



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 DEAL PACE JUMPS TO SIX-YEAR HIGH

New York, N.Y., February 2, 2007—Bolstered by a strong economy and modest interest rates, publishing, information and training companies in 2006 posted the largest number of acquisitions since the high flying, 'dot com' year of 2000, 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.

"We have come out of the recession valley and are back near the mountain top," noted Whitestone Communications President Baran Rosen. "I don't know that I'd call the deal pace a 'frenzy' but it's certainly getting close to that level."

The number of deals in 2006 reached 505, far surpassing the 394 of 2005 and the lower amounts of 2002-2004 as well as the 446 deals of 2001, but still below the 570 reached at the peak of the 'dot.com' bubble in 2000.

The \$27.3 billion dollar volume was equally impressive, up 45% over the \$18.9 billion of 2005. As with the number of deals, the dollar volume was also up over the 2001-2004 results but below the 2000 dollar value--\$43.6 billion.

The biggest trend for the year in M&A was the increased role of private equity funds, Rosen noted, which can now be considered just as active, if not more active, than many strategic buyers. Private equity fund developments include:

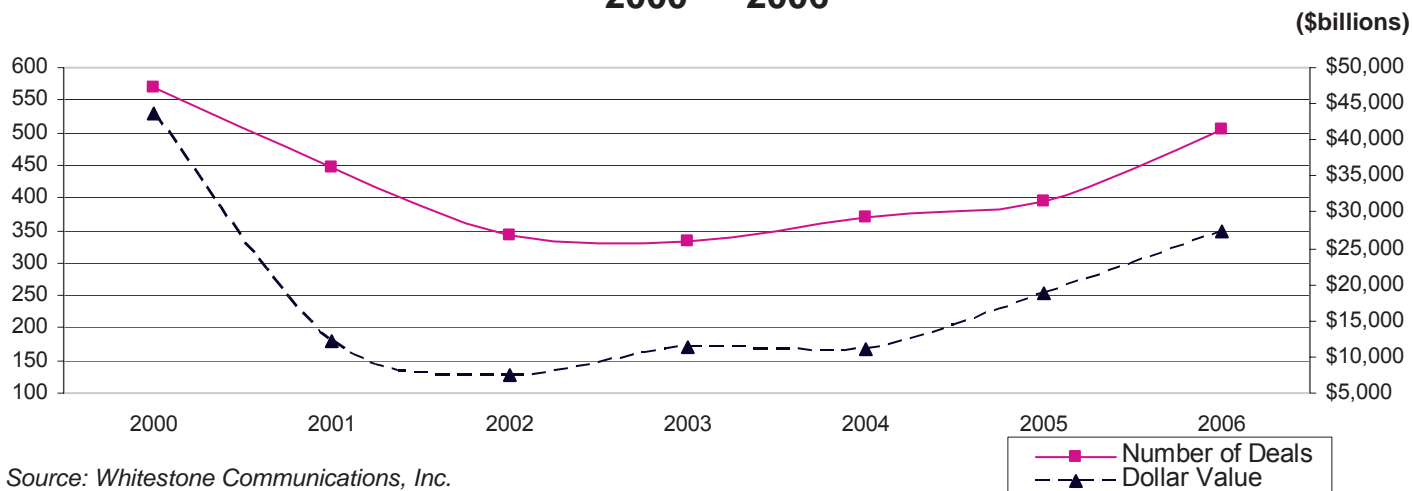
- Major step-up in acquisitions by private equity funds. These funds have steadily raised larger and larger funds and have a strong need to put their money to work.
- Private equity funds buying public companies. The funds found that with the availability of bank debt high and the bank's interest rates modest, they could profitably take over major public companies, such as **VNU, Reader's Digest and Thomas Nelson**.
- Private equity funds buying from each other for the same reasons as noted in the above paragraph.

