



## *Education Market Update*

June 2020

# EDUCATION UPDATE COMMENTARY

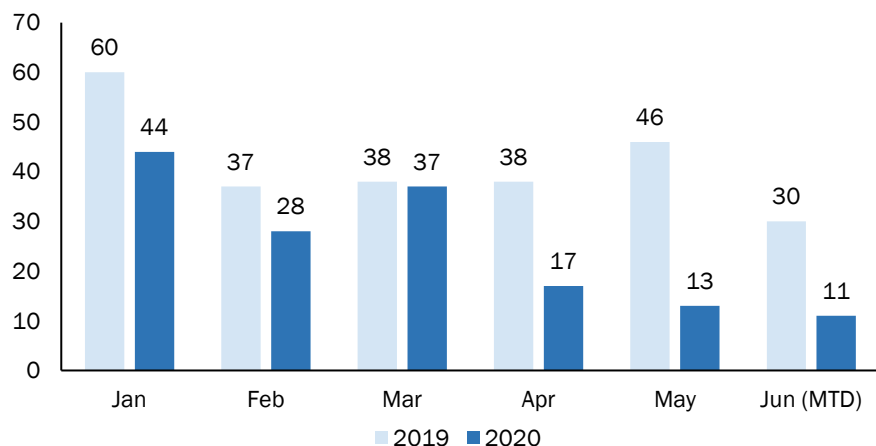
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- **Broad shutdown caused by COVID-19 has brought tremendous challenges to the education sector**
  - Higher education institutions face uncertain enrollments in the coming fall semester and preK-12 schools are still determining how classes will be conducted during the next school year. In addition, the pandemic's effect on local and state funding to school systems and potential sharp budget cuts remain a cause of concern
  - External spend on training typically decreases during a downturn, and with declining revenues and continuing furloughs, it seems increasingly likely that the corporate training sector will see significant headwinds in the near term
- **At the same time, disruption means new opportunity**
  - Schools are leveraging technology to move programs online, creating a growth opportunity for eLearning services and OPM providers
  - Remote learning brings challenges in student success and retention. Services such as adaptive learning, gamification, and mobile learning may see an increase in demand, as schools try to improve student experience and learning effectiveness in a remote learning environment
  - Technologies that enable remote collaboration and process improvement may see increased popularity. Edtech companies that provide a central platform for training, events management, and process automation should experience top line growth
  - The global pandemic dramatically increased the public's attention on the healthcare sector. With healthcare providers and life sciences companies ramping up research and production, Edtech companies serving the life sciences sector could see a tremendous growth opportunity
- **Market continues to recover from the February/March selloff due to COVID-19, despite dampened M&A activity**
  - Education Index companies<sup>(1)</sup> post positive return for 2020 YTD, although significant volatility remains in the market
  - Decreasing deal activity likely due to many processes put on hold due to the immediate uncertainty and getting comfort around conducting all due diligence remotely

(1) Market Cap-weighted index compositing education companies listed on pgs. 4-6

# EDUCATION UPDATE

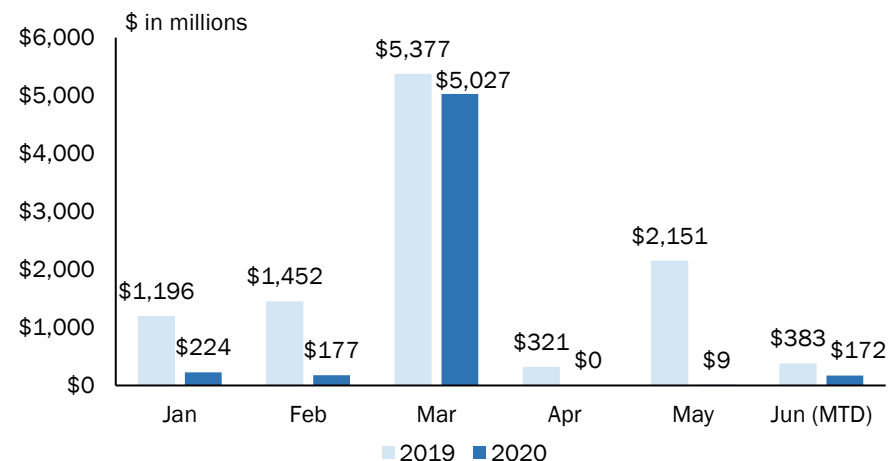
## Education & Edtech M&A Deal Volume Down from 2019



