

WHO'S BUYING WHOM[®]

FIRST QUARTER 2005 VERSUS 2004 UPDATE

April 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."

DEAL PACE STRENGTHENS AS MEGADEALS SPROUT

New York, N.Y., April 5, 2005—M&A activity among publishing, information and training companies in the first quarter 2005 increased significantly over each of the last two quarters of last year, boding well for deal-makers in the rest of 2005, reports merger and acquisition firm Whitestone Communications. In addition, three multi-billion dollar deals were announced. 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.

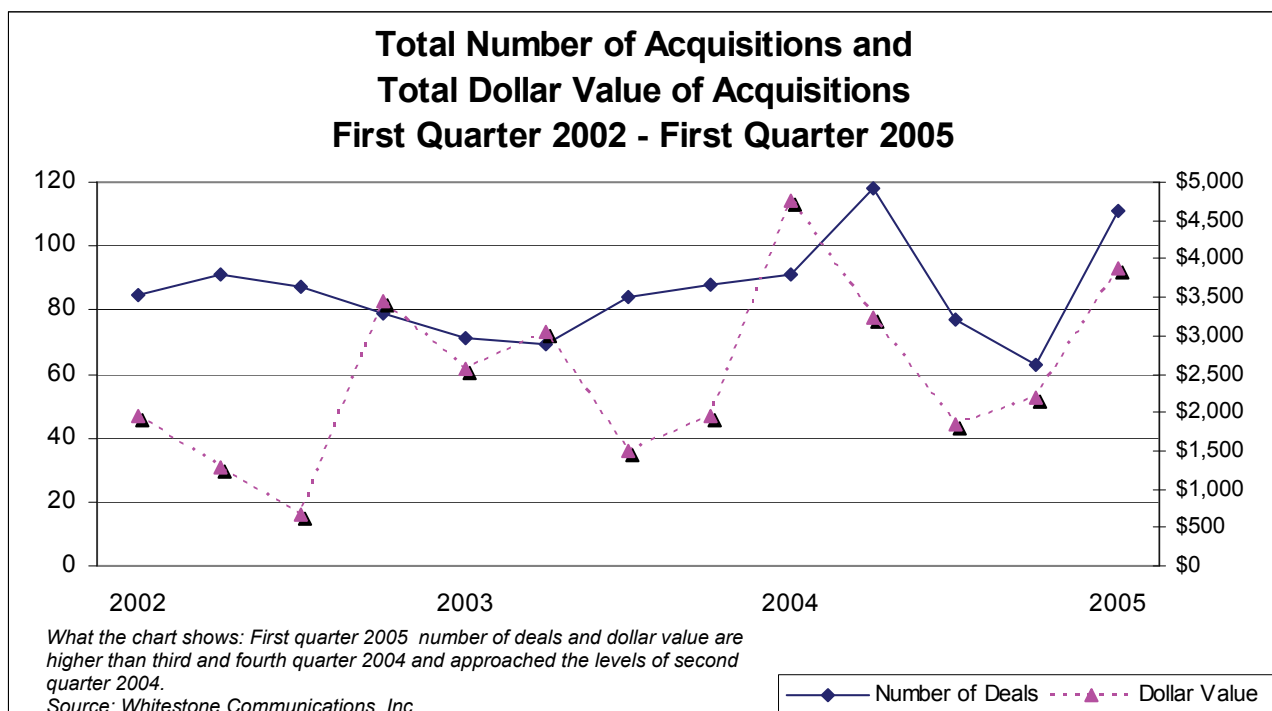
"Following a fall-off in deals in the last two quarters of 2004 versus last year's strong second quarter, we saw the number of closings heading higher again in the first quarter of this year," noted Whitestone President Baran Rosen. "Deal makers continued to benefit from a positive economic environment that saw relatively low

interest rates for debt financing and good bank lending terms. We look for a continued strong acquisition market for the rest of the year."

