



# WHO'S BUYING WHOM

## FULL YEAR 2007 UPDATE

February 2008

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. 266, or email [brosen@whitestonecommunications.com](mailto:brosen@whitestonecommunications.com).

### M&A Activity in 2007

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## IN LIKE A LION, OUT LIKE A ???

New York, N.Y., February, 2008—Having started 2007 at record levels, merger and acquisition activity in the publishing, information and training industries slowed its pace, albeit to still strong levels, by the end of the year, 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.

Having been running about 100 to 150 deals per quarter through 2006 and the first half of 2007, the number of transactions dropped to 98 and 101, respectively, for the third and fourth quarters in 2007. Dollar volume of deals in the second half of

2007, though, scored above 2006 levels due to some large individual transactions.

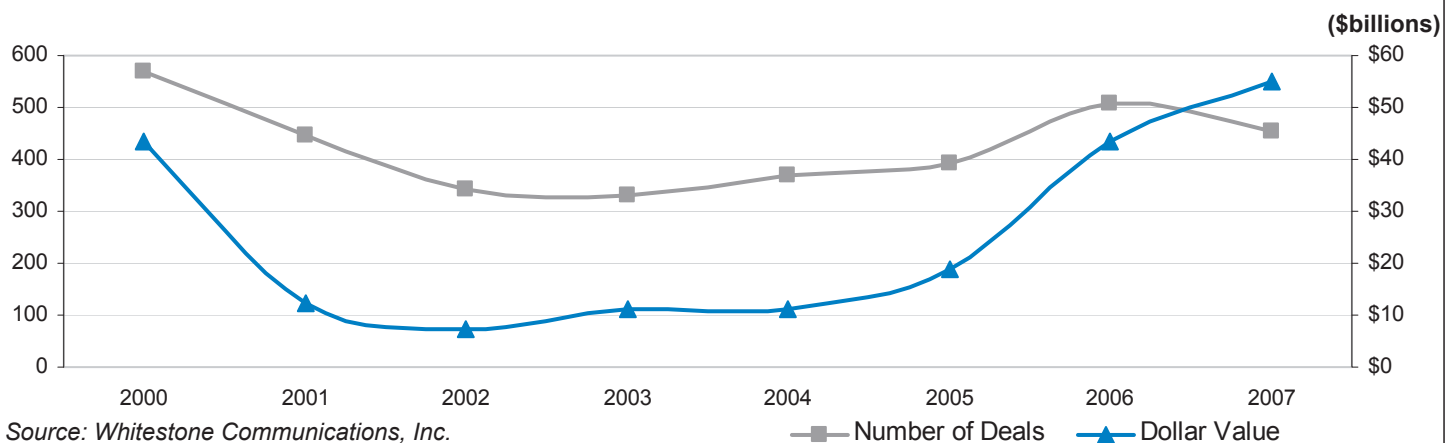
The summary tally shows the number of deals in 2007 down 11% from 2006—452 in 2007 versus 508 in 2006—while dollar volume in 2007 was \$55.1 billion versus \$43.3 billion in 2006. The fourth quarter 2007 had 101 deals valued at \$6.0 billion versus 106 deals at \$3.4 billion in the same period 2006 and 98 deals at \$7.1 billion in the third quarter 2007.

“Given the turmoil in the financial and credit markets caused by the sub-prime mortgage crisis, it was impressive to see that the fourth quarter activity held up as well as it did,” noted Whitestone Communications President Baran Rosen. “I believe this was due in part to momentum from earlier in the year and the continued strong availability of capital from private equity firms. Also sellers were continuing to show good financial results allowing them to hold to their selling prices.”

Looking ahead for this year, Rosen sees the pace of deals being negatively impacted by two major trends. “Private equity firms, which accounted for some 25% of all acquisitions in 2008, are facing tougher lending terms from their debt sources forcing them to pay lower prices for deals to

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**Total Number and Dollar Value of Acquisitions  
Publishing, Information and Training Industries  
2000 — 2007**



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generate the same yields they were seeking before the sub-prime fiasco,” Rosen said. “And if the economy slows, sellers’ growth rates can fall off, leading them to be less willing to sell. With these two forces at play, M&A activity this year will likely be softer, at least in the first half of the year, but we may see a rebound by the second half if the economy comes back as many economists predict.”