The three sectors with the most number of deals:

- Magazines—consumer and trade—saw 81 deals valued at \$5.6 billion versus 64 deals at \$3.1 billion last year. The largest deals were:
 - Private equity group led by **Ripplewood Holdings** buying Reader's Digest for \$2.4 billion

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Total Number and Dollar Value of Acquisitions Publishing, Information and Training Industries 2000 — 2006





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- **Arnoldo Mondadori Editor SpA** picking up UK-based **Emap's** French consumer magazines for \$700MM
 - **Prism Business Media's** purchase of **Penton Media** for \$530MM.
- Business, Legal and Other Publishing had 80 deals valued at nearly \$3.3 billion versus 72 deals at \$5.8 billion in 2005. Major deals included:
- The purchase by **Snap-On Inc.** of the Business Solutions segment of **ProQuest**. **ProQuest**, facing financial reporting issues, sold the division for \$527MM
 - **Pearson**, looking to strategically focus its holdings, divested its Government Solutions business for \$600MM to private equity firm **Veritas Capital Partners**
 - One private equity group selling to another with the sale by **Cinven**, **The Carlyle Group** and **Apax Partners** of **MediMedia** for \$634MM to **Vestar Capital Partners** and **MediMedia** management.
- Content-related Internet deals totaled 67 deals at \$3.3 billion versus 42 deals at \$5.8 billion in 2005. Major transactions included:
- **Google's** purchase of **YouTube** for \$1.65 billion
 - **Gannet Co.** and **Tribune Co.** paying \$310MM to buy shares of **CareerBuilder.com** from **McClatchy Co.** to increase their ownership to 42.5% each
 - **Viacom**, through its **MTV Networks**, acquiring **Atom Entertainment** and its online destinations for casual games, short films and video at a \$200MM price.

The increase in deal activity made the M&A market more competitive, forcing buyers to pay higher multiples of revenue and profit, noted Rosen. "We saw some companies paying valuations that certainly will require no operating disappointment to yield a decent return, and even then, some of these transaction values are hard to fathom.

Normally, in the publishing, information and training fields the valuation multiples of revenue are 1 to 3 times and multiples of profit 5-8 times. But we saw a number deals way beyond these ranges in 2006. It was a great time to be a seller."

Sample valuations at high multiples of revenue:

- **Viacom**, through **MTV Networks**, paying 18 times revenue for **Atom** (see above)
- **E.W. Scripps** paying \$366MM, nearly 15 times revenue for UK-based **uSwitch Ltd.**, online price comparison content
- **DMG Information (Daily Mail & General Trust)** paying 10 times revenue, or \$130MM, for **Genscape**, a provider of real-time information for the energy and transmission markets.

Sample valuations at high multiples of profit:

- **Datamonitor** buying another UK company, **Ovum**, in the market research field for \$79.6MM or nearly 35 times operating profits
- Two private equity groups—**CHAMP Private Equity** and **Petersen Investments**—purchasing Study Group International, a provider of English language and academic preparation courses, from **DMG Information** for \$135.8MM, or nearly 24 times operating income
- Private equity firm **InterMedia Partners** taking public company **Thomas Nelson** private at \$473MM, or 22.5 times operating income. Nelson is a publisher of Bibles and other Christian-oriented products.

MAGAZINES/ TRADE SHOWS

MAGAZINES/TRADE SHOW M&A PACE SIZZLING

New York, N.Y., February 2, 2007—Magazine and trade show M&A activity, which declined markedly in the 2001-2003 recession, improved on its 2004-2005 rebound with a sizzling 2006, reports merger and acquisition

advisory firm **Whitestone Communications, Inc.**

The total number of magazine and trade show deals increased 39% following a 50% increase in 2005. There were 114 deals in 2006 versus 82 in 2005 and 54 in 2004. Dollar value of deals climbed 75% to \$5.8 billion in 2006 versus \$3.3 billion in 2005 and just \$916.5MM in 2004.

"Magazine and trade show owners enjoyed a great market for selling their businesses in 2006," said **Whitestone** Managing Director **Ed Fizzle**. "With magazine ad pages improving and trade show exhibitors boosting their spending, company owners in this segment had results that would attract good prices. Prices were also pushed up as the number of buyers increased with the heightened activity of private equity funds in this segment."

In the largest trade magazine deal in at least the last 10 years, a group of these funds paid \$10.3 billion for **VNU**. Subsequent to this deal, **VNU** divested a major group of magazines and changed its name to **The Nielsen Company**, reflecting the major role of that media measurement business in the **VNU** structure. (Because of its unusually large size, **Whitestone** excludes the **VNU** transaction in its deal activity calculations.)

