

# **WHO'S BUYING WHOM<sup>®</sup>**

**FIRST QUARTER 2003 VERSUS FIRST QUARTER 2002**

April 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."

## **DEAL ACTIVITY FOR PUBLISHING, INFORMATION AND TRAINING COMPANIES RUNNING STEADY-ALMOST**

New York, N.Y., April 8, 2003— Acquisition activity for the first quarter among publishing, information and training companies approximately matched the same period last year, reported merger and acquisition advisory firm Whitestone Communications, which tracks merger and acquisition activity for its annual reference *Who's Buying Whom*.

"We saw the deal pace decline but the value of deals jumped ahead of last year," noted Whitestone Managing Director Sharon Sevrens. The total number of deals was 71 in this year's first quarter versus 85 last year, but the total value of the transactions climbed

32% to \$2.6 billion from \$1.9 billion.

Most active was the training area, accounting for 28% of the deals but nearly 50% of the deal value. Deal value for the training field ran nearly 10 times its total from last year's first quarter on the strength of several large deals in the \$200-300 million range, including:

- Sylvan Learning Systems divesting its K-12 education businesses
- Career Education buying Whitman Education
- DeVry acquiring Ross University.

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### **TOTAL NUMBER AND DOLLAR VALUE OF DEALS\* IN THE PUBLISHING, INFORMATION AND TRAINING INDUSTRIES BY QUARTER, 1999-2003 Q1**



\* Deals-- Includes acquisitions and investments

Excludes unusually large transactions--AOL Time Warner Merger in Q1 2000 valued at \$106 billion and United News & Media's acquisition of Carlton Communications for \$12 billion.

Source: Whitestone Communications, Inc.

◆ Number of Deals  
■ Dollar Value



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Looking at only the publishing and information industries, the number of deals and deal value were both down about 25% to 51 deals generating about \$1.3 billion in deal value compared to 69 deals and \$1.8 billion last year.

Trade and consumer magazines had another down quarter, with the number of transactions at 11 with a total value of \$581 million versus 17 deals and \$915 million last year. Most of the magazine deal value was attributable to just one deal—the \$1.5 billion recapitalization of American Media. Evercore Partners, which owned American Media with a group of other investors, agreed to have Thomas H. Lee Partners become an investor with each funding one-half of the total equity of \$508 million in the recapitalization.

In the financial area, two major deals accounted for the bulk of deal value: Reuters acquisition of Multex.com for \$195 million and Pearson's Interactive Data Corp. acquiring S&P ComStock from McGraw-Hill for \$115 million.

Regarding investment activity, Sevrens said, "The investors have really slowed their pace. They are just too concerned about the economy to start putting significant dollars to work." In the first quarter, 11 investments were done for \$78 million compared to 21 deals at \$290 million last year.

## MAGAZINES

### MAGAZINE DEALS STILL IN SLUMP

New York, N.Y., April 8, 2003—Magazine and trade show deal activity continued at a slow pace during the first quarter of this year, according to merger and acquisition advisory firm Whitestone Communications.

"The weak economy continues to hamper magazine operating performance," noted Whitestone Managing Director Sharon Sevrens. "In turn, many companies that wish to sell are waiting for better results to come forward, while magazine companies themselves need to harbor their resources through these tough times, leaving little cash for acquisitions. Still, we are seeing more interest from financial buyers who sense that now is a good time to be a buyer and that acquisitions today will prove highly profitable when the economy rebounds."

Comparing the first quarter of 2003 with the same period in 2002, Whitestone reports:

- The number of acquisitions totaled 11 this year versus 17 last year while deal value dropped to \$581 million from \$915 million.
- Investment activity came practically to a halt with just one deal this year valued at \$3 million versus four last year valued at \$130 million.

Whitestone notes the first quarter 2003 pace in number of deals is about 25% of 1999

levels and about 50% of 2000-2001 levels.

Trade magazine/trade show activity held even in the first quarter 2003 versus 2002 while consumer magazines accounted for the decline in the overall magazine numbers.

