



# WHO'S BUYING WHOM

## THIRD QUARTER 2007 UPDATE

November 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).

### 'SUB-PRIME' M&A RESULTS IN 3Q

New York, N.Y., November 1, 2007—The hot M&A market of the last 18 months in the publishing, information and training industries finally cooled in the third quarter 2007, reports merger and acquisition advisory firm Whitestone Communications.

hit in August, hammering stock prices and creating tight, to non-existent, credit for business buyers and frightening potential buyers themselves from moving ahead to close transactions," noted Whitestone president Baran Rosen. "Both corporate buyers and private equity funds slowed their buying. The number of corporate buyer deals declined 17% and private equity deals 32%."

Major transactions for the quarter included:

- Houghton Mifflin Company's purchase of Harcourt Education from Reed Elsevier for \$4 billion, Houghton Mifflin itself having merged with Riverdeep Holdings in a \$3.6 billion deal last year. This deal leaves the number of large independent educational publishers in the U.S. at just three—McGraw-Hill, Pearson and Houghton Mifflin/Harcourt.
- Incisive Media's acquisition of major legal publisher ALM for \$630 million.
- ETS (Educational Testing Service) buying test delivery service Thomson Prometric from Thomson Corporation for \$435 million.

Looking at individual industry segments, the content-based Internet segment had another strong quarter, with the number of deals at 25 versus 21 in the same period last year and the dollar value of the deals nearly doubling from \$492

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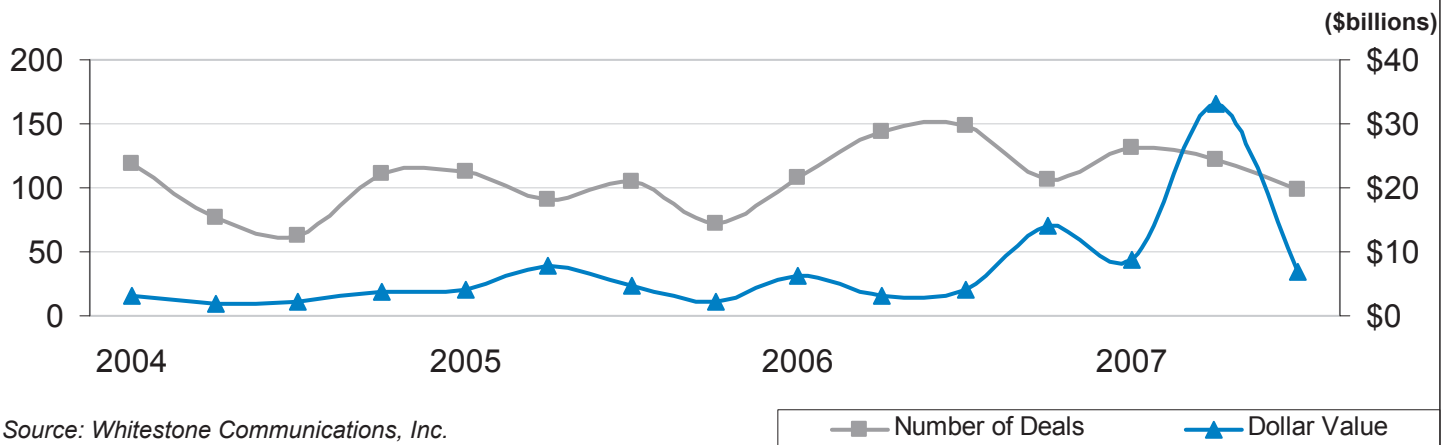
◆ Specialized Business Information Deals Take A Dive

◆ Internet Content Deals Keep Rolling

The number of transactions dropped from 122 in the prior quarter this year and 146 in the year ago same period to 98 in the third quarter of this year, declines of 20% and 33%, respectively. Dollar volume was much lower in the third quarter this year versus the second quarter--\$7.0 billion versus a seven-year high \$33.2 billion. Still dollar volume was ahead of the 2006 third quarter result of \$4.0 billion, this due mainly to one large \$4 billion deal in 3Q 2007—the sale of Harcourt Education.

"One of the main causes for this M&A slump was likely the sub-prime mortgage woes that

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



Source: Whitestone Communications, Inc.

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million to \$949 million. Publishing-related technology transactions also climbed from five to seven and dollar value from \$50 million to \$426 million. Meanwhile, the total number of consumer and trade magazine deals declined from 22 to 10 and dollar value from \$936 million to \$697 million.