Note: Education and training services and educational software companies

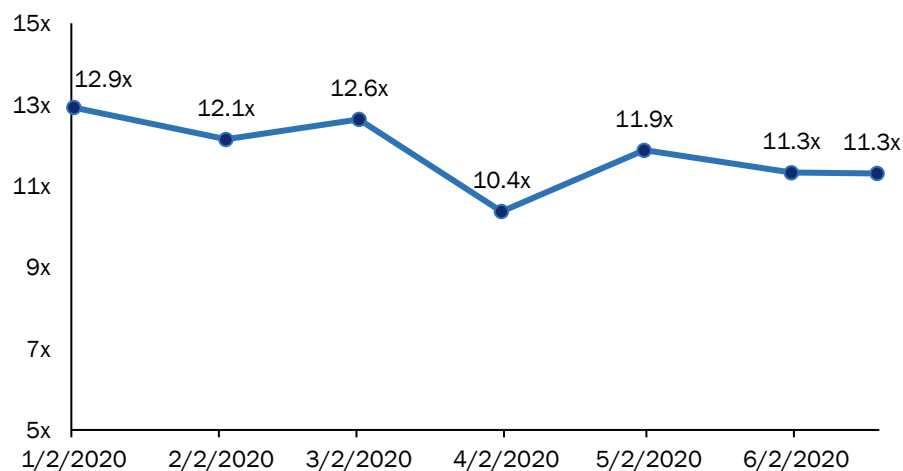
Source: Pitchbook

## Education & Edtech M&A Total Deal Value Declined YoY



Note: Deals with disclosed transaction value only. 2020 March deal value was driven by Thoma Bravo's acquisition of Instructure and a group of financial investors' acquisition of Galileo Education. Source: Pitchbook

## EV/EBITDA Declined Since the Beginning of 2020



Note: Median EV/EBITDA multiple for Education Index companies listed on pgs. 4-6

Source: Pitchbook, Capital IQ

## Despite Lower Volume, M&A Market Remains Active

Announced Date	Acquirer	Target	Target Category
06/04/20	Chegg	Mathway	Math Training
05/26/20	Top Hat	Nelson's Higher Ed Textbook Business	Educational Publishing
05/18/20	ACT	Scootpad	Adaptive Learning
05/05/20	Eagle Marsh Holdings; HCAP Partners; RLG Capital; Trinity	Elearning Brothers	eLearning Authoring Tool & LMS
04/28/20	Elearning Brothers	Trivantis	eLearning Authoring Tool
04/28/20	Elearning Brothers	Edulence Corporation	Learning Management System
04/28/20	UWorld, LLC	RxPrep, Inc.	Healthcare Exam Prep
03/24/20*	Thoma Bravo	Instructure	LMS & Employee Development
03/24/20	The Riverside Company	Red Nucleus Solutions	Bio Science Training
02/24/20	Cornerstone OnDemand	Saba Software	Talent Management

\* Acquisition closed in March 2020 and announced in December 2019

# PUBLICLY TRADED COMPANIES

(\$ in millions)

## K-12

Company Name	Enterprise Value <sup>(1)</sup>	Latest LTM			3-Year Rev CAGR	Valuation Multiples	
		Revenue	EBITDA	Margin <sup>(1)</sup>		EV/Rev	EV/EBITDA <sup>(1)</sup>
TAL Education Group (NYSE:TAL)	\$39,002	\$3,273	\$255	7.8%	46.4%	11.9x	NM
K12 Inc. (NYSE:LRN)	\$1,129	\$1,028	\$52	5.0%	4.8%	1.1x	21.8x
Houghton Mifflin Harcourt Company (NasdaqGS:HMHC)	\$961	\$1,386	-\$9	NM	-0.1%	0.7x	NM
Scholastic Corporation (NasdaqGS:SCHL)	\$872	\$1,668	\$68	4.1%	-1.9%	0.5x	12.8x
3P Learning Limited (ASX:3PL)	\$67	\$38	\$1	3.6%	1.2%	1.8x	NM
Janison Education Group Limited (ASX:JAN)	\$46	\$15	\$1	6.2%	20.7% <sup>(2)</sup>	3.1x	NM
<b>Median</b>	<b>\$916</b>	<b>\$1,207</b>	<b>\$27</b>	<b>5.0%</b>	<b>3.0%</b>	<b>1.4x</b>	<b>17.3x</b>