While most of the sectors tracked by Whitestone within the publishing, information and training fields showed declines in deal activity for 2007 versus 2006, the Internet-content related segment showed a 36% improvement from 67 deals to 91. The main driver here was the strong interest by buyers in Web community/social network businesses, and these deals attracted the highest multiples being paid in the sectors tracked by Whitestone. Examples:

- Microsoft Corp. invested \$240MM for a minority stake in Facebook Inc. that valued the social-networking site at \$15 billion.
- CBS Corp. acquired Last fm, an online community-based, music discovery network, for \$280MM.
- French company Hi-Media Group bought Fotolog, a social network for photo sharing, for \$90MM (with revenues of just \$2.3MM, the deal traded at an astounding multiple of 39 times revenue).
- Jupitermedia acquired media professional-focused mediabistro.com for \$20MM, a valuation estimated at three to four times revenue and 13-20 times EBITDA.

Among the largest deals for 2007 were:

- Thomson Corp. purchasing Reuters for \$17.1 billion—3.4 times revenue and 28.6 times net income
- Apax Partners and OMERS Capital Partners acquiring Thomson Corp.’s Thomson Learning (renamed Cengage) for \$7.75 billion
- Microsoft Corporation buying aQunative, Inc., a digital marketing and advertising services firm, for \$6 billion—13.6 times revenue and 48.3 times EBITDA (this deal not included

in Whitestone totals)

- Houghton Mifflin Company’s purchase of Harcourt Education from Reed Elsevier for \$4 billion. ■

## MAGAZINES/SHOWS

### TRADE MAGAZINE DEAL PACE DECLINES DRAMATICALLY

New York, N.Y., February, 2008—The number of trade magazine deals performed a roundtrip in 2007 with the number of deals dropping 64% following a run-up of 53% in 2006, reports merger and acquisition advisory firm Whitestone Communications.

The total number of trade magazine transactions was 26 in 2007 versus 50 in 2006. The dollar value of deals, though, held about the same at approximately \$2 billion due to some larger transactions in 2007.

In related areas:

- Trade shows had a slight decline in number of deals—from 35 in 2006 to 29 in 2007—while dollar volume edged up from \$255MM to \$304MM.
- Consumer magazine deals were about the same year to year—29 in 2006 and 30 in 2007—but dollar volume on consumer deals increased 10-fold due to mainly two individual large transactions.

“Private equity firms, which have accounted for the bulk of the buying of trade magazines in recent years, were very active in 2006 building their role-ups in this area,” noted Whitestone Communications Managing Director Ed Fitzelle. “Last year the deals declined probably for two reasons: first, there were perhaps less deals available following the buying activity of these earlier periods, and secondly, buyers are increasingly wary of the upside for trade magazines as ad sales have become tougher versus online and other categories.”

Among the major trade magazine deals of 2007:

- Veronis Suhler Stevenson’s purchase of diversified trade magazine publisher Advanstar Holdings Corp. from DLJ Merchant Banking Part-

ners for \$1.4 billion

- Incisive Media’s acquisition of legal and real estate information publisher ALM for \$630MM—3.2 times revenue and 12.6 times EBITDA.

Among the newer trade magazine roll-ups, 1105 Media, formed by Neil Vitale and Providence Equity Partners, was one of the more active players, moving ahead with deals in 2007 that included the purchase of Fawcette Technical Publications, the FETC Conference, and the Washington Post’s trade magazine and expo group.

In major trade show deals, Nielsen divested a 50% interest in its VNU Exhibitions Europe (some 60 events) to Dutch firm Jaarbeurs Holding while Reed Exhibitions purchased Trans Continental Fairs Management and its Mideast events.

