

WHO'S BUYING WHOM[®]

2002 VERSUS 2001 UPDATE

January 2003

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 Managing Director Sharon Sevrens at 212-957-7100, ext. 210, or email "ssevrens@whitestonecommunications.com."

WEAKENED ECONOMY SLOWS M&A DEAL PACE FOR 2002

New York, N.Y., January 30, 2003—While several billion dollar deals were closed in 2002, the overall pace of mergers and acquisitions could not beat back a weak economy with deals and dollar volume off significantly for the year, reports M&A advisory firm Whitestone Communications. Whitestone tracks acquisitions and investments for its annual reference, *Who's Buying Whom*, the most complete report on deals in the publishing, information and training fields.

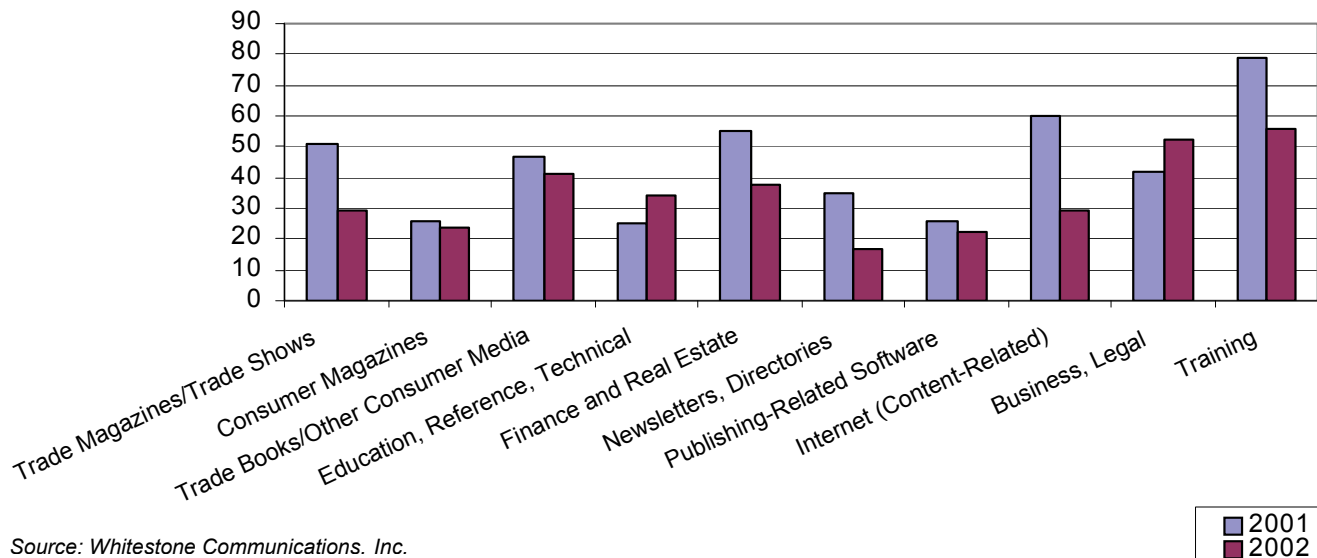
"We saw some significant deals getting done in 2002 and the environment improved toward year-end," notes Whitestone Managing Director Sharon Sevrens. "Hopefully, this sets the stage for an improving

climate for mergers and acquisitions. Generally, we are seeing more activity among our clients and expect 2003 to show improvement over 2002."

For 2002, the number of acquisitions was 342, down 23% from 2001, while the dollar volume declined to \$7.4 billion versus \$12.1 billion.

"Suffering more dramatically than the pace of acquisitions was the level of investment in publishing, information and training businesses," said Sevrens. "The venture funds, while eager to do deals, found few properties that met their investment criteria."
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TOTAL NUMBER OF ACQUISITIONS 2002 VERSUS 2001



Source: Whitestone Communications, Inc.



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The result: the number of investments declined 59% to 67 from 163 while the dollar value declined 58% to \$812 million from \$1.9 billion.

Vivendi Universal, seeking to solve its financial crisis, accounted for the two largest deals of 2002, divesting:

- Houghton Mifflin for \$1.7 billion to a group of venture funds—Vivendi had paid \$2.2 billion for the company in August, 2001
- Vivendi Universal Publishing (VUP) to Lagardere Group, based on valuation of 1.2 billion Euros. VUP included general literature, reference and educational publishing.

Wolters Kluwer and Thomson Corporation were neck-and-neck in the race for most acquisitions completed in 2002, with both doing approximately 20 transactions. Among Kluwer's larger deals were Intercounty Clearance Corporation, Verlag Praktisches Wissen GmbH (Germany) and Medi-Span. For Thomson, the larger acquisitions were Delphion Research and Gardiner-Caldwell Communications (U.K.).

MAGAZINES

MAGAZINE DEAL ACTION BRIGHTENS AT YEAR END

New York, N.Y., January 30, 2003—A little brightness appeared in magazine/trade show deal activity in the last quarter of 2002 after a mostly bleak year, reports merger and acquisition advisory firm Whitestone Communications.