Online information businesses and social networks continued to garner the highest valuation multiples. Examples:

- French company H-Media Group paid 33 times revenue for U.S.-based Fotolog, a photo sharing social network with only \$2.3 million in revenue selling for \$90 million.
- Answers Corporation paying \$100 million, 14 times revenue for web properties such as Dictionary.com and Thesaurus.com owned by Lexico Publishing Group.
- Reuben H. Donnelley paying \$345 million for Business.com, estimated revenue \$50 million, a multiple of nearly 7 times revenue for this business search engine and pay-per-click ad network.

## MAGAZINES/SHOWS

### MAGAZINE/TRADE SHOW DEAL PACE DECLINES

New York, N.Y., November 1, 2007—The magazine and trade show deal pace slowed significantly in the third quarter 2007, reports merger and acquisition advisory firm Whitestone Communications.

“After enjoying a great run for about the last 18 months, magazine and trade show deal activity succumbed to the overriding credit crunch and worries about the economy brought on by the sub-prime mortgage issues,” noted Whitestone Managing Director Ed Fitzelle. “The print magazine page is coming under increasing scrutiny as advertising dollars head more to the Web and other channels.”

The total number of magazine and trade show deals in the third quarter sunk to 13 from 31 in the same year earlier period. Dollar value of the deals declined from \$1.0 billion to

\$727 million.

Dollar volume would have been off more dramatically if it had not been for one large deal this past quarter, the \$630 million purchase of ALM by Incisive Media. Incisive paid 3.2 times revenue and 12.6 times.

In other transactions, BNP Media, which has not been an active buyer in the last few years, stepped up and acquired Ascend Media’s professional services division. The division included the food, beverage and packaging group and the gaming group.

And Questex Media, which has been an active buyer, picked up The Show, a food and beverage event that includes three bar/restaurant/coffee and tea expos, and a related magazine.

## EDUCATION/REFERENCE

### Harcourt/Houghton Mifflin \$4 B Merger

#### AND THEN THERE WERE THREE...

New York, N.Y., November 1, 2007 — Educational publishing underwent one more step in consolidation in the third quarter 2007 when Houghton Mifflin purchased Harcourt from Reed Elsevier for \$4 billion, leaving just three major educational publishers: McGraw-Hill, Pearson and Harcourt/Houghton Mifflin. The Harcourt deal drove total deal value for the quarter to \$4.5 billion, dramatically ahead of the \$206 million in the same quarter last year.

“The Harcourt deal represents the continuation of some major financial engineering,” notes Whitestone Managing Director Jonathan Miller. “Houghton Mifflin was acquired in a merger with Riverdeep last year that was sort of like the minnow swallowing the whale. And now you have Houghton combining with Harcourt to create an even more significant player.”

While the Harcourt deal drove dollar volume up in the quarter, the number of deals declined. Last year there were 13 deals in the third quarter and this year eight.

In other transactions, the Wicks Group continues to build a major presence in

religious educational publishing through its new platform CFM Religion Publishing Group which completed three deals: Resources For Christian Living, Benziger (acquired from McGraw-Hill) and Silver Burdett Ginn Religion (acquired from Pearson).

Overseas, Thomson Corporation acquired one of Spain’s most respected publishers, Prous Science, a life science information business focused on drug discovery and development.

## TRAINING

### TRAINING COMPANY DEAL PACE SLOWS

New York, N.Y., November 1, 2007—Moving steadily slower, training company M&A deal activity went from increased activity in the first quarter of this year versus the same period last year, to flat in the second quarter and now a decline in the third quarter, reports merger and acquisition advisory firm Whitestone Communications.

The number of deals in the third quarter totaled 14 versus 19 in the same period last year and 15 in the second quarter of this year. Dollar value of training deals was \$123 million versus \$502 million last year and \$85.9 million in the second quarter of this year.

“Training company deals did not have as much a decline in number of deals as other information sectors due, in part, to continued interest in buyers in picking up post-secondary institutions, noted Whitestone Managing Director Susan Isserman. “But we expect if the economy slows, we will see a decline in training business results and a further cooling of acquisition activity.”

Among the noteworthy transactions:

- The Riverside Company finally sold portfolio company Inscape Publishing, having sought unsuccessfully to do so a few years ago. With improved results and a good M&A market, the timing was right for the sale to Sentinel Capital Partners.
- The Kaplan division of the Washington Post, the most active buyer of training companies in the U.S. for the last several years, continued its

acquisitions with the purchase of two Australian businesses, Bradford College and Grange Business School.