Consumer M&A activity was led by the \$2.8 billion purchase of Gemstar-TV Guide International by Macrovision Corp. Primedia, continuing to divest businesses, sold its Enthusiast Media Division to Source Interlink for \$1.2 billion, or 2.3 times revenue. Time-Warner pared its magazine holdings selling off Time Inc.’s Parenting Group and Time4 Media Titles to Bonnier Magazine Group and World Publications for \$350MM. ■

## EDUCATION/ REFERENCE

### DEAL VOLUME HIGHER ON MEGADEALS IN EDUCATIONAL/REFERENCE PUBLISHING

New York, N.Y., February, 2008—Total dollar volume on educational/referencing publishing deals in 2007 leaped ahead of 2006 driven by megadeals that resulted in change of ownership among major companies, reports merger and acquisition advisory firm Whitestone Communications.

Dollar volume reached \$14.1 billion in 2007 versus just \$5.9 billion in 2006 though the number of deals in 2007 was declined—down to 37 from 44.

“We saw major changes and consolidation in the educational ownership landscape in 2007,” noted Whitestone Communications Managing Director

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Glenn Shapiro. "Overall, these areas should continue to be active M&A markets in 2008 as the long term trends are positive and all the presidential candidates are promoting their interests in improving education nationwide."

The highlights of the 2008 megadeals:

- Educational publishing underwent one major step in consolidation when Houghton Mifflin purchased Harcourt from Reed Elsevier for \$4 billion, leaving just three major educational publishers: McGraw-Hill, Pearson and Harcourt/Houghton Mifflin.
- Thomson Corporation, preparing for a merger with financial giant Reuters, divested Thomson Learning and Nelson Canada, publishers of higher education, career learning and library reference materials, to private equity firms Apax Partners and OMERS Capital Partners.
- Wolters Kluwer divested Wolters Kluwer Education serving the European market for \$1 billion, or 4.2 times revenue.

In smaller, but significant transactions:

- Private equity firms Sterling Capital Partners and Citigroup Private Equity acquired supplemental education service company Educate (including Sylvan Learning and Hooked on Phonics) for \$535MM, or 1.5 times revenue and 22 times operating income.
- Cambridge Information Group acquired the ProQuest Information and Learning division for \$222MM as that division's parent struggled with issues related to financial filings with the SEC. ■

## TRAINING

### TRAINING/POST-SECONDARY DEALS SLOW IN 2nd HALF 2007

New York, N.Y., February, 2008—Training and post-secondary education company M&A activity slowed in the second half 2007, leading to a decline for the year in number of deals in this category, reports merger and ac-

quisition advisory firm Whitestone Communications.

The number of deals in the second half totaled 24 versus 43 in the same period in 2006 while the first half totals were the same at 31.

"The likely culprit for this decline was the sub-prime mortgage crisis which made terms tougher for borrowers on deals and raised concerns about an economic recession—never good news for the training industry," noted Whitestone Communications Managing Director Susan Isserman.

Despite the total decline in deals, dollar volume on training and post-secondary education transactions totaled \$4.8 billion, slightly behind the \$5.2 billion for 2006. One major transaction—the sale of Laureate Education to a group of private equity firms—accounted for the bulk of the 2006 volume at \$3.8 billion. Laureate provides undergraduate and graduate programs through online and campus-based programs. The buyers paid 3.2 times revenue and 14.1 times EBITDA.

Kaplan, Inc., owned by Washington Post Co., continued an active buying program, particularly in Australia where acquisitions included Financial Services Institute of Australia (\$29.9 million), Bradford College and Grange Business School. In the U.S., it acquired Sagemont Virtual, an online high school and college prep programs.

In a transaction handled by Whitestone Communications, oil industry technical and behavioral training firm RESULTSINLEARNING was acquired by U.K.-based Investcorp portfolio company Moody International. ■

## SPECIALIZED BUSINESS INFORMATION

### SPECIALIZED BUSINESS INFO DEALS DECLINE FOR 2007

New York, N.Y., February, 2008—The number of deals in the Specialized Business Information sector—print and electronic businesses in the financial, real estate, business and legal markets—declined significantly in 2007, reports merger and acquisition advi-

sory firm Whitestone Communications.

"While this sector saw the largest deal of the year across all industries we track—the Thomson \$17.1 billion acquisition of Reuters—the overall activity was lower in 2007," noted Whitestone Communications Associate Matthew DeBlasio. "The sub-prime mortgage crisis likely had a strong impact on financial information deal activity, one of the key categories our Specialized Business Information sector.