Private equity funds also bought **Reader's Digest** for \$2.4 billion and **VNU's** **Business Media Europe** trade magazine group for \$417MM.

Looking at magazines and trade shows separately, the number of consumer and trade magazine deals in 2006 climbed 27% to 81, while the dollar value of deals increased to \$5.6 billion from \$3.1 billion. Trade show acquisitions nearly doubled to 33 in 2006 from 17 in 2005, while the dollar value of these transactions increased to \$198MM from \$205MM.

Breaking down magazines in consumer and trade categories, trade magazines accounted for two-thirds of the magazine M&A transactions, with 52 deals totaling \$2.7 billion, versus 37 deals for \$1.7 billion in 2005. Consumer magazine deals in 2006 were 29 valued at \$2.85 billion versus 28 at



\$1.35 billion in 2005. Trade magazine deal and dollar totals were the highest in six years.

The largest trade magazine deal in 2006 was the **Prism Business Media** purchase of **Penton Media** for \$530MM. Penton, with a large base of technology publications, had struggled in recent years only to start to recover with the improving economy. (Penton here is counted as a trade magazine business though a significant portion of its revenue includes trade shows.) Prism also sold 50% of the combined business to **MidOcean Partners** for an undisclosed value.

EDUCATION/ REFERENCE

ED/REFERENCE PUBLISHING ACTIVITY STRONG

New York, N.Y., February 2, 2007—The number of acquisitions in the educational/ reference publishing market as well as the dollar value of transactions increased strongly in 2006, reports merger and acquisition advisory firm **Whitestone Communications**.

For the year, the number of deals reached 44 versus 37 in 2005 while dollar value increased nearly five times to \$5.9 billion from \$1.2 billion mainly due to one major transaction—**Riverdeep's** purchase of **Houghton Mifflin** for \$3.6 billion.

“Educational/reference publishing deal activity benefited from a combination of general macro trends favoring growth in education spending as well as the ready availability of private equity and bank financing to effect transactions such as the Riverdeep-Houghton Mifflin deal,” noted **Whitestone Communications** Managing Director **Jonathan Miller**. “The Riverdeep deal was a master transaction in financial engineering where Riverdeep was able to take over the much larger Houghton Mifflin. I know that transaction surprised a lot of people.”

The biggest collapse in educational/reference publishing occurred at **ProQuest** following the company announcement of financial reporting is-

sues. **ProQuest** divested two major business units—its Business Solutions segment and its Information and Learning segment—for \$500MM to **Snap-on Incorporated** and \$222MM to **Cambridge Information Group**, respectively. **Cambridge Information Group** now is a major player in educational reference publishing with its prior purchase of **R.R. Bowker** coupled with this purchase from **ProQuest** as well as its base business at **Cambridge**.

Pearson was among the most active buyers of educational publishing and software companies. Its purchases included:

- **PowerSchool** from **Apple**—iPod accessible content for students and teachers.
- **Chancery Software**—Real-time 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 a sizeable private equity deal, **Golder Thoma Cressey** took private the public **Excelligence Learning Corporation**, an early childhood and elementary school product company, in a \$125MM 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.

NEWSLETTERS/ DIRECTORIES

NEWSLETTER ACQUISITION PACE FLAT, DOLLAR VALUE UP

New York, N.Y., February 2, 2007—The buying and selling of newsletter and directory companies maintained the same pace in 2006 as it had in 2005 while the total dollar value of deals increased markedly, reports merger and acquisition advisory firm

Whitestone Communications.

The number of deals in 2006 was the same as in 2005—24—while dollar value nearly tripled to \$253MM from \$89MM.

“Newsletters and directories are becoming more electronic information services and, as they do, buyers will see more value in the businesses,” said **Whitestone Associate Matthew DeBlasio**. “In fact, the name ‘newsletter’ as a business is going to gradually be fading to be replaced by something akin to ‘electronic information service.’ As an indication of this trend, the newsletter publisher’s association has changed its name to the **Specialized Information Publishers Association** in 2006.”