## EDUCATION/REFERENCE

### EDUCATION/REFERENCE COMPANY DEAL PACE HOLDING UP

New York, N.Y., April 8, 2003—The pace and value of acquisitions in the education/reference publishing area in the first quarter 2003 was up slightly over last year, reported merger and acquisition advisory firm Whitestone Communications.

"Education/reference publishing is a solid area of publishing less subject to the whims of the economy than other segments," noted Whitestone President Baran Rosen. "Serious buyers such as Oxford University Press—which acquired Macmillan's Grove imprint in the first quarter—continue to make acquisitions through all types of economic climates."

As a sign of the solid value buyers place on education/reference publishing, Rosen noted Taylor & Francis' acquisition of CRC Press from Information Holdings in the first quarter.

"Taylor & Francis is paying \$95 million for CRC Press, about 11 times operating profit before goodwill amortization. With CRC Press at \$52 million in revenue and growing about 8% a year, Information Holdings is receiving a good price for the business."

### **Whitestone Communications**

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



**NEWSLETTERS/  
DIRECTORIES**

**NEWSLETTER  
ACQUISITION DEAL  
ACTIVITY MATCHING  
LAST YEAR'S PACE**

New York, N.Y., April 8, 2003— Newsletter/directory acquisition activity in the first quarter of 2003 paralleled levels for the same period last year, according to merger and acquisition advisory firm Whitestone Communications.

“Newsletter publishers continue to work their way through a weak economy,” noted Whitestone Associate Jenifer Lindenman. “This has kept some business owners on the sidelines instead of moving forward to sell their operations. Still, a sizable group of buyers remain enthusiastic about the newsletter business model so we expect continued deal-making throughout the year.”

The number of deals in the first quarter was four with a total value of \$11 million compared to two deals last year valued at \$9 million. Looking back to busier M&A times, Whitestone noted that approximately 10 deals per quarter were being done in 2001 and 10-20 deals per quarter in 2000.

Buyers in the first quarter included West, a division of Thomson Corporation, acquiring Andrews Publications from Hights Cross Communications (represented by Whitestone Communications).

**TRAINING**

**TRAINING COMPANY  
ACQUISITION DEAL  
VALUES LEAP IN  
FIRST QUARTER**

New York, N.Y., April 8, 2003— The dollar value of acquisition deals in the training area leaped skyward in the first quarter of this year versus the same period last year, according to merger and acquisition advisory firm Whitestone Communications.

The dollar value of deals in the first quarter totaled \$1.3 billion on 20 transactions versus just \$142 million on 16 deals last year.

The hottest area in training deals has been post-secondary schools. “Financial and strategic buyers are competing actively to acquire post-secondary schools,” noted Whitestone Managing Director Gene Gartlan. “With a work population seeking enhanced credentials to improve their attractiveness in a tight job market, acquisition of post-secondary schools is seen as a dependable path to profitable returns.”

As a sign of the commitment companies are making in this area:

- Career Education Corp. announced the \$230 million purchase of Whitman Education Group, paying a premium multiple of nearly 14 times earnings

before interest, taxes and depreciation. Nine to 11 times might be more typical for deals such as this, Gartlan noted.

Other large education/school transactions:

- DeVry is acquiring Ross University, a medical and veterinary school in the Caribbean for \$310 million (a multiple of 12.4 times earnings before interest, taxes, and depreciation).
- Educate Operating Company is buying the K-12 education businesses of Sylvan Learning Systems for \$275-300 million, paying a multiple of 8.1 times earnings before interest, taxes, depreciation and amortization.

While acquisition activity picked up, investment activity declined in the first quarter—three deals with a value of \$28 million versus seven deals at \$57 million last year.

The training deal scoreboard:

Acquisitions	2003 Q1	2002 Q1	% Change
Number of Deals	20	16	25%
Dollar Value (\$MM)	\$1,251	\$142	781%
<b>Investments</b>			
Number of Deals	3	7	-57%
Dollar Value (\$MM)	\$28	\$57	-51%

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