

**W** WHITESTONE COMMUNICATIONS, INC.

# **WHO'S BUYING WHOM<sup>®</sup>**

**SECOND QUARTER 2002 VERSUS FIRST QUARTER 2002**

JULY 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 STEADY IN SECOND QUARTER**

New York, NY, July 16, 2002—The pace of mergers and acquisitions in the publishing, information and training fields for the second quarter 2002 generally matched the first quarter levels, reported investment bank Whitestone Communications which tracks M&A deal activity for its annual *Who's Buying Whom* report.

"We have been running fairly steady now for three quarters in terms of number of deals—83 in the fourth quarter of 2001, 85 in the first quarter 2002 and now 91 in the second quarter," noted Whitestone Managing Director Sharon Sevrens. "While these numbers are all significantly below the 125-140 deals per quarter we were at before the recession, at least activity appears not to be declining further. If the economy will cooperate with a rebound, we can see improvement in the deal pace as 2002 continues."

Value of acquisitions in the second quarter declined to \$1.3 billion from \$1.9 billion in the first quarter as no deals were completed in excess of \$200 million. In the first quarter, total value was boosted by the \$760million

purchase of Reiman Publications by Readers Digest. In the second quarter the largest deals were the approximate \$300 million SmartForce/SkillSoft merger and the \$200 million purchase of medical education company Boron, LePore by Cardinal Health.

A particularly positive note from the second quarter 2002 is that the number and value of investments picked up—from 21 deals valued at \$290 million to 30 deals valued at \$385 million. The largest transactions were the \$80 million follow-on investment by Willis Stein & Partners in Ziff Davis Media and two deals in the training/secondary education market—U.S. Education receiving a \$50 million investment and Universal Technical Institute \$45.5 million.

The sectors with the most acquisitions in the second quarter were the Business & Legal category with 20 and Trade Book and Other Consumer Publishing with 13. Training had far and away the most number of investments at 11.

### **2002 Second Quarter Acquisition and Investment Activity**

	Acquisitions		Investments		TOTAL	
	No.	Value	No.	Value	No.	Value
<b>\$000</b>						
Trade Magazines/Trade Shows	4	\$39	0	\$0	4	\$39
Consumer Magazines	5	197	2	97	7	294
Trade Book Publishing and Other Consumer Media	13	79	4	22	17	101
Education/Reference/Technical	10	87	3	46	13	133
Finance and Real Estate	9	87	2	10	11	97
Newsletters, Directories	7	12	0	0	7	12
Publishing-Related Software	8	75	4	15	12	90
Internet (Content-related)	6	25	2	6	8	31
Business, Legal	20	363	2	22	22	385
Training	9	329	11	168	20	497
<b>Total</b>	<b>91</b>	<b>\$1,293</b>	<b>30</b>	<b>\$385</b>	<b>121</b>	<b>\$1,678</b>



## MAGAZINES

### MAGAZINE DEAL PACE CONTINUES TO WILT

New York, N.Y., July 16, 2002—The number and value of magazine and trade show acquisitions in the second quarter declined below already-depressed first quarter levels, according to investment bank Whitestone Communications which tracks merger and acquisition activity for its annual *Who's Buying Whom* report.

"The impact of the slowdown in magazine advertising revenue is continuing to keep many buyers in the magazine field on the sidelines," noted Whitestone Managing Director Sharon Sevrens. "The impact has been so great that the number of transactions this past quarter was even less than in the fourth quarter of last year when we had the September 11 tragedy weighing on dealmakers. We had a total of just nine transactions this past quarter while the fourth quarter of last year saw 17 deals."

Comparing the second quarter of this year to the first quarter, Whitestone reports:

- The number of acquisitions in the second quarter was nine, as noted above, versus 17 in the first quarter.
- Deal value declined dramatically from \$915 million to \$236 million with no major transaction, such as first quarter's \$760 million Reader's Digest purchase of Reiman Publications, to bolster results.

- The number and value of investments totaled just two in the second quarter with a value of \$97 million compared to four investments in the first quarter valued at \$130 million.

