

Whitestone Communications, Inc.

WHO'S BUYING WHOM

THIRD QUARTER 2006 UPDATE

November 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.

HOT M&A DEAL PACE IN THIRD QUARTER

New York, N.Y.—“Just when those in the M&A business thought things couldn't get better, we got another great quarter of deal making.”

That's how Baran Rosen, president of the mergers and acquisitions advisory firm Whitestone Communications, summarized the third quarter level of M&A transactions in the publishing, information and training industries. His firm reported the number of transactions in these markets at 148—up a sizzling 42% over last year's third quarter total of 104, which itself was up 35% over the same period in 2004. Looking at the numbers for the first nine months, deals are up 30% to 400 versus 307 last year and 286 in 2004. 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.

“Drivers for this increase include a good economy driving good financial results of sellers which makes them open to selling because they know their good results will yield good prices for their businesses,” said Rosen. “Also the stock prices of buyers are high and they are trading at high multi-

ples of profit—if they are trading at 15-25 times profit and buy a company for seven to eight times profit, they get an immediate increase in their stock price. And finally the private equity funds need to find a home for the billions of dollars they have raised so they are eager to do deals.”

While the number of deals has moved up, dollar value of deals was down 14% for the quarter and 16% for the year, mainly due to several billion-dollar plus transactions driving the 2005 numbers. These included **IAC/Interactive** buying **Ask Jeeves** (now named Ask.com) for \$1.8 billion and **T&F Informa** buying **IIR Holdings** for \$1.4 billion.

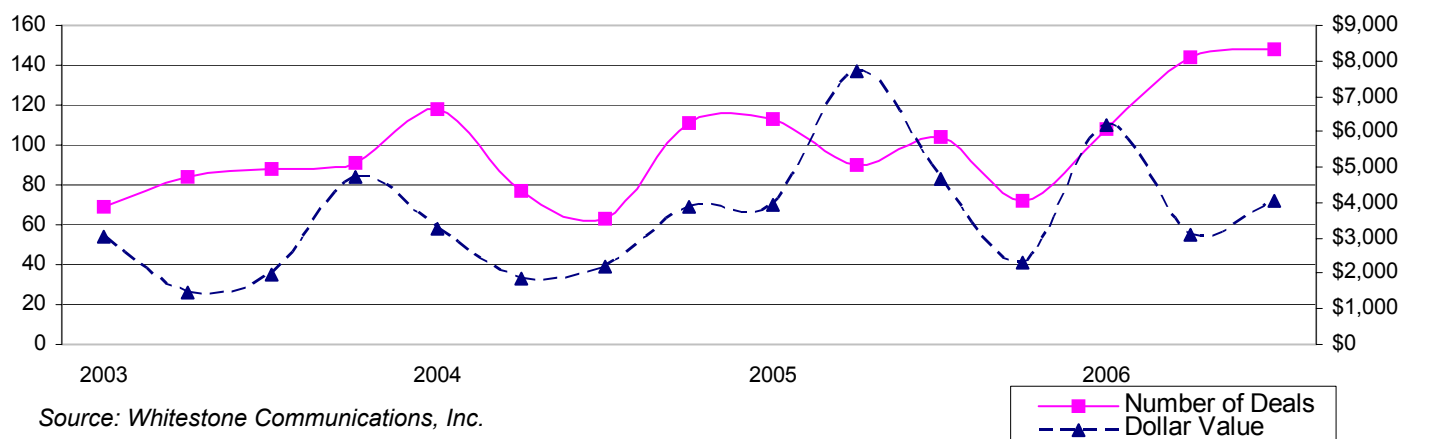
Looking at individual industry segments, the content-based Internet segment more than doubled in transactions in the third quarter this year—from 10 to 21—while financial information deals nearly doubled from nine to 17. Also strong was training which saw deals jump from 13 to 20.

Largest deals in this year's third quarter included:

- Buyout by **MediMedia** (physician journal/patient education company) management, supported by **Vestar Capital Partners**, of their company from the private equity

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





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funds **Cinven, The Carlyle Group** and **Apax Partners** for \$634 million

- **Euromoney** beat out another publisher in public bidding for purchase of **Metal Bulletin** (iron, steel, non-ferrous metals news company) for \$416.8 million
- **InvestTools** acquisition of **thinkorswim Group** (online financial services) for \$340 million.

