

Equity Research
North America

Industry

Publishing

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GICS SECTOR	CONSUMER DISCRETIONAR
US Strategist Weight	8.7%
S&P 500 Weight	11.5%

COMPANIES FEATURED	
Consolidated Graphics (CGX,\$44)	Equal-weight
Dex Media (DEX,\$22)	Overweight-V
Donnelley, R.R. (RRD,\$33)	Overweight
Dow Jones (DJ, \$37)	Overweight
FactSet (FDS,\$32)	Overweight
Gannett (GCI, \$75)	Overweight
Journal Register (JRC,\$17)	Underweight
Journal Communications (JRN,\$17)	Equal-weight
Knight Ridder (KRI,\$64)	Equal-weight
McClatchy (MNI,\$70)	Equal-weight
McGraw-Hill (MHP,\$43)	Overweight
Martha Stewart (MSO,\$27)	Underweight
Meredith (MDP,\$48)	Equal-weight
Monster Worldwide (MNST,\$26)	Overweight
Moody's (MCO,\$44)	Overweight
New York Times (NYT,\$33)	Equal-weight
Primedia (PRM,\$4)	Underweight-V
Reader's Digest (RDA,\$17)	Underweight
Scripps, E.W. (SSP,\$52)	Equal-weight
Thomson (TOC,\$34)	Equal-weight
Tribune (TRB,\$37)	Overweight
Washington Post (WPO,\$836)	Equal-weight

Industry Overview

May 24, 2005

Stock Selection -- Quantifying our Thought Process

• Conclusion: Our new stock selection system highlights RRD, MNST, and FDS

We believe we have enhanced our stock ranking/selection process with the introduction of this product. The new system captures 28 inputs and places a mathematical value on our thought process per stock. Based on our new ranking, RRD, MNST, and FDS stand out while RDA, PRM, and JRC are lowest ranked.

• What's New: Adding Catalysts, Risks, and X-Factors--Quantifying our Thoughts

In re-introducing and, we believe, enhancing our stock ranking methodology, eleven valuation inputs and fourteen financial measures (all individually ranked and scaled) represent only 60% of the weighted score for each stock. The balance, or 40% of the weighted score, is the quantification of critical/subjective issues or catalysts, risks, and -- what we call -- the "X-factor" (or unique attribute per stock).

• Implications: Several Ratings Changes

Based largely on the results of our newly calculated "Weighted Score", we are upgrading McGraw-Hill and Fact Set to Overweight from Equal-weight. We are upgrading Knight Ridder to Equal-weight from Underweight. We are downgrading Thomson, New York Times, and Journal Communications to Equal-weight from Overweight. We are downgrading Reader's Digest and Journal Register to Underweight from Equal-weight.

• The Intent: Balancing Facts with Expectations

We are attempting to supplement relatively well-known and therefore largely efficiently priced-in valuation and financial measures for each stock by quantifying our major thoughts/concerns/expectations for each company/stock in a systematic method. In addition, by color coding inputs based on the weighted importance of each input, we are attempting to maximize transparency and clarity of our approach. We have employed software developed by ThinkSheet, Inc.

• Our Newspaper industry view is Attractive

We continue to expect a combination of a help wanted upturn and continued secular growth in national advertising to support accelerating revenue and earnings growth in 2005.

• Our Diversified Publishing industry view is In-Line with the broad market

We believe Diversified Publishing stocks generally reflect a proper balance between cyclical upside and valuation.

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Stock Selection -- Quantifying our Thought Process™

For many years, we have maintained a monthly stock ranking methodology. Each stock we have covered has been ranked “1-to-23” based on primarily valuation and financial performance inputs.

Part of our intent was to more accurately assess those publishing stocks that were cheap that should be cheap based on poor financials and those in which attractive value was actually an investment opportunity. In addition, in covering over 20 stocks, we have been in constant search for a systematic approach to compare a newspaper company with an Internet company such as Monster and a high growth bond ratings company such as Moody’s with a slow-growth printing company such as R.R. Donnelley.

Our new approach attempts to take this apples and oranges problem and create an apples-to-apples approach that is systematic, comprehensive, and adds the quantification of subjective factors (employing Think Sheet™) with more easily identified quantitative inputs surrounding traditional valuation and financial measurements.

In addition, the underlying math attempts not only to weight 28 different inputs but calibrate specific outstanding or sub-par rankings within each weighted input. Thus, a stock that appears significantly more attractive on a specific valuation metric -- versus any other peer -- will receive a disproportionate weighting within that specific input/category and vice-versa.

This newly enhanced system includes many of the prior valuation and financial performance inputs from our previous ranking approach but limits their weighted importance to just 60% of the overall weighted score. In turn, 40% of the final score is based on a more qualitative approach which attempts to assess risks, catalysts, and at least one aspect of each company/stock that is totally unique and therefore seemingly un-correlated to the other stocks in our universe.

The model (employing ThinkSheet™ software and applications) relies on a number of algorithms that quantify the value of our thought process per stock and then re-computes the inputs to provide comparability. Therefore, our thoughts on the strategy or leadership or market risks facing each individual company are comparable in measurement to the stock’s underlying P/E or earnings

growth assessment. In turn, by creating a truly apples-to-apples comparable measurement system for our entire universe, we believe, we are better able to compare seemingly different companies such as Moody’s, New York Times, or R.R. Donnelley on the same basis.

The system relies on a “3D” approach to stock selection including the use of language, color coding, and financial inputs. By merging critical issues analysis with a traditional quantitative approach, we believe we are creating a robust analytical approach and one “truer to life” than that provided by a quant-based methodology alone.

All of the valuation and financial inputs are ModelWare based.

Key Takeaways

Based on our new methodology, our highest-ranked stocks of the 21 we include in the ranking are R.R. Donnelley, Monster Worldwide, and FactSet. RRD and MNST are currently rated Overweight. With this report, we are upgrading FDS to Overweight from Equal-Weight.

Top Three:

1. **R.R. Donnelley** ranks #1 and its weighted sum score is significantly above any other stock we cover right now due to strong earnings growth, very attractive valuation, a high dividend yield, and our expectation of further benefits from an aggressive cost cutting program.
2. **Monster Worldwide** ranks #2 based on the strongest organic revenue growth in our universe, an exceptional, overall financial profile, and the potential for additional positive catalysts from a pick-up in the U.S. job market. Offsets include somewhat unattractive valuation, risks including expectation and acquisition as well as a negative “X” factor ranking.
3. **Fact Set** ranks #3 based on an exceptional financial performance, expectations of continued strong organic growth, moderately accelerating demand on both the buy and sell side and a limited risk profile, by our calculation. Mitigating factors include an only average valuation profile and continuing concerns surrounding increased competitive pressures, overall

soft dollar reform, and a recent increase in accounts receivables.

