

WHO'S BUYING WHOM

THIRD QUARTER 2009 UPDATE

News on mergers and acquisitions in the publishing, Internet, 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 646 723-9966 or email brosen@whitestonecommunications.com.

DISNEY SPREADS THE MAGIC, SPURRING M&A REVIVAL

New York, N.Y., December 2009—As the mergers and acquisitions market floundered at its nadir this summer, the owners of the Magic Kingdom—the Walt Disney Co.—brought life back to the media deal world with its resounding \$4 billion purchase of Marvel Entertainment, reports merger and acquisition advisory firm Whitestone Communications. Since this transaction at the end of August, the deal market has not looked back, as **the number of deals in the third quarter among publishing, information, Internet and training companies leaped 41% from the prior quarter.** Thought still below the same period last year by 11%, the rebound has been impressive.

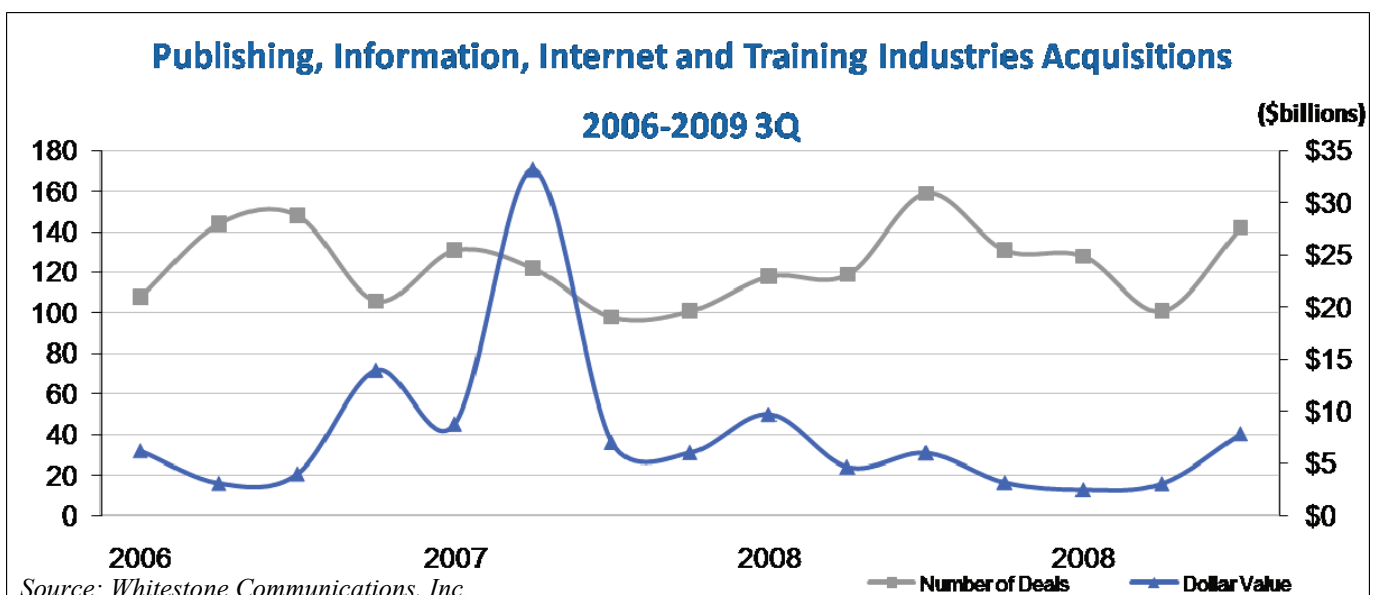
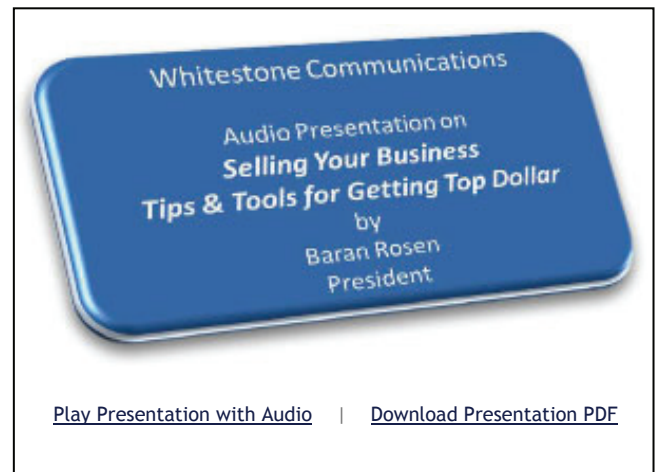
“The stock market rally which began in March showed that we were on the rebound economically,” Whitestone President Baran Rosen said. “With this confidence that we were going to be okay after all the terrible economic news, buyers saw a good opportunity to start buying again and Disney led the way”

