



WHO'S BUYING WHOM

THIRD QUARTER 2010

OCTOBER 2010

News on mergers and acquisitions in the Internet, information, publishing 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.

Internet Sector Deals Up Sharply and Valuations Climb in Third Quarter

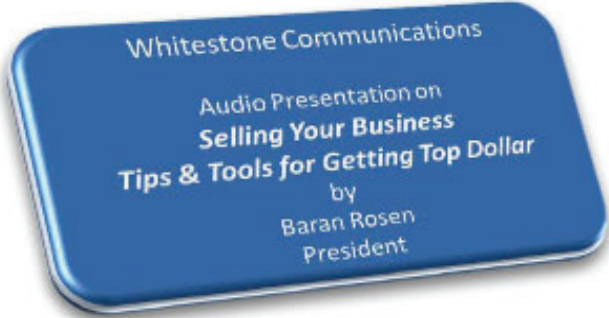
New York, N.Y., October 2010— The deal pace for Content-related Internet and Internet Advertising/Marketing acquisitions soared in the third quarter versus the same prior year period while the more traditional information sectors were down in activity, reports merger and acquisition advisory firm Whitestone Communications. The overall result: The total number of deals in the sectors tracked by Whitestone dropped 2% while deal value declined 22%.

“A strong showing in deals among Internet Advertising/Marketing companies and Content-related Internet businesses in the third quarter was not sufficient to offset a decline in acquisitions among more traditional information sectors,” Whitestone Communications President Baran Rosen said. “Perhaps as the economy recovers and the more traditional sectors show operating improvements, those areas too will show a rebound in transactions.”

The total number of deals in the markets tracked by Whitestone (see chart page 4) edged down to 139 in the third quarter versus 142 in the prior year period. Dollar volume dropped to \$6.1 billion versus \$7.9 billion. The third quarter 2010 was also down from the 162 deals valued at \$8.5 billion in the prior quarter.

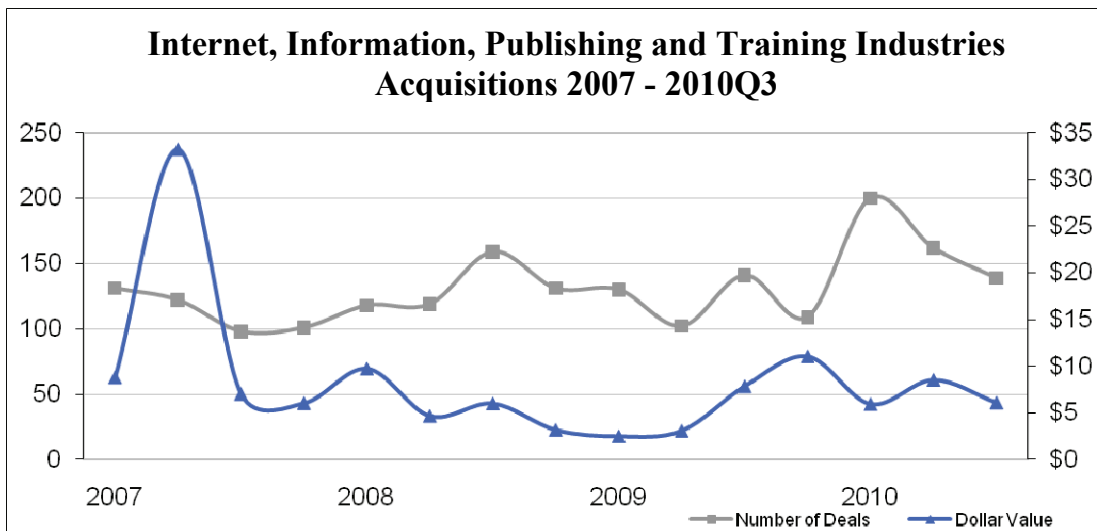
Among the ten individual business segments tracked by Whitestone, the Content-related Internet segment continued to show the most deal activity, accounting for 43 of the deals tracked, or 31% of all transactions in this year’s second quarter versus 32 deals, or 23% of the total, in last year’s same period. **The hottest growth was in the Internet Advertising/Marketing sector which saw the number of transactions more than triple from 11 to 37** while Business, Legal and Healthcare information deals nearly doubled from 20 to 39.

