

W *Whitestone Communications, Inc.*
WHO'S BUYING WHOM
FULL YEAR 2005 VERSUS 2004 UPDATE

April 2006

News on mergers and acquisitions in the publishing, information and training industries 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 SPENDING JUMPS 55% IN 2005

New York, N.Y., April 28, 2006— Boosted by a strong economy and low interest rates, publishing, information and training companies briskly increased their level of—and spending on—acquisitions in 2005 over 2004, reports merger and acquisition advisory firm Whitestone Communications.

"It was a very solid year for M&A," noted Whitestone Communications President Baran Rosen. "The fields we track had a 9% increase in the number of deals to 379. More impressively, we saw a 55%, or \$6 billion, jump in the value of transactions to \$18.6 billion thanks to some larger deals."

Major trends for the year:

- Magazines had the largest increase in number of deals across the categories covered by Whitestone, jumping from 46 to 67, a 46% increase while the dollar value of these transactions increased more than three-fold. "In 2003 and 2004, magazines were a laggard in recovering from the recent recession," noted Rosen. "As their advertising pages finally showed some modest improvement in 2005, their bottom lines picked up and the owners were

finally able to attract prices that made sense to them."

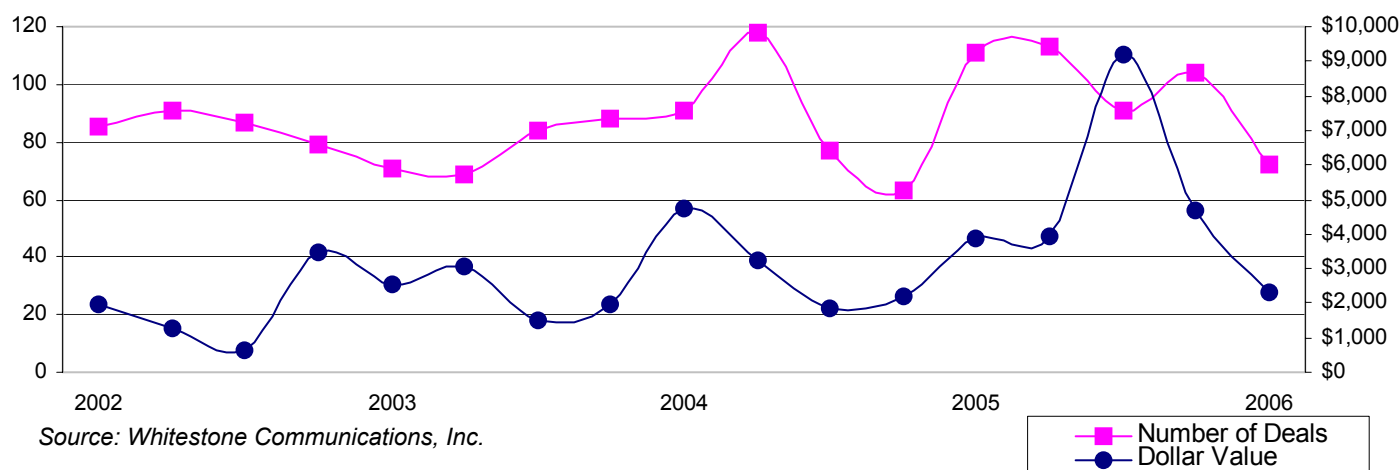
- Internet-related information deals came back to life, with the number of transactions increasing from 29 to 42, up 45%, while the dollar value increased five times to \$5.8 billion. "Having been burned in the dot-com bust, buyers believe they are now wiser and better understand the potential value to be derived from the web," Rosen said. "Time will tell if these buyers are doomed to repeat history or, if this time, the bets are going to be winners."

Other major news for the year was the deals that did not happen—two mega deals imploded:

- **Bain Capital** aborted its \$1.5 billion plan to acquire School Specialty when the target's performance fell short of projections.
- **VNU** had to pull the plug on its attempt to buy **IMS Health** for \$6.9 billion when shareholders complained about the strategic rationale for the deal. The latter collapse has left VNU now open to being acquired itself with a group of private equity funds having made an offer in January 2006.

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**Total Number and Dollar Value of Acquisitions
 Publishing, Information and Training Industries
 Fourth Quarter 2001— Fourth Quarter 2005**





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Billion dollar-plus deals in 2005 that did get done were:

- **Sungard Data's** sale for \$11.3 billion to a group of private equity funds (this transaction excluded from Whitestone data due to its unusually large size)
- **IAC/Interactive's** purchase of search engine **Ask Jeeves** for \$1.85 billion.
- **T&F Informa's** buy of conference and training company **IIR Holdings** for \$1.4 billion.
- Private equity group **Hellman & Freidman** buying **DoubleClick** for \$1.1 billion.
- **NASDAQ's** acquisition of **Reuter's** 62% interest in **Instinet** for \$1 billion.
- **Google's** \$1 billion purchase of 5% of **America Online Inc.**

Reflecting the heated pace of M&A activity, valuation multiples were strong as well. Some of the highest multiples of 2005 profit (operating income except where noted otherwise) were:

- Hellman & Friedman paying a multiple of 50 times for DoubleClick.
- **Marchex** acquiring **IndustryBrains** for \$30.6 million, a multiple of up to 34 times.
- **SumTotal Systems** buying **Pathlore Software** for \$48 million, multiple of 32 times.
- **New York Times** paying \$410 million—29.3 times estimated EBITDA—for **About Inc.**
- **Wolters Kluwer** purchasing **NDCHealth Corporation** for \$382 million, a multiple of 28.3 times.

**MAGAZINES/
TRADE SHOWS**

HOTTEST M&A SEGMENT

New York, N.Y., April 28, 2006 — After suffering through recession doldrums, magazine and trade show M&A activity snapped back strongly in 2005, recording the highest dollar volume of deals since 2000 and the most trans-

actions since 2001, reports M&A advisory firm Whitestone Communications.

