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CAPITAL PARTNERS

Education Technology Market Update

December 2023



Edtech M&A Volume Remained Tempered in 2023 with Add-Ons for PE-Backed Portfolio Companies Sustaining Activity

Significant Decline in U.S. Deal Activity

- Overall U.S. deal volume is expected to decrease by approximately 25% in 2023
- The malaise in big deal activity finally caught up to the small and mid-sized deal market in the U.S. and globally
- Only five Edtech companies raised over \$100MM in early stage/VC funding in 2023 compared to more than 60 such financings in both 2021 and 2022



Impact on Edtech

- Consistent with the broader market, Edtech deal volume slowed in each quarter of 2023
- However, there continued to be strong secular trends, with the industry showing strong ongoing opportunities for inorganic growth and consolidation
- Thus, deal activity was buoyed by add-on acquisitions by sponsor-backed platforms and other strategic parties
- Generative AI demonstrated promise (as well as challenges) for the sector in 2023



What to Expect in 2024?

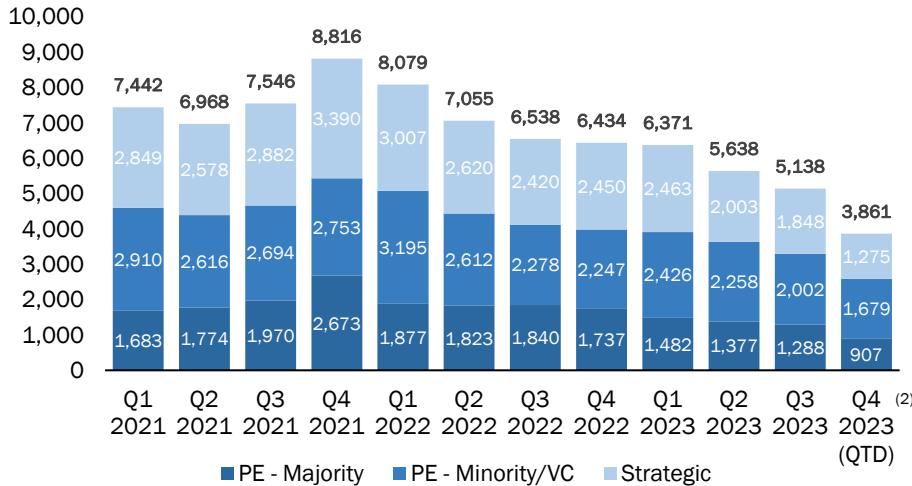
- With falling inflation, low unemployment and the potential for interest rate cuts, there is optimism for a “soft landing”, particularly given rebounding valuations in Q4
- A better economy highlighting the critical need for a more skilled workforce, and employee training and upskilling
- PreK-12 and other subsectors may continue to benefit from the data/analytics and operational efficiencies brought about by SaaS platforms



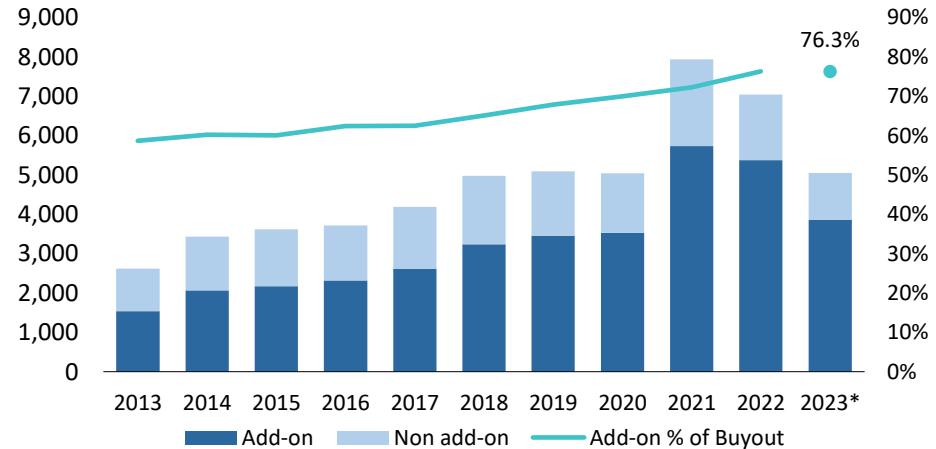
Deal Activity Supported by PE-Backed Strategics



