



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 MEDIA DEAL PACE SLOWS, BUT BEATS EXPECTATIONS

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New York, N.Y., August 2008—M&A activity and deal value among publishing, information and training companies slackened as expected in the second quarter 2008, but not as much as might have been anticipated given the fall off in the stock market and the country's economic issues, 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 activity has held up quite well, relatively-speaking, given all the talk in the media of the sub-prime crisis and its fall out," said

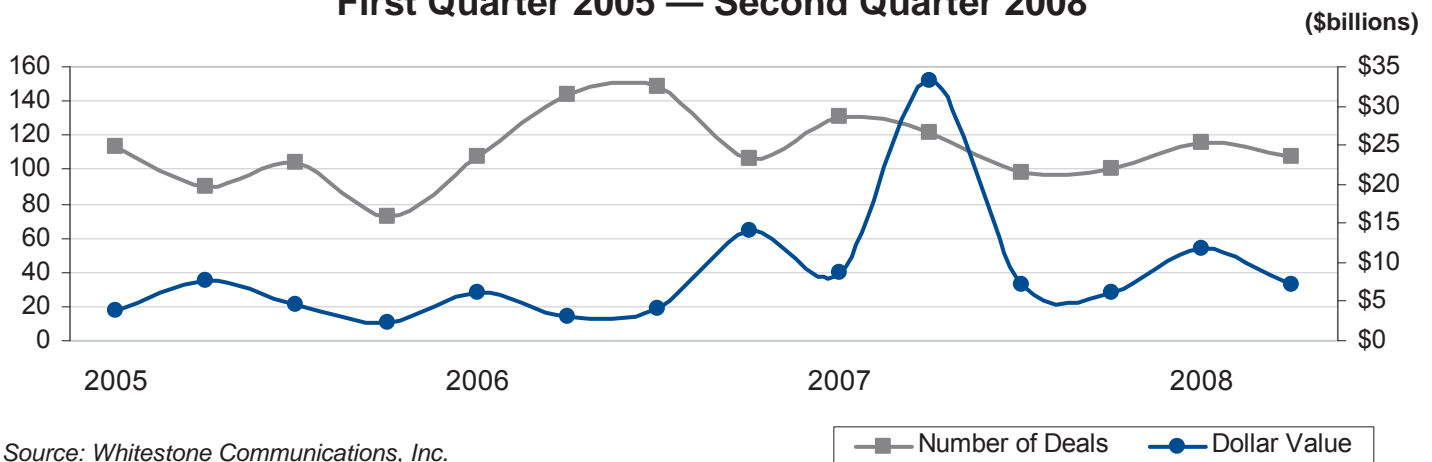
Whitestone Communications President Baran Rosen. "Corporations and private equity firms see the publishing, information and training sectors as good long-term industries, particularly the area of content-related businesses on the Internet. There is going to be a lot of growth here so while other industry sectors flounder, information continues to be relatively strong, however delivered."

While the number of deals was down only moderately in the second quarter versus the first quarter, the dollar value of deals was down considerably though indicating that buyers are generally doing smaller transactions. "Our interpretation of the data is that the larger deals are getting harder to finance with bank debt, leaving buyers to do more smaller deals that either are funded from internal cash resources or limited outside financing," explained Rosen.

The number of transactions in the second quarter—107—was down just 8% from the first quarter—116—though the dollar amount of deals declined 39% to \$7.1 billion from \$11.8 billion. But take out the unusually large first quarter \$4.1 billion purchase of ChoicePoint by Reed Elsevier and the dollar amounts were fairly close.

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### Total Number and Dollar Value of Acquisitions Publishing, Information and Training Industries First Quarter 2005 — Second Quarter 2008



Source: Whitestone Communications, Inc.

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Compared to last year's second quarter (when M&A activity was at a seven-year high), the number of deals was down 12% from 122 and the dollar value was down 79% from \$33.2 billion—but if the large \$17 billion acquisition of Thomson Corporation by Reuters is removed—the dollar value is down 56%.