Bottom Three:

Reader's Digest ranks #19 based on an average valuation ranking, below-average financial measurements, and a poor X-factor ranking as we continue believe the core business has not been sufficiently fixed yet. One positive is both the improving cash flow and balance sheet.

Primedia ranks #20 based on very unattractive valuation relative to the other names, below-average financials, and the fact that, in our view, it carries both execution and earnings risk. One positive is continued, steady deleveraging from opportune divestitures.

Journal Register ranks #21 based on unattractive valuation relative to the other names, below-average financials, and no perceived positive, near term catalysts.

Please see Exhibit 11 for a summary of our thoughts on each of the 21 stocks.

Exhibit 1

Summary of Rating Changes

OVERALL RANK	STOCK	NEW RATING	OLD RATING
1	R.R. Donnelley	Overweight - I	Overweight - I
2	Monster Worldwide	Overweight - I	Overweight - I
3	FactSet	Overweight - I	Equal-weight - I
4	Gannett	Overweight - A	Overweight - A
5	Moody's	Overweight - I	Overweight - I
6	McGraw-Hill	Overweight - I	Equal-weight - I
7	Tribune	Overweight - A	Overweight - A
8	Dex Media	Overweight-V - I	Overweight-V - I
9	Scripps, E.W.	Equal-weight - A	Equal-weight - A
10	Thomson	Equal-weight - I	Overweight - I
11	Consolidated Graphics	Equal-weight - I	Equal-weight - I
12	Knight Ridder	Equal-weight - A	Underweight - A
13	Meredith	Equal-weight - I	Equal-weight - I
14	Journal Communications	Equal-weight - A	Overweight - A
15	McClatchy	Equal-weight - A	Equal-weight - A
16	Washington Post	Equal-weight - A	Equal-weight - A
17	Dow Jones	Overweight - A	Overweight - A
18	New York Times	Equal-weight - A	Overweight - A
19	Reader's Digest	Underweight - I	Equal-weight - I
20	Primedia	Underweight-V - I	Underweight-V - I
21	Journal Register	Underweight - A	Equal-weight - A

Source: Morgan Stanley Research

A = Attractive Industry view for Newspapers

I = In-line Industry view for Diversified Publishers

Bold indicates a ratings change

Martha Stewart Living is excluded from the ranking given the company's unusual circumstances.

(1 = Highest Rank, 21 = Lowest Rank)

Publishing – May 24, 2005

Please see the eight individual company reports published today for more commentary on companies for which we are making a ratings change.

Summary of Our New Ranking System

We are reintroducing our ranking system, which now encompasses 28 separate inputs organized into two hemispheres, quantitative and critical issues, comprising five major categories. The new ranking system was developed in conjunction with ThinkSheet, Inc. using THINKSHEET™, a software program owned by ThinkSheet, Inc.

The quantitative hemisphere is comprised of the two primary categories, valuation (sub-categories: valuation, technical) and financials (sub-categories: operating performance, earnings risk, and normalized earnings). Our valuation and financial metrics are based on ModelWare definitions as appropriate. Critical Issues include three categories or catalysts, risks, and X-factors.

Quantitative:

Valuation: Beauty tends to be in the eyes of the beholder when it comes to valuing stocks. For most media segments, cash flow valuation analysis tends to dominate in large part because various cash flow metrics tend to dominate private market activity.

In our case, we attempt to be relatively comprehensive. We rank all of our stocks on seven different metrics including a private market analysis, discounted cash flow, an EBITDA multiple, free cash flow yield, dividend yield, P/E to growth and net insider trading activity. For good measure, we also incorporate technical analysis and lend a 5% overall weighting to technical in the overall model. Exhibit 2 summarizes the individual weights in the overall model. Exhibit 3 diagrams the weightings of the overall model

Financials: How does one measure the financial performance and outlook for a given company? That is an eternal question for market seers. In our cut, we include organic revenue growth (which we overweight), margins, return on net operating assets (as per ModelWare), expected change in 2005 earnings per share, a long-term earnings growth rate (1996-2008), and net debt. To all of this, we add a rigorous analysis of earnings risk and a calculation of each companies normalized earnings power

and how of that, in our estimation, is already priced into the stock.

Critical Issues:

Catalysts: The investment world, the buy side and sell side alike, are in constant search for the burning “catalyst” for any particular stock story. Potential catalysts can be good, bad, or non-existent depending on the time-period. Our model weights the catalyst factor heavily or 17.5% of the entire weighted sum score. We score the catalyst factor employing seven different scores between 100% (the most positive) and “0”.

X-Factor: We similarly score X-factors employing seven different scores. We also weight the X-factor a high 17.5%. In essence, the X-factor is our judgment about some event, quality trait of the company, secular or cyclical trend or recent event (that we do not believe the market has yet factored in properly) which we believe is critical to ranking the attractiveness of the stock.

Risks: We assign a 5% weighting to Risks. The risks we assess are straightforward and include Expectations, Execution, and Acquisitions. In essence, we score the stock for the risk that expectations are too high, for concern of operating execution, and for the risks attendant with the potential for stepped-up acquisition activity.

One of the most significant enhancements to this ranking system, in our view, is the conversion of subjective inputs such as those in the Critical Issues category into numeric values, which can then be scored and ranked. In addition, this system -- potentially -- more accurately depicts the disparity in performance by each company in each of the categories by rescaling or distributing results over a large scale (i.e., +100 to -100) as opposed to a linear ranking of 1 through 21.

The aim of the exercise, as with our prior ranking system, is to identify the cheapest stocks with the best fundamentals that have a near-term, positive catalyst, low risk, and beneficial X-factors.

Exhibit 2

Summary of Weightings of Sub-Categories

VARIABLE	WEIGHT	TOTAL
X Factors	17.5%	18%
Catalysts	17.5%	35%
Earnings Risk	10.0%	45%
Normalized Earnings	7.5%	53%
2005E Organic Revenue Growth	7.0%	60%
Risks	5.0%	65%
Technical	5.0%	70%
2005E Cash Flow Yield	4.0%	74%
2005E EV / EBITDA	4.0%	78%
Upside to DCF Value	4.0%	82%
2005E EBITDA Margins	2.2%	84%
RNOA	2.2%	86%
EPS % Change (CAGR) 96-08E	2.2%	88%
EPS % Change For 2005E	2.2%	90%
2005E PEG	2.0%	92%
Upside to Pvt Mkt Value	2.0%	94%
Dividend Yield	2.0%	96%
Insider Trading	2.0%	98%
Net Debt / EBITDA 2005E	1.8%	100%

Source: Morgan Stanley Research, (THINKSHEET™)

See the footnotes and the appendix for a more detailed explanation of the ranking components.

In conclusion, we expect our ranking system to be dynamic and to change often, but we are not going to be strictly beholden to it on a week-to-week basis. However, as stock prices change, events crop up, and earnings evolve, we hope this ranking system will be sufficiently sensitive to point out pricing inefficiencies.