Among the most active buyers of newsletter companies in 2006 were **Thompson Publishing Group** and **Eli Research**.

- **Thompson Publishing Group** won the auction for **American Health Consultants**, a physician newsletter group, from **Thomson Corporation** paying an estimated \$40-50MM. **Thompson Publishing** itself went through some equity ownership changes during the year. **Avista Capital Partners** acquired 50% of the business from **DLJ Growth Capital Partners** in July at an enterprise value of \$130MM. And then **Avista** acquired the remaining 50% from **MidOcean Partners** in a separate deal.
- **Eli Research** acquired newsletter publisher **Business Publishers, Inc.**, and five newsletters from **Alexander Communications**, and **Dartnell** titles from **LRP**. Outside of the newsletter field, **Eli** also acquired the **American Academy of Professional Coders**, adding to its strong presence in the coding information field.

Other noteworthy newsletter deals in 2006:

- **Incisive Media** buying the **AVCJ Group Limited**, Hong Kong, a provider of financial newsletters, conferences and databases for the Asian financial market
- **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

- **Highline Media**, through its new parent company, **Summit Business Media** acquiring **Judy Diamond Associates**, a directory and online information service for the insurance industry.

TRAINING

TRAINING M&A ROBUST

New York, N.Y., February 2, 2007— Training company M&A activity was up significantly in 2006 both in number of deals and dollar value, reports merger and acquisition advisory firm **Whitestone Communications**.

The number of deals was up to 63 from 56 last year while dollar value more than doubled to \$5.2 billion from \$2.0 billion. The dollar value increase

was due mostly to one large transaction—the \$3.4 billion purchase of post-secondary school company **Education Management Corporation** by major private equity firms **Providence Equity Partners** and **Goldman Sachs Capital Partners**.

“In the training market, postsecondary school acquisitions continue to be a strong part of the picture,” said **Whitestone Managing Director Susan Isserman**. “The private equity funds, in particular, love the business model and are eager to do more deals here. Elsewhere, basic training companies benefited from the economic rebound that gives firms more money to spend on training, one area that companies like to cut when recessions hit. And with improved P&L statements, the training companies can now get better prices for their businesses and are more willing sellers.”

Postsecondary education deals, aside from **Education Management Corporation**, included:

- **Liberty Partners** paying \$114.5MM for **Concorde Career Colleges**.

“The multiple of profit was high—nearly 22 times operating income,” noted **Isserman**. “Eight-to-10 times would be more in the normal range for this type of deal”

- **Gryphon Colleges Corporation** buying **Delta Educational Systems**
- **Lincoln Educational Services Corporation** acquiring the **New England Institute of Technology at Palm Beach, Inc.**

General training deals included:

- **Element K**, an IT training business that suffered in the last economic recession, attracted one of India’s larger companies, **NIIT Global**, as a buyer. **NIIT** paid \$40MM for **Element K**, which is generating about \$80MM in revenue
- 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 \$23MM. The two businesses had combined revenue of \$21MM and EBITDA of \$2.2MM.

M&A DEAL ACTIVITY 2006 vs. 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	85	\$2,918	54	1,941	57%↑	50%↑
Consumer Magazines	29	2,846	28	1,354	4%↑	110%↑
Trade Book & Other Consumer Publishing	33	1,746	18	102	83%↑	1,612%↑
Education/Reference/Technical Publishing	44	5,903	37	1,204	19%↑	390%↑
Finance/Real Estate Information	39	1,120	33	1,373	18%↑	-18%↓
Newsletters/Directories	24	253	21	89	0%	184%↑
Publishing-Related Software	41	699	20	632	105%↑	11%↑
Internet (Content Related)	67	3,335	45	5,763	49%↑	-42%↓
Business, Legal and Other	80	3,321	79	4,445	1%↑	-25%↓
Training	63	5,180	56	1,981	13%↑	161%↑
Total	505	\$27,321	394	\$18,884	28%↑	45%↑



WHITESTONE HAS COMPLETED TRANSACTIONS WITH THE FOLLOWING COMPANIES:*

The McGraw-Hill Companies



informa



Hights Cross Communications



contexo | media

Eli Research



* Partial List

