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## UPDATE: Providence Equity To Buy Blackboard For About \$1.64B

Updates throughout with details, context, share price, analyst comments.)

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Of DOW JONES NEWSWIRES

NEW YORK (Dow Jones)--As expected, Blackboard Inc. (BBBB) on Friday said Providence Equity Partners agreed to buy it for about \$1.64 billion in cash, ending months of buyout speculation.

The buyout firm is offering \$45 a share, a 3.7% premium over Thursday's close and a 21% premium over its trading price in April before disclosing it was evaluating strategic alternatives. Providence Equity Partners would also assume \$130 million in debt under the deal.

Various press outlets had identified Providence as the likely buyer over the past few weeks. The price isn't terribly surprising, despite several analysts keeping a price target on Blackboard stock of \$50 or more, as "most people assumed the take-out price would have a four in front of it instead of a five," according to Amy Junker, an analyst with Robert W. Baird.

Blackboard makes software that allows schools and professional organizations to offer teaching and learning online. It also makes software applications that help campuses manage e-commerce and payments, such as those for laundry, vending and printing.

The company has continued to boost its top line thanks to an expanded suite of products, several of which seek out high-growth areas like mobile phones. Still, the firm faces tough competition from a number of peers in the area of learning management systems.

Scott Berg, an analyst with Feltl & Co., said the bid values Blackboard, on an adjusted earnings basis, between recent purchases of Lawson Software, on the low end, and Epicor Software, on the high end.

Berg said Lawson and Epicor, which he formerly followed, have a less attractive business model for their software than does Blackboard, and he had expected a bid closer to \$50 than \$45 per share. Blackboard, he said, has been penalized for flat revenue over the past three quarters due to a lack of acquisitions and for the dilutive nature of acquisitions it had made earlier.

"It's pretty clear that a strategic bidder willing to pay north of \$50 [per] share did not materialize," said Tom Roderick, who follows Blackboard for Stifel Nicolaus. "I would merely characterize it as fair but, in the absence of another bidder (a process which seems to have exhausted itself), fair is likely to be the best outcome," he added, echoing the other analysts who don't expect a higher bid to emerge.

Blackboard, which has a market capitalization of about \$1.5 billion, said in April it had hired Barclays Capital to explore a sale after unidentified parties expressed interest in buying the company.

The deal is expected to close in the fourth quarter, subject to approval by Blackboard's shareholders.

Shares of Blackboard, which had been halted ahead of the disclosure, changed hands recently at \$44.16 apiece, up 1.8% on the session and 1.9% below the \$45 offer. The stock has risen nearly 22% over the past three months during the search for a buyer and traded as high as \$50.26 on the day it announced it had retained Barclays to explore a sale.

Such a discount to the offer price suggests investors and merger arbitrageurs are confident that Providence Equity's \$45 bid will win the day and the merger will close on schedule.

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