Exhibit 3

Publishing Stock Ranking (THINKSHEET™) - Overview of Ranking Components by Categories, Sub-categories, Inputs



Source: Morgan Stanley Research, (THINKSHEET™)

Percentages represent weighting within overall model.

THINKSHEET™ is a registered trademark of ThinkSheet, Inc. THINKSHEET™ is a software program owned by ThinkSheet, Inc.

Exhibit 4

Publishing Stock Ranking (THINKSHEET™) - Overall Ranking Summary

THINKSHEET™ CRITERIA			OVERALL WEIGHTED SCORE (100% to -100%)	QUANTITATIVE RANK (1 to 21)	CRITICAL ISSUES RANK (1 to 21)
OVERALL RANK	STOCK & INDUSTRY ¹	OUR RATING		60%	40%
				VALUATION & FINANCIALS	CATALYSTS, RISKS & X FACTORS
1	R.R. Donnelley	Overweight - I	100%	1	2
2	Monster Worldwide	Overweight - I	68%	2	13
3	FactSet	Overweight - I	55%	3	17
4	Gannett	Overweight - A	51%	4	9
5	Moody's	Overweight - I	49%	7	4
6	McGraw-Hill	Overweight - I	47%	6	11
7	Tribune	Overweight - A	40%	10	3
8	Dex Media	Overweight-V - I	38%	8	9
9	Scripps, E.W.	Equal-weight - A	32%	12	7
10	Thomson	Equal-weight - I	29%	13	7
11	Consolidated Graphics	Equal-weight - I	23%	11	14
12	Knight Ridder	Equal-weight - A	20%	16	4
13	Meredith	Equal-weight - I	17%	9	19
14	Journal Communications	Equal-weight - A	12%	5	20
15	McClatchy	Equal-weight - A	9%	15	15
16	Washington Post	Equal-weight - A	5%	14	18
17	Dow Jones	Overweight - A	-3%	17	1
18	New York Times	Equal-weight - A	-26%	19	6
19	Reader's Digest	Underweight - I	-39%	18	16
20	Primedia	Underweight-V - I	-40%	20	12
21	Journal Register	Underweight - A	-100%	21	21

WEIGHTS		
Quantitative		
Valuation	Financials	
25%	35%	
60%		
Critical Issues		
Catalysts	Risks	X Factors
17.5%	5%	17.5%
40%		

Note: The ranking in the far left column corresponds to the weighted score. The weighted score represents the summation (based on the category weightings) of the scores for all of the categories and distributes them across a scale of +100 (best) to -100 (poor). This, we believe, more clearly articulates the gradation of performance among the 21 companies than a simple ranking from 1-21 on the metrics of each category.

The far two right-hand columns represent the rankings based on the weighted scores for the Quantitative and Critical Issue category groupings, and correspond with Exhibits 8 and 7, respectively

INDUSTRY ¹
Newspapers
Diversified Publishers

QUANTITATIVE & CRITICAL ISSUES RANK	
Most Attractive	1 - 7
Average	8 - 14
Least Attractive	15 - 21

Source: Morgan Stanley Research, (THINKSHEET™) A = Attractive Industry view for Newspapers I = In-line Industry view for Diversified Publishers.

Exhibit 5

Publishing Stock Ranking (THINKSHEET™) - Summary of Quantitative and Critical Issues by Category

STOCK & INDUSTRY ¹	QUANTITATIVE		CRITICAL ISSUES			OVERALL WEIGHTED SCORE ⁷ (100% to -100%)	OVERALL RANK
	VALUATION ²	FINANCIALS ³	CATALYSTS ⁴	RISKS: ⁵ EXPECTATIONS (X), EXECUTION (E), ACQUISITIONS (A)	X FACTORS ⁶		
R.R. Donnelley	Very Attractive	Above Average	Neutral	A	Very Good	100%	1
Monster Worldwide	Expensive	Outstanding	Very Good	E&A	Negative	68%	2
FactSet	Negative	Outstanding	Very Good	X	Very Negative	55%	3
Gannett	Attractive	Average	Negative	None	Very Good	51%	4
Moody's	Very Expensive	Outstanding	Negative	X	Excellent	49%	5
McGraw-Hill	Negative	Above Average	Negative	A	Very Good	47%	6
Tribune	Attractive	Below Average	Excellent	E	Negative	40%	7
Dex Media	Attractive	Below Average	Very Good	None	Negative	38%	8
Scripps, E.W.	Expensive	Above Average	Negative	X&A	Excellent	32%	9
Thomson	Neutral	Average	Good	X&A	Good	29%	10
Consolidated Graphics	Neutral	Average	Very Good	X&A	Negative	23%	11
Knight Ridder	Neutral	Below Average	Excellent	X	Negative	20%	12
Meredith	Neutral	Average	Negative	X&A	Good	17%	13
Journal Communications	Interesting	Average	Negative	A	Very Negative	12%	14
McClatchy	Neutral	Average	Good	X&A	Neutral	9%	15
Washington Post	Negative	Average	Poor	X	Excellent	5%	16
Dow Jones	Very Expensive	Sub-Optimal	Excellent	E&A	Good	-3%	17
New York Times	Negative	Sub-Optimal	Excellent	E&A	Negative	-26%	18
Reader's Digest	Neutral	Sub-Optimal	Very Good	E	Very Negative	-39%	19
Primedia	Very Expensive	Sub-Optimal	Neutral	X	Good	-40%	20
Journal Register	Very Expensive	Sub-Optimal	Neutral	E	Poor	-100%	21
COLOR CODE	Very Positive	Positive	Neutral	Negative	Very Negative		
BEST PROFILE	Very Attractive	Outstanding	Excellent	NONE	Excellent	100%	BEST
MEDIAN PROFILE	Neutral	Average	Neutral	E&A	Neutral	23%	MEDIAN
WORST PROFILE	Very Expensive	Sub-Optimal	Poor	ALL	Poor	-100%	WORST
WEIGHTS	25.0%	35.0%	17.5%	5.0%	17.5%	100%	TOTAL

Note: This exhibit represents a summary of the weighted scores as shown in Exhibit 4 for each category. The Valuation and Financials columns represent a textual summary of weighted scores for the numerical metrics within Valuation and Financials. All metrics, where applicable, are based on ModelWare definitions.

The Catalysts, Risks, and X-Factors columns represent a textual summary of the weighted score for each based on our subjective inputs. See footnotes for further explanation.