## Higher Ed

Company Name	Enterprise Value <sup>(1)</sup>	Latest LTM			3-Year Rev CAGR	Valuation Multiples	
		Revenue	EBITDA	Margin <sup>(1)</sup>		EV/Rev	EV/EBITDA <sup>(1)</sup>
Chegg, Inc. (NYSE:CHGG)	\$8,552	\$445	\$59	13.3%	21.2%	19.2x	NM
Pearson plc (LSE:PSON)	\$6,989	\$5,159	\$642	12.4%	-5.3%	1.4x	10.9x
Grand Canyon Education, Inc. (NasdaqGS:LOPE)	\$4,497	\$803	\$301	37.5%	-3.5%	5.6x	14.9x
Laureate Education, Inc. (NasdaqGS:LAUR)	\$3,984	\$3,178	\$495	15.6%	-8.8%	1.3x	8.1x
Blackbaud, Inc. (NasdaqGS:BLKB)	\$3,537	\$908	\$106	11.6%	6.7%	3.9x	33.4x

(1) Enterprise value as of June 19, 2020. EBITDA Margin <0% or EV/EBITDA multiples <0.0x or >40.0x are considered Not Meaningful ("NM"). Source: Capital IQ

(2) 2-year revenue CAGR

## PUBLICLY TRADED COMPANIES (CONTINUED)

(\$ in millions)

Higher Ed							
Company Name	Enterprise Value <sup>(1)</sup>	Latest LTM			3-Year Rev CAGR	Valuation Multiples	
		Revenue	EBITDA	Margin <sup>(1)</sup>		EV/Rev	EV/EBITDA <sup>(1)</sup>
John Wiley & Sons, Inc. (NYSE:JW.A)	\$3,050	\$1,831	\$275	15.0%	2.1%	1.7x	11.1x
2U, Inc. (NasdaqGS:TWOU)	\$2,457	\$628	-\$104	NM	41.2%	3.9x	NM
Adtalem Global Education Inc. (NYSE:ATGE)	\$2,207	\$1,282	\$254	19.8%	-4.4%	1.7x	8.7x
Graham Holdings Company (NYSE:GHC)	\$2,174	\$2,972	\$423	14.2%	6.5%	0.7x	5.1x
Cengage Learning Holdings II, Inc. (OTCPK:CNGO)	\$2,050	\$1,315	\$190	14.4%	-3.4%	1.6x	10.8x
Perdoceo Education Corporation (NasdaqGS:PRDO)	\$867	\$641	\$141	22.0%	-1.4%	1.4x	6.1x
Proeduca Altus, S.A. (BME:PRO)	\$422	\$142	\$27	19.3%	25.9%	3.0x	15.4x
Rosetta Stone Inc. (NYSE:RST)	\$385	\$185	-\$1	NM	-1.5%	2.1x	NM
Universal Technical Institute, Inc. (NYSE:UTI)	\$336	\$337	\$22	6.6%	0.1%	1.0x	15.2x
Lincoln Educational Services Corporation (NasdaqGS:LINC)	\$182	\$280	\$17	6.0%	0.0%	0.6x	10.8x
Tribal Group plc (AIM:TRB)	\$127	\$104	\$1	1.1%	-4.7%	1.2x	NM
Zovio Inc (NasdaqGS:ZVO)	\$55	\$406	-\$17	NM	-8.1%	0.1x	NM
<b>Median</b>	<b>\$2,174</b>	<b>\$641</b>	<b>\$106</b>	<b>14.3%</b>	<b>-1.4%</b>	<b>1.6x</b>	<b>10.9x</b>