"We saw the return of sizable deals in the form of American Media's purchase of Weider for \$350 million and Meredith Corporation's acquisition of the American Baby Group from Primedia for \$115 million," notes Whitestone Managing Director Sharon Sevens. "These major commitments to magazines are being made in the face of one of the worst years for magazine advertising in a long time. The deals say a lot for the long-term potential of magazines and the prospect of the deal pace quickening as advertising hopefully improves in 2003."

For the fourth quarter, the number of magazine and trade show deals—14—was down slightly from the 17 done in same period of 2001. But the exciting news was the dollar volume—more than 11 times the prior year period—\$617 million versus \$54 million.

The full year 2002 numbers tell the story already well-known in the industry—the number of deals was down, 31% to 53 and the dollar volume was down 38% to \$1.8 billion. The largest magazine deal of the year was the \$760 million acquisition of Reiman Publications by Reader's Digest.

EDUCATION/REFERENCE

EDUCATION/REFERENCE COMPANY DEAL PACE BUCKS DOWN-DRAFT

New York, N.Y., January 30, 2003—The pace of acquisitions in the education/reference publishing field picked up in 2002 over 2001 while all other parts of the publishing/information industry suffered modest to significant downturns in deal activity, reports merger and acquisition advisory firm Whitestone Communications.

"The business world showed tremendous confidence in the education/reference publishing world in 2002 by continuing to put up money for acquisitions in this field," notes Whitestone Managing Director Sharon Sevens. "Buyers understand that economic recessions may come and go but the education/reference market is going to be a solid performer over the long term."

The number of acquisitions was 34, up 36% over the 25 deals done in 2001. Thanks to the sale of Houghton Mifflin for \$1.7 billion by Vivendi Universal, the value of the deals approximately matched the 2001 level—\$2.6 billion in 2002 versus \$2.4 billion in 2001.

The second largest deal in this category was another venture fund acquisition—Cinven Ltd. and Candover Partners in the U.K.—acquired Kluwer Academic Publishers for \$583 million. "The divestiture by Kluwer signals its belief that have tough charges for growth," explains Sevens.

**Whitestone
Communications**

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



**NEWSLETTERS/
DIRECTORIES**

**NEWSLETTER
ACQUISITION DEAL
ACTIVITY DOWN 50%**

New York, N.Y., January 30, 2003—With a slowing economy and weakened newsletter business, the pace of newsletter/directory company acquisitions was down dramatically in 2002, reports Whitestone Communications.

The number of transactions was 17, down more than 50% from the 2001 total of 35. The dollar value of these transactions was down by an even greater amount—just \$42 million in deal value for 2002 versus \$198 million in 2001, or a decline of 79%.

“We know a lot of publishers had weakened direct mail results in 2002 and this, in turn, has likely impacted their profitability,” notes Whitestone Communications Associate Jenifer Lindenman. “With lower profits, owners considering the sale of their company are likely waiting for better results to capture a higher price should they sell.”

In newsletters, one of the more newsworthy transactions was the sale by veteran newsletter entrepreneur Leslie Norins of his Global Success business to Eli Research, LLC (Whitestone represented Eli Research in the transaction).

TRAINING

**CAREER SCHOOL
DEALS HIGHLIGHT
2002 TRAINING
COMPANY ACTIVITY**

New York, N.Y., January 30, 2003—Buyers of career schools were active in 2002 despite an overall decline in acquisitions in the training field, reports merger and acquisition advisory firm Whitestone Communications.

“Career schools sometimes can do better in recessions because people who have been let go from their jobs can be inclined to seek more education to improve their skills or change to a field they consider more attractive,” explains Whitestone Managing Director Gene Gartlan.

Among the career school deals in 2002:

- Career Education Corp. acquired Missouri College for \$6 million
- Concorde Career Colleges made two acquisitions—Extended Health Education and North Texas Professional Career Institute
- Corinthian Colleges and Education Management Corporation each made three acquisitions.

In the training area, Kaplan, Inc., continued its active acquisition program, completing three deals: Texas Careers, Thompson Institute

and Technology Education College. The Institute for International Research, which has completed some of the largest transactions in the training field, picked up two businesses: Communispond and FTR.

Sizable investments were also still being made in 2002:

- William Blair Capital Partners and ClearLight Partners invested \$50 million in postsecondary education provider U.S. Education Corp.
- Charlesbank Capital Partners and Penske Capital invested \$45.5 million into Universal Technical Institute, a technical education company
- Merrill Lynch and School Services invested \$40 million into school operator Edison Schools.

E-learning companies picked up investors as well. Among those receiving funding were Learn Wright, KnowledgeNet, Outstart, Vcampus, EDT Learning, GoTrain, Thinkpath, eKnowledge and Workknowledge.

The statistics for 2002 show the number of acquisitions at 56, down 29%, and the number of investments at 22, down 42%:

Acquisitions	2002	2001	% Change
Number of Deals	56	79	-29%
Dollar Value (\$MM)	\$686	\$746	-8%
Investments			
Number of Deals	22	38	-42%
Dollar Value (\$MM)	\$256	\$458	-44%

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