Since the Disney deal, major transactions have included:

- Adobe Systems acquired audience analytics company Omniture for \$1.8 billion
- Bankrate, Inc., a website focused on personal finance channels, was acquired by private equity firm Apax Partners for \$571 million.

- Though not included in our deal value data, Reader's Digest Association restructured in a \$1.6 billion debt-for-equity swap with institutional lenders.

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Over the ten individual business segments tracked by Whitestone, the Content-related Internet segment continues to show the most deal activity, accounting for 23% of all transactions in this year's third quarter versus 24% in last year's same period. The "Trade Magazine/Trade Show," "Training" and "Business, Legal information" categories each accounted for about 12%-14% of all deals this year and last year. ■

**TRADE MAGAZINES/
TRADE SHOWS**

**DEAL PACE AND DOLLAR VOLUME
UP FROM 2Q FOR TRADE
MAGAZINES/TRADE SHOWS**

New York, N.Y., December 2009—Despite the gloomy outlook for its sector's economic performance, the trade magazine/trade show area saw an increase in number of deals and higher dollar volume in the third quarter 2009 versus the prior quarter, reports merger and acquisition advisory firm Whitestone Communications.

"Much of the deal activity we have been seeing is a trimming of portfolio holdings by major corporate trade magazine and trade show owners," noted Whitestone Communications Managing Director Ed Fitzelle. "These companies are seeking to lessen their dependence particularly on trade magazine businesses in favor of more revenue from the growing Internet market. The whole future of trade magazines is now uncertain with a return to pre-recession revenue levels problematic for this product category."

The number of trade magazine/trade show deals increased to 19 in the third quarter 2009 versus the second quarter count of 11 while dollar volume was \$86 million versus \$77 million. The third quarter 2008 saw a total of 18 deals with a dollar value of \$199 million.

Transactions for the trade magazine/trade show sector in the third quarter included:

- United Business Media made two deals during the third quarter acquiring the China International Optoelectronic Expo from Business Media China AG and selling its European Business Press SA to Andre Rousselot.
- Dmg media, part of Daily Mail and General Trust plc, was most active this quarter completing four divestitures, selling the San Francisco International Gift Fair and the Seattle Gift Show to Urban Expositions; the Canadian Gift Shows to the Canadian Gift & Tableware Association; 12 publications and nine events to Quartz Business Media; and the Ideal Home Show to Media10.
- In a much publicized transaction, McGraw-Hill selected Bloomberg L.P. as the buyer for its divestiture of BusinessWeek for \$5 million plus assuming liabilities. ■

**CONSUMER
MAGAZINES**

**AS TITLE CLOSURES SPREAD,
CONSUMER MAGAZINE DEAL
PACE UNCHANGED ON LOWER
DOLLAR VOLUME**

New York, N.Y., December 2009—As title closures of consumer magazines accelerated, the pace of consumer magazine acquisitions held to its same pace in the third quarter 2009 versus the same prior year period—nine deals in each quarter, reports merger and acquisition advisory firm Whitestone Communications. Dollar volume in the third quarter was \$45 million versus \$79 million last year. In the second quarter 2009, dollar volume was \$44 million on eight deals.

"The consumer magazine print era in American publishing is endangered," Whitestone Managing Director Ed Fitzelle said. "As advertisers move away from print to the Internet, long-standing consumer magazines are folding in the wake. We have seen the demise of Gourmet, Modern Bride, Metropolitan Home and National Geographic Traveler. Even with an

economic recovery, more titles are likely to be shuttered as the consumer magazine print business model itself appears to be fading against the highly targeted capabilities of the Internet."