Best profile to worst for all categories is as follows: Valuation: Very Attractive, Attractive, Interesting, Neutral, Negative, Expensive, Very Expensive

Financials: Outstanding, Above Average, Average, Below Average, Sub-Optimal

Catalysts: Excellent, Very Good, Good, Neutral, Negative, Very Negative, Poor

Risks: None, A, E, X, E&A, X&A, X&E, All

X-Factors: Excellent, Very Good, Good, Neutral, Negative, Very Negative, Poor

Source: Morgan Stanley Research, (THINKSHEET™)

Exhibit 6

Publishing Stock Ranking (THINKSHEET™) - Weighted Scores by Category

WEIGHTS	25.0%	35.0%	17.5%	5.0%	17.5%	WEIGHTED SCORE ⁷		WEIGHTED SCORE ⁷	
	VALUATION ²	FINANCIALS ³	CATALYSTS ⁴	RISKS ⁵	X FACTORS ⁶	ORIGINAL: 100% to -100%	RESCALED: 100% to -100%	ORIGINAL: 100% to -100%	RESCALED: 100% to -100%
R.R. Donnelley	25%	23%	9%	5%	15%	76%	100%	76%	100%
Monster Worldwide	7%	35%	15%	3%	6%	66%	68%	13%	-100%
FactSet	9%	32%	15%	3%	3%	62%	55%	62%	200%
Gannett	20%	15%	6%	5%	15%	61%	51%	RESCALE MULTIPLE	3.2
Moody's	3%	31%	6%	3%	18%	60%	49%		
McGraw-Hill	10%	24%	6%	5%	15%	59%	47%	RESCALE MULTIPLE FORMULA	
Tribune	21%	9%	18%	4%	6%	57%	40%		
Dex Media	22%	9%	15%	5%	6%	56%	38%	Rescaled (Max - Min) Divided By Original (Max - Min)	
Scripps, E.W.	6%	23%	6%	2%	18%	54%	32%		
Thomson	13%	15%	12%	2%	12%	53%	29%		
Consolidated Graphics	12%	17%	15%	2%	6%	52%	23%		
Knight Ridder	16%	9%	18%	3%	6%	51%	20%		
Meredith	16%	15%	6%	2%	12%	50%	17%		
Journal Communications	18%	17%	6%	5%	3%	48%	12%		
McClatchy	11%	14%	12%	2%	9%	47%	9%		
Washington Post	10%	16%	0%	3%	18%	46%	5%		
Dow Jones	5%	7%	18%	3%	12%	43%	-3%		
New York Times	9%	2%	18%	3%	6%	37%	-26%		
Reader's Digest	11%	0%	15%	4%	3%	32%	-39%		
Primedia	3%	6%	9%	3%	12%	32%	-40%		
Journal Register	0%	1%	9%	4%	0%	13%	-100%		

Source: Morgan Stanley Research, (THINKSHEET™)

Note: The Weighted score represents the weighted summation of the scores or numerical values/subjective entries for all of the categories and distributes them across a scale which we believe more clearly articulates the gradation of performance among the 21 companies than a simple ranking from 1-21 on the metrics of each category. Within each category, the scale used to calculate the weighted score is determined based on what most accurately depicts the spread in performance by company. The higher the weighted score, the better.

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Exhibit 7

Publishing Stock Ranking (THINKSHEET™) - Critical Issues: Catalysts, Risks, X Factors Categories

STOCK & INDUSTRY ¹	CATALYSTS ⁴	RISKS: ⁵ EXPECTATIONS (X), EXECUTION (E), ACQUISITIONS (A)	X FACTORS ⁶	WEIGHTED SCORE ⁷ (40% To -40%)	RANK
Dow Jones	Sudden upturn in WSJ lineage +++	E&A	Bancroft family impatience +	40%	1
R.R. Donnelley	End markets, better	A	Superior management/focus ++	23%	2
Tribune	Pressure on mgmt, LA turning +++	E	IRS tax suit, DOJ, people meter -	21%	3
Moody's	Higher interest rates -	X	Int'l growth: structured finance +++	16%	4
Knight Ridder	Large markets turning +++	X	Philadelphia continues to lag -	16%	4
New York Times	Ad turn at Times/Globe +++	E&A	About.com price/nat'l ad focus -	16%	6
Scripps, E.W.	HGTV and Food ratings concerns -	X&A	Still a premier growth story +++	13%	7
Thomson	Organic growth-all segments +	X&A	Leading, global franchises +	13%	7
Gannett	Tough comps in 2005 -	None	Low '05 expectations/mkt leader ++	13%	9
Dex Media	Four new products/online strategy ++	None	2005 back end loaded -	13%	9
McGraw-Hill	Higher interest rates -	A	GARP attributes/EI-Hi outlook ++	11%	11
Primedia	Deleveraging	X	More disciplined op. focus +	4%	12
Monster Worldwide	Stronger than (E) jobs ++	E&A	Sudden strategic shifts -	4%	13
Consolidated Graphics	Levered to cyclical economic trends ++	X&A	Recent slowing in organic grwth -	1%	14
McClatchy	Low circulation risk +	X&A	Revs. outperformed in downturn	1%	15
Reader's Digest	Improving cash flow ++	E	Core businesses, not fixed yet --	-4%	16
FactSet	Buy & sellside demand, better ++	X	Soft \$ & competition, A/Rec. --	-8%	17
Washington Post	Vocational school exposure ---	X	Superior long-term growth +++	-8%	18
Meredith	Tough magazine comps -	X&A	Newly hired TV executive +	-11%	19
Journal Communications	Risk with Telecom division -	A	Stock overhang/tough comps --	-37%	20
Journal Register		E	Sluggish top line/op. leverage ---	-40%	21
BEST PROFILE	Excellent +++	NONE	Excellent +++	40%	BEST
MEDIAN PROFILE	Neutral	E&A	Neutral	11%	MEDIAN
WORST PROFILE	Poor ---	ALL	Poor ---	-40%	WORST
WEIGHTS	17.5%	5.0%	17.5%	40%	WEIGHTS

Source: Morgan Stanley Research, (THINKSHEET™)

Note: Table displays subjective inputs, which are converted to numerical values and then scored and ranked. For Catalysts and X-Factors, values range from +++ meaning excellent to --- meaning poor. For Risks, companies can be identified as having exposure to all three risks denoted as X&E&A or no exposure denoted as None.

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Exhibit 8

Publishing Stock Ranking (THINKSHEET™) - Quantitative: Valuation and Financial Categories Comprised of Weighted Scores by Sub-category

