

# **WHO'S BUYING WHOM<sup>®</sup>**

## **SECOND QUARTER 2004 UPDATE**

July 2004

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 MOST ACTIVE SINCE 'DOT.COM BUBBLE' DAYS**

New York, N.Y., July 15, 2004—For the second quarter of 2004, the publishing, information and training industries recorded the highest quarterly number of acquisitions since the second quarter of 2001—when the "dot.com" bubble was still intact, reports merger and acquisition 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 expected that M&A activity would continue to pick up going into the second quarter, but the increase was even greater than we expected," noted Whitestone President Baran Rosen. "Buyers and sellers are gaining greater confidence in the marketplace—buyers are willing to spend in expectations of an improving economy and sellers are willing to sell

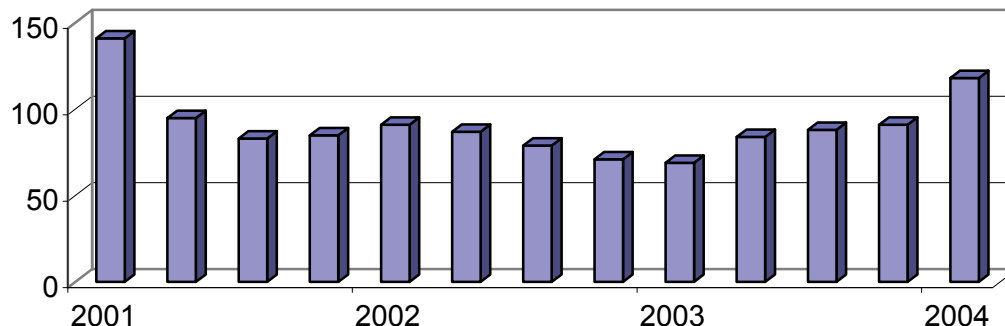
because they are perceiving the environment now yields them good values on a sale.

"Clearly, the latter was the case in one of the largest deals of the quarter, the sale of Information Holdings to Thomson Corporation," explained Rosen. "Information Holdings President Mason Slaine has been building his company with plans to sell and he saw the environment now was finally the right time to put his public company up for auction. He timed the window for getting a premium price perhaps perfectly."

Thomson Corporation paid \$441MM for this provider of patent and regulatory information which had revenues of \$90.4MM and EBITDA \$20.2MM in the 12 months ended March 31, 2004. The valuation translates to a multiple of 21.8 times EBITDA—"a high valuation but not out of the

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**Total Number of Acquisitions  
in the Publishing, Information and Training Industries  
Second Quarter 2001-Second Quarter 2004**



The number of acquisitions in the second quarter 2004- 118- was the largest since the second quarter of 2001 when 141 deals were recorded.  
Source: Whitestone Communications, Inc.



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ballpark for multiples often paid by Thomson for properties in which it has strong interest," added Rosen. "The exit multiple of 21.8 is particularly profitable for Information Holdings given that it was built on acquisitions done likely at purchase multiples mostly in the 7-9 times EBITDA range."

For the quarter, the number of publishing, information and training acquisitions totaled 118 versus 69 in the same prior year period, a 71% jump. This was the largest number of deals in a quarter since 141 transactions were closed in the second quarter of 2001. The dollar value of transactions for the second quarter 2004 totaled \$3.2 billion versus \$3 billion in the second quarter 2003.

Among the areas showing the biggest increases in number of deals from second quarter 2003 to the same period this year were in the "Business, Legal" and "Finance/Real Estate" segments. Business, Legal saw deals increase from nine to 24 while Finance/Real Estate had a rise from four to 16.

Among the largest deals of the quarter besides the Information Holdings sale were:

- The \$344.1 million purchase by U.K.-based United Business Media of MediMedia's drug information business in Europe and Asia. The acquired business had 2003 revenue of \$128.8 million and EBITDA of \$29.7 million. MediMedia is controlled by private equity firms Cinven, Apax Partners and Carlyle Group.
- The \$250 million purchase of Marshall & Swift/Boeckh, a real estate information business, by MacDonald, Dettwiler and Associates, based in Canada. The buyer also is assuming liabilities of \$30 million.

## MAGAZINES

### LOTS MORE DEALS, BUT DOLLAR VALUE DOWN FOR MAGAZINES/TRADE SHOWS

New York, NY, July 15, 2004—The number of acquisitions in the magazine/trade show field doubled in the second quarter of 2004 versus the same period last year, but the total value of the deals was only about 36% of the prior year, reports merger and acquisition advisory firm Whitestone Communications.

"While it certainly was encouraging to have the deal pace pick up, we would like to see larger deals," notes Whitestone managing director Sharon Sevrens. "The acceleration of the deal pace is being driven by increased optimism over the economic recovery and hopes for an ad page recovery.