Reflecting the heated pace of M&A activity, valuation multiples were strong as well. Some of the highest multiples of 2005 profit paid were:

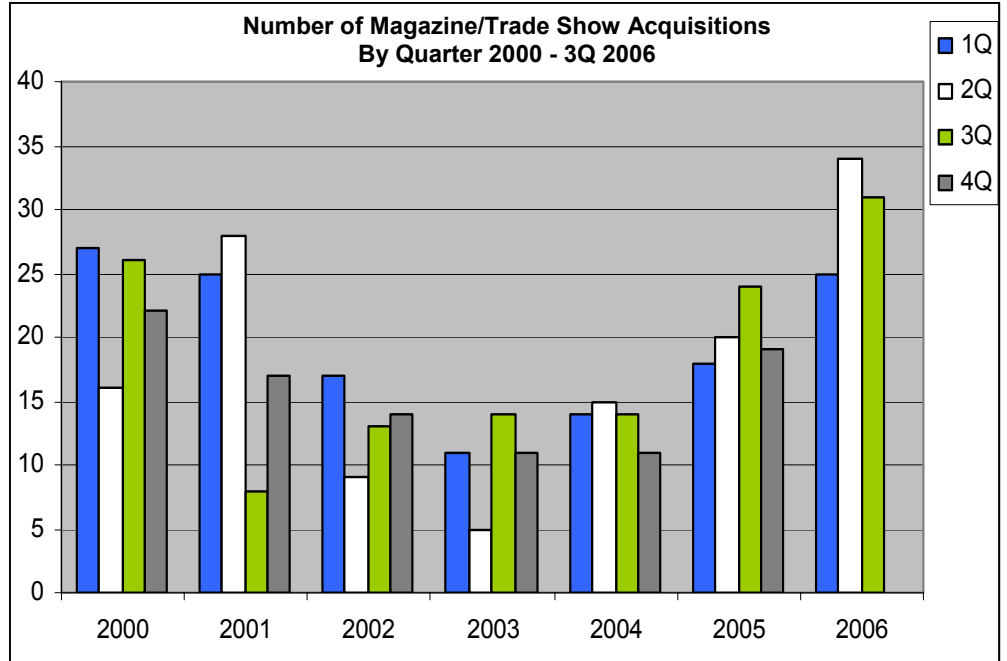
- **InvestTools** paid 30 times net income for **thinkorswim Group**
- **CHAMP Private Equity** (Australian affiliate of U.S. private equity group, **Castle Harlan**), together with **Petersen Investments**, acquired London-based **Study Group International** (educational programs for pre-college and college students around the world) for \$135.8 million, 23.8 times operating income
- **Thoma Cressey Equity Partners** took **Excellence Learning Corporation** private in a \$125 million transaction where the fund paid 21.2 times operating income.

MAGAZINES/TRADE SHOWS

MAGAZINE/TRADE SHOW DEALS AT HIGHEST POINT IN MORE THAN FIVE YEARS

New York, N.Y.—The magazine and trade show deal pace continued strong in the third quarter 2006, reaching the highest level of transactions in at least five years, reports merger and acquisition advisory firm Whitestone Communications, Inc.

“With magazines and trade shows continuing to show good revenue increases, buyers are ready to buy up pretty much whatever comes to market,” noted Whitestone Managing Director Ed Fitzelle. “And we don’t see any signs of the deal pace decreasing.



This quarter may see the closing of the Penton Media sale and some other significant transactions.”

The total number of magazine and trade show deals in the third quarter reached 31 versus 24 in the same year earlier period. This was the elev-enth consecutive quarter in which deals in this category matched or exceeded the same year earlier period (see graph above).

Dollar volume was up dramatically to \$1 billion versus \$632 million, but this increase was driven by one large transaction, the purchase by **MediMedia** management and **Vestar Capital** of MediMedia from private equity fund owners **Cinven, The Carlyle Group** and **Apax Partners**. Second largest transaction was the \$132 million purchase of **Primedia’s** Crafts Group by **Sandler Capital**-backed **Enthusiast Media**.

In the U.K., **Euromoney** won a mini-public bidding contest for **Metal Bulletin** for \$416.8 million. While not included in Whitestone’s tracking as this was an overseas transaction, the deal was done at impressive price multiples—4.1 times prior year revenue and 16.5 times operating profit. Typical magazine deals in the \$5-10 million range trade in the one to two revenue range and seven to eight times profit, noted Fitzelle.

EDUCATION/REFERENCE

EDUCATION ACQUISITION ACTIVITY FLAT

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

Among the more interesting deals, notes Whitestone Managing Director Susan Isserman, was the \$24 million purchase by **Learning Resources of Educational Insights**. “Learning Resources, a provider of educational toys and materials, had been looking to do a good acquisition for a while and this is probably their largest acquisition ever.” Educational Insights’ most popular product is GeoSafari for pre-k to eighth grade children.

The largest deal of the quarter saw private equity fund **Golder Thoma Cressey** taking private the public **Excellence Learning Corporation** in a \$125 million transaction. The purchase price represented a 60.5% premium over the stock price the day prior to closing. The deal value was 21.2 times operating income. Whitestone estimates a typical \$10 million educational publisher sells generally for seven to eight times operating income



but larger transactions such as Excellence may trade up to 15 times operating income.