- In a transaction handled by Whitestone Communications, technical and behavioral training firm RESULTS IN LEARNING was acquired by U.K.-based Investcorp portfolio company Moody International.

## SPECIALIZED BUSINESS INFORMATION

### SBI DEALS TAKE A DIVE

New York, N.Y., November 1, 2007—The number of deals in the Specialized Business Information sector—print and electronic businesses in the financial, real estate, business and legal markets—dropped dramatically in the third quarter 2007 versus the same prior year period, reports merger and acquisition advisory firm Whitestone Communications.

“The general softness in the M&A market in the third quarter was particularly apparent in the Specialized Business Information sector,” noted Whitestone Communications Associate Matthew DeBlasio. “Given that most of the sub-prime noise surrounded the financial and business community, it’s perhaps not surprising that the fall off should have hit the information companies covering these markets the hardest.”

The total number of deals declined

more than 54% from 48 last year to 22 this year and the dollar value swooned from \$1.6 billion to just \$254 million.

Among the transactions:

- Private equity fund Castanea Partners cashed in on its ownership of Decision Resources, selling the pharmaceutical/healthcare research firm to another private equity firm Providence Equity Partners. Castanea had owned Decision Resources only a few years before being able to capture a good profit.
- In a sizeable deal between two U.K. private equity funds (and not included in the Whitestone statistics), Candover Investments sold Bureau van Dijk, a supplier of business information databases, to BC Partners for \$996.6 million.
- Private equity fund Alta Communications concluded two deals, backing Paul Mackler to buy medical publisher HMP Communications from BG Media Investors and supporting its portfolio company Construction Data Company in buying Construction DataFax.

## INTERNET CONTENT

### INTERNET CONTENT DEALS KEEP ROLLING

New York, N.Y., November 1, 2007—While most of the publishing, information and training industry saw a slow-

down in M&A activity, transactions in the Internet Content segment continued to at a higher pace, reports merger and acquisition advisory firm Whitestone Communications.

“The interest by buyers in Internet businesses continues red hot,” notes Whitestone Managing Director Ed Fitzelle. “Valuations are like those from the dot-com days and like the dot-com period, this is also likely a bubble time that will come back to earth.”

Among the highest of the valuations paid, Answers Corporation paid \$100 million or 14 times revenue and 34.5 times EBITDA, for Lexico Publishing Group, which owns web properties including Dictionary.com, Thesaurus.com and Reference.com. Fitzelle notes that most deals tracked by Whitestone trade at one to two times revenue and 5 to 10 times EBITDA.

Equally in the stratosphere on valuation was the \$90 million purchase by French company Hi-Media Group of Fotolog, a social network for photo sharing. With revenues of just \$2.3 million, the deal traded at a multiple of 39 times revenue.

In another acquisition of an online community business, Jupitermedia acquired media professional-focused mediabistro.com for \$20 million, a valuation estimated at three to four times revenue and 13-20 times EBITDA.

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

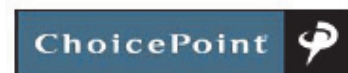
CATEGORY	3Q 2007		3Q 2006		% Change	
	No. of Deals	\$ Value (\$MM)	No. of Deals	\$ Value (\$MM)	No. of Deals	\$ Value
Trade Magazines/Trade Shows	10	706	23	841	-57%↓	-16%↓
Consumer Magazines	3	21	8	181	-63%↓	-88%↓
Trade Book & Other Consumer Publishing	9	46	9	89	0%	-48%↓
Education/Reference/Technical Publishing	8	4,503	13	206	-38%↓	2,086%↑
Publishing-Related Software	7	426	5	50	40%↑	752%↑
Internet Content Related	25	949	21	492	19%↑	93%↑
Training	14	123	19	562	-26%↓	-78%↓
Specialized Business Information	22	254	48	1,611	-54%↓	-84%↓
<i>Finance/Real Estate Information</i>	8	44	17	896	-53%↓	-95%↓
<i>Newsletters/Directories</i>	0	0	7	60	-100%↓	-100%↓
<i>Business, Legal and Other</i>	14	210	24	655	-42%↓	-68%↓
<b>Total</b>	<b>98</b>	<b>\$7,028</b>	<b>146</b>	<b>\$4,032</b>	<b>-33%↓</b>	<b>74%↑</b>

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

*The McGraw-Hill Companies*



Hights Cross Communications



*\* Partial List*