(1) Enterprise value as of June 19, 2020. EBITDA Margin <0% or EV/EBITDA multiples <0.0x or >40.0x are considered Not Meaningful ("NM"). Source: Capital IQ

# PUBLICLY TRADED COMPANIES (CONTINUED)

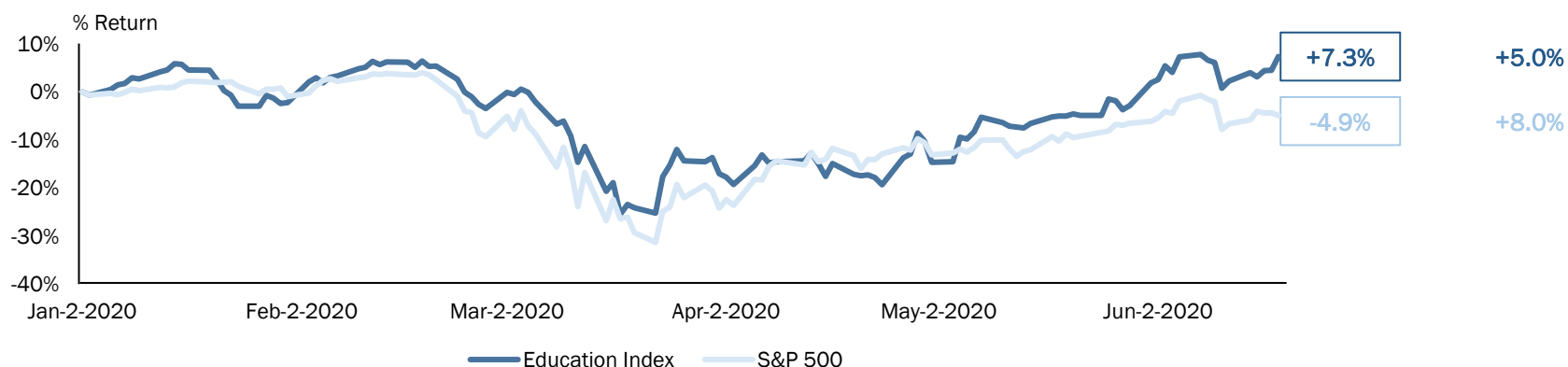
(\$ in millions)

## Corporate Training

Company Name	Enterprise Value <sup>(1)</sup>	Latest LTM			3-Year Rev CAGR	Valuation Multiples	
		Revenue	EBITDA	Margin <sup>(1)</sup>		EV/Rev	EV/EBITDA <sup>(1)</sup>
Cornerstone OnDemand, Inc. (NasdaqGS:CSOD)	\$2,430	\$587	\$29	4.9%	10.4%	4.1x	NM
Pluralsight, Inc. (NasdaqGS:PS)	\$2,011	\$340	-\$142	NM	37.7% <sup>(2)</sup>	5.9x	NM
Learning Technologies Group plc (AIM:LTG)	\$1,214	\$173	\$52	30.0%	66.4%	7.0x	23.3x
HealthStream, Inc. (NasdaqGS:HSTM)	\$594	\$250	\$34	13.7%	3.8%	2.4x	17.3x
Franklin Covey Co. (NYSE:FC)	\$326	\$234	\$19	8.2%	6.8%	1.4x	17.0x
GP Strategies Corporation (NYSE:GPX)	\$227	\$572	\$23	3.9%	4.8%	0.4x	10.1x
LAIX Inc. (NYSE:LAIX)	\$83	\$141	-\$96	NM	103.0% <sup>(2)</sup>	0.6x	NM
<b>Median</b>	<b>\$594</b>	<b>\$250</b>	<b>\$23</b>	<b>8.2%</b>	<b>10.4%</b>	<b>2.4x</b>	<b>17.1x</b>

## Education Index Performance (2020 YTD)<sup>(3)</sup>

## 5-Year CAGR



(1) Enterprise value as of June 19, 2020. EBITDA Margin <0% or EV/EBITDA multiples <0.0x or >40.0x are considered Not Meaningful ("NM"). Source: Capital IQ