Among the transactions for the Consumer Magazine sector in the second quarter were:

- Reader's Digest Association Inc. completed a \$1.6 billion restructuring with institutional lenders (as this was a restructuring and not an acquisition, this transaction not included in the Whitestone *Who's Buying Whom* report totals).
- CK Media, publisher of nine crafts magazines with estimated revenue of \$35 million, was acquired by New Track Media headed by Stephen Kent, former president and CEO of F+W Publications. ■

**EDUCATION/
REFERENCE**

**EDUCATION / REFERENCE DEAL
ACTIVITY EDGES LOWER**

New York, N.Y., December 2009—The number of acquisitions in the Education, Reference and Technical Publishing segment was down slightly and dollar volume was lower in the third quarter this year versus the same period last year, reports merger and acquisition advisory firm Whitestone Communications.

"State funding provides the bulk of educational spending in the U.S. and with states reeling from the recession, they have had fewer funds for educational publishers," noted Whitestone President Baran Rosen. "Publishers though have found certain growth niches and the Obama Stimulus Package may present some upside for companies in this field."

The number of deals in the third quarter was five versus last year's same period total of eight. Dollar volume declined to \$17 million from \$35 million last year. For comparison, the second quarter 2009 saw four

deals valued at \$200 million.

Among third quarter transactions were:

- EducationDynamics acquired adult student market analytics company, Aslanian Group
- Illuminate acquired two products from Houghton Mifflin Harcourt Publishing—Iris, a student information tracking system, and Focus, a special education system
- School Specialty Inc. sold its School Specialty Publishing division to Carson-Dellosa Publishing which set up a new entity Carson-Dellosa Publishing LLC to hold both its existing Carson-Dellosa and High Reach Learning units as well as the School Specialty Publishing unit. School Specialty Inc. will hold a 35% interest in the new LLC. ■

volume from \$1 billion.

Notable transactions were:

- Penn Foster Education Group, a portfolio company of The Wicks Group of Companies LLC, was sold to the Princeton Review for \$170 million. In a sign that valuations are perhaps heading up again, Princeton Review paid nearly two times the Penn Foster revenue of \$90 million for the year ended June 30, 2009. Penn Foster provides career education in online and print, primarily for adult learners.
- Nobel Learning Communities acquired two schools during the quarter: a K-12 college prep distance learning school, Laurel Springs School, for \$12 million and the Rhoades School, a school for gifted and talented students in grades K-8
- New York Stock Exchange-trade Noah Education Holdings, Ltd., an interactive education company based in China, acquired the English language training provider, Little New Star Education Group, also based in China, for \$16.5 million. ■

“Deals in the financial information area helped lift the number of deals in the SBI sector,” noted Whitestone Communications Associate Sudharshan Vaidyanathan. “Perhaps as this area had been one of those most hurt by the recession, buyers were seeing the most potential for upside here as well and moving to make deals before the full economic recovery began.”

Still the dollar volume of deals was down, indicating buyers were more willing to do smaller deals but not ready to step up to larger transactions. The number of deals in the Specialized Business Information sector totaled 41 with a dollar value of \$1.9 billion in the third quarter 2009 versus 33 and dollar value of \$3.1 billion in the same period last year. The second quarter of 2009 saw 14 deals with a total volume of \$957 million.

Major deals in this sector in the third quarter 2009:

- *Business* – The Roll Call division of the Economist Group acquired Congressional Quarterly from Time Publishing Company
- *Financial* – As noted on page one of this report, public company Bankrate, Inc., a website focused on personal finance channels, was acquired by private equity firm Apex Partners for \$571 million.
- *Business* – Tree.com, a public company spinoff of IAC/Interactive Corp providing lead generation in the financial and real estate field, announced two acquisitions:
 - DoneRight!, an online directory service providing lead generation and marketing services
 - LeadRelevance, an interactive direct marketing company specializing in lead gen for the for-profit post-secondary education market. ■

TRAINING

TRAINING COMPANY DEAL VOLUME OFF STRONGLY WHILE DEAL PACE SIMMERS

New York, N.Y., December 2009—Dollar volume in training company acquisitions fell nearly 50% while the number of transactions declined slightly in the third quarter 2009 versus the prior year, reports merger and acquisition advisory firm Whitestone Communications.