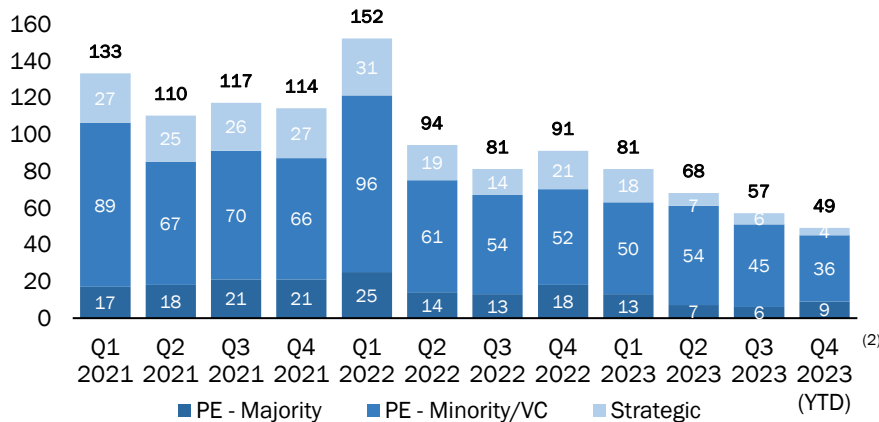
U.S. deal volume in continued decline



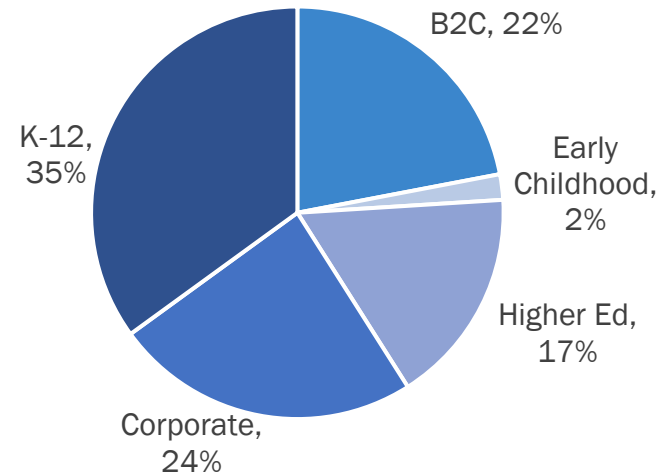
Majority of U.S. PE deal activity were add-ons in 2023



U.S. Edtech deal volume has declined; PE majority buyout activity showing signs of rebound



