



WHO'S BUYING WHOM

SECOND QUARTER 2006 UPDATE

September 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.

DEAL PACE HOT, DOLLAR VOLUME COOL

New York, N.Y., September 10, 2006—The number of acquisitions in the publishing, information and training fields soared 60% while dollar volume declined the same percentage in the second quarter 2006 versus the same period 2005, 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.

"The pace of deals in the second quarter 2006 was red hot," noted Whitestone Managing Director Jonathan Miller. "With 144 deals, we were well ahead of the quarterly average for at least the last five years, which includes the 'dot com' boom period 2001 where we had an average of only 112 deals per quarter."

The nearly \$11 billion megadeal in which a consortium of private equity groups acquired VNU in the second quarter 2006 is not included in the above numbers due to the unusually large size of this transaction--the deal was one of the largest transactions in the publishing, information and training industries in the last 10 years. In this transaction, a

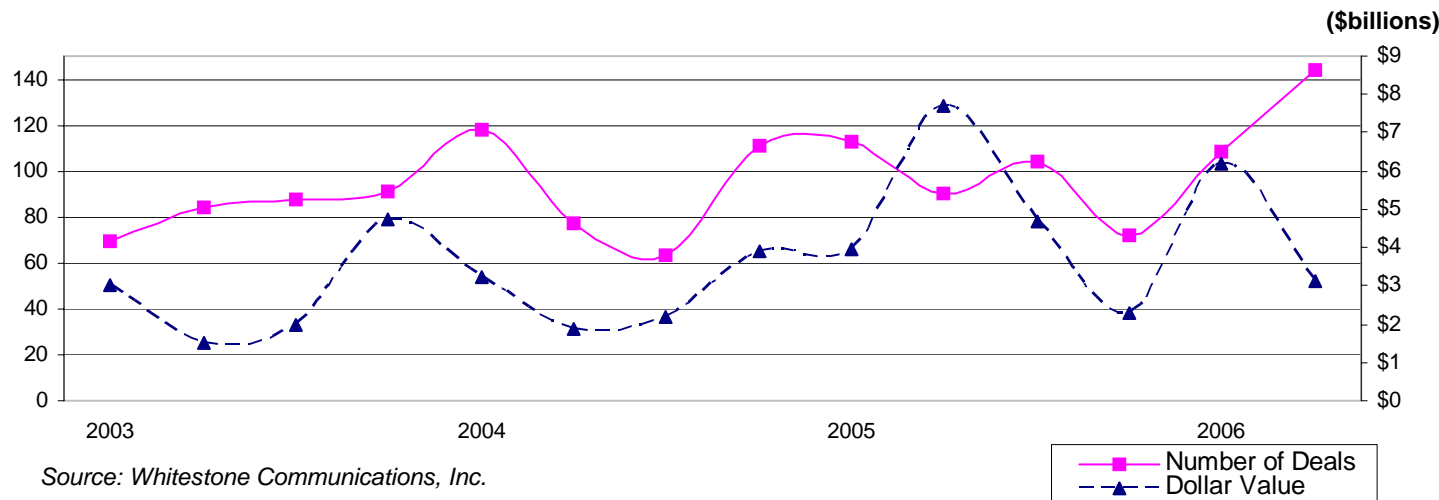
consortium of private equity groups staged a persistent battle for the company. The buyers include AlInvest Partners, Blackstone Group, Carlyle Group, Hellman & Friedman, Kohlberg Kravis Roberts & Co., and Thomas H. Lee Partners. The price represented a multiple of 2.5 times 2005 revenue and 14.8 times EBITDA. According to Miller, "This was a pretty good valuation for the private equity consortium. Strategic buyers did not want to make stronger competitive bids, leaving the private equity buyers in a great negotiating position."

Overall in the information, publishing and training areas tracked by Whitestone, those segments showing the biggest jump in number of deals in the second quarter this year versus the same period last year were:

- Trade magazines, doubling from 12 to 24
- Education/reference publishing, more than doubling from eight to 17
- Publishing-related software, increasing more than three fold, from four to 14

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Total Number and Dollar Value of Acquisitions Publishing, Information and Training Industries First Quarter 2003— Second Quarter 2006





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- Internet content transactions, rising from 11 to 17.

