



WHO'S BUYING WHOM

SECOND QUARTER 2007 UPDATE

August 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.

VALUE OF M&A DEALS REACHES SEVEN-YEAR HIGH PACE OF DEALS, THOUGH, MODERATES

New York, N.Y., August 2007—M&A deal value among publishing, information and training companies had its best showing in more than seven years, surging in the second quarter 2007 to ten times the level of the same 2006 period, 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.

increased 70% to \$5.3 billion. As an indication of how far the media M&A market has advanced since the last recession, the total transaction value of \$33.3 billion for the second quarter 2007 was the highest on record since the first quarter 2000, which recorded the mega-merger of Time Warner and AOL.

The three major deals of the second quarter 2007 were:

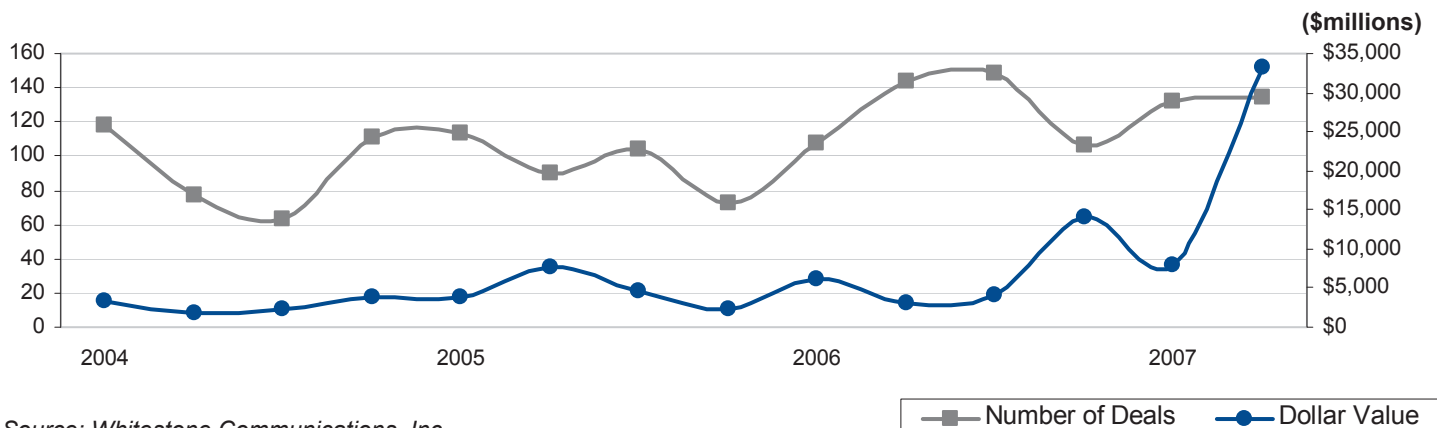
- Thomson Corp. purchasing Reuters for \$17.1 billion
- Apax Partners and OMERS Capital Partners acquiring Thomson Corp.'s Thomson Learning for \$7.75 billion
- Google buying DoubleClick for \$3.1 billion.

While the dollar-value for the second quarter was boosted by these huge transactions, the total number of deals was down slightly – from 144 in last year's second quarter to 134 deals in 2007. (See chart on page 4 for the full breakdown of deals)

"We see the deal pace slowdown as perhaps a sign of deal fatigue," noted Whitestone Communications president Baran Rosen. "The markets have been so active that it is likely that buyers need time to pause and digest what they have. Also, the end-of-July pullback in the stock market and tightening of credit may lead to a slower deal pace through the end of the year."

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



Source: Whitestone Communications, Inc.

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Not including the three mega-deals cited above, the largest increases in dollar volume by media sector were:

- Consumer Magazines (from \$32MM to \$1.5 billion)
- Business/Legal (\$344MM to \$1.8 billion)
- Internet Content (\$441MM to \$634MM)
- Training (\$395MM to \$624MM).

Declines were shown in:

- Education/Reference (\$180MM to \$43MM)
- Consumer Book Publishing/Media (\$1.1 billion to \$50MM)
- B2B Magazines (\$310MM to \$225MM). ■

TRADE MAGAZINES/SHOWS

B2B MEDIA DEALS AND VALUE DECLINE

New York, N.Y., August 2007—Deal value for business-to-business media (which includes trade magazines and trade shows) declined in the second quarter 2007 compared to the same period in 2006, reports Whitestone Communications.