"Right now, we are seeing way more buyers than sellers," notes Sevrens. "Many magazine publishers are not willing to sell now because their financial results have not been good for the last few years and they want to wait until they have better numbers that will attract a better selling price. Magazine publishers will also have to show that they can compete against the Web and have a long-term growth business model."

The total number of deals in the second quarter 2004 was 15 versus seven last year while the dollar value this year was \$81.5 million compared to last year's \$227 million.

Trade magazines and trade shows accounted for seven deals valued at \$49 million while consumer magazines accounted for eight deals valued at \$32.5 million.

## EDUCATION/REFERENCE

### M&A UP IN EDUCATION/REFERENCE PUBLISHING

New York, N.Y., July 15, 2004—Acquisition activity in the education/reference publishing field in the second quarter of this year was up significantly compared to the same period 2003, reports merger and acquisition firm Whitestone Communications.

"Buyers have been more active in 2004 as good opportunities have presented themselves and as the economy has improved," notes Whitestone President Baran Rosen. "The buyers were mostly disciplined, doing deals in their traditional areas of focus—supplemental K-12 publishing, college book publishing and reference businesses."

The total number of deals in the second quarter 2004 was 15 versus just three last year while deal value jumped to \$321 million versus only \$3 million last year (last year's numbers exclude the sale of Jostens, Inc., a school yearbook publisher and ring maker for \$1.1 billion).

The most notable deal of the second quarter was the acquisition of Saxon Publishers by the Harcourt Achieve division of Reed Elsevier. A family-owned business for many years, a number of publishers had lusted after Saxon as a potential acquisition candidate due to its strong position in math publishing. These publishers were heartily disappointed to learn that Reed Elsevier had picked up Saxon through one-on-one negotiations—without Saxon having solicited competing bids. To complete the deal, though, Reed is assumed to have paid an above-market price. While the value was not disclosed, Whitestone estimates it was in excess of \$200 million.



**NEWSLETTERS/  
DIRECTORIES**

**NEWSLETTER  
ACQUISITION PACE  
STEADY**

New York, N.Y., July 15, 2004—The pace of newsletter acquisitions in the second quarter 2004 was about the same as the year-earlier period—six deals this year versus four last year—reports merger and acquisition advisory firm Whitestone Communications.

“We believe that the acquisition pace is being held back due to a lack of sellers,” notes Whitestone Communications Associate Jenifer Lindenman. “We have spoken with a number of publishers who might normally be considering a sale but their results have not recovered sufficiently from the recent recession to allow them to get a price for their businesses that they believe they deserve. Meanwhile, we have a lot of buyers eager to buy good subscription-based properties.”

The dollar value of deals got a boost from one transaction, the acquisition of Thompson Publishing by James Finkelstein. For all six deals in the second quarter 2004, Whitestone estimates the total value was \$60 million versus last year’s second quarter estimate of \$11 million.

“Finkelstein deserves an award for persistence,” noted Lindenman.

“Thompson had been put up for sale about a year ago but taken off the market when the owner, Richard Thompson, did not get his price. Clearly, Finkelstein did not take ‘no’ for an answer and kept after Richard to get the deal done while other bidders had left the scene.”

In the other sizable deal of the second quarter, Commonwealth Business Media, owner of a number of transportation directories as well as the Journal of Commerce, acquired a large group of directories from Compass North America including Seaports of the Americas AAPA, Seaports Magazine, Georgia Ports Authority Guide & Directory and The Port Everglades Guide & Directory.

second quarter involving government investigations of a couple of major players may have cratered some potential deals. Still, the long-term fundamentals are quite sound for postsecondary schools and we expect these transactions to continue.”

The number of deals in the overall training field during the first quarter 2004 totaled 14 versus 26 last year while the value of deals this year was just \$104 million versus last year’s \$1 billion.

Thomson Corporation accounted for three of this year’s second quarter deals:

- Its NetG division acquired Educational Training Systems, a provider of online training courses for financial services professionals
- Its Course Technology division purchased Education To Go, a provider of online continuing education courses
- Its Delmar business bought NetLearning, online training programs and services for healthcare professionals working in hospitals

Another steady acquirer, Kaplan, part of Washington Post Co., purchased Total Technical Institute, a post-secondary educational institution offering training in the fields of technology, electronics and allied health. ■

**TRAINING**

**TRAINING COMPANY DEAL  
ACTIVITY DOWN  
DRAMATICALLY**

New York, N.Y., July 15, 2004—The number and size of training company acquisitions in the second quarter 2004 declined dramatically from the same period last year, reports merger and acquisition advisory firm Whitestone Communications.

“Postsecondary school deals were one of the main drivers of deal activity in 2003, but this year such acquisitions are much fewer,” notes Whitestone Managing Director Gene Gartlan. “Some negative publicity during the

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