Subsectors such as K-12 represent most active markets due to secular trends



(1) All transaction volume only includes closed transactions

(2) Figures as of QTD December 15, 2023; *Year to date through December 15, 2023

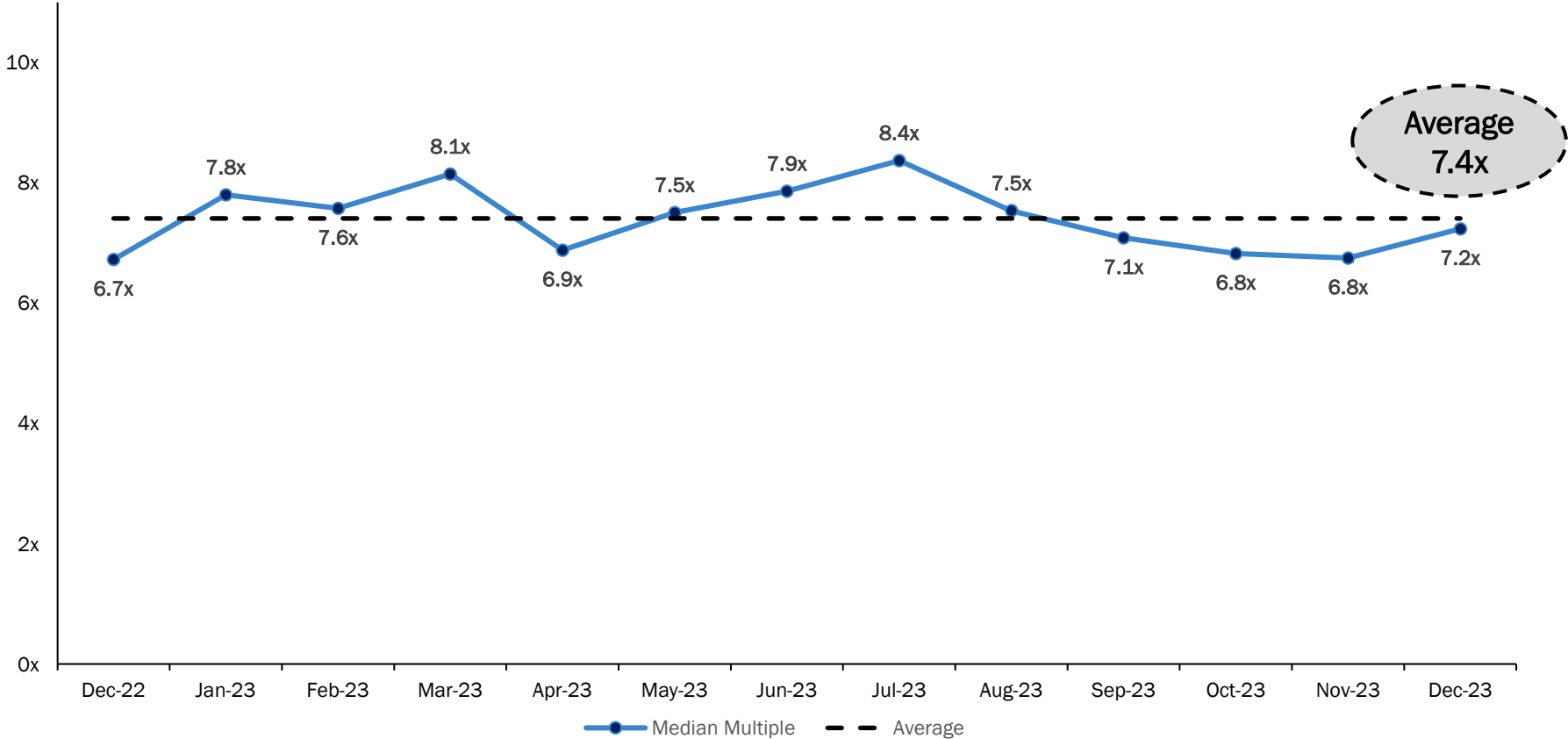
Sources: PitchBook, Wall Street Research

Despite Declines in Deal Volume, Overall SaaS Valuations Remain Strong



While markets have faced volatility in 2023, investor outlook on SaaS company valuations are on the uptick