"The magazine/trade show field was the hottest of the segments we track in the publishing, information and training fields," noted Whitestone Managing Director Jonathan Miller. "This area had been really hurt by the 2002-2003 recession and was among the last segments to recover. But with magazine ad pages finally improving and trade show exhibitors boosting their spending, company owners in this segment finally had good enough results to where they could sell and get good prices. We basically had a backup of owners waiting to exit and the right time finally arrived. Buyers also were eager to do deals here and had ready financing available."

The number of magazine and trade show deals jumped from 54 in 2004 to 81 in 2005, a 50% increase, while the dollar value of these transactions increased more than three-fold to \$3.3 billion.

Private equity group **Veronis Suhler Stevenson** accounted for about 25% of the total dollar volume with its sale of **Hanley Wood** for \$650 million and **Cannon Communications** for \$200 million. Buyers in both cases were other private equity funds.

**EDUCATION/
REFERENCE**

**EDUCATION PUBLISHING
TRANSACTIONS FADE**

New York, N.Y., April 28, 2006 — M&A activity in the education/reference market slackened in 2005, reports M&A advisory firm Whitestone Communications.

For the year, the total number of deals and dollar volume were both off about 10%—the number of deals dropped to 37 from 41 and dollar volume declined to \$1.2 billion from \$1.35 billion.

"The education portion of the education/reference market suffered from state budget constraints and the impact of federal legislation," noted Whitestone Communications Associ-

ate Managing Director Susan Isserman. "The hot area in education was publishing that helps students succeed on the standardized tests that are now used to determine government funding. In the reference area, we have fewer companies available for acquisition due to consistent and active consolidation."

Among the larger deals, **School Specialty** acquired **Delta Education** from the **Wicks Group** for \$272 million. The price for the curriculum and supplemental educational publisher was 3.1 times 2004 revenue and 14.5 times EBITDA. "The deal was done when School Specialty thought it was going to be acquired by **Bain Capital** and they were therefore willing to pay these above-market multiples," said Isserman. "But Bain dropped the deal after School Specialty performance came in below expectations, leaving School Specialty with the out-sized bill for Delta."

While divesting Delta with its focus on lower school grades, Wicks was getting back into education at the high school and college level with its acquisition of **EMC Paradigm** for \$44 million.

Wicks bought this business at 1.3 times revenue—much lower than the 3.1 times for which it sold Delta. "Wicks must have heard about the adage—buy low and sell high," notes Isserman.

**NEWSLETTERS/
DIRECTORIES**

**ACQUISITION ACTIVITY
MODERATES**

New York, N.Y., April 28, 2006 — The buying and selling of newsletter and directory companies moderated in 2005 following a relatively strong 2004, reports M&A advisory firm Whitestone Communications.

As Whitestone noted in an earlier report during 2004, the firm believes that the reduced deal activity reflects that there are fewer newsletter publishers available for acquisition, not a lack of



Interest in acquiring such businesses. Whitestone believes that newsletter publishers are moving outside the newsletter field to do acquisitions—deals that are not included in its newsletter category.

For 2005, the number of deals declined from 29 to 24 and the dollar value from \$337 million to \$89 million. The 2004 dollar value included one major 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.

Among the most active buyers in the newsletter field in 2005 was **Eli Research**. Its acquisitions included computer/software newsletter groups from **Element K** and **Mosaic Media** as well as the technical research report firm **Business Communications Com-**

pany. Long-time Newsletter & Electronic Publishing Association member **Manisses Communications** sold its business in a two-step process with its newsletters going to **John Wiley & Sons, Inc.**, and its magazines to the **Vendome Group**.

TRAINING

TRAINING M&A SLUGGISH

New York, N.Y., April 28, 2006 — The number of training company acquisitions in 2005 held about even with 2004 while the dollar value of deals would have declined except for one major deal, reports M&A advisory firm Whitestone Communications.

The number of deals edged down

slightly to 55 in 2005 versus 58 in 2004. Deal value totaled \$2 billion versus \$775 million, with **T&F Informa's** purchase of **IIR Holdings** for \$1.4 billion accounting for the bulk of the 2005 dollar total.

The T&F transaction represented a landmark deal in training. IIR had put together the largest and most successful privately owned collection of training companies in the U.S. through acquisitions over an approximate 10-15 year period. Other players, notably **Provant** and **Frontline**, had tried but failed to put together acquisitions of training companies into a viable business. IIR achieved good results mostly by letting its acquisitions operate autonomously. IIR also ran the largest conference business in the world, the Institute for International Research.

M&A Deal Activity Publishing, Information and Training Companies 2005 versus 2004

\$ millions	2005		2004		Percentage Change	
	No. of Deals	\$ Value	No. of Deals	\$ Value	No. of Deals	\$ Value
Trade Magazines/Trade Shows	53	\$1,941	31	\$561	71%	246%
Consumer Magazines	28	1,354	23	356	22%	281%
Trade Book & Other Consumer Publishing	16	102	24	567	-33%	-82%
Education/Reference/Technical	37	1,204	41	1,351	-10%	-11%
Finance/Real Estate	32	1,373	35	2,361	-9%	-42%
Newsletters/Directories	24	89	29	337	-17%	-74%
Publishing-Related Software	20	632	15	92	33%	585%
Internet	42	5,763	29	1,197	45%	381%
Business, Legal	72	4,187	64	4,443	13%	-6%
Training	55	1,981	58	775	-5%	156%
Total*	379	\$18,625	349	\$12,040	9%	55%

* 2005 excludes the sale of SunGard for \$11.3 billion due to its unusually large size.

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