STOCK & INDUSTRY ¹	VALUATION ²	TECHNICAL ²	VALUATION ² (WSUM)	OPERATING PERFORMANCE ³	EARNINGS RISK ³	NORMALIZED EARNINGS ³	FINANCIALS ³ WSUM	QUANT RANK
R.R. Donnelley	94%	90%	Very Attractive	-27%	56%	75%	Above Average	1
Monster Worldwide	-14%	-62%	Expensive	100%	38%	68%	Outstanding	2
FactSet	-27%	43%	Negative	70%	65%	46%	Outstanding	3
Gannett	73%	14%	Attractive	-53%	19%	16%	Average	4
Journal Communications	67%	-33%	Interesting	-38%	30%	9%	Average	5
McGraw-Hill	-16%	24%	Negative	0%	60%	40%	Above Average	6
Moody's	-92%	100%	Very Expensive	35%	100%	43%	Outstanding	7
Dex Media	93%	-5%	Attractive	-61%	-20%	-44%	Below Average	8
Meredith	22%	71%	Neutral	-53%	1%	34%	Average	9
Tribune	100%	-81%	Attractive	-69%	-32%	-6%	Below Average	10
Consolidated Graphics	17%	-43%	Neutral	-74%	33%	100%	Average	11
Scripps, E.W.	-61%	62%	Expensive	-1%	32%	62%	Above Average	12
Thomson	6%	52%	Neutral	-47%	20%	-4%	Average	13
Washington Post	-11%	5%	Negative	-25%	-26%	32%	Average	14
McClatchy	-23%	81%	Neutral	-45%	15%	-12%	Average	15
Knight Ridder	53%	-52%	Neutral	-66%	-15%	-41%	Below Average	16
Dow Jones	-33%	-71%	Very Expensive	-80%	-78%	28%	Sub-Optimal	17
Reader's Digest	5%	-24%	Neutral	-75%	-100%	-99%	Sub-Optimal	18
New York Times	6%	-100%	Negative	-91%	-49%	-93%	Sub-Optimal	19
Primedia	-46%	-90%	Very Expensive	-91%	-2%	-60%	Sub-Optimal	20
Journal Register	-100%	33%	Very Expensive	-100%	-44%	-100%	Sub-Optimal	21
BEST PROFILE	100%	100%	Very Attractive	100%	100%	100%	Outstanding	BEST
MEDIAN PROFILE	5%	5%	Neutral	-53%	15%	16%	Average	MEDIAN
WORST PROFILE	-100%	-100%	Very Expensive	-100%	-100%	-100%	Sub-Optimal	WORST
WEIGHTS	20%	5%	25%	17.5%	10%	7.5%	35%	WEIGHTS

Source: Morgan Stanley Research, (THINKSHEET™)

Note: Table shows the sub-category weighted scores, which yield the category results for Valuation and Financials. The Valuation column represents a textual summary of the numerical weighted score for the metrics within Valuation and Technical. The Financial column represents a textual summary of numerical weighted score for the metrics within Operating Performance, Earnings Risk, and Normalized Earnings. Best profile to worst for all categories is as follows: Valuation: Very Attractive, Attractive, Interesting, Neutral, Negative, Expensive, Very Expensive. Financials: Outstanding, Above Average, Average, Below Average, Sub-Optimal. The higher the weighted score, the better. Valuation metrics are based on 5/20/05 closing prices.

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Exhibit 9

Publishing Stock Ranking (THINKSHEET™) - Valuation²: Actual Values Comprising the Sub-category

STOCK & INDUSTRY ¹	UPSIDE TO PVT MKT VALUE ²	2005E EV / EBITDA ²	UPSIDE TO DCF VALUE ²	2005E CASH FLOW YIELD ²	DIVIDEND YIELD ²	2005E PEG ²	INSIDER TRADING NET % ²	WSCORE ⁷ (100% TO -100%)	RANK
Tribune	65%	7.6	37%	6%	2.0%	1.8	0.00%	100%	1
R.R. Donnelley	34%	5.9	30%	6%	3.2%	2.7	0.02%	94%	2
Dex Media	70%	9.1	26%	16%	1.6%	1.1	11.66%	93%	3
Gannett	54%	9.0	32%	7%	1.4%	1.3	0.03%	73%	4
Journal Communications	46%	7.4	28%	6%	1.6%	1.8	0.00%	67%	5
Knight Ridder	49%	8.6	21%	6%	2.2%	1.9	0.12%	53%	6
Meredith	39%	9.6	22%	6%	1.2%	1.8	0.08%	22%	7
Consolidated Graphics	17%	6.5	7%	7%	0.0%	1.6	0.21%	17%	8
New York Times	36%	10.2	25%	4%	1.9%	2.6	0.01%	6%	9
Thomson	25%	10.5	15%	6%	2.3%	1.9	0.00%	6%	10
Reader's Digest	2%	9.6	11%	8%	2.3%	2.9	0.01%	5%	11
Washington Post	39%	9.8	22%	3%	0.9%	2.9	0.01%	-11%	12
Monster Worldwide	52%	13.5	41%	4%	0.0%	0.8	1.11%	-14%	13
McGraw-Hill	30%	10.8	18%	5%	1.5%	3.1	0.01%	-16%	14
McClatchy	25%	9.6	9%	4%	0.7%	1.8	0.02%	-23%	15
FactSet	23%	11.4	18%	4%	0.6%	0.9	0.00%	-27%	16
Dow Jones	20%	11.6	26%	4%	2.7%	6.4	0.12%	-33%	17
Primedia	12%	10.5	27%	5%	0.0%	4.7	0.06%	-46%	18
Scripps, E.W.	37%	12.5	13%	4%	0.9%	2.3	3.10%	-61%	19
Moody's	15%	13.7	2%	4%	0.5%	1.7	0.08%	-92%	20
Journal Register	6%	10.7	-19%	6%	0.0%	3.7	0.02%	-100%	21
BEST PROFILE	70%	6	41%	16%	3%	0.8	0.00%	100%	1
MEDIAN PROFILE	34%	10	22%	6%	1%	1.9	0.02%	5%	11
WORST PROFILE	2%	14	-19%	3%	0%	0.1	11.66%	-100%	21
WEIGHTS (VALUATION)	10%	20%	20%	20%	10%	10%	10%		
WEIGHTS (OVERALL MODEL)	3%	5%	5%	5%	3%	3%	3%	25%	Total

Source: Morgan Stanley Research, (THINKSHEET™)

Note: Numbers in this exhibit represent actual values for each input, i.e., potential upside to implied private market value, enterprise value/EBITDA multiples, etc. See footnote 2 for further explanation. Valuation metrics are based on 5/20/05 closing prices.

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Exhibit 10

Publishing Stock Ranking (THINKSHEET™) - Operating Performance³: Actual Values Comprising the Sub-category