Comparing first quarter 2005 to the same period 2004, the number of deals was 111 versus 91, up 22%. Dollar volume of deals was down, though, by almost the same percentage—\$3.9 billion in this year's first quarter versus \$4.8 billion last year.

To provide better comparative numbers, these numbers exclude the planned megadeal purchase of SunGard by a group of seven private equity firms for \$11.3 billion. SunGard, a software, technology and information firm serving the financial services industry, will be bought in the largest transaction ever by such a large group of private equity firms.

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"With the private equity firms paying a premium over an already good multiple in the public market, it will be interesting to see how the private equity firms do in the long run," noted Rosen. "Clearly, they will need good economic markets to keep SunGard growing. Generally, though, if the private equity crowd can make the numbers work for SunGard, it means many more public companies could be candidates for such buyouts."

Other large deals of the quarter were:

- IAC/Interactive Corporation buying Ask Jeeves, Inc., for \$1.85 billion in stock. The Internet search engine had 2004 revenue of \$261.1 million and net income of \$53.1 million.
- Providence Equity Partners buying a 25.5% stake in Spanish media group Recoletos for \$1.2 billion.
- New York Times Company buying About, Inc., from Primedia for \$410 million. About had \$41 million in revenue and estimated EBITDA of \$14 million.

MAGAZINES

MAGAZINE DEAL PACE PERKY; BIG DEALS TEED UP

New York, N.Y., April 5, 2005—The number of acquisitions in the magazine/trade show field perked up in the first quarter 2005 versus the same period last year while some major businesses announced plans to sell, reports merger and acquisition advisory firm Whitestone Communications, Inc.

"This first quarter deal pace was up on the interest from strategic players and private equity investors," said Whitestone President Baran Rosen. "And as the overall acquisition market has improved, some major publishers are putting properties on the market."

Among the larger deals in the pipeline:

- Hanley-Wood. Owner Veronis Suhler Stevenson announced it was putting the residential construction publisher on the market in February. The company has revenues of about \$200 million and profit margins of 25%, according to Folio Magazine. Based on these numbers, Whitestone believes the company could attract offers up to \$500 million.
- F&W Publications. F&W publishes about 60 consumer enthusiast magazines and has a book publishing program with more than 3,000 titles in print. The company has about 800 employees and revenue of \$92 million, according to Hoover's. Sellers are former Primedia Chairman William Reilly and the , Providence Equity.

The total number of deals in the first quarter 2005 was 17 versus 14 last year while the dollar value doubled to \$486 million. Trade magazines and trade shows accounted for 10 deals valued at \$72 million while consumer magazines accounted for seven deals valued at \$414 million.

The big deal of the quarter was the sale by ABRY Partners of Network Communications to Citicorp Venture Capital Equity Partners, L.P. Citicorp paid \$380 million for the residential real estate publisher that had revenues of \$150 million and EBITDA of \$40 million. "The nine-plus times EBITDA multiple was certainly a full price, but not out of the ballpark in terms of recent valuations," noted Rosen. "The key now will be for Citicorp to take the business to the next level so they can get a good return on the purchase."

Other transactions in the first quarter:

- VNU making two divestitures, selling its Apparel Magazine and related properties to Edgell Communications and its Restaurant Business and related titles to Ideal Media.
- Former Primedia CEO Charles McCurdy concluded his first deal since forming Apprise Media to do acquisitions. Backed by Spectrum Equity Investors, Apprise acquired highly regarded Beckett Publications, publisher of enthusiast magazines.

EDUCATION/ REFERENCE

M&A ACTIVITY DOWN IN EDUCATION/ REFERENCE PUBLISHING

New York, N.Y., April 5, 2005— Acquisition activity in the education/reference publishing field in the first quarter of this year was down compared to the same period 2004, reports merger and acquisition firm Whitestone Communications.

"Buyers continue to look on the education/reference publishing field as having good business characteristics and positive long-term prospects," notes Whitestone President Baran Rosen. "While the first quarter was a bit slow, we expect a pick-up in acquisition activity as the year progresses."