Dollar volume was down 60% to \$3.1 billion as there were no billion dollar transactions (excluding VNU) while there were three such deals in the second quarter last year.

Two large deals, though, did approach \$500 million in value:

- Private equity firm InterMedia Partners purchased book publisher Thomas Nelson for \$473 million
- Private equity firm Castle Harlan acquired book distributor Baker & Taylor for \$455 million.

The robust acquisition environment contributed to some lofty valuation multiples. On the InterMedia deal, the private equity fund paid 22.5 times 2005 operating income while Liberty Partners paid \$114.5 million, nearly 22 times operating income, for post-secondary school provider Concorde Career Colleges.

"As this data indicates, we are seeing a lot of activity by the private equity players in addition to your standard strategic buyers," noted Miller. "The private equity firms are enjoying this ride tremendously with lots of money to spend and good bank financing available. They all want to buy and sell before this great run ends."

Other noteworthy multiples:

- Facts on File (owned by Veronis Suhler Stevenson private equity fund) paid \$13.5 million, nearly 22 times prior year operating income, for online education planning firm Bridges Transitions
- 1105 Media, backed by Nautic Partners and Alta Communications, paid \$75 million or 10.5 times EBITDA, for technology magazine publisher 101 Communications.

Also excluded from the Whitestone data because the transaction did not involve a U.S. company was the \$5.7 billion purchase by the Mohn Family/Bertlesmann Foundation of a 25% stake in Bertlesmann by outsiders Albert Frere and Group Bruxelles Lambert.

MAGAZINES/ TRADE SHOWS

TRADE MAGAZINE/SHOW DEAL PACE DOUBLES; DOLLAR VOLUME DECLINES

New York, N.Y., Sep. 10, 2006—"It seemed like just about every trade magazine publisher was for sale in the second quarter of 2006."

While an exaggeration, Whitestone Communications Managing Director Ed Fitzelle's comment reflects the strong level of trade magazine acquisition activity. Whitestone reports second quarter trade magazine, together with trade show, deals doubled from the year earlier period—to 24 deals versus just 12.

In addition, a number of magazine businesses are on the market in the third quarter— Ziff-Davis, Penton, Highline Media and others. "If it's not nailed down, it's for sale," noted Fitzelle. "This is the busiest time for trade magazine buying and selling in a number of years. Driving this activity are several factors: one, a good economy; two, a resulting improvement in magazine financials; and three, ready capital available from both strategic and financial buyers."

Separating trade magazines from trade shows, the number of trade magazine deals more than doubled from six in last year's second quarter to 13 this year while trade shows nearly doubled from six to 11.

The biggest buyer of trade magazines in the second quarter was a new entity, 1105 Media, making two acquisitions, as noted in the prior column of this publication.

The largest deal in trade shows was Canon Communications (part of Aprise Media) picking up eight trade shows and one magazine in manufacturing from Reed Elsevier.

While the number of deals increased in the magazine sector, the dollar value of the deals was below last year. In the second quarter of 2005, there were several large deals that increased dollar volume to \$1.2 billion

versus this year's \$261 million.

The nearly \$11 billion megadeal in which a consortium of private equity groups acquired VNU in the second quarter is not included in the quarter's numbers due to the unusually large size of this transaction as well as the fact that VNU draws much of its revenue from marketing and media measurement information in addition to trade magazines.

On the consumer side of magazine publishing, the second quarter this year saw about the same number of deals as the same period last year—10 in 2006 versus eight in 2005. The dollar volume, though, was off significantly—down from \$397 million last year to just \$32 million this year.

EDUCATION/ REFERENCE

PEARSON LEADS THE DEAL MAKERS IN EDUCATION / REFERENCE SEGMENT

New York, N.Y., Sep. 10, 2006—Pearson led the way in deal making among buyers and sellers of education/ reference publishers in the second quarter 2006—a period that saw the total number of deals double while dollar volume dropped 50% versus the same year earlier period, reports merger and acquisition advisory firm Whitestone Communications.

