

WHO'S BUYING WHOM[®]

THIRD QUARTER 2005 VERSUS 2004 UPDATE

October 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 STRONG AGAIN IN THIRD QUARTER

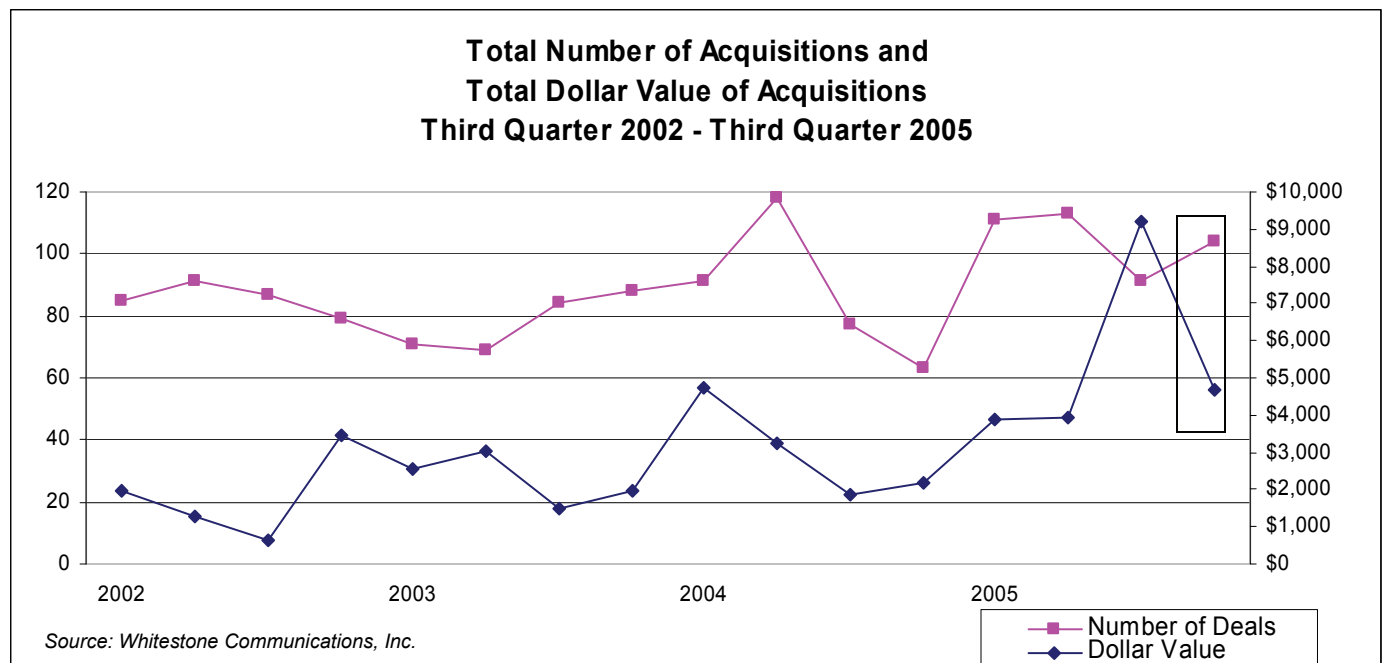
New York, N.Y., October 14, 2005—The pace of acquisitions among publishing, information and training companies continued at full steam in the third quarter 2005, driving increases of 35% and 139%, respectively, in the number of deals and the dollar value of deals versus the same year earlier period, reports merger and acquisition advisory 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.

"It was another great quarter for M&A," noted Whitestone Communications President Baran Rosen. "The factors that drove deal activity in the first half of the year—strong economic activity and

low interest rates—were still in place in the third quarter and the deal makers responded accordingly."

The major news, though, Rosen noted, isn't the deals that are getting done, but the deals that aren't. As of early October, two mega deals were in trouble: Bain Capital's planned buy of School Specialty for \$1.5 billion was threatened by weaker than expected earnings results for School Specialty; and VNU's planned buy of IMS Health for \$6.9 billion was facing such a shareholder rebellion that Whitestone has excluded the latter deal from its third quarter numbers. "While these deals are now problematic for unrelated reasons, it does remind us that these huge deals are not slam dunks by a long shot and that investors riding the stocks involved need to always be wary," Rosen said.

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In this year's third quarter, 104 deals were completed with a transaction value of \$4.2 billion versus 77 deals with a value of \$1.9 billion in the third quarter 2004. Comparing the third quarter this year to the second quarter, the number of deals was slightly ahead but the dollar volume less than half.

Without the VNU deal, there were no billion dollar plus deals in the third quarter while the second quarter had seen four such deals. Largest deals in the third quarter included:

- Investcorp's \$650 million purchase of CCC Information Services, a provider of auto repair data for insurance companies and the auto industry
- New Corporation's \$580 million buy of Intermix Media, a web site developer
- PBI Media Holdings' (backed by Wasserstein & Co., LP) \$385 million acquisition of Primedia's Business Information division.

Reflecting the heated pace of M&A activity, valuation multiples were strong as well. Some of the highest multiples of 2004 operating income were:

- SumTotal Systems buying Pathlore Software for \$48 million, a multiple of 32 times
- Wolters Kluwer purchasing NDCHealth Corporation for \$382 million, a multiple of 28.3 times
- Marchex acquiring Industry Brains for \$30.6 million, a multiple of up to 34 times.

