

WHO'S BUYING WHOM[®]

2004 VERSUS 2003 UPDATE

January 2005

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 AT STRONGEST LEVELS SINCE DOT-COM DAYS

New York, N.Y., January 12, 2005—Merger and acquisition activity reached its highest levels in 2004 since the heady days of the "dot-com" bubble, reports M&A advisory 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.

The number of deals was up 12% to 350 in 2004 versus 2003 and dollar volume jumped 35% to \$12.2 billion. These were the highest numbers since 2001 when 446 deals were done for a similar total of \$12.2 billion.

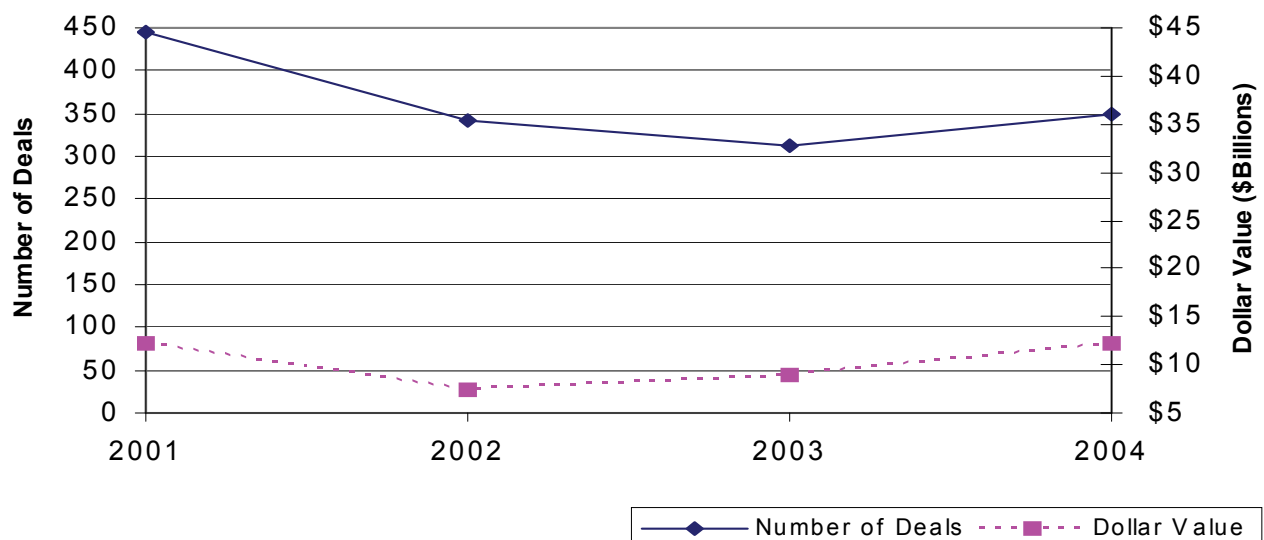
"We got the right convergence of business forces in 2004—buyers with renewed confidence in the economy and sellers turning in better operating results that allowed them to sell at good prices," noted

Whitestone President Baran Rosen. "On top of this, we had continued low interest rates with plentiful financing available that allowed buyers to put forward attractive valuations for sellers."

One cautionary note is that Whitestone statistics showed the second quarter of 2004 was the peak period of deal activity last year for publishing, information and training companies with the third and fourth quarters showing a slower pace. "While overall U.S. acquisition activity seemed to pick up as the year progressed, the deal pace in the publishing, information and training fields flattened a bit," noted Rosen. "I believe this means that while 2005 will show increased M&A levels, next year is not likely to be a rocket ride, more likely a solid locomotive, for publishing, information and training."

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Publishing, Information and Training M & A Activity 2001-2004





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Among the largest deals of 2004:

- Informa and Taylor & Francis merger valued at \$2 billion
- Reed Elsevier's purchase of employee screening company Seisint for \$775 million
- Dow Jones & Company acquisition of MarketWatch for \$519 million
- Thomson Corporation's purchase of Information Holdings for \$441 million and TradeWeb for \$385 million.

Thomson Corporation was one of the largest, if not the largest, spenders on acquisitions in 2004. It completed approximately 30 deals valued at a total of more than \$1 billion. Among its acquisitions, besides Information Holdings and TradeWeb, were Capstar, KnowledgeNet and Corporate Communications Broadcast Network (CCBN).

Selected deals with high revenue multiples are listed below (most deals tracked by Whitestone are completed in the range of one to two times trailing 12 months revenue):

- 6.7 times current year revenue: Reed Elsevier buying employee screening company Seisint for \$775 million
- 6.6 times current year revenue: Dow Jones' purchase of MarketWatch for \$519 million
- 4.9 times prior year revenue: Thomson's purchase of Information Holdings for \$441 million
- Est. 4.0 times current year revenue: ProQuest Company's purchase of Voyager Expanded Learning for \$360 million.

MAGAZINES

MORE DEALS, SMALLER DOLLARS FOR MAGAZINE M&A

New York, N.Y., January 12, 2005—The number of magazine and tradeshow acquisitions climbed in 2004 while the dollar value of deals dropped from 2003, reports merger and acquisition advisory firm Whitestone Communications.

