

WHO'S BUYING WHOM[®]

THIRD QUARTER 2004 UPDATE

October 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 CHILLS IN THIRD QUARTER

New York, N.Y., October 13, 2004—After a strong second quarter, the pace of acquisitions among publishing, information and training companies chilled considerably, reports merger and acquisition firm Whitestone Communications. Whitestone tracks acquisitions for its annual reference, *Who's Buying Whom*, the most complete report on deals in the publishing, information and training fields.

"We would have to say the results for the third quarter are disappointing," noted Whitestone President Baran Rosen. "After a second quarter that saw deals increase by 71% over the same prior year period, we had a quarter where the number of deals actually dropped slightly from last year—from 84 in the third quarter 2003 to 77 this past quarter.

"We really thought the increases of the second quarter

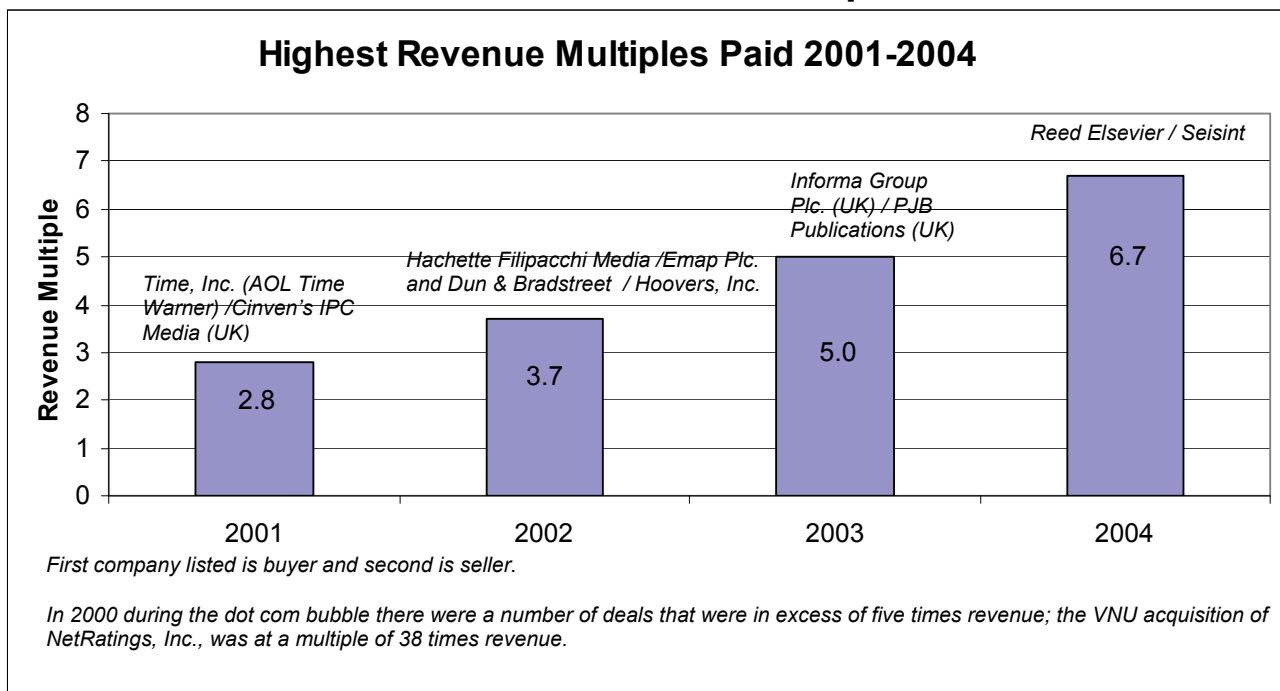
were going to continue with this year showing a big upswing in M&A. But if the fourth quarter follows the results of the third, we are going to show a modest improvement at best."

Rosen cited general economic concerns as limiting the uptick in deal activity. "Buyers are more interested in acquiring when they are optimistic about future results. But with concerns about the economic direction of the country weighing on industry, the buyers are taking a tentative approach to acquisitions again."

Still some buyers were ready to place big bets on selected deals. Most notably, Reed Elsevier, which had done few deals in the last two years, did the largest deal of the third quarter and at one of the higher multiples for the last few years (see chart below). The company bought Seisint

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Reed Elsevier Sets Recent Revenue Multiple Record





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for \$775 million, or seven times current year revenue. Most deals tracked by Whitestone are completed in the range of one to two times trailing 12 months revenue.

The Seisint deal was, in a way, a play by Reed Elsevier on the increased interest in the U.S. on security, employee screening and the government's search for terrorists. Seisint's database can deliver dossiers online including addresses, jobs, assets, voter registration and associates.

Other large deals in the quarter included France-based Hachette Livre's purchase of W.H. Smith's Hodder Headline book publishing business in the U.K. for \$400 million and U.K.-based Emap Communications' purchase of the Cannes Lions International Advertising Festival for \$100 million from the WJB Chiltern Trust Co., also in the U.K.

For the quarter, the number of publishing, information and training acquisitions totaled 77 versus 84 in the same prior year period. The 77 deals for the quarter was down considerably from the 118 in this year's second quarter which 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 third quarter 2004 totaled \$1.9 billion versus \$1.5 billion in the third quarter 2003.

Among the areas showing the biggest increases in number of deals from second quarter 2003 to same period this year was the Newsletter/Directory field where the number of deals rose to 11 from 4 and the dollar value jumped to \$218 million from \$4 million—the latter due mostly to one transaction, the sale of Phillips International. On the negative side, the biggest drop in deals came in the Training segment, where the number of transactions dropped by more than half to 11 from 26 and deal value declined to \$211 million from \$460 million.