The total number of B2B deals declined 33% (from 24 to 16) and transaction value declined 28% (\$310MM to \$225MM).

“The torrid pace of B2B deals of the past 18 months is taking a breather,” Whitestone Communications managing director Ed Fitzelle commented. “There are still some major deals in the works and we expect this pace will continue from this point forward, barring the fallout from the recent tightening of credit we are seeing at the end of July.”

The largest transaction for the B2B sector in the second quarter was Insight Venture Partners’ acquisition of Ziff Davis Enterprise Group from Ziff Davis Media for \$150MM. Insight Venture Partners is a New York-based private equity and venture capital firm that focuses on software and Internet investments. The Enterprise Group produces publications, online content and events aimed at the tech industry. Its assets include *Baseline*, *CIO In-*

sight, *eWEEK*, *baselinemag.com*, *cio-insight.com*, *channelinsider.com*, *deviceforge.com*, *eweek.com*, *microsoft-watch.com* and *webbuyersguide.com*. It also has a database of 3.5MM business and technology users.

Other B2B deals of significance in the second quarter 2007 included:

- Access Intelligence LLC, a unit of Veronis Suhler Stevenson, acquired TradeFair Group – which includes *POWER* magazine, tradeshow and conferences, including Electric Power, Clean Gulf, Clean Atlantic and Clean Pacific.
- Spiderweb Publishing Inc., publisher of commercial construction magazines, was purchased by Hanley Wood LLC.
- Milo Trade Media acquired four magazines from Summit Business Media LLC—*Contractor Tools & Supplies*, *Construction Purchasing*, *MRO Today* and *Progressive Distributor*.
- Reed Exhibitions acquired a majority interest in the Alcantara Machado (Brazil), a producer of 26 trade shows.
- Sunshine Custom Publishing Inc. purchased True North Custom Publishing, which focuses on the health-care and real estate markets.
- United Business Media acquired Physicians Practice LLC from Med-IQ LLC for \$17.5MM, a multiple of 1.7 times revenue. ■

CONSUMER MAGAZINES

CONSUMER MAGAZINE VALUE SURGES ON PRIMEDIA DEAL

New York, N.Y., August 2007—The dollar value of consumer magazine transactions rebounded substantially in the second quarter of 2007 compared to the same period in 2006, reports Whitestone Communications.

Total transaction value rose more than 40-fold – from \$32MM to \$1.5 billion – driven primarily by Primedia’s sale of its Enthusiast Media group to Source Interlink Companies for \$1.2 billion. Even excluding the Primedia deal, the consumer magazine category transac-

tion value exceeded \$300MM. The total number of transactions—10—was the same in both the second-quarter 2007 and 2006.

The Enthusiast Group was built over a decade of small acquisitions by Primedia and today includes in excess of 70 special-interest magazines, 90 Web sites and 65 live events.

“The appeal of enthusiast magazines is their verticality and strong brands among both readers and advertisers,” noted Whitestone Managing Director Ed Fitzelle. “In the consumer space, enthusiast magazines are very much like trade publications in the B2B space – they are an essential read. In fact, often special-interest titles straddle both realms, appealing to a consumer and trade readership. Enthusiast magazines’ content also translates very well to a Web environment as well as to complementary media and products. Special-interest titles are, in fact, the consumer magazine industry’s strongest sector.”

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

- Quadrangle Capital Partners II, backing ex-Wenner Media executive Kent Brownridge, purchased Dennis Publishing’s *Maxim*, *Blender* and *Stuff* magazines for more than \$240MM from owner Felix Dennis.
- Clarity Partners LP acquired a controlling interest in Modern Luxury Media LLC, a publisher of upscale city and regional magazines.
- *Chicago Magazine*, owned by Tribune Company, purchased *Chicago Home & Garden*.
- Learfield Communications, Inc., acquired an ownership stake in Meredith Corp.’s “Living the Country Life” brand, which will be managed jointly by the two companies under the name Living the Country Life LLC.
- Rodale sold two assets: the *Organic Style* brand/trade marks to Organic Bouque Inc.; and *Backpacker* magazine to Active Interest Media, which also publishes *Vegetarian Times*, *Southwest Art*, *Log Home Living* and other enthusiast titles. ■

**EDUCATION/
REFERENCE**

**EDUCATIONAL PUBLISHING
PACE SLOWS**

Except for Huge Thomson Deal

New York, N.Y., August 2007—Excluding one major transaction, M&A activity in the education/reference publishing market slowed significantly in the second quarter 2007 vs. the same period in 2006, reports Whitestone Communications.