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Whitestone Communications
Audio Presentation on
Selling Your Business
Tips & Tools for Getting Top Dollar
by
Baran Rosen
President

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“Perhaps more important than the deal count was the return to some lofty levels on valuations,” noted Rosen. **“We haven’t seen transaction multiples this high since before the recession.”**

In particular, Rosen cited IBM’s acquisition of data warehouse analytics firm Netezza for \$1.7 billion, a multiple of nine times 2009 revenue. “Most deals in our sector get done at a revenue multiple range of one to three times, so hitting seven times really knocked this one out of the ballpark.”

Also attracting a strong revenue multiple was Internet Brands with private equity firm Hellman & Friedman paying \$640MM, a multiple of 5.8 times 2009 revenue. The EBITDA multiple of 36.8 also was high given most deals tracked by Whitestone are done in the range of five to 10 times EBITDA. Internet Brands owns and operates more than 100 vertical market websites. All the sites have strong community participation and organically attract (without paid marketing) approximately 69 million unique visitors per month.

In another large deal, CCMP Capital Advisors acquired marketing and business research firm Infogroup for \$635 million. While the multiple of 2009 revenue was modest at 1.3 times, the EBITDA multiple was 22. The company suffered bad publicity in 2008 when two minority shareholder funds sued the founder/chairman Vinod Gupta alleging misuse of company money for personal expenses. Gupta maintained the expenses were business-related. Gupta resigned after the suit was brought but remained the largest shareholder. ■

CONTENT-RELATED INTERNET

DEAL PACE AND DOLLAR VOLUME UP SIGNIFICANTLY AS GOOGLE CONTINUES ACTIVE

New York, N.Y., October 2010— Deal pace and dollar volume for Content-related Internet company acquisitions were up markedly in the third quarter of 2010 versus the prior year period, reports merger and acquisition advisory firm Whitestone Communications.

“Buyers continue to see content-related Internet businesses as having strong growth potential with the Internet’s powerful capabilities to build revenues quickly and dramatically,”

Whitestone Communications Managing Director Susan Isserman said. “Looking ahead, we expect this sector to continue to be one of the most active.”

The number of deals in this year’s third quarter was 43 and dollar volume \$1.8 billion compared to 32 deals at \$749 million in the same period last year. The third quarter number of deals was down versus the second quarter in 2010 which had 52 deals but dollar volume was triple the second quarter’s \$610 million.

Noteworthy content-related Internet deals were:

- Private equity firm Hellman & Friedman acquired Internet Brands, as noted above, for \$640 million
- Walt Disney Company bought social game developer Playdom for \$563.2 million plus a potential \$200 million earnout. Disney expects Playdom’s expertise in social gaming software tools, business intelligence and rapid innovation to broadly benefit Disney Interactive Media Group which already has a substantial global presence in online, console and mobile gaming.
- Google made three acquisitions in this category:
 - Angstro, a social application developer that skims through content across blogs, news sites,

and other sources for material related to people you know

- SocialDeck, a social gaming firm that created a platform for playing games on any device and enabling simultaneous game play across multiple mobile devices and social networks
- Quicksee, a company whose software allows users to put video clips of a location together as a 3-D video tour ■

SPECIALIZED BUSINESS INFORMATION

MASTERCARD DEAL AT NINE TIMES REVENUE LEADS HIGHER DEAL PACE

New York, N.Y., October 2010— Transactions in the Business, Legal and Healthcare segment of the Specialized Business Information category helped push the total number of deals in this segment higher in the third quarter 2010 versus the prior year period, reported merger and acquisition advisory firm Whitestone Communications.

“We continue to see buyers interested in business-to-business information plays as covered in the Specialized Business Information category,” Whitestone Communications Managing Director Ron Hoxter said.

“The number of transactions in the Specialized Business Information (SBI) sector (print and electronic information businesses in the Business, Legal and Healthcare, Financial/Real Estate, and Newsletters/Directories markets) climbed in the third quarter 2010—up 24% in number of deals versus same period last year and up 13%% over the prior quarter. The number of deals in the SBI sector totaled 51 with a dollar value of \$2.6 billion in the third quarter 2010 versus 41 and dollar value of \$1.9 billion in the same period last year. The second quarter of 2010 saw 45 deals with a total volume of \$6.8 billion.