MAGAZINES

DEAL PACE FLAT AND DOLLAR VALUE DOWN FOR MAGAZINES/TRADE SHOWS

New York, NY, October 6, 2004—The number of acquisitions in the magazine/trade show field held stable in the third quarter of 2004 compared to the same year-earlier period while the dollar value of transactions dropped significantly, reports merger and acquisition advisory firm Whitestone Communications, Inc.

"While the deal pace is okay, we aren't seeing large magazine deals," notes Whitestone President Baran Rosen. "Buyers continue to be wary about the magazine industry's dependency on advertising and the field's ability to compete with other media, such as the Internet. We are seeing some improvement in selected areas of magazine advertising but overall the industry still is growth-challenged."

Fourth quarter numbers will be enhanced by the sale of Thomson Media for \$350 million to Investcorp. Thomson Media, a collection of 54 financial and business publications, was previously put on the block in February 2001. The group is reported to be projecting 2004 revenue at \$175 million and have operating cash flow in the low to mid \$30 million range.

The total number of deals in the third quarter 2004 was the same as the third quarter 2003—14. The dollar amount this year was down 33% to \$126 million. Trade magazines and trade shows accounted for seven deals valued at \$13 million while consumer magazines accounted also for seven deals, but nearly nine times the value—\$113 million.

EDUCATION/REFERENCE

M&A IN EDUCATION/REFERENCE PUBLISHING HOLDING LEVEL

New York, N.Y., October 6, 2004—Acquisition activity in the education/reference publishing field in the third quarter of this year was approximately the same as the same period 2003, reports merger and acquisition firm Whitestone Communications.

"Enthusiasm in this segment is tempered by lower school budgets and reduced library spending," notes Whitestone President Baran Rosen. "Still, for the long haul, the education/reference section is highly attractive."

The total number of deals in the third quarter 2004 was eight versus eight last year while deal value declined to \$53 million versus \$62 million last year.

As to particular deals, Rosen noted, "School Specialty had been in a dry spell on deals for a period. But it was back in the third quarter with its \$19 million purchase of the Guidance Channel, a publisher of videos and other materials related to social issues for students. The company is seeking to build up its editorial content presence after long focusing on school equipment and supplies."

Other major players completing single deals in the period were McGraw-Hill, ProQuest, McGraw-Hill and Oxford University Press. Thomson Corporation completed two transactions, including a transaction not widely publicized—the purchase by its Gale Group of Publishers Resource Group (PRG). PRG supplies curricula, assessments and instructional tools for the k-12 market. In its other deal, Thomson acquired Canadian French language textbook publisher Group Modulo.



**NEWSLETTERS/
DIRECTORIES**

**NEWSLETTER DEAL
ACTIVITY UP
SIGNIFICANTLY**

New York, N.Y., October 6, 2004— Both the number and value of newsletter acquisitions jumped dramatically in the third quarter 2004, reports merger and acquisition advisory firm Whitestone Communications.

The number of deals climbed from four in last year's third quarter to 11 this year while the dollar value rocketed from just \$4 million to \$218.1 million. The much larger dollar value is mostly due to the sale of Phillips International to ACI Capital Co. Inc. and American Securities Capital Partners, LLC. Whitestone estimates the Phillips revenue at about \$180 million and a purchase price at about the same level. Phillips International revenue includes sales for health education newsletters as well as nutritional supplements.

"We see buyers coming back into the market as the economy has rebounded," notes Whitestone Communications Associate Jenifer Lindenman. "Newsletter publishers are enjoying better financial results and may therefore be open to receiving offers based on these additional deals.

results. And the interest in subscription-driven businesses by buyers continues unabated."

Also worthy of note, a new buyer for newsletters has arrived with the creation of Vendome by two former Wolters Kluwer executives with backing from a major private equity group, Providence Equity. Vendome completed its first

TRAINING

**TRAINING COMPANY DEAL
MAKING CONTINUES
TO LAG 2003**

New York, N.Y., October 6, 2004—The number and size of training company acquisitions in the third quarter 2004 declined dramatically from the same period in 2003 as it has done for all quarters this year, reports merger and acquisition advisory firm Whitestone Communications.

"We continue to see the impact of the scarcity of postsecondary school deals this year compared to the hot market in this niche last year," notes Whitestone Managing Director Gene Gartlan. "On the other hand, two of the most active buyers of training businesses— Thomson Corporation and Kaplan (part of the Washington Post Co.)—continue to actively conclude deals."

The third quarter of this year had less than half the deals as last year while the first nine months is down 39%.

Thomson Corporation, which accounted for three of this year's second quarter deals, reported the following deals for the third quarter:

- The purchase of Capstar, LLC, from the Educational Testing Service (ETS). In one of its rare divestitures, ETS sold Capstar, which is developer of competency assessment, learning and measurement, and testing solutions.
- The purchase of KnowledgeNet, a provider of self-paced, instructor-led and mobile learning training technologies and services.

Another steady acquirer, Kaplan, part of Washington Post Co., followed one second quarter deal with four in the third quarter:

- Insurance Achievement— Insurance industry certification exam prep
- Insurance Systems— Insurance and securities licensing courses
- Saenger Organization— Insurance pre-licensing courses
- Southern Nevada School of Real Estate—Real estate licensing courses. ■

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