(2) 2-year revenue CAGR

(3) Market Cap-weighted index composed of companies listed on pgs. 4-6. As of June 19, 2020





## SELECT M&A TRANSACTIONS

(\$ in millions)

### K-12

Announced Date	Acquirer	Target	Transaction Size	EV/Revenue	EV/EBITDA
6/4/2020			\$115 <sup>(1)</sup>	8.8x	-
6/1/2020			-	-	-
5/18/2020		 <small>Powered by ACT</small>	-	-	-

### Higher Ed

Announced Date	Acquirer	Target	Transaction Size	EV/Revenue	EV/EBITDA
4/28/2020			-	-	-
1/16/2020			P	P	P
12/4/2019			\$2,000	7.7x	-

Source: Capital IQ and VCP. "P" stands for "VCP Proprietary Info"











(1) Includes \$15 million earnout

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## SELECT M&A TRANSACTIONS (CONTINUED)

(\$ in millions)

### Higher Ed

Announced Date	Acquirer	Target	Transaction Size	EV/Revenue	EV/EBITDA
7/1/2019	 <b>WILEY</b>		\$56	4.0x	-
4/8/2019			\$750	5.6x	-
3/12/2019			\$35	P	-
4/16/2018	   THE ADECCO GROUP		\$413	P	-
5/2/2017			\$103	6.1x	-

### Corporate Training

Announced Date	Acquirer	Target	Transaction Size	EV/Revenue	EV/EBITDA
5/19/2020			\$80	-	-
5/5/2020	   		-	-	-

Source: Capital IQ and VCP. "P" stands for "VCP Proprietary Info"













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## SELECT M&A TRANSACTIONS (CONTINUED)

(\$ in millions)

### Corporate Training

Announced Date	Acquirer	Target	Transaction Size	EV/Revenue	EV/EBITDA
4/28/2020	 elearning brothers	<b>Trivantis</b> <sup>®</sup>	-	-	-
4/28/2020	 elearning brothers	 knowledge link <small>a product of Edulence<sup>®</sup></small>	-	-	-
3/24/2020	 Riverside	 red nucleus	P	P	P
2/24/2020	 Cornerstone	 saba	\$1,295	-	-
1/17/2020	 Clarivate	 DRG <small>DECISION RESOURCES GROUP</small>	\$950	-	12.0x
9/30/2019	LEEDS   Equity Partners	<b>VitalSmarts</b> <sup>®</sup>	-	-	-
8/7/2019	 absorb	 eelogic <small>LEARNING An Absorb Software Company</small>	-	-	-
6/14/2019	Morgan Stanley Global Private Equity	 PROJECT MANAGEMENT ACADEMY <sup>®</sup>	P	-	-









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## SELECT M&A TRANSACTIONS (CONTINUED)

(\$ in millions)

### Corporate Training

Announced Date	Acquirer	Target	Transaction Size	EV/Revenue	EV/EBITDA
4/15/2019	 ADT ALEM GLOBAL EDUCATION	 OnCourse Learning Financial Services Unit	\$121	3.9x	-
9/17/2018	 Bertelsmann Education Group	 OnCourse Learning	-	-	-
5/1/2018	 GP STRATEGIES®	 ic.axon A Division of GP Strategies	\$34	-	-
10/18/2016	 R RENOVUS CAPITAL	 rednucleus	P	P	P

### Educational Publisher

Announced Date	Acquirer	Target	Transaction Size	EV/Revenue	EV/EBITDA
5/26/2020	 TOP HAT	Nelson's Higher Ed Titles	-	-	-

Source: Capital IQ and VCP. "P" stands for "VCP Proprietary Info"

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# VCP AT A GLANCE

VCP was founded to provide sophisticated, trusted M&A advice and best-in-class transaction execution by dedicated, experienced principals to middle market technology-oriented businesses

## 36 Years

Combined M&A experience between principals

## 7.7x

Average EV / Revenue multiple for the last five sell-side M&A transactions

## \$2BN+

Combined closed transaction volume between VCP principals

## 20+

Transactions led by VCP professionals last five years

## VCP Sample Sector Coverage

### Learning & Development

- Adaptive Learning
- Corporate Training
- Test Preparation & Certification