Looking at the 10 individual segments tracked by Whitestone, most tracked to about the same level of deals in the second quarter versus first quarter and prior year. Significant variances were mostly versus prior year:

- An increase in the number of trade magazine and trade show deals from 12 in last year's second quarter to 16 this year
- A drop in the finance/real estate information segment from 16 deals to five.
- Publishing industry-related software transactions increased to 10 from just three.

Among the more noteworthy transactions in the first quarter of this year:

- CBS Corporation's \$1.8 billion purchase of CNET Networks, a provider of product information on consumer electronics
- CCC Information Services \$1.4 billion merger with Mitchell International, both providers of information to insurance companies on auto repair costs
- Cengage Learning acquisition of Houghton Mifflin College Division for \$750 million
- Morgan Stanley Private Equity buying 60% ownership of early childhood education services provider Learning Care Group for \$700 million. ■

## MAGAZINES/SHOWS

### A SURPRISING INCREASE IN B2B MEDIA DEALS FOR 2Q

New York, N.Y., August 2008—While M&A activity overall declined in the publishing field in the second quarter 2008, deal activity in Business-to-Business media (trade magazines and

trade shows) increased, surprising many in this industry segment, reports merger and acquisition advisory firm Whitestone Communications.

“With the subprime crisis spreading through the financial markets and deal activity overall declining, most would have thought the number of trade magazine and trade show deals would have joined the decline,” notes Whitestone Communications Managing Director Ed Fitzelle. “This part of the publishing world has not been getting the respect that areas such as Internet content have been getting as people see the trade magazine and trade show models as kind of ‘old school’ with advertisers and exhibitors hunting out new ways to promote their companies on the Web.”

While the number of B-to-B deals did increase in the second quarter, the total dollar value of the deals dropped significantly. “This shows the overall economic conditions are having an impact in the B-to-B world,” added Fitzelle.

The number of B-to-B deals in the second quarter totaled 16 versus 14 in the first quarter of this year and 12 in the year ago same period. The dollar value of deals this past second quarter was \$60 million versus \$249 million in the first quarter and \$225 million in the same year ago period.

In the third quarter this year, Reed Elsevier is expected to pick the winner of its planned sale of its trade magazine group Reed Business Information though the closing on this transaction may not happen until the fourth quarter. News sources reported various public companies and major private equity firms planning to submit bids in early August for the £1.25bn revenue division.

Significant transactions for the B2B sector in the second quarter were:

- Affinity Events making two acquisitions, acquiring a dozen boating and recreational vehicle (RV) consumer shows from MAC Events, LLC and Mid-America Expositions, Inc. Affinity Events produces 45 consumer shows in 22 cities catering to power sports and outdoor sectors.
- Reed Exhibitions bought and sold

properties, buying the Middle East Ocean & Technology Expo from Turret Middle East Ltd. and divesting three U.K. exhibitions in the defense and security industry to Clarion Events Ltd., owned by private equity group Veronis Suhler Stevenson

- Cannon Communications (part of Apprise Media) continued its acquisition activity, going abroad to pick up Stamping-Days, a trade show serving the German high precision stamping technology market. ■

## CONSUMER MAGAZINES

### CONSUMER MAGAZINE DEALS CONTINUE IN DOLDRUMS

New York, N.Y., August 2008—Consumer magazine transaction activity continued its weak pace in the second quarter 2008, reports merger and acquisition advisory firm Whitestone Communications.

“As more ad spending heads to the Internet and as the economic problems impact consumer marketers, consumer magazines are having an increasing tough time presenting themselves as exciting investments to buyers,” noted Whitestone Managing Director Ed Fitzelle. “But these properties still can very profitable and sustain growth if well focused so we expect this area to come back when the economy rights itself.”

The number of transactions and dollar value in deals in the second quarter—five deals and \$19 million in dollar value—were similar to first quarter results—five deals and \$27 million in dollar value. The second quarter 2008 was down significantly from the same period last year when 10 deals were done for \$1.7 billion, which included one major deal—Primedia's sale of its Enthusiast Media group to Source Interlink Companies for \$1.2 billion.