STOCK & INDUSTRY ¹	ORGANIC REV GROWTH ³	2005E EBITDA MARGINS ³	RNOA ³	EPS % CHG FOR 2005E ³	EPS % CHG (CAGR) 96-08E ³	NET DEBT / EBITDA (05E) ³	WScore ⁷ (100% TO -100%)	RANK
Monster Worldwide	21%	20%	16%	46%	35%	-0.8	100%	1
FactSet	13%	41%	68%	19%	24%	-0.7	70%	2
Moody's	9%	57%	42%	11%	15%	-0.7	35%	3
McGraw-Hill	11%	25%	28%	13%	6%	-0.4	0%	4
Scripps, E.W.	11%	29%	14%	12%	12%	0.5	-1%	5
Washington Post	8%	19%	13%	4%	8%	-1.3	-25%	6
R.R. Donnelley	7%	16%	10%	36%	5%	0.9	-27%	7
Journal Communications	7%	22%	13%	-7%	10%	-0.3	-38%	8
McClatchy	4%	29%	9%	7%	11%	0.4	-45%	9
Thomson	4%	28%	6%	10%	14%	1.4	-47%	10
Gannett	3%	33%	10%	6%	11%	1.6	-53%	11
Meredith	3%	22%	14%	10%	11%	0.8	-53%	12
Dex Media	1%	56%	5%	14%	5%	5.6	-61%	13
Knight Ridder	3%	22%	12%	5%	8%	2.4	-66%	14
Tribune	1%	27%	9%	5%	9%	0.9	-69%	15
Consolidated Graphics	-1%	13%	9%	20%	11%	0.6	-74%	16
Reader's Digest	1%	10%	8%	26%	7%	2.3	-75%	17
Dow Jones	4%	16%	9%	-9%	5%	2.2	-80%	18
New York Times	1%	18%	9%	-11%	7%	2.6	-91%	19
Primedia	3%	19%	7%	5%	4%	6.7	-91%	20
Journal Register	2%	24%	7%	-10%	4%	5.5	-100%	21
BEST PROFILE	21%	57%	68%	46%	35%	-1.3	1	1
MEDIAN PROFILE	4%	22%	10%	10%	9%	0.9	-1	11
WORST PROFILE	-1%	10%	5%	-11%	4%	6.7	-1	21
WEIGHTS (FINANCIALS)	40%	13%	13%	13%	13%	10%		
WEIGHTS (OVERALL MODEL)	7%	2%	2%	2%	2%	2%	17.5%	Total

Source: Morgan Stanley Research, (THINKSHEET™)

Note: Numbers in this exhibit represent actual values for each input, i.e., 2005E organic revenue growth, 2005E EBITDA Margins, etc. See footnote 3 for further explanation.

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Exhibit 11

Publishing Stock Ranking (THINKSHEET™) - Commentary on Each Stock

RANK	WEIGHTED SCORE ⁷	STOCK & INDUSTRY ¹	POSITIONS ON STOCKS	EV x '05E EBITDA	PRICE RETURN '05 YTD 5/20
1	100%	R.R. Donnelley	RRD's earnings are surging, costs are being rationalized, share is being gained, and revenues are surprising on the upside. Meanwhile, the stock is the least expensive in our universe and sports a 3.1% dividend yield.	5.9	-7.5%
2	68%	Monster Worldwide	MNST, the global Internet recruitment leader, is in a sweet spot. The U.S. help wanted cycle is re-accelerating. The Internet is gaining share. MNST's organic growth is 30%+ and profit margins are improving. The stock is, in our view, very attractively priced for an Internet category leader.	13.5	-26.3%
3	55%	FactSet	FDS churned out surprisingly strong growth through a major downturn in its end markets. Now demand is rising. We expect earnings growth to continue at a double-digit pace despite increased competition from products such as Capital IQ. We remain concerned about soft dollar exposure and rising accounts receivable.	11.4	-18.7%
4	51%	Gannett	GCI remains the premier newspaper play, in our view. It's a market leader, has superb financials and an attractive valuation. GCI had an excellent 2004 which has set up a tough comp for 2005. We appreciate these concerns but believe Co. will outperform current low expectations.	9.0	-8.2%
5	49%	Moody's	MCO continues to climb the proverbial wall of worry as investors repeatedly attempt to time an interest rate inflection point. Meanwhile, long rates remain remarkably subdued, MCO started 2005 with a 24% earnings gain, and momentum remains strong buoyed by numerous new growth markets.	13.7	-0.5%
6	47%	McGraw-Hill	Stock corrected sharply in March after Co. lowered 2005 guidance due to recent acquisitions and a change in pension assumptions. Meanwhile, the 2005 bond ratings outlook remains superb, the immediate educ. textbook outlook is robust, and growth could remain high for several years.	10.8	-5.2%
7	40%	Tribune	TRB continues to face formidable challenges on most fronts incl. newspaper circ. declines, weak major markets, disappointing WB network ratings, and audience measurement problems in TV. However, bad news is well known, there is pressure on management and stock is cheapest in newspaper group.	7.6	-13.2%

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Exhibit 11 (cont'd)

Publishing Stock Ranking (THINKSHEET™) - Commentary on Each Stock

8	38%	Dex Media	Dex is a leading U.S. yellow page company with very high cash flow margins, significant deleveraging characteristics, a very attractive free cash flow yield, and numerous online and traditional new product initiatives that should ramp top-line growth as 2005 evolves.	9.1	-12.5%
9	32%	Scripps, E.W.	Our concern over the last six months of slipping prime time ratings for the company's two power house, cable networks has largely abated as new shows have come on line. 1Q newspaper results were also surprisingly good. Stock has recently rebounded, though.	12.5	6.0%
10	29%	Thomson	We regard Thomson as a very well run company with a steady, moderate growth rate, leading franchises, and strong cash flow. Co. is showing positive organic growth in all four of its divisions. Several new products including Thomson One, Pharma, and West Law Litigator are driving growth. It's valuation profile is average in our group, however, at the present time.	10.5	-4.5%
11	23%	Consolidated Graphics	CGX, an owner of over 70 small, regional printing plants has exhibited steady earnings growth in recent quarters vs. easy relatively comps. However, organic growth has slowed and Co. has suggested plans for accelerated acquisition activity.	6.5	-4.7%
12	20%	Knight Ridder	KRI is slowly turning upward as major properties that have lagged such as San Jose are turning. KRI is highly focused on costs and circulation growth. Recent management changes show a more aggressive turn by senior management. However, KRI's largest market, Philadelphia remains sluggish.	8.6	-5.1%
13	17%	Meredith	MDP is superbly run, has a leading magazine operation, an improving TV business, and MDP exhibits solid, new product prowess. However, relative to the group, our valuation metrics suggest only average attractiveness, currently.	9.6	-12.4%
14	12%	Journal Communications	JRN showed outstanding performance in 2004; however, the stock failed to catch fire. Now comps are tough, 1Q was a little disappointing, and industry-wide the TV industry is very weak in early 2005. Long term, Telco ops. remain a concern. Employee stock overhang, resolved for the moment.	7.4	-8.4%

Exhibit 11 (cont'd)