“In the third quarter, buyers were still just beginning to raise their heads from their foxholes—few were ready to test the economic recovery and begin active buying,” noted Whitestone Managing Director Susan Isserman. “So what we saw was a similar number of deals but a much lower dollar volume.”

The number of deals in the third quarter 2009 fell to 19 from 22 a year ago, while dollar volume was \$365 million versus prior year’s \$671 million. The third quarter 2009 deal count was slightly up from 17 in the second quarter 2009 on a decline in dollar

SPECIALIZED BUSINESS INFORMATION

MORE FINANCIAL INFORMATION DEALS PUSH ACTIVITY HIGHER FOR SBI SECTOR

New York, N.Y., December 2009—The number of transactions in the Specialized Business Information (SBI) sector (print and electronic information businesses in the financial, real estate, business and legal markets as well as newsletter and directory publishers) climbed in the third quarter 2009—up 24% in deal value versus same period last year and nearly triple the prior quarter, reports merger and acquisition advisory firm Whitestone Communications.

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INTERNET CONTENT

CONTENT-RELATED INTERNET DEAL PACE SNAPS BACK FROM WEAK SECOND QUARTER

New York, N.Y., December 2009—The number and dollar volume of content-related Internet company acquisitions in the third quarter of 2009 showed a strong recovery from the weak second quarter, reports merger and acquisition advisory firm Whitestone Communications.

“Content-related Internet businesses have not suffered as much as other information businesses in the

recession,” notes Susan Isserman. “In fact, many are booming. So as the recovery has faded, it is not a surprise that this sector is enjoying a fast resurrection.”

The number of deals in this year’s third quarter was 32 and dollar volume \$749 million compared to just 22 deals at a paltry \$155 million in the second quarter. The third quarter in 2008 showed 38 deals valued at a \$473 million.

Noteworthy content-related Internet deals were:

- Software provider Intuit acquired Mint.com for \$170 million to add to its suite of financial software products, including Quicken
- Match.com acquired People

Media, operator of targeted dating sites, for \$80 million

- Time Warner bought back the 5% interest Google had in AOL for \$283 million. Many analysts predict Time Warner is gearing up to sell AOL.
- Internet Brands, Inc., picked up three businesses:
 - BusinessFinance.com, connecting business owners to financing
 - BusinessMart.com, marketplace for small businesses for sales
 - KidsCamps.com, directory of children’s camps. ■

M&A DEAL ACTIVITY THIRD QUARTER 2009 vs. THIRD QUARTER 2008 PUBLISHING, INFORMATION, INTERNET AND TRAINING INDUSTRIES

\$ millions	3Q 2009		3Q 2008		% Change			
	No. of Deals	\$ Value (\$MM)	No. of Deals	\$ Value (\$MM)	No. of Deals	\$ Value		
Trade Magazines/Trade Shows	19	86	18	199	6%	↑	-57%	↓
Consumer Magazines	9	45 ¹	9	79	0%		-43%	↓
Trade Book & Other Consumer Publishing	5	4,538 ²	6	158	-17%	↑	2,781%	↑
Education/Reference/Technical	5	17	8	35	-38%	↓	-51%	↓
Publishing-Related Software	12	111	25	1,257	-52%	↓	-91%	↓
Content-Related Internet	32	749	38	473	-16%	↓	58%	↓
Training	19	365	22	671	-14%	↓	-46%	↓
Specialized Business Information								
<i>Business, Legal and Other</i>	20	392	22	1,895	-9%	↓	-79%	↓
<i>Finance/Real Estate</i>	12	1,493	8	1,184	50%	↑	26%	↓
<i>Newsletters/Directories</i>	9	59	3	60	200%	↓	-2%	↓
Subtotal	41	1,944	33	3,139	24%	↑	-38%	↓
Total	142	\$7,855	159	\$6,011	-11%	↓	31%	↑

Source: Whitestone Communications, Inc.

Footnotes on Major Transactions:

1. Deal value excludes the \$1.6 billion restructuring of Reader’s Digest Association
2. Includes the \$4 billion acquisition of Marvel Entertainment by the Walt Disney Co.