MAGAZINES/ TRADE SHOWS

DEALS NEARLY DOUBLE

New York, N.Y., October 14, 2005—The number of magazine and trade show deals nearly doubled in the third quarter this year versus the same year earlier period, reports merger and acquisition advisory firm Whitestone Communications, Inc.

"Magazine and trade show companies continued to benefit from a robust economy and with stronger financial results, the buyers have come out of the woodwork," noted Whitestone Managing Director Jonathan Miller. "We are seeing particularly strong plays by the private equity groups which seem to have more faith in the magazine field sometimes than magazine publishers themselves."

The total number of magazine and trade show deals in the third quarter reached 24 versus 14 in the same year earlier period. One deal—Primedia's sale of its trade magazine group for \$385 million—accounted for the bulk of the \$632 million in deal value.

The buyer in the Primedia deal was PBI Media Holdings. PBI paid a multiple of 1.7 times 2004 revenue for the business which included more than 70 publications.

In other deals, two UK companies made noteworthy buys: Incisive Media picked up Search Engine Strategies trade shows and the ClickZ.com web sites from Jupitermedia for \$43 million, a multiple of 14 times 2004 EBITDA; and United Business Media acquired the Informex trade show from the Synthetic Organic Chemical Manufacturers Association for \$24 million, a multiple of 10.4 times.

EDUCATION/ REFERENCE

ACQUISITIONS STRONG AS BAIN DEAL IN DOUBT

New York, N.Y., October 14, 2005—M&A activity in the education/reference market stepped up significantly in the third quarter this year versus the same year earlier period, reports merger and acquisition advisory firm Whitestone Communications.

The upbeat deal mood, though, was dampened by news in October that Bain's planned \$1.5 billion acquisition of School Specialty was in doubt. Creditors on the deal said they had suspended their plans to finance the deal at the agreed upon price due to a drop in School Specialty's earnings target for the year. It remained to be seen if a deal could be worked out at a lower price. The parties have said October 31 is a "drop dead" date for closing the deal.

The Bain problems with School Specialty, though, did not stop School Specialty from completing the largest education deal of the quarter, buying Delta Education for \$272 million. The price for the curriculum and supplemental educational publisher was 3.1 times 2004 revenue and 14.5 times EBITDA. "School Specialty is paying a full price for Delta but they are buying with all-debt so the financing allowed them to pay a higher price than others bidding for Delta," said Whitestone Senior Associate Susan Isserman.

For the third quarter, the total number of deals was 12 versus 8 in last year's third quarter while the dollar value, bolstered by the Delta transaction, was up to \$321 million.



**NEWSLETTERS/
DIRECTORIES**

**ACQUISITION ACTIVITY
FALLS OFF**

New York, N.Y., October 14, 2005— Newsletter deal activity in the third quarter of this year was well below the same period of 2004, reports merger and acquisition advisory firm Whitestone Communications.

“The deal pace reflects the fact that there are fewer newsletter publishers available for acquisition, not a lack of interest in acquiring them,” noted Whitestone Communications Associate Neil Ghosh. “Evidence of this is that some newsletter publishers are going outside of the newsletter field to do acquisitions and that activity does not get recorded in our newsletter deal category.”

One example of this, Ghosh noted, was Thompson Publishing’s acquisition of Sheshunoff Information Services. Thompson is strictly a newsletter publisher while Sheshunoff is more of a reference publisher, offering how-to publications for financial institution executives.

quarter this year was five with a dollar value of \$6 million versus 11 last year with a dollar value of \$218 million. Last year’s dollar value number was bolstered by one large deal—the sale of Phillips International to ACI Capital Co. Inc. and American Securities Capital Partners, LLC, with an estimated purchase price of \$180 million.

The most notable deal of the quarter was the sale by long-time newsletter and magazine publisher Manisses Communications of its newsletter business to John Wiley and subsequent sale of its magazines to Vendome Group.

“It was rather a boring quarter for training deal activity with one exception,” said Whitestone Managing Director Jonathan Miller. “That exception was the purchase by SumTotal Systems of Pathlore Software. We are seeing increasing consolidation about the training company related software players as SumTotal itself was the result of Docent and Click2learn. Recent deals also included buys by DigitalThink of LearningByte and by THINQ of Training-Server.”

The total number of training deals was 13 in the third quarter 2005 versus 11 in last year’s same period. The dollar value of deals this year was \$108 million, down about half from last year’s \$211 million.

TRAINING

**TRAINING COMPANY
ACQUISITIONS MODERATE**

New York, N.Y., October 14, 2005— The number of training company acquisitions held about even with last year’s third quarter while the dollar value of done deals declined, reports merger and acquisition advisory firm Whitestone Communications.

In the area of M&A intermediaries, Whitestone Communications and another leading M&A firm, Luntz, Suleiman & Associates, announced they will partner on specific transactions to better serve clients in the training, conference, information, exposition, publishing and related fields. Anver Suleiman is CEO of Luntz, Suleiman and has focused on training, HR, conference and tradeshow M&A activity.

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