The total number of deals in the first quarter 2005 was 10 with a value of \$151 million compared to 12 deals with a value of \$518 million last year. Last year's dollar value number was enhanced by a large single transaction--the \$410 million sale by private equity fund Castle Harlan of its American Achievement Corporation to another private equity fund, Fenway Partners.

This year, the largest deal of the first quarter was the Renaissance Learning acquisition of AlphaSmart for \$57 million. AlphaSmart has revenue of \$35.5 million and EBITDA \$4.6 million, putting the EBITDA multiple at 12.4. "This is a high multiple to pay for company like AlphaSmart, and given the differences between the two business models of Renaissance and AlphaSmart, we believe this will be a challenging combination," noted Rosen.

In the other major deal of note, Wicks Group announced plans to acquire EMC Paradigm for \$44 million. With revenue of \$30 million, EMC is a college and high school publisher, with strengths including foreign language texts.



NEWSLETTERS/ DIRECTORIES

NEWSLETTER ACQUISITION PACE SLIGHTLY AHEAD

New York, N.Y., April 5, 2005—The pace of newsletter acquisitions showed a slight uptick in the first quarter of this year versus the same period 2004, reports merger and acquisition advisory firm Whitestone Communications.

“Newsletter publishers are finally seeing some improvement in results from the economy, and more are therefore likely to consider selling,” notes Whitestone Communications Associate Jenifer Lindenman. “While the first quarter improvement was modest, the pace will quicken as the year goes on.”

The total number of deals in the first quarter 2005 was nine with an estimated value of \$57 million compared to six deals with a value of \$54 million in the first quarter 2004.

Among the larger deals:

- Douglas Publications acquired the Briefings Publishing Group for \$15 million or about one times revenue. For Douglas, a trade magazine publisher, it was the company’s first newsletter acquisition.
- Dan Oswald, handpicked by M. Lee Smith Publishers owner Lee

Smith to buy the company, completed the purchase. Started in 1975, M. Lee Smith Publishers offers more than 130 newsletters, videos, software, books, and directories to attorneys, human resources professionals, and other business executives.

- Health Newsletters Direct (HND), one of the leaders in the patient education publishing field, sold to MediMedia, the largest player and most active acquirer in this area. Owner Sally Rynne, who founded HND in 1984, is retiring. HND publishes ready-to-personalize publications that target key consumer markets for hospitals, health systems and managed care organizations and more than 75 custom-designed publications.

“The postsecondary market has been roiled by government investigations but we still expect the field overall will be attractive to buyers.”

The number of deals in the first quarter 2005 totaled 16 versus 19 recorded in 2004. Deal value declined to \$172 million from \$228 million.

Among the postsecondary deals:

- Private equity players spent \$62.5 million for stakes held by Pearson and Forstmann Little & Co. in Capella Education Company. Capella provides online degrees in business, technology, education, psychology and human services.
- Private equity firm Willis Stein & Partners acquired Virginia College from Education Corporation of America.
- Private equity firm Carlyle Group acquired Wall Street Institute for \$40 million from Laureate Education Inc. Wall Street Institute provides English language training for adults.
- Gryphon Colleges Corporation acquired postsecondary schools in the Western U.S. from National Career Education.
- Kaplan, part of Washington Post Co., continued its steady pace of acquisitions, buying Professional Careers Institute, a provider of training in allied health, information technology and paralegal studies. ■

TRAINING

TRAINING COMPANY DEAL PACE SLOWS

New York, N.Y., April 5, 2005—The pace of training company acquisitions remained tempered in the first quarter of 2005 versus the same period last year, reports merger and acquisition advisory firm Whitestone Communications.

“Postsecondary school deals, one of the main drivers of the stronger deal activity in recent periods, continued at a weak pace in the first quarter,” noted Whitestone Managing Director Sharon Sevrens

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