"Magazines and trade shows saw some improvement in acquisition activity in 2004 but not the increases seen in other parts of the publishing field," noted Whitestone Managing Director Sharon Sevrens.

"Magazines and trade shows did not come back from the recession at the same pace as businesses in other fields and, as a result, buyers were more reticent to do deals here and sellers were waiting for better results to go to the auction block."

The number of magazine and trade show acquisitions in 2004 reached 54, up 26% over 2003, and a value of \$917 million, down 18%. Trade magazines were up in both deals and dollars—from 19 to 22 deals and from \$188 million to \$540 million.

The number of trade show deals was down to nine from 12 and the dollar value from \$137 million to just \$21 million.

The larger trade magazine deals for 2004 were:

- Investcorp's \$350 million purchase of Thomson Media from the Thomson Corp. Investcorp won an active auction, paying 2.1 times revenue and 10 times EBITDA.
- Ascend Media's purchase of Medical World Communications, a transaction Whitestone estimates was in the \$70-80 million range.

EDUCATION/REFERENCE

EDUCATION/REFERENCE PUBLISHING DEAL PACE IMPROVES IN 2004

New York, N.Y., January 12, 2005—The Education/Reference segment of publishing scored a jump in number of deals for 2004 although the dollar volume of these transactions ran significantly below 2003 levels, reports merger and acquisition advisory firm Whitestone Communications.

"We saw a number of publishers adding strategic acquisitions to fill in product niches but only a few deals above \$100 million," explained Whitestone Managing Director Sharon Sevrens. "The major players were consolidating prior acquisitions and the potential sellers were awaiting improved results in the school market. Growth in the market was impacted by state education budgets under pressure from reduced state tax collections caused by the recession. Looking ahead to 2005, we expect a pick-up in education/reference M&A activity as the economic recovery will start to filter through state budgets and into education spending."

In seeking to gain a stronger position in supplemental publishing, ProQuest made one of the largest—if not the largest—acquisitions in its history with the \$360 million purchase of Voyager Expanded Learning. In an active auction process, ProQuest paid approximately four times revenue for the provider of in-school reading programs, reading intervention programs and professional development programs. ProQuest is headed by Alan Aldworth who played a strong role in the build up of the Tribune Education Group in the 1990s. While ProQuest stock increased on the announcement, it retreated to its pre-announcement levels several days later.



**NEWSLETTERS/
DIRECTORIES**

**BIG JUMP IN
NEWSLETTER DEAL
ACTIVITY**

New York, N.Y., January 12, 2005—Newsletter acquisition activity awoke from its recession-induced slumber and showed a marked increase in deals in 2004, reports merger and acquisition advisory firm Whitestone Communications.

“Newsletter publishers have weathered two major challenges to their business to re-establish themselves as attractive business models for acquisition,” explained Whitestone Communications Associate Jenifer Lindenman. “The first challenge was the Internet—would newsletters have a life in the world of free information on the Web—and the answer to this challenge has been yes for those publishers who have improved their editorial content and increased their delivery of information electronically.”

The second challenge, noted Lindenman, was “overcoming the turmoil in the mail following 9-11 and the recession that caused a drop in results for many newsletter publishers.”

So now with the economy on the upswing and publishers learning how to live with—and, in many

cases, profit from—the Internet, newsletter publishers are again highly favored acquisition targets, concludes Lindenman.

Providing about half of the deal dollar value for all of 2004 was the acquisition of Phillips International for a price Whitestone estimates at \$180 million. The buyers were private equity funds American Securities Capital Partners and ACI Capital Co.

TRAINING

**TRAINING/POST
SECONDARY EDUCATION
M&A DEALMAKING
TAKES A DIVE**

New York, N.Y., January 12, 2005—The acquisition pace in the training and postsecondary school education markets took a dive in 2004, reports merger and acquisition advisory firm Whitestone Communications.

“The main factor impacting these sectors,” noted Whitestone President Baran Rosen, “is the big drop in the acquisition of postsecondary schools. In 2003, this area was red hot, but as schools ran into regulatory problems, investor enthusiasm waned. Also, the number of available properties declined in the wake of the prior years’ consolidation.”

In the strictly training portion of the market, Rosen noted a pick-up in dealmaking.

“We had a good handful of deals done including Convergys Corporation buying DigitalThink for \$120 million, Thomson Corporation’s purchase of KnowledgeNet for a price we estimate in the \$70 million range, and Thomson’s acquisition of Capstar from the Educational Testing Service, another sizeable transaction.”

The data for calendar 2004 showed 58 training and postsecondary school deals, down 37% from 92 in 2003, while the dollar value sank 77% to \$775 million from \$3.4 billion.

In the school segment, Laureate Education was active, spending nearly \$60 million in the third quarter alone on three foreign acquisitions, picking up an engineering school in France, an undergraduate and graduate university in Peru, and a university in Spain (the latter deal being the purchase of the remaining 22% it did not already own).

Kaplan Inc., part of the Washington Post Company, completed probably the most number of school and license training program acquisitions, doing at least seven deals. Acquisitions included real estate, insurance and technical training programs.■

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