



# WHO'S BUYING WHOM

## FIRST QUARTER 2007 UPDATE

May 2007

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](mailto:brosen@whitestonecommunications.com).

## MEDIA DEAL VALUE JUMPS 27% IN FIRST QUARTER

New York, N.Y., May 2, 2007— M&A activity and deal value among publishing, information and training companies increased substantially in the first quarter 2007 compared to

the same period 2006, continuing a trend of increased deal activity since the industry reached a post-dot-com nadir in 2002, reports merger and acquisition advisory firm Whitestone Communications. Whitestone tracks media acquisitions and investments for its annual reference, *Who's Buying Whom*, the most comprehensive and detailed report on deals in the publishing, information and training fields.

M&A value reached \$7.9 billion (on 132 deals) in the first quarter 2007 compared to \$6.2 billion (on 108 deals) in 2006— increases of 27% and 22%, respectively. The largest increases in dollar volume by media sector included B2B maga-

zines and trade shows (from \$178 million to \$1.3 billion), consumer magazines (\$27 million to \$285 million), educational publishing (\$63 to \$475 million) and training companies (\$3.5 billion to \$4.4 billion). Declines were shown in business and legal information (\$971 million to \$700 million), Internet content (\$516 million to \$181 million) and trade book publishing (\$563 million to \$346 million).

As an indication of how far the M&A market has advanced since the last recession, the total transaction value of \$7.9 billion for the first quarter this year was more than three-fold the \$1.9 billion of the same period in 2002. "What we are seeing is a 'perfect storm' in reverse: A strong economy, low interest rates, and an abundance of private equity liquidity," noted Whitestone Communications President Baran Rosen. "The stock market is surviving all types of challenges, including the subprime lending implosion and the housing slowdown. Going forward for the remainder of 2007, we are optimistic that the good times will continue."

Among the more noteworthy transactions:

- A consortium of private equity firms led by KKR paid \$3.8 billion (14 times EBITDA) for Laureate Education, Inc., the largest deal of the quarter and one of the largest postsecondary education acquisitions on record;
- In the B2B magazine space,

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### Total Number and Dollar Value of Acquisitions Publishing, Information and Training Industries First Quarter 2004 — First Quarter 2007



Source: Whitestone Communications, Inc.

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Advanstar Holdings Corp. was sold by one private equity firm—DLJ Merchant Banking Partners—to another—Veronis Suhler Stevenson—for \$1.1 billion;

- In educational publishing, Wolters Kluwer exited this segment with the sale of its Education division in the UK to Bridgeport Capital Limited for \$1.035 billion (2.4 times revenue) while Sterling Capital Partners and Citigroup Private Equity bought learning company Educate, Inc., for \$535MM (22 times operating income);
- In consumer magazines, the largest transaction was the \$225MM purchase by Bonnier Magazine Group of 18 Time Inc. titles including Parenting, Popular Science and Field & Stream;
- In new and interactive media, Epsilon acquired Abacus (data management and analytical service to direct marketers) for \$435MM and Nieslen acquired the remaining 40% of Internet market research firm NetRatings it did not own for \$327MM.

## TRADE MAGAZINES/SHOWS

### BUSINESS-TO-BUSINESS MEDIA DEAL VALUE UP OVER SIX-FOLD

New York, N.Y., May 2, 2007—Business-to-business media deal value (which includes trade magazines and trade shows) increased markedly in the first quarter 2007 compared to the same period in 2006.

Despite the total number of B2B deals declining slightly in the period, from 20 to 18, transaction value surged 632%, from \$178 million in the first quarter 2006 to \$1.3 billion in the first quarter 2007.

“Although dominated by one major transaction—the sale of Advanstar—the robust first quarter provides further indication that the B2B sector remains one of the most active for private equity firms seeking a platform in information media,” noted Whitestone Managing Director Ed Fizzle. “Going forward, we see additional transactions among the private equity firms and

continuing consolidation within the sector. Mission-critical information provided by B2B publishing and conferences will continue to drive the category.”

The top transaction for the B2B sector in the first quarter was Veronis Suhler Stevenson’s acquisition of Advanstar Holdings Corp. from DLJ Merchant Banking Partners for \$1.1 billion. Other deals of significance included:

- Naylor, LLC (Clarity Partners and Zelnick Media) acquired Convention Management Group, Inc., an event management company serving trade and professional associations;
- Affinity Group, Inc., purchased Industrial Expositions, Inc., and MAC Events, LLC, producer of events in the snowmobile and boating markets;
- Commonwealth Business Media (United Business Media) purchased Aviation Industry Group Ltd of the U.K., for \$11.7 million;
- CMP Information (United Business Media) acquired Quest Media Limited of the U.K., consisting of six awards events, for \$9.7 million (1.4 times revenue).

## CONSUMER MAGAZINES

### CONSUMER MAGAZINE DEAL ACTIVITY PICKS UP

New York, N.Y., May 2, 2007—Consumer magazine transaction activity picked up substantially the first quarter of 2007 compared to the same period in 2006.

The number of consumer magazine deals more than doubled, from five in the first quarter 2006 to 12 in 2007. The dollar value of deals increased to \$285 million in 2007 from just \$27 million in the same period 2006.

The huge deal-value increase was largely attributable to one transaction: the sale of 18 Time Inc. magazines to the Swedish media company, Bonnier Magazine Group and its U.S.-based World Publications, for \$225 million. The acquired titles were all in the special interest category and included

*Popular Science, Outdoor Life, Transworld Snowboarding, Parenting, and Baby Talk.* Aside from the Time Inc. transaction, most consumer magazine deals remained small.