Major deals in this sector included:



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- **Financial** – **MasterCard bought British payments provider Datacash Group for \$520 million at a revenue multiple of 9 times 2009 revenue.** Mastercard made the move to compete in the burgeoning market for online payments, saying DataCash had the right products, geographic reach and management team to secure more business from vendors using its systems
- **Financial** – McGraw-Hill acquired TheMarkets.com, which provides investment research and workflow technologies to institutional investors. McGraw-Hill says the acquisition will provide its Capital IQ clients a greater breadth of financial data and analytics
- **Business** – In a \$60 million deal, Deltek, a provider of enterprise applications software and solutions focused on the government sector, acquired INPUT, which provides market intelligence, analysis, and events and training to help companies develop government business. Deltek won INPUT in an auction process ■

**EDUCATION/
REFERENCE**

**EDUCATION/REFERENCE
SECTOR SIZZLING**

New York, N.Y., October 2010 — Acquisition activity was very strong among companies in the Education/Reference Publishing category in the third quarter 2010, outpacing substantially both the same year earlier period and the prior quarter, reports merger and acquisition advisory firm Whitestone Communications.

The number of deals in the third quarter 2010 reached 15 versus only five in the same year earlier period and four in the prior quarter. Dollar volume increased to \$279 million from just \$17 million in last year's third quarter and \$108 million in the second quarter 2010.

"Deal making in the Education/Reference sector was hot in the third quarter," Whitestone Communications

President Baran Rosen said. **"The 15-deal total was among the highest quarterly number we have had in this sector since we began tracking deals 13 years ago.** Coming out of the recession, this is reminder of the long-term attractiveness of education as a business market versus other fields more subject to macroeconomic issues."

Among third quarter transactions were:

- **Pearson plc bought Sistema Educacional Brasileiro's learning systems division for \$497 million, a revenue multiple of 5.4 times estimated 2010 revenue.** A "sistema" is an integrated learning system incorporating curriculum design, teacher support and training, print and digital content, technology platforms, assessment and other services. SEB's four sistemas serve more than 450,000 students in private and public schools
- K12, Inc., a provider of proprietary curriculum and online school programs, acquired KC Distance Learning, a provider of distance learning programs for middle and high school students, for \$63.1 million in stock, a revenue multiple of 1.8 times 2009 revenue. The move adds a new line of products and services to K12's robust offerings for public and private schools, international schools, and individual consumers. Additionally, K12 significantly increases the size of its online private school offering
- Blackboard bought Elluminate and Wimba for a combined price of \$116 million. Elluminate and Wimba offer virtual classroom technology that allows education institutions to hold synchronous live courses over the Web, including audio, video, white board and social learning capabilities. The technologies are used to supplement traditional courses, to support full distance learning courses, and other interactions including virtual office hours, team meetings, professional development, student projects and mentoring and tutoring opportunities "This technology has become increasingly fundamental to the learning process," said Michael L.

Chasen, Blackboard President and CEO. ■

TRAINING

**SECTOR DECLINES AS
POSTSECONDARY TURMOIL
BUILDS**

New York, N.Y., October 2010 — The pace of acquisitions in the Training sector (which includes postsecondary institutions) declined markedly in the third quarter 2010 versus the same period last year, reports merger and acquisition advisory firm Whitestone Communications.

"The falloff is probably due to the recent government scrutiny of postsecondary institutions that is raising the possibility of stronger regulatory controls curbing revenues," Whitestone Communications President Baran Rosen said. "Up until now, postsecondary school deals were a strong area of consistent buying and selling, particularly among private equity players. Perhaps this party is coming to an end, or at least a postponement."

The number of Training deals in the third quarter 2010 fell to 10 from 17 a year ago, while dollar volume was \$880 million versus prior year's \$365 million. The third quarter 2010 deal count was comparable to the second quarter 2010 which saw nine transactions worth \$461 million.

Among the notable deals:

- Private equity firm Providence Equity Partners acquired international private college company Study Group for \$570 million from CHAMP Private Equity and Peterson Investments. Study Group has more than 55,000 students at 38 campuses in the U.S., U.K., Australia and New Zealand. Providence has been one of the most active buyers of education companies among U.S. PE funds
- Pearson plc making several acquisitions including:
 - Wall Street Institute from the Carlyle Group and Citi Private

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Equity for \$92 million. Wall Street Institute provides spoken English training for adults through web and live classroom instruction. The company has approximately 340 franchised learning centers in Asia, Europe, the MidEast and Latin America

- o America's Choice, a leading innovator in research-based strategies to help schools, districts, and states improve student achievement with teacher professional development a major focus ■

**TRADE MAGAZINE /
TRADE SHOW**

**DEAL PACE DECLINES AS
RECESSION LINGERS**

New York, N.Y., October 2010— Transactions in the trade magazine/trade show areas were down in terms of number of deals on

higher dollar volume in the third

quarter 2010 versus the same period last year, reports merger and acquisition advisory firm Whitestone Communications.

