

MERGERS AND ACQUISITIONS

Prism pays \$530M for Penton

by Richard Morgan

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Prism Business Media Inc., the business-information unit spun out of Primedia Inc. last year, agreed Thursday, Nov. 2, to acquire similarly configured Penton Media Inc. for \$530 million in cash.

The deal, slated to close in the first half of 2007, establishes Prism Business as third to Reed Business and VNU Business Media as a domestic B2B publisher. Penton's sales of nearly \$200 million will add to Prism Business' \$250 million to create a publishing powerhouse with annual Ebitda that's pushing \$100 million.



"The deal makes a lot of sense for both sides," said **Michael Alcamo** of independent investment bank **M.C. Alcamo & Co.** "Not only are the properties complementary, but you've got two dynamic management teams that'll take the combined business to even better levels of profitability."

New York-based Prism Business is owned by U.S. Equity Partners II LP, an investment partnership sponsored by Wasserstein & Co. LP and by co-investors Highfields Capital Management LP and Lexington Partners Inc. (Wasserstein & Co. is the parent of the fund that owns The Deal LLC.) Cleveland-based Penton is controlled by Abry Partners LLC, a media-focused private-equity firm in Boston.

The sale concludes an auction triggered by Penton's retaining Credit Suisse Securities (USA) LLC in July to explore strategic alternatives. The B2B publisher, founded in the 1880s by an iron molder who became editor of Machinery Molders Journal, continued to use Credit Suisse as its financial adviser and turned to Ropes & Gray LLP for legal services.

To represent the interests of Penton's common shareholders, a special committee at the company retained Allen & Co. LLC as a financial adviser. Morris, Nichols, Arsht & Tunnell LLP gave the committee legal advice.

Wasserstein & Co. used the financial advisory services of DeSilva & Phillips LLC, a New York-based media investment bank, while Prism Business received legal advice from both Morrison Cohen LLP and Jones Day. The buying parties also lined up financing from UBS, J.P. Morgan Securities Inc. and GE Commercial Finance.

Penton's publicly traded stock surged more than 20% when news of the deal broke Thursday, even though the winning bid came in below the \$550 million price tag that some

press accounts placed on the publisher. Still, with Ebitda for 2006 estimated at \$50 million, Penton commanded a healthy multiple of 10.6 times cash flow.

Of the \$530 million transaction amount, \$194.2 million is to acquire 100% of the capital stock of Penton. The remainder is to assume what some observers consider an unwieldy amount of debt.

Penton CEO David Nussbaum said in a statement that the deal "delivers outstanding value for all of Penton's stockholders."

But he also acknowledged that debt-laden Penton's becoming a part of Prism Business would lead to "a company with the capital structure, talent, and infrastructure to continue on a very strong growth path."

Despite its takeover, Penton will likely maintain its editorial operations in Cleveland but surrender some circulation, financial and administrative functions to the Prism Business infrastructure.

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