"Looking ahead to 2008, we expect that M&A activity will be slower in the first half of 2007, but head higher again towards the end of 2008," DeBlasio said. "The Federal Reserve Bank and Congress taking an aggressive stand against the possibility of recession should push financial results higher for companies in the Specialized Business Information sector, leading them to be more active."

The total number of deals in this sector declined to 122 in 2007 from 145 in 2006. Total dollar volume reached \$21.2 billion—or \$4.1 billion excluding the Thomson/Reuters deal. This compares to \$15.0 billion in 2006—or \$4.6 billion excluding the VNU deal. ■

## INTERNET CONTENT

### INTERNET CONTENT DEAL PACE STRONG

New York, N.Y., February, 2008—While most of the publishing, information and training industry saw a slowdown in M&A activity in 2007, albeit from record levels, transactions in the content-related Internet segment increased, reports merger and acquisition advisory firm Whitestone Communications.

Transactions in the content-related Internet segment totaled 91 in 2007 versus 67, up 36%, while deals in the other segments tracked by Whitestone fell to 361 from 441, a decline of 18%. The dollar value of content-related Internet deals also rose, climbing to \$6.1 billion from \$3.3 billion.

"I would call 2007 the year for Internet community and social network transactions," notes Whitestone Managing

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Director Ed Fizzle. "It seemed like every private equity firm and information company wanted to be buying this type of business. Valuations were moving into the stratosphere but may be coming back to earth with the recent decline in the stock market and concerns about recession."

Among the highest of the valuations paid, Answers Corporation paid \$100MM 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. Fizzle notes that most deals tracked by Whitestone trade at multiples of one to two times revenue and 5 to 10 times EBITDA.

Equally in the stratosphere on valuation was the \$90MM purchase by French company Hi-Media Group of

Fotolog, a social network for photo sharing. With revenues of just \$2.3MM, the deal traded at a multiple of 39 times revenue.

In another acquisition of an online community business, CBS Corp. acquired Last fm, an online community-based, music discovery network, for \$280MM. ■

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

CATEGORY	2007		2006		% Change	
	No. of Deals	\$ Value (\$MM)	No. of Deals	\$ Value (\$MM)	No. of Deals	\$ Value
Trade Magazines/Trade Shows	55	2,387	85	2,918	-35%↓	-18%↓
Consumer Magazines	30	5,092	29	2,846	3%↑	79%↑
Trade Book & Other Consumer Publishing	41	893	34	7,446	21%↑	-88%↓
Education/Reference/Technical Publishing	37	14,081	44	5,903	-16%↓	139%↑
Publishing-Related Software	20	572	41	699	-51%↓	-18%↓
Internet Content Related	91	6,124	67	3,335	36%↑	84%↑
Training	56	4,752	63	5,180	-11%↓	-8%↓
Specialized Business Information						
<i>Finance/Real Estate Information</i>	40	17,583	39	1,120	3%↑	1,470%↑
<i>Newsletters/Directories</i>	8	92	24	253	-67%↓	-64%↓
<i>Business, Legal and Other</i>	74	3,558	82	13,621	-10%↓	-74%↓
<b>Subtotal</b>	122	21,232	145	14,994	-16%↓	42%↑
<b>Total</b>	<b>452</b>	<b>\$55,126</b>	<b>508</b>	<b>\$43,321</b>	<b>-11%↓</b>	<b>27%↑</b>

Source: Whitestone Communications, Inc.

## RECENT WHITESTONE TRANSACTIONS

### Moody International

has acquired

### RESULTSINLEARNING, Inc.

*Whitestone Communications, Inc., and Luntz, Suleiman & Associates, Inc., initiated, negotiated and concluded this transaction on behalf of RESULTSINLEARNING, Inc.*

### Canon Communications, Inc.

has acquired

### *Appliance Magazine*

from

Dana Chase Publications, Inc.

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

### Summit Business Media, Inc.

has acquired

### Judy Diamond Associates, Inc.

*Whitestone Communications, Inc., initiated, negotiated and concluded this transaction on behalf of Judy Diamond Associates, Inc.*