In one of the more interesting deals of the second quarter, PlanetOut Inc. agreed to sell its magazine and book publishing business — which includes The Advocate and Out magazines — to Here! Networks for \$6 million in cash, according to the San Francisco Business Times. In nearly all busi-

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ness purchases, the purchase price is not paid until closing but the letter of intent between PlanetOut and Regent Releasing, an affiliate of Here Networks, called for Regent to pay \$1 million on or before April 30, depending on when their agreement was completed, and then \$1 million on the 15th of each month from May through September. PlanetOut officials said it intends to return its focus to its Web sites, which include Gay.com and PlanetOut.com. PlanetOut reported a \$51.2 million loss for 2007. ■

## EDUCATION/ REFERENCE

### CENGAGE'S HOUGHTON MIFFLIN DEAL HIGHLIGHTS EDUCATION M&A ACTIVITY

New York, N.Y., August 2008—Cengage Learning's \$750 million acquisition of the Houghton Mifflin College Division highlighted an otherwise moderate quarter of deal activity in educational/reference publishing, reports merger and acquisition advisory firm Whitestone Communications.

The number of deals in the quarter—eight—matched last year's second quarter and was two ahead of the first quarter this year. The dollar value of deals at \$804 million was down from last year's \$8.3 billion which included the \$7.8 billion purchase of Thomson Learning from Thomson Corporation by two private equity firms, Apax Partners and the Ontario Municipal Employees Retirement System. Thomson Learning was renamed Cengage by the buyers.

"The Cengage-Houghton Mifflin deal was a transaction between financial players squaring off their positions," noted Whitestone Managing Director Glenn Shapiro. "At the end of 2006 former investment banker and Riverdeep president Barry O'Callaghan led the purchase of Houghton Mifflin for \$1.75 billion (plus assumption of \$1.6 billion in debt) backed by three major private equity firms. This group then in turn sold off its college division to the private-equity backed Cengage this past second quarter. This deal-making shows how major players in

education are increasingly run by private equity firms."

Noteworthy in the second quarter were deals that did not happen:

- **Voyager Expanded Learning.** This company announced in January it had retained investment bank Allen & Co. to assist the company in seeking a sale. No transaction has been announced and on July 22 the company said, "Recent conditions in the credit market and fluctuations in various government educational funding sources have created a challenging and complex environment for strategic alternatives."
- **Hights Cross Communications'** sale of its test-preparation and intervention business, Triumph Learning, and its audiobook publishing business, Recorded Books. In announcing suspension of the planned sale of these properties on July 1, Hights Cross President Paul Crecca said, "Conditions in the capital markets, particularly in the leveraged finance market, remain challenging."

Among transactions that did close:

- **John Wiley & Sons** acquired a list of higher education math and statistics titles from Key Curriculum Press
- **Jones & Bartlett**, actively pursuing acquisitions since its change in ownership to Providence Equity Partners last year, acquired Tarascon Publishing and its Pocket Pharmacopoeia. ■

## TRAINING

### EARLY CHILD CARE DEALS LIFT DOLLAR VALUE OF TRAINING M&A

New York, N.Y., August 2008—Two major early childcare institution transactions lifted the dollar value of training industry acquisitions in the second quarter 2008 to nearly \$1.1 billion, the highest level since the first quarter of 2007, reports merger and acquisition advisory firm Whitestone Communications.

The major childcare transactions were:

- **Morgan Stanley Private Equity** put-

ting up \$420 million in equity and debt for a 60% stake in the Learning Care Group, a provider of early childhood education. With the transaction putting a value on the business of \$700 million and Learning Care generating \$787 million, the valuation was at slightly less than one time revenue. Learning Care operates 1,150 schools, both company-owned and franchised, in 37 states.

- **Roark Capital Group** acquiring Primrose Schools, a \$275 million revenue provider of education-based child-care services. This was Roark's fourteenth acquisition of a franchise company.

In the general training field, Adayana, an active buyer of training companies, acquired Vertex, an organizational learning and performance enhancement services business. Adayana serves clients in three vertical markets: the Federal government sector through VERTEX; agriculture, food, life sciences and non-profit sectors through ABG; and the automotive aftermarket through Adayana Automotive. Adayana's comprehensive performance improvement services include blended learning solutions, content development, strategic and marketing consulting, technology integration and channel messaging.