“Consumer magazine deals are not strongly driven by private equity groups to the same extent as the B2B magazine sector,” noted Whitestone Managing Director Ed Fizzle. “This is because the leading consumer magazine publishing companies remain ‘strategic’ owners. Where PE firms have an increasing presence in consumer publishing is in vertical, enthusiast magazines, which tend to be smaller titles.”

Other consumer magazine deals of significance in the first quarter included:

- Veronis Suhler Stevenson acquired a majority stake in MediZine LLC, publisher of patient education magazines, including *REMEDY, Healthy Living* and *Diabetes Focus*, which are distributed free through pharmacies and doctors’ offices;
- Primedia Inc. acquired Vertical-Scope Inc., publisher of several automotive enthusiast titles;
- Gilvest LP bought Zinio Systems, an electronic distributor of magazine content, for \$20 million;
- CanWest Global Communications acquired the remainder of *The New Republic* that it did not already own from private investors.

## EDUCATION/ REFERENCE

### EDUCATIONAL PUBLISHING TRANSACTIONS RISE SHARPLY

New York, N.Y., May 2, 2007—M&A activity in the education/reference publishing market increased substantially in the first quarter 2007 compared to the same period a year earlier.

The number of education/reference deals increased from five to 14. More importantly, the value of those deals increased by a factor of 6.5, to \$475 million from just \$63 million a year earlier.

“Private equity firms are always look-

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ing for good, dependable markets and, finding educational publishing characteristics particularly attractive, they helped push up the level of deal activity in the first quarter,” noted Whitestone Managing Director Jonathan Miller. “And private equity firm J.H. Whitney was happy to sell its own educational publishing roll-up, Cambium Learning, to another private equity outfit, Veronis Suhler Stevenson, for a fast profit as they only formed Cambium in 2004.”

The quarter’s other highlights, in addition to the Cambium deal, included:

- Wolters Kluwer exited educational publishing, auctioning off its U.K. educational publishing business to private equity firm Bridgepoint Capital Ltd. for \$1.035 billion (2.4 times revenue—this deal excluded from Whitestone totals as it was a foreign transaction);
- Sterling Capital Partners and Citi-

group Private Equity bought learning company Educate, Inc., which includes Sylvan Learning and Hooked on Phonics, for \$535 million (22 times operating income);

- Cenveo, Inc., bought Cadmus Communications, which offers content management and production services for STM journal publishers.

## TRAINING

### TRAINING M&A REMAINS HOT: MEGA-DEALS CONTINUE

New York, N.Y., May 2, 2007—A mega postsecondary education acquisition—the \$3.8 billion acquisition of Laureate Education, Inc.—propelled training industry acquisition dollar value in the first quarter significantly ahead of the same period last year.

Eight private equity firms—including Kohlberg Kravis Roberts and Citigroup Private Equity—joined together for the purchase of Laureate in one of the largest acquisitions ever in the training industry. “Coming on top of last year’s acquisition of Education Management Corp. for \$3.4 billion, the training industry has become a very attractive media sector for PE firms,” said Whitestone Associate Matthew DeBlasio. “Laureate Education serves the career aspirations of college graduates, online and on campus, and should see continued growth as the

number of American undergraduate and graduate students increases to over 18 million in the next few years.

“Also worth noting is that the Laureate buyers bought at a much better price than the Education Management buyers,” DeBlasio continued. “The Laureate purchase was at 14 times EBITDA versus 20 times EBITDA on the Education Management deal.” As a multiple of revenue, the transactions were comparable—Laureate at 3.2 times revenue and Education Management at 3.4 times.

Overall, training M&A deal value totaled \$4.4 billion versus \$3.5 billion last year while the number of deals remained fairly constant—17 this year versus 15 last year. Among other noteworthy transactions in the first quarter:

- GP Strategies Corp. acquired Sandy Corp., which offers custom product sales training services, from Automatic Data Processing for \$12 million (or 0.2 times revenue);
- Aspen Education Group acquired Camp Huntington, which offers therapeutic and education programs for children with autism and other developmental disabilities;
- EMC Corp. acquired JIST Publishing, producer of educational materials covering job research, resumes, self-assessment and career reference. ■



**CANON COMMUNICATIONS LLC**  
has acquired  
**Appliance**  
from  
Dana Chase Publications, Inc.  
**March 2007**

*Whitestone Communications initiated, negotiated and concluded this transaction on behalf of Dana Chase Publications*

### M&A DEAL ACTIVITY FIRST QUARTER 2007 vs. FIRST QUARTER 2006 PUBLISHING, INFORMATION AND TRAINING INDUSTRIES

CATEGORY	1Q 2007		1Q 2006		Percentage Change	
	No. of Deals	\$ Value (\$MM)	No. of Deals	\$ Value (\$MM)	No. of Deals	\$ Value
Trade Magazines/Trade Shows	18	1,303	20	178	-10%↓	632%↑
Consumer Magazines	12	285	5	27	140%↑	956%↑
Trade Book & Other Consumer Publishing	14	346	5	563	180%↑	-39%↓
Education/Reference/Technical Publishing	14	475	5	63	180%↑	654%↑
Finance/Real Estate Information	9	143	4	58	125%↑	147%↑
Newsletters/Directories	5	70	2	2	150%↑	3,400%↑
Publishing-Related Software	6	26	11	316	-45%↓	-92%↓
Internet (Content Related)	16	181	18	516	-11%↓	-65%↓
Business, Legal and Other	21	700	22	971	-5%↓	-28%↓
Training	17	4,356*	16	3,511**	6%↑	24%↑
<b>Total</b>	<b>132</b>	<b>\$7,885</b>	<b>108</b>	<b>\$6,205</b>	<b>22%↑</b>	<b>27%↑</b>

\* Includes the \$3.8 billion acquisition of Laureate Education

\*\* Includes \$3.4 billion transaction for Education Management Corp.