Publishing Stock Ranking (THINKSHEET™) - Commentary on Each Stock

15	9%	McClatchy	MNI is perhaps the best run, pure play newspaper company. Ad growth continues to outpace the industry, MNI has the best circulation profile among companies we cover and management is vigilant on costs. However, most of these positives appear reflected in the stock.	9.6	-3.1%
16	5%	Washington Post	WPO had an outstanding 2004 with EPS growth of 30%. Its rapidly growing Education segment showed EBITDA growth of over 60% in '04 which continued in 1Q'05 with EBITDA up 44.3%. However, increasingly tough comps, an off year for TV broadcasting, and overall sluggish company bottom line earnings in 1Q'05 suggest the year ahead will be challenging.	9.8	-15.1%
17	-3%	Dow Jones	The search for the elusive "normalized \$2.00-\$3.00" in earning power remains very disappointing as the ad downturn in financial and tech enters a fifth year. New products and the MarketWatch acquisition add to near term earnings pressure. However, stock is very beaten up, family pressure remains, and ad <u>linage is beginning to look better.</u>	11.6	-14.8%
18	-26%	New York Times	NYT has so far been a significant disappointment to us. Over the past 18 months, we have been positive on the stock based on expectations of continued growth in national advertising and a strong help wanted recovery. Neither has really happened at NYT while two significant ad categories - movie studios and real estate remain depressed.	10.2	-19.6%
19	-39%	Reader's Digest	RDA is very attractive on some valuation inputs. The stock has recently gone up on improved cash flow and market speculation. However, the core business has not yet been sufficiently turned around and valuation at these price levels is not attractive.	9.6	23.8%
20	-40%	Primedia	PRM continues to execute a deft job of divesting non-core assets at premium prices -- e.g. About.com -- and deleveraging out from under a huge debt pile. However, as lackluster 1Q'05 earnings suggest, the remaining assets are not yet close to producing strong growth.	10.5	-2.4%
21	-100%	Journal Register	JRC is not attractive to us on valuation and recent results have been disappointing. We continue to look for a cyclically-charged leveraged recovery in the newspaper industry but expect JRC to lag that potential recovery.	10.7	-12.2%

Source: Morgan Stanley Research, (THINKSHEET™)

Footnotes

¹ Light color represents Newspaper industry, dark color represents Diversified Publishing industry.

² **Quantitative** (60% weighting overall) is comprised of **Valuation** and **Financials** categories. **Valuation** (25% weighting overall) includes:

Upside to Private Market Value (Upside to Pvt Mkt Value), (2% weighting overall): implied upside to current stock price based on our private market value assumptions

2005E Enterprise Value / EBITDA (4% weighting overall): based on ModelWare's definition which defines enterprise value as Adjusted Mkt. Cap. + Debt - Cash - Unconsolidated Assets + Minority Interest + Other Non-operating Assets or Liabilities.

Upside to Discounted Cash Flow Value (Upside to DCF Value), (4% weighting overall): implied upside to current stock price based on 10-year discounted cash flow analyses

2005E Free Cash Flow Yield (4% weighting overall): based on ModelWare's definition which free cash flow as EBITDA + change in Net Operating Assets - Capex - Interest and Dividends - Taxes Paid - Minority Interests in Net Income + Other. We also adjust the price in the calculation to reflect unconsolidated assets

Dividend Yield (2% weighting)

2005E P/E-to-Growth (2005E PEG), (2% weighting overall): based on ModelWare's definition of EPS and uses a compounded annual earnings growth rate to 1996-2008

Insider Trading (2% weighting overall): Insider sales netted against purchases (for the last six months) as a % of shares outstanding

Technical (5% weighting overall): Morgan Stanley's Technical Strategy team analyses overall technical outlook, support level, first resistance, and second resistance

³ **Quantitative** (60% weighting) is comprised of **Valuation** and **Financials** categories. **Financials** (35% weighting overall) includes:

Organic Revenue Growth (7% weighting overall): 2005E pro forma revenue growth (adjusted for acquisition/divestitures)

2005E EBITDA Margins (2.2% weighting overall)

Return on Net Operating Assets (RNOA), (2.2% weighting overall): based on ModelWare's definition of NOPAT (Net Operating Profit After tax) divided by net operating assets (beginning of period)

EPS % Change for 2005E (2.2% weighting overall)

EPS % Change (CAGR) '96-'08E (2.2% weighting overall)

2005E Net Debt/EBITDA (1.75% weighting overall): based on ModelWare's definition

Earnings Risk over Next 18 Months (2.5% weighting overall): our view of the likely earnings risk over the next 18 months

Earnings Surprises (1.5% weighting overall): over the trailing 21 quarters or since IPO

Earnings Surprises Spread (1.0% weighting overall): spread between actual earnings and Street consensus 3 months prior for the last 21 quarters (or since IPO)

Standard Deviation of the Earnings Spread (1.0% weighting overall): standard deviation the spread detailed in the above criterion

Consensus EPS Revisions Last 5 Months (2.5% weighting overall)

Spread Between Morgan Stanley Earnings Estimates and Consensus (1.5% weighting overall)

Normalized EBITDA Growth '05/'06 versus '02/'03 (3.75% weighting overall): the improvement in normalized EBITDA over time as measured by the growth of the average of our 2005 and 2006 EBITDA estimates over the average of the 2002 and 2003 actual EBITDA

Normalized EV/EBITDA '05/'06 (3.75% weighting overall): a normalized EV/EBITDA multiple calculated as a blend of 2005 and 2006 EBITDA estimates.

⁴ **Critical Issues** (40% weighting overall) is comprised of the categories Catalysts, Risks, and X Factors. **Catalysts** (17.5% weighting overall) represent potential events or other exogenous factors not currently reflected in either the stock price or the fundamental operating numbers. The symbolic description ranges from +++ meaning excellent to --- meaning poor. ThinkSheet converts our subjective inputs into numerical values and scores each company on these values.

⁵ **Critical Issues** (40% weighting) is comprised of the categories Catalysts, Risks, and X Factors. The **Risks** (5.0% weighting overall) category identifies what we consider to be the three most common risks in the publishing sector. Expectations (denoted by an X), which we consider to be the most serious: the potential for a company to not meet earnings expectations. Execution (denoted by an E) which we consider to be the second most serious: the potential for the company to mis-execute its strategy, turnaround efforts, etc. Acquisitions (denoted by an A) which we consider to be the third most serious risk: the potential

for a company to make dilutive acquisitions and/or not properly integrate the businesses: It is possible for a company to have no exposure to these three risks or to have exposure to each of these risks. ThinkSheet converts our subjective inputs into numerical values and scores each company on these values.

⁶ **Critical Issues** (40% weighting overall) is comprised of the categories Catalysts, Risks, and X Factors. The **X Factors** (17.5% weighting overall) subcategory is intended to identify any elements that are not captured in the other ranking subcategories. The symbolic description ranges from +++ meaning excellent to --- meaning poor. ThinkSheet converts our subjective inputs into numerical values and scores each company on these values.

⁷ **Weighted Score.** Within each category, the scale used to calculate the weighted score is determined based on what most accurately depicts the spread in performance by company.

Appendix

Overall Methodology

Below, we describe in greater detail the factors and inputs behind our five major categories.

Critical Issues (40.0% overall weighting)

Catalysts (17.5% overall weighting). Catalysts represent important factors which we believe not to be currently fully reflected in the stock price or fundamental operating numbers. These may consist of expected events, announcements, etc., that we anticipate will move the stocks up or down. This exercise is obviously highly subjective. In the intangibles breakdown we include descriptions of the catalyst (i.e. “tough comps”, or “higher interest rates”) and a symbol ranging from +++ to --- which connotes excellent to poor. In our complete ranking overview, we limit our discussion of catalysts to the scale ranging from excellent to poor.