In educational training in China, Pearson made two acquisitions of English language training schools—Dell English with more than 20 Beijing locations and Learning Education Center with 17 locations in Shanghai. ■

## SPECIALIZED BUSINESS INFORMATION

### SPECIALIZED BUSINESS INFORMATION M&A ACTIVITY DECLINES

New York, N.Y., August 2008—Driven by a decline in financial/real estate-information related acquisitions, deal activity in the Specialized Business Information (SBI) sector—print and electronic businesses in the financial, real estate, business and legal markets—declined significantly in the first quarter 2008 versus the same year earlier period, reports merger and ac-

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quisition advisory firm Whitestone Communications.

“Surely it is no surprise that information acquisitions in the areas hardest hit by the recent financial crises have suffered a decline,” noted Whitestone Communications Associate Matthew DeBlasio. “But on the upside, it is a great positive that transaction activity among business and legal information providers held strong.”

The number of deals in the Specialized Business Information sector totaled 30 with a dollar value of \$2.8 billion in the second quarter 2008 versus 40 and dollar value of \$2 billion

(excluding the mega \$17.1 billion Reuters-Thomson merger) in the same period last year and versus 45 deals at \$4.9 billion in the first quarter 2008.

Major deals in the Business/Legal sector:

- The \$1.4 billion merger of auto repair information giants CCC Information Services and Mitchell International
- Private equity firm Quadrangle Group’s \$426 million purchase of interactive media and measurement company Greenfield online at a multiple of nearly 40 times EBITDA, reflecting the strong value for research

firms covering the Internet

- Nielsen Company’s \$225 million acquisition of audience research firm IAG Research, representing a very high multiple of 6.5 times IAG’s \$35 million in revenue (most transactions tracked by Whitestone in this area trade at one to three times revenue; the Quadrangle deal above was at 3.3 times revenue)

In the Newsletter sector of Specialized Business Information, Hights Cross Communications completed the sale of Oakstone Publishing to Boston Management Ventures, LLC for \$47.5 million. ■

## M&A DEAL ACTIVITY Q2 2008 vs. Q2 2007 PUBLISHING, INFORMATION AND TRAINING INDUSTRIES

CATEGORY	Q2 2008		Q2 2007		% Change	
	No. of Deals	\$ Value (\$MM)	No. of Deals	\$ Value (\$MM)	No. of Deals	\$ Value
Trade Magazines/Trade Shows	16	60	12	225	33%↑	-73%↓
Consumer Magazines	5	19	10	1,739	-50%↓	-99%↓
Trade Book & Other Consumer Publishing	5	42	12	50	-58%↓	-16%↓
Education/Reference/Technical Publishing	8	804	8	8,331 <sup>1</sup>	0%	-90%↓
Publishing-Related Software	10	135	3	23	233%↑	487%↑
Content-Related Internet	19	2,147	21	3,710 <sup>2</sup>	-10%↓	-42%↓
Training	14	1,103	15	86	-7%↓	1,183%↑
<b>Specialized Business Information</b>						
<i>Finance/Real Estate Information</i>	5	202	16	17,267 <sup>3</sup>	-69%↓	-99%↓
<i>Newsletters/Directories</i>	2	52	2	1	0%	10,300%↑
<i>Business, Legal and Other</i>	23	2,583	23	1,806	0%	43%↑
<b>Subtotal</b>	30	2,837	41	19,074	-27%↓	-85%↓
<b>Total</b>	<b>107</b>	<b>\$7,146</b>	<b>122</b>	<b>\$33,237</b>	<b>-12%↓</b>	<b>-79%↓</b>

1. Includes the \$7.75 billion sale of Thomson Learning (now Cengage Learning)

2. Includes the \$3.1 billion acquisition of Doubleclick

3. Includes the \$17.1 billion merger between Thomson Corporation and Reuters

Source: Whitestone Communications, Inc.