The number of trade magazine/trade show deals was 8 transactions in the third quarter 2010 versus the third quarter 2009 count of 19 while dollar volume was up to \$299 million versus \$365 million. The second quarter 2010 saw a total of 12 deals with a dollar value of \$26 million.

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

- United Business Media making two deals:
 - o Acquired medical industry publisher and events producer, Canon Communications for \$287 million, a TTM revenue multiple of 2.7 and EBTIDA multiple of 7.8 times.
 - o Acquired start-up company Astound, a virtual career fair

producer targeting the military personnel and university student markets. UBM will make initial cash payment of \$120,000 with a potential \$3 million to be paid out if Astound meets certain performance benchmarks in the next three years. Astound revenues for 2010 are projected to be \$100,000.

- Reed Elsevier, which had hoped to sell Reed Business Information as a single package, has sold 23 individual titles instead including these second quarter divestitures:
 - o Ex-Reed Business Information (RBI) publishers Tony Mancini and Rick Blesi bought 13 construction print and online properties
 - o EH Publishing bought four titles in the Supply Chain Group.
 - o Dan Hogan, a former publisher at RBI, acquired Hotels and Foodservice Equipment and Supplies and then sold Hotels to the Marketing & Technology Group..■

M&A DEAL ACTIVITY 3Q2010 vs. 3Q2009 and 2Q2010

INTERNET, INFORMATION, PUBLISHING AND TRAINING INDUSTRIES

| \$ millions | 3Q 2010 | | 3Q 2009 | | % Change | | PREVIOUS QUARTER | | | |
|---|--------------|--------------------|--------------|--------------|--------------|---------------|------------------|--------------------|---------------|---------------|
| | No. of Deals | \$ Value | No. of Deals | \$ Value | No. of Deals | Value | 2Q 2010 | | % Change | |
| | | | | | | | No. of Deals | \$ Value | No. of Deals | Value |
| Content-Related Internet | 43 | 1,773 | 32 | 749 | 34% ↑ | 137% ↑ | 52 | 610 | -17% ↓ | 190% ↑ |
| Internet Advertising/Marketing | 37 | 3,808 ¹ | 11 | 2,467 | 236% ↑ | 54% ↑ | 27 | 662 | 37% ↑ | 475% ↑ |
| Specialized Business Information | | | | | | | | | | |
| Business, Legal and Healthcare | 39 | 1,360 | 20 | 392 | 95% ↑ | 247% ↑ | 36 | 3,260 ² | 8% ↑ | -58% ↓ |
| Finance/Real Estate | 12 | 1,286 | 12 | 1,493 | | -14% ↓ | 7 | 3,505 ³ | 71% ↑ | -63% ↓ |
| Newsletters/Directories | - | - | 9 | 59 | -100% ↓ | -100% ↓ | 2 | 9 | -100% ↓ | -100% ↓ |
| Subtotal | 51 | 2,646 | 41 | 1,944 | 24% ↑ | 36% ↑ | 45 | 6,774 | 13% ↑ | -61% ↓ |
| Publishing-Related Software | 8 | 168 | 12 | 111 | -33% ↓ | 52% ↑ | 29 | 182 | -72% ↓ | -8% ↓ |
| Education/Reference | 15 | 279 | 5 | 17 | 200% ↑ | 1542% ↑ | 4 | 108 | 275% ↑ | 158% ↑ |
| Training | 10 | 880 | 19 | 365 | -47% ↓ | 141% ↑ | 9 | 461 | 11% ↑ | 91% ↑ |
| Trade Book Publishing and Other Consumer Media | 1 | 1 | 5 | 4,538 | -80% ↓ | -100% ↓ | 2 | 251 | -50% ↓ | -100% ↓ |
| Trade Magazines/Trade Shows | 8 | 299 | 19 | 86 | -58% ↓ | 248% ↑ | 12 | 26 | -33% ↓ | 1059% ↑ |
| Consumer Magazines | 3 | 60 | 9 | 45 | -67% ↓ | 32% ↑ | 9 | 121 | -67% ↓ | -50% ↓ |
| Total | 139 | 6,106 | 142 | 7,855 | -2% ↓ | -22% ↓ | 162 | 8,533 | -14% ↓ | -28% ↓ |

Footnotes

1. Internet Advertising/Marketing is not included in the Totals as tracking of this category began in late 2009
2. Deal value includes the \$1.3 billion acquisition of Eclipsys by Allscripts
3. Deal value includes the \$3.4 billion acquisition of Interactive Data by Silver Lake and Warburg Pincus

Source: Whitestone Communications, Inc.