Public Company SaaS Capital Index EV / Revenue ⁽¹⁾₍₂₎

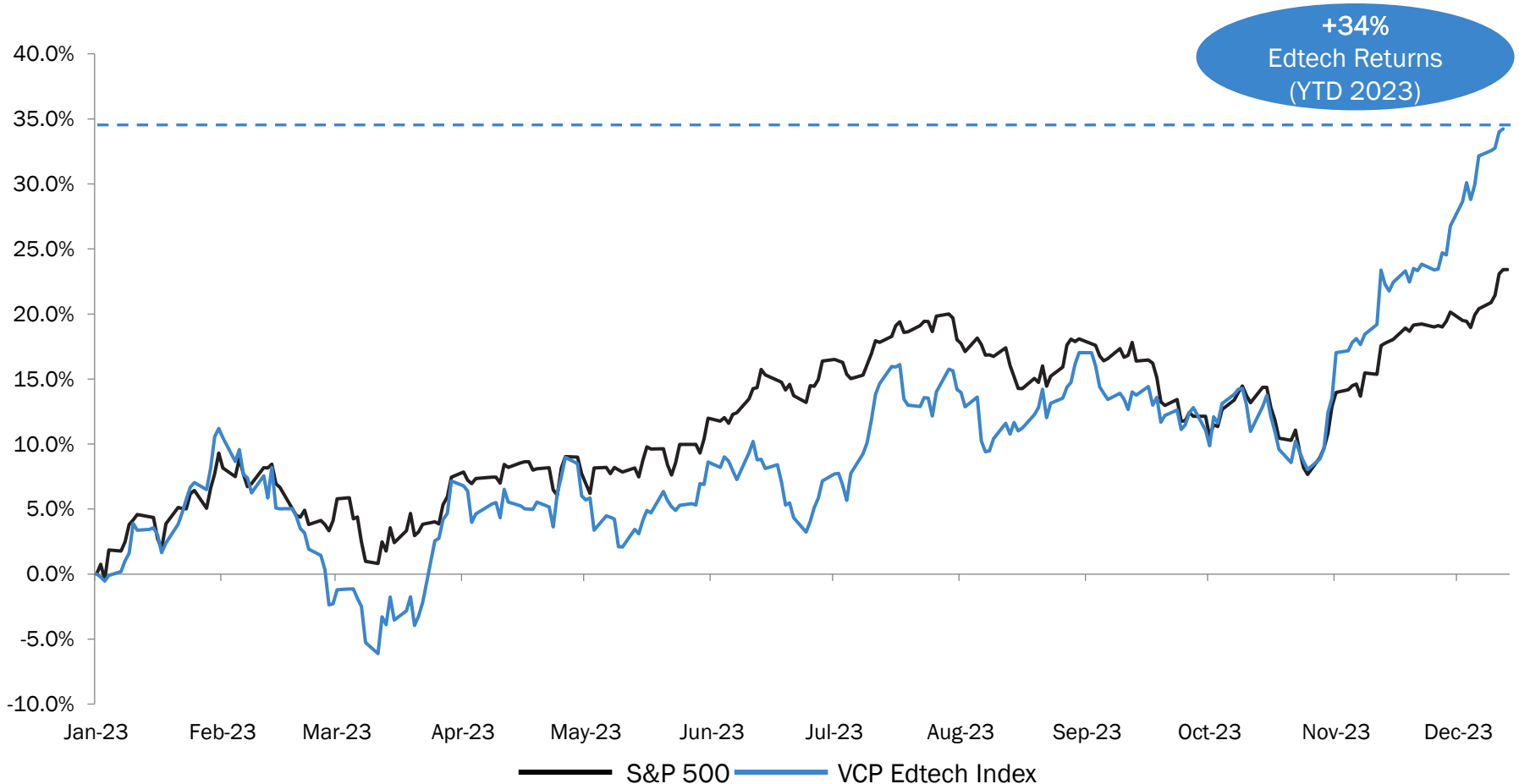


(1) Index created by SaaS Capital
(2) Multiple of Market Cap to Annualized Current Run Rate Revenue
Source: SaaS Capital Index (SCI) Valuation Multiples, PitchBook

Edtech Valuations Rebounding Q4

Public Edtech companies followed the S&P closely in 2023 and have realized stronger performance towards end of the year

VCP Public Company Edtech Index vs. S&P 500 (YTD 2023) ⁽¹⁾ ⁽²⁾ ⁽³⁾



+34%
Edtech Returns
(YTD 2023)

(1) Index includes companies presented in the Education Technology public comps, excluding Duolingo, Chegg and 2U due to outlier performance
(2) Market cap weighted index
(3) As of December 15, 2023

Source: PitchBook

Education Technology

Company	Valuation Metrics (Per Latest LTM)							
	Enterprise Value ⁽¹⁾	Revenue	EBITDA	Margin ⁽²⁾	3-Year Rev CAGR ⁽³⁾	EV/Rev	EV/EBITDA	
Duolingo	\$ 9,116	\$ 484	\$ (30)	NM	86.2%	18.8x	NM	
PowerSchool	5,536	677	148	21.9%	22.8%	8.2x	37.4x	
Blackbaud, Inc.	5,410	1,085	107	9.9%	6.1%	5.0x	NM	
Instructure	4,209	520	141	27.2%	26.2%	8.1x	29.8x	
Stride, Inc.	2,992	1,892	329	17.4%	17.9%	1.6x	9.1x	
Coursera Inc	2,483	609	(152)	NM	48.9%	4.1x	NM	
Udemy	1,952	705	(129)	NM	36.6%	2.8x	NM	
Chegg, Inc.	1,629	734	138	18.8%	9.1%	2.2x	11.8x	
Docebo	1,331	171	(2)	NM	44.5%	7.8x	NM	
2U, Inc.	1,027	926	(95)	NM	8.6%	1.1x	NM	
Learning Technologies Group	863	726	119	16.4%	63.6%	1.2x	7.2x	
HealthStream	743	277	57	20.4%	4.1%	2.7x	13.1x	
D2L, Inc.	287	167	(12)	NM	15.1%	1.7x	NM	
Nerdy	257	180	(70)	NM	25.8%	1.4x	NM	
Mean				18.9%	29.7%	4.8x	18.1x	