X-Factors (17.5% overall weighting). We view x-factors as any outside elements that have an impact on the ranking of the stock. We use this category to 1) articulate thinking “outside the box”, 2) adjust for aberrations and outliers, and 3) better tell the “story” of the stock. Similar to the catalysts section, we include the description of the x-factor in the intangibles breakdown, along with a symbol ranging from +++ to --- which connotes excellent to poor. In our complete ranking overview, we limit our discussion of x-factors to the scale ranging from excellent to poor.

Risks (5.0% overall ranking). In this section, we evaluate a stock’s exposure to the three most common risks in the publishing sector. Those risks are Expectations (denoted by an X), which we view to be the most serious, stock Execution (E), and Acquisitions (A), which we view to be the least pernicious. It is possible for a stock to range from no exposure to these three most common risks, to exposure to all three (communicated as X&E&A).

Quantitative (60.0% overall ranking)

Valuation (25.0% overall weighting). We are using the following eleven criteria in our valuation ranking: 1) 2005E ModelWare P/E to growth rate; 2) 2005E ModelWare Enterprise Value to EBITDA; 3) implied upside to the theoretical stock price using a 10-year discounted cash flow analysis for each company to the current stock price; 4) implied upside to the private market value determined by breaking down each company’s business segments and valuing each cash flow (EBITDA) stream separately to the current stock price; 5) ModelWare 2005E free cash flow yield; 6) current dividend yield; 7)

insider selling netted against purchasing (for the last six months) as a percentage of total shares outstanding; and the four elements that comprise our technical stock analysis provided by the Morgan Stanley Technical Strategy team: 8) support level, 9) first and 10) second levels of resistance, and 11) overall technical outlook. We weight each of these eleven criteria to arrive at an overall valuation ranking.

When talking about valuation, beauty tends to lie in the eyes of the beholder. Nonetheless, we have tried to assemble a relatively encompassing set of absolute and relative criteria capturing both current momentum and intrinsic measures and shaped to media sensitivities. For instance, we do not use price/earnings ratios in a vacuum. Rather, we look at P/E compared to earnings growth; in turn, growth is measured on a compounded basis from 1996 to our projected 2008(E). In addition, by equally weighting a number of criteria, we are not wedding ourselves to any one benchmark.

For instance, while many in the investment community believe discounted cash flow valuation is among the purest valuation measures, we note the large number of judgment calls involved in this methodology. These include the appropriate required return on equity that goes into the weighted average cost of capital as well as the long-term growth rate assumptions we set for over 20 stocks.

Why include technical analysis? Clearly, nothing in the stock market should be viewed in isolation, in our opinion. However, stock price movements accompanied by changes in volume patterns often signal a distant turn in the fundamentals. To ignore this input -- to which we assign a small weighting of 5% -- would be foolhardy, in our view.

Financials (35.0% overall weighting). This category simply measures the fundamental operating performance of each company with emphasis on recent historical data as opposed to just projected results.

The fourteen criteria we include are: 1) 2005E organic revenue growth, which excludes acquisitions and divestitures; 2) a measure of overall profitability or estimated 2005 ModelWare EBITDA margins; 3) ModelWare Return on net operating assets (RNOA) defined as net operating profit after tax divided by net operating assets (beginning period); 4) expected EPS change for 2005 using our forecasts; 5) 1996–2008 EPS percent change (CAGR); 6) ModelWare 2005 estimated

Net Debt to EBITDA; 7) an analysis of earnings surprises over the trailing 21 quarters or since IPO; 8) an analysis of the spread between the actual reported earnings and the Street consensus estimate 3 months prior for the last 21 quarters (or since IPO); 9) the standard deviation of the spread detailed in criterion number eight; 10) an analysis of consensus EPS revisions for the last five months; 11) the spread between Morgan Stanley ModelWare EPS estimates and consensus; 12) our view of the likely earnings risk over the next 18 months; 13) the improvement in normalized EBITDA over time as measured by the growth of the average of our 2005 and 2006 EBITDA estimates over the average of the 2002 and 2003 actual EBITDA; and 14) a normalized EV/EBITDA multiple calculated as a blend of 2005 and 2006 EBITDA estimates.

In choosing these fourteen fundamental inputs, we hope to capture a number of different financial strengths and weaknesses. To measure growth, we look at organic growth or unit growth, as the market tends to put a high value on true revenue growth as opposed to growth through acquisitions. We include RNOA, which, like return on invested capital, measures the rate of profitability of the company's operations, while reducing distortion from one-time items, pension impact, goodwill amortization, and operating leases, among others. We also include a measure of EBITDA profit margins because it is clear, watching these publishing stocks trade for the last twenty years or so, that investors pay up for high-margin, high-revenue-conversion companies.

Where data is unavailable we have used like metrics.



ModelWare is a proprietary framework for financial analysis created by Morgan Stanley Research. This new framework rests on the principles of comparability, transparency, and flexibility, and aims to provide investors with better tools to view the anticipated performance of an enterprise. The result of an 18-month global effort, ModelWare harmonizes the underlying data and calculations in Morgan Stanley models with a broad set of consistently defined financial metrics. Our analysts have populated the database with over 2.5 million data points, based on an extensive taxonomy of more than 3,500 unique metrics and more than 400 Morgan Stanley calculations. The ModelWare framework will also have the flexibility to allow analysts and investors to quickly customize their own analytical approach.

What makes the ModelWare architecture distinctive lies in the separation of data from calculations. Its transparency will permit users to see every component of every calculation, to choose elements or recombine them as they wish without laborious adjustments or recalculations. When choices must be made in defining standard or industry-specific measures, ModelWare defaults to economic logic, rather than favoring one accounting rule over another. This discipline facilitates comparability across sectors and regions. Underlying the ModelWare data is a new set of systems that check the internal consistency of forecast data in each of our analyst's models.

ModelWare EPS illustrates the approach taken. It represents ModelWare net income divided by average fully diluted shares outstanding. ModelWare net income sums net operating profit after tax (NOPAT), net financial income or expense (NFE), and other income or expense. ModelWare adjusts reported net income to improve comparability across companies, sectors, and regions. These adjustments include the following: We exclude goodwill amortization and items deemed by analysts to be "one-time" events; we capitalize operating leases where their use is significant (e.g., in transportation and retail); and we convert inventory to FIFO accounting when LIFO costing is used. For more information on these adjustments and others, as well as additional background, please see "Morgan Stanley ModelWare (ver. 1.0): A Road Map for Investors," by Trevor Harris and team, August 2, 2004.

Analyst Certification

The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Douglas Arthur and Lisa Monaco, CFA.

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Total	1,905		667		

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