Pearson completed at least five transactions with total value of more than \$100 million. Its purchases:

- PowerSchool from Apple—iPod accessible content for students and teachers.
- Chancery Software—Real-time accessible educational content
- Paravia Bruno Mondadori Editori—Italian educational publisher (Pearson acquired 80%)
- Effective Educational Technologies—Online assessment and tutorial programs
- National Evaluation Systems—State assessments for teacher certification.



In total, the education/reference segment saw 17 deals in this year's second quarter versus eight in the same period last year while the dollar volume was \$180 million versus \$359 million. Last year, dollar volume was up due to one large transaction, again with Pearson as the buyer of American Guidance Service for \$270 million.

In this year's second quarter, noteworthy deals, besides the Pearson transactions, were:

- The purchase by Touchstone Applied Science Associates of Questar Educational Systems for \$20 million. This was perhaps the largest transaction ever for Touchstone. Questar provides educational testing material production, distribution, scoring, reporting and data analysis services.
- Houghton Mifflin's acquisition of Achievement Technologies for \$18.5 million. Achievement provides Internet-based supplementary instruction, assessment and tutoring programs.

NEWSLETTERS/ DIRECTORIES

NEWSLETTER ACQUISITIONS JOIN THE ACTION

New York, N.Y., Sep. 10, 2006—After a number of quarters in the doldrums, newsletter acquisition activity finally awoke in the second quarter this year to join the rest of the information industry in the stepped up level of overall acquisition activity that began last year, reports merger and acquisition advisory firm Whitestone Communications.

Newsletter acquisitions in the second quarter totaled 10 with a dollar value of \$48 million versus six deals totaling \$12 million in the same year earlier period. The second quarter total of 10

this year was the highest quarterly total since third quarter of 2004 which had 11 deals for \$212 million.

"While you would not necessarily call the newsletter deal market 'hot,' the temperature certainly was up in the second quarter," noted Whitestone Communications associate Matthew DeBlasio. "Newsletter publishers have been benefiting from the improved economy as well as additional revenue and profits that come from moving their products to online offerings. Already attractive to buyers for the good cash flow that comes from the subscription model, these businesses are even more in demand now that they are in the more glamorous area of electronic information."

Noteworthy transactions in this year's second quarter included:

- Incisive Media buying the AVCJ Group Limited, Hong Kong, a provider of financial newsletters, conferences and databases
- Access Intelligence, a portfolio company of Veronis Suhler Stevenson, purchasing King Publishing with newsletters including Energy Daily and Defense Today from owner/founder Llewellyn King
- LRP Publications acquiring the educational newsletters of Brownstone Publishers. This follows Brownstone's earlier sale of its real estate titles to Vendome Group.

TRAINING

TRAINING COMPANY BUYERS ACTIVE

New York, N.Y., Sep. 10, 2006—Bolstered by renewed acquisitions of post-secondary educational schools, training market deal activity in the sec-

ond quarter 2006 continued strong, reports merger and acquisition advisory firm Whitestone Communications.

"Post-secondary educational school deals had been in a bit of a slump," noted Whitestone President Baran Rosen. "But in the second quarter, that sector came back strong, driven in part by private equity funds which have had great interest here. Exhibit number one was Liberty Partners paying \$114.5 million for Concorde Career Colleges. The multiple of profit was huge—nearly 22 times operating income. Fifteen times would have been on the high side."

The number of training company deals totaled 15 with a dollar value of \$396 million in the second quarter this year versus 11 at \$94 million (excluding one mega-transaction at \$1.4 billion—T&F Informa's purchase of Institute for International Research) in the same year earlier period.

Other post-secondary transactions included:

- Gryphon Colleges Corporation buying Delta Educational Systems
- Lincoln Educational Services Corporation acquiring the New England Institute of Technology at Palm Beach (valuation \$42 million).

Another private equity firm American Capital Strategies decided to put its money on educating the young set, buying preschool provider Primrose Holdings for \$63 million.

- Futuremedia bought training and e-learning services company EBC (both in the UK)
- U.S.-based Kaplan acquired financial industry trainer Tribeca Learning in Australia
- U.S.-based RWD Technologies picked up Learning Curve International in New Zealand.



**WHITESTONE HAS COMPLETED
TRANSACTIONS WITH
THE FOLLOWING COMPANIES:***

The McGraw-Hill Companies



Hights Cross Communications



* Partial List