director:	Sharon Sevrens	Who's Buying Whom Editor:	Jennifer Doyle
Managing Director:	Katherine Norwood	Associate:	Jenifer Lindenman