(1) Enterprise value as of December 15, 2023

(2) EBITDA Margin <0% or EV/EBITDA multiples <0.0x or >40.0x are considered Not Meaningful ("NM")

(3) CAGR based on 2020-2023 TTM Revenue; Source: PitchBook

Select Public Comps (Continued)



Education Training & Tech-enabled Services

Company	Valuation Metrics (Per Latest LTM)							
	Enterprise Value ⁽¹⁾	Revenue	EBITDA	Margin ⁽²⁾	3-Year Rev CAGR ⁽³⁾	EV/Rev	EV/EBITDA	
Pearson plc	\$ 9,733	\$ 4,729	\$ 1,211	25.6%	2.1%	2.1x	8.0x	
Graham Holdings Company	3,484	4,312	731	17.0%	14.6%	0.8x	4.8x	
Adtalem Global Education Inc.	3,079	1,466	308	21.0%	18.5%	2.1x	10.0x	
John Wiley & Sons, Inc.	2,732	1,961	112	5.7%	1.7%	1.4x	24.3x	
Scholastic Corporation	1,242	1,670	130	7.8%	4.3%	0.7x	9.6x	
Perdoceo Education Corporation	599	738	196	26.6%	2.8%	0.8x	3.1x	
Franklin Covey	517	281	36	12.8%	12.2%	1.8x	14.4x	
Mean				16.6%	8.0%	1.4x	10.6x	

(1) Enterprise value as of December 15, 2023

(2) EBITDA Margin <0% or EV/EBITDA multiples <0.0x or >40.0x are considered Not Meaningful ("NM")

(3) CAGR based on 2020-2023 TTM Revenue; Source: PitchBook

Select 2023 M&A Transactions (Edtech)



Announced Date	Acquirer	Target	Deal Size (\$MM)	Revenue	EV/Revenue
11/29/2023	ParentSquare	Remind	-	-	-
11/29/2023	Curriculum Associates	SoapBox Labs	-	-	-
10/30/2023 ¹	Instructure	Parchment	\$835	\$115	7.3x
10/12/2023	Discovery Education	Dreambox Learning	-	-	-
08/10/2023	General Atlantic, Dragoneer Investments	Arco Platform	\$1500	\$375	4.0x
07/14/2023	GSAM	Kahoot!	\$1716	\$157	10.9x
07/11/2023	PowerSchool Inc.	SchoolMessenger	\$300	CONF	CONF
06/12/2023	Marlin Equity	LineLeader	-	-	-
05/19/2023	JMI Equity	Apptegy	CONF	CONF	CONF
04/25/2023	Raptor Technologies	SchoolPass	CONF	CONF	CONF
04/03/2023	Five Arrows	n2y	CONF	CONF	CONF
03/02/2023	IXL Learning	Teachers Pay Teachers	-	-	-
02/21/2023	Renaissance	GL Education	-	-	-
01/24/2023	Cordance	Hapara	CONF	CONF	CONF
01/11/2023	HMH	NWEA	CONF	CONF	CONF

¹ Transaction value includes \$40MM of tax assets which would make the net transaction value \$795MM
Sources: PitchBook and VCP. "CONF" reflects confidential VCP data

Select 2023 M&A Transactions (Education Training & Tech-enabled Services)



Announced Date	Acquirer	Target	Deal Size (\$MM)	Revenue	EV/Revenue
12/12/2023	Exeter Street Capital	SmartLab	-	-	-
12/06/2023	ACI Learning	Infosec Learning	-	-	-
11/27/2023	TJC	L3 Harris Academy	\$800	-	-
11/20/2023	Colibri Group	TRC Healthcare	-	-	-
11/14/2023	Academic Partnerships	Wiley University Services	\$150	\$209	0.7x
10/11/2023	Spin Master	Melissa & Doug	\$950	\$489	1.9x
08/22/2023	Noodle	Meteor Learning	-	-	-
05/18/2023	University of Idaho	University of Phoenix	\$550	-	-
04/25/2023	BPEA EQT	IMG Academy	\$1250	-	-
03/13/2023	SAGE Publishing	Epigeum	-	-	-