Education/Reference transactions declined to just six in the second quarter 2007 compared to 17 in the same 2006 period. Excluding the Thomson deal, transaction value decreased 76%—from \$180MM to \$43MM.

“The slowdown in educational publishing deal activity is likely a reflection of two trends,” noted Whitestone Communications managing director Jonathan Miller. “First, small educational publishers have faced increased competition from major publishers, hurting their financial results and making them less likely to seek a buyer at this time. Second, active consolidation over the last few years has reduced the number of attractive available candidates.”

Still, private equity firms remain excited about the educational market. In that vein, two private equity firms, Apax Partners and the Ontario Municipal Employees Retirement System, acquired Thomson Learning from Thomson Corp. for \$7.75 billion.

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

- Leeds Equity Partners acquired elnstruction Corp., interactive instructional and assessment systems for the K-12, higher education, corporate and military markets, from Chicago Growth Partners.
- Hobsons U.S., a division of U.K.-based Daily Mail & General Trust plc., acquired Naviance, a provider of planning and advising systems for secondary schools.
- Facts on File acquired the Films Media Group, a provider of educational videos to schools, colleges and libraries, from Primedia. ■

TRAINING

**TRAINING DEAL PACE STEADY,
DOLLAR VALUE UP**

New York, N.Y., August 2007—The pace of mergers and acquisitions in the training field continued at about the same level in the second quarter 2007 as in the year-earlier period, while the dollar-value of the deals jumped 58%, reports Whitestone Communications.

The number of training industry deals was 16 in the second quarter 2007 vs. 15 in the same period last year, while dollar value increased to \$624MM from \$395MM.

“Training companies are generally doing well in the current favorable economic environment,” noted Whitestone Communications managing director Susan Isserman. “But as it now stands, there is no one company seeking to do a roll-up of traditional soft-skills training companies compared to other industries where roll-ups are active. The net result is a number of mostly strategic acquisitions rather than financially driven deals.”

The largest training-company transaction for the period was Pearson’s acquisition of eCollege, an online provider of degree, certificate, diploma, professional development, training and software services. The \$538MM purchase price represented a multiple of 4.6 times eCollege’s \$116MM in revenues, well above the traditional revenue multiples of one- to two-times.

Among other noteworthy transactions in the second quarter 2007:

- The Kaplan division of the Washington Post Company acquired Financial Services Group of Australia for \$29.9MM.
- Empire Education Group acquired Regis Corporation creating a new entity – Empire Education Group, Inc. – that will be a leading player in cosmetology education and training.
- Riverside Company purchased American Home Inspections Training Institute.
- Helius Inc. acquired PointeCast Corp., a provider of learning management systems enabling users to

administer and track e-learning and training courses, for \$5MM. ■

**SPECIALIZED BUSINESS
INFORMATION**

SBI AT STRONG LEVELS

New York, NY, August 2007—M&A activity for the second quarter 2007 in the Specialized Business Information sector—print and electronic information businesses in the financial, real estate, business and legal markets – was up strongly in deals and dollar value, reports Whitestone Communications.

M&A activity in the Specialized Business Information (SBI) sector was dominated by the acquisition of Reuters by Thomson Corp. for \$17.1 billion. Excluding the Thomson-Reuters deal, the number of transactions in the second quarter 2007 was up 27% (from 33 to 42 deals) while the transaction value increased 399% (\$498MM to \$2.0 billion).

The Thomson-Reuters deal was a milestone in the consolidating financial data and analytics category as second-ranked Reuters (behind Bloomberg) was acquired by third-ranked Thomson. The \$17.1 billion purchase price reflected a 3.3-times revenue multiple and 32.8-times profit multiple. While not out of line for a major transaction such as this, these multiples are well above industry norms of one- to two-times revenue and profit multiples of six to 12 for most transactions in this market sector.

“The Reuters acquisition by Thomson is a destination that Thomson has been approaching over the last several years,” noted Whitestone Communications president Baran Rosen. “The company has been striving to exit print-related businesses and move more to electronic information. This deal, combined with its \$7.7 billion divestiture of Thomson Learning, also announced last quarter, squarely moves Thomson to becoming a largely electronic-information company. Also with the name change of the merged company to be Thomson Reuters and with the head of Reuters getting the top position at the merged business,

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Thomson becomes primarily a financial information services company. This raises the possibility that Thomson may divest its major legal information business in the not too distant future.”