The decline in number and value of deals was comparable between the two magazine categories tracked by Whitestone—trade magazines/trade shows and consumer magazines.

Among both categories, the largest acquisition was F&W Publication's purchase of Krause Publications for \$120 million. Other significant consumer magazine deals were the purchase of Veranda Magazine by Hearst Corp. and the purchase of Hemmings Motor News by American City Business Journals.

Largest acquisition in the trade magazine/trade show category was the purchase of Vulcan Publications' construction and industrial magazines by Cygnus Business Media.

Regarding investments, the largest deal was an \$80 million follow-on investment by Willis Stein & Partners to shore up ailing Ziff Davis Media Inc.

**Whitestone  
Communications**

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

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## EDUCATION/ REFERENCE

### EDUCATION/ REFERENCE COMPANY ACQUISITIONS ACTIVE IN 2Q

New York, N.Y., July 17, 2002—The pace of acquisitions among educational, reference and technical book/journal publishers picked up in the second quarter of 2002 versus the first quarter, reported investment bank Whitestone Communications which tracks merger and acquisition activity for its annual *Who's Buying Whom* report.

Whitestone counted 10 deals with a value of \$87 million for the first quarter, up from four deals at \$75 million. The number of investments in this sector was three valued at \$46 million compared to only one investment at less than \$1 million.

"The improvement we started to see in the economy in the second quarter provided a good boost for buyers/investors to conclude deals in the education/reference/technical publishing field," said Whitestone President Baran Rosen. "Due to this field's good business characteristics, I am not surprised at this rebound in dealmaking."

The largest acquisition in the second quarter was Delta Education's purchase of Educators Publishing Service. For Delta Education, this represented a strategic as well as good geographic fit as both companies are located near each other in the Boston/New Hampshire region.



Delta Education is owned by The Wicks Group of Companies.

Among investments, the largest deal was a \$35 million credit facility/investment by Capital Source for Aspen Education Group. Aspen provides educational services and programs targeting underachieving youth.

**NEWSLETTERS/  
DIRECTORIES**

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

New York, N.Y., July 17, 2002—Newsletter merger and acquisition activity picked up slightly in the second quarter 2002 as the economy started to show signs of a rebound, 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 second quarter was up to seven compared to two in the first quarter. Still the second quarter activity remained below the approximate 10 deals per quarter that were being done in

2001 and 10-20 deals per quarter in 2000.

"The slight pickup in newsletter deals was mainly due to an increasing optimism about overall economic activity picking up as well as some newsletter publishers stepping up to make important strategic acquisitions," explained Whitestone Associate Jenifer Lindenman. "In the latter category, we saw Eli Research buying the assets of Global Success Corporation, a move that will significantly strengthen Eli Research's position in healthcare newsletter publishing."

Overall the value of acquisitions was about \$12 million in the second quarter 2002 compared to \$9 million in the first quarter.

**TRAINING**

**TRAINING  
COMPANY  
ACQUISITION PACE  
SLIGHTLY LOWER/  
INVESTMENT  
HIGHER**

New York, N.Y., July 17, 2002—The pace of training company acquisitions was slightly lower in terms of number of deals in the second quarter of 2002 versus the

already-depressed first quarter, according to investment bank Whitestone Communications which tracks merger and acquisition activity for its annual *Who's Buying Whom* report.

The number of deals declined to nine from 16 but the total value of the deals more than doubled to some \$329 million as a result of a single large transaction—the SmartForce acquisition of SkillSoft.

The long-term attractiveness of the training field was, however, evident in the number and the value of investments recorded—11 investments totaling \$168 million in the first quarter compared to seven investments worth \$57 million in the second quarter.

"Venture funds and other strategic players continue to see training as having strong growth potential and are willing to put down some sizeable bets," noted Whitestone Managing Director Eugene Gartlan.

Among the larger investments were a \$50 million investment in U.S. Education Corp. by William Blair Capital Partners and ClearLight Partners and a \$45.5 million investment in Universal Technical Institute by Charlesbank Capital Partners and Penske Capital. ■

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