VCP is a Leading, Trusted Advisory Partner to Education Companies



Select Closed Transactions by VCP Principals

<p><i>Unannounced Transaction</i></p> <p>K-12 Data Systems</p>	<p> Step By Step Learning <i>...learning one step at a time</i></p> <p>has been acquired by MGT a portfolio company of VISTRIA</p> <p>Literacy & Professional Development</p>	<p> SCHOOLPASS a portfolio company of LEVEL EQUITY</p> <p>has been acquired by RAPTOR TECHNOLOGIES a portfolio company of JMI THOMABRAVO</p> <p>Safety and Operations</p>	<p> SchoolStatus</p> <p>has received an investment from PSG <small>PROVIDENCE STRATEGIC GROWTH</small></p> <p>Data & Communications</p>	<p>nwea has acquired certain assets of Questar from ETS</p> <p>Education Software</p>	<p> Insight <small>EDUCATION GROUP</small> Insight ADVANCE</p> <p>have been acquired by LEARNERS EDGE a portfolio company of QUAD-C</p> <p>Software & Services</p>
<p> edlio</p> <p>has received an investment from LLRpartners</p> <p>Content Management</p>	<p> Scrimmage</p> <p>has been acquired by ACTO a portfolio company of RESOLVE</p> <p>Learning Mgmt. System</p>	<p> SMART SPARROW</p> <p>has sold select assets to Pearson</p> <p>Adaptive Learning</p>	<p>Forbes</p> <p>has formed an alliance with bridgepoint</p> <p>Online Learning</p>	<p>TEACHERS-TEACHERS.COM a portfolio company of FTL CAPITAL</p> <p>has been acquired by frontline education a portfolio company of INSIGHT PARTNERS</p> <p>Human Capital</p>	<p> chalkable</p> <p>has been acquired by PowerSchool a portfolio company of VISTA EQUITY PARTNERS</p> <p>Student Information System</p>
<p> RENOVUS CAPITAL</p> <p>has made an investment to red nucleus</p> <p>Corporate Training</p>	<p>LEEDS Equity Partners</p> <p>has acquired PROJECT MANAGEMENT ACADEMY</p> <p>Test Preparation</p>	<p> eSD eSchoolData</p> <p>has been acquired by io education a portfolio company of LLRpartners</p> <p>Student and Data Management</p>	<p> Rubicon International</p> <p>has received an investment from QUAD PARTNERS</p> <p>Curriculum Design</p>	<p> ilsc EDUCATION GROUP</p> <p>has recapitalized with QUAD PARTNERS</p> <p>English Language Training</p>	<p> Sandbox & Co</p> <p>has acquired FEN Learning including Poptropica Funbeats and other select assets from Pearson</p> <p>Digital Education</p>

Peter Yoon

Managing Director
pyoon@vicksburgcp.com

Peter has 20 years of investment banking experience across a wide range of technology and technology-enabled verticals including the education, media, and healthcare services sectors. Prior to founding Vicksburg Capital Partners, Peter led the Education Group at Berkery Noyes, specializing in Edtech across the post-secondary, preK-12, childcare services and corporate training areas. He has advised technology companies on matters relating to mergers and acquisitions, financings and general business development. Peter has also structured, financed and executed transactions as an investor. He was formerly a banker in the Media, Communications and Technology investment banking group at the Bank of Montreal and the Media investment banking group at UBS. Peter also served in the US Army as an attack helicopter pilot. In addition, he holds a BS in Economics from the United States Military Academy and an MBA from the NYU Stern School of Business.

Sameer Pal

Managing Director
spal@vicksburgcp.com

Sameer has nearly 20 years of M&A transaction experience across over \$1BN in closed deal volume. Previous roles include: lead M&A banker for SunTrust Robinson Humphrey's (n/k/a Truist) financial technology practice; senior banker at Berkery Noyes & Co., focusing on technology businesses across the education, HR, financial, and B2B sectors; co-lead of the merchant banking practice at Avondale Strategic Partners, making principal investments in and providing M&A advisory services to middle market companies; investment banker with Crowe Capital Markets, executing a wide range of sell-side, buy-side, divestiture, and capital raising transactions. Sameer holds a BS with High Distinction in Finance, Accounting, and Economics from the Kelley School of Business at Indiana University and an MBA from the NYU Stern School of Business.

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