In addition to the Thomson-Reuters deal, other leading SBI transactions for the 2007 second quarter included:

- Experian acquired Hitwise, a provider of Internet marketing intelligence, for \$240MM.
- IHS Inc. purchased Jane’s Information Group, a leading provider of global information for the defense industry, from The Woodbridge Company for \$183MM.
- Informa Group acquired Datamonitor plc. for \$992MM. Datamonitor provides data and analysis for the automotive, consumer, energy, financial services, healthcare, and technology/telecom industries. The transaction’s revenue and EBITDA multiples were 7.1-times and 31-times, respectively, both very high for a market research firm.
- InfoUSA acquired Guideline, a provider of business and market research products, for \$41.6MM, for a revenue and profit multiple of 0.9-times and 45.2-times, respectively.
- Summit Business Media purchased Wicks Business Information, serving

primarily the financial services and legal markets.

- Dow Jones & Co. acquired eFinancialNews Holdings (U.K.) for \$51.7MM. This price reflected a revenue and EBITDA multiple of 2.1-times and 13.6-times, respectively. ■

INTERNET CONTENT

INTERNET CONTENT VOLUME SURGES ON GOOGLE-DOUBLECLICK TRANSACTION

New York, N.Y., August 2007—Internet content and interactive media M&A activity increased substantially in the second quarter 2007 compared to the previous year as Google acquired interactive advertising agency DoubleClick for \$3.1 billion. Excluding the Google-DoubleClick deal, Internet transaction value increased 44% (from \$441MM to \$634MM) while the number of deals increased 29% (from 17 to 22), reports Whitestone Communications.

“In DoubleClick, Google acquired a dominant presence in the one market in which it has been a laggard: the business of selling advertising banners, videos, and other display ads often intended more to promote

brands than to generate immediate sales,” reports Baran Rosen, president of M&A advisory firm Whitestone Communications. “DoubleClick has relationships with virtually every major online publisher and more than half of the online ad agencies. Google, on the other hand, has made much of its billions by serving tiny text ads related to searches for relatively smaller businesses hoping for some kind of immediate interaction with a customer.”

Other Internet deals of significance in the second quarter included:

- CBS Corp. acquired Last fm, an online community-based, music discovery network, for \$280MM.
- Comcast Corp. purchased Fandango, an online destination for movie information, showtimes and ticketing.
- Hachette Filipacchi Media U.S. acquired Jumpstart Automotive Media for \$84MM. Jumpstart is a vertical advertising network focused on the automotive industry.
- LivePerson, Inc. acquired Kasamba Inc., which provides live expert advice delivered online via real-time chat forums, for \$40MM.
- Amazon.com acquired dpreview.com (U.K.), a Web site offering digital camera information and reviews. ■

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

CATEGORY	2Q 2007		2Q 2006		% Change	
	No. of Deals	\$ Value (\$MM)	No. of Deals	\$ Value (\$MM)	No. of Deals	\$ Value
Trade Magazines/Trade Shows	16	225	24	310	-33%↓	-28%↑
Consumer Magazines	10	1,514 ¹	10	32	0%	4,631%↑
Trade Book & Other Consumer Publishing	16	50	14	1,084	14%↑	-95%↓
Education/Reference/Technical Publishing	6	7,793 ²	17	180	-65%↓	4,229%↑
Publishing-Related Software	4	228	14	172	-71%↓	33%↑
Internet Content Related	23	3,734	17	441	35%↑	747%↑
Training	16	624	15	395	7%↑	58%↑
Specialized Business Information	43	19,087	33	498	27%↑	299%↑
<i>Finance/Real Estate Information</i>	16	17,267 ³	6	106	167%↑	16,190%↑
<i>Newsletters/Directories</i>	2	1	10	48	-80%↓	-99%↓
<i>Business, Legal and Other</i>	25	1,820 ⁴	17	244	47%↑	429%↑
Total	134	\$33,255	144	\$3,112	-7%↓	969%↑

1. Includes \$1.2 billion sale of Primedia’s Enthusiast Media division to Source Interlink Companies

2. Includes \$7.75 billion sale of Thomson Learning to Apax Partners and the Ontario Municipal Employees Retirement System

3. Includes \$17.1 billion sale of Reuters to Thomson Corporation

4. Includes \$3.1 billion sale of Doubleclick to Google

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

The McGraw-Hill Companies



informa



Hights Cross Communications



** Partial List*