For the third quarter, the total number of deals was 13, same as last year's third quarter, while deal value dropped to \$206 million from \$591 million.

**NEWSLETTERS/
DIRECTORIES**

**THOMSON SELLS TO
THOMPSON IN NEWSLETTER
DEAL**

New York, N.Y.—The number of newsletter deals was about flat in the third quarter this year versus the same year earlier period, but a **Thomson Corporation** divestiture helped push the dollar volume up, reports merger and acquisition advisory firm Whitestone Communications.

“Rumors began circulating in the first half of the year that Thomson was planning to divest its American Health Consultants newsletter group,” noted Whitestone Communications Associate Matthew DeBlasio. “Then in the second half, the deal was finally announced with **Thompson Publishing Group** the winner. Backed by private equity funds and led by veteran publisher/dealmaker Jimmy Finkelstein, Thompson steered its way through an auction process to the winner’s circle paying a price estimated in the range of \$40-50 million.”

Finkelstein’s acquisition of American

Health represents his second significant add-on transaction since buying Thompson. The first was **Sheshunoff Information Services**.

Total newsletter deal volume was \$60 million in the third quarter this year versus just \$6 million last year, reports Whitestone. The number of deals was 13, same as last year.

TRAINING

**THREE-YEAR HIGH ON
TRAINING COMPANY DEALS**

New York, N.Y.—The number of training company acquisitions reached a three-year high in the third quarter of this year with 21 transactions recorded, reports merger and acquisition advisory firm Whitestone Communications. Whitestone tracks deal activity for its annual reference, *Who’s Buying Whom*.

Dollar value of training deals was also up significantly, reaching \$562 million versus just \$108 million in the same period last year when there were a total of 13 transactions.

“Training companies are riding the benefits of the good economy, producing good results and getting more active on the deal front as they look for additional ways to expand,” noted Whitestone President Baran Rosen.

Among the more noteworthy transactions:

➤ **Element K**, an IT training busi-

ness that suffered in the last economic recession, attracted one of India’s larger companies, **NIIT Global**, as a buyer. NIIT paid \$40 million for **Element K**, which is generating about \$80 million in revenue. Rosen commented: “This is a relatively low multiple of revenue and reflects the overall perceived instability of IT training. Typically a traditional training business might sell more in the range of one to one and a half times revenue, depending on size and other factors.”

➤ **CHAMP Private Equity** and **Petersen Investments**, both of Australia, picked up **Study Group International**, which operates in the U.S. and other countries, for \$135.8 million from **DMG Information**. The profit multiple was a high 23.8 times operating income.

➤ **CRC Health Group**, backed by private equity firm **Bain Capital**, stepped up and purchased **Aspen Education Group**, a provider of education programs for struggling or under-achieving adolescents and young adults. Aspen was backed by private equity firms **Frazier Healthcare Ventures**, **Warburg Pincus** and the **Sprout Group**.

➤ In traditional soft skills training, **BTS Group**, Sweden, acquired two U.S. training companies **Advantage Performance Group** and **The Real Learning Company** for total consideration of up to \$23 million.

**M&A DEAL ACTIVITY 3Q 2006 vs. 3Q 2005
PUBLISHING, INFORMATION AND TRAINING INDUSTRIES**

| (\$ millions) | 2006 | | 2005 | | Percentage Change | |
|--|--------------|----------------|--------------|----------------|-------------------|-------------|
| | No. of Deals | \$ Value | No. of Deals | \$ Value | No. of Deals | \$ Value |
| Trade Magazines/Trade Shows | 23 | \$841 | 19 | \$538 | 21% | 56% |
| Consumer Magazines | 8 | 181 | 5 | 94 | 60% | 92% |
| Trade Book & Other Consumer Publishing | 9 | 89 | 4 | 16 | 125% | 453% |
| Education/Reference/Technical Publishing | 13 | 206 | 13 | 591 | 0% | -65% |
| Finance/Real Estate Information | 17 | 896 | 9 | 66 | 89% | 1,258% |
| Newsletters/Directories | 7 | 60 | 5 | 6 | 40% | 849% |
| Publishing-Related Software | 5 | 50 | 9 | 300 | -44% | -83% |
| Internet (Content Related) | 21 | 492 | 10 | 1,506 | 110% | -67% |
| Business, Legal and Other | 24 | 655 | 17 | 1,438 | 41% | -54% |
| Training | 21 | 562 | 13 | 108 | 62% | 422% |
| Total* | 148 | \$4,331 | 104 | \$4,662 | 42% | -14% |

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

The McGraw-Hill Companies



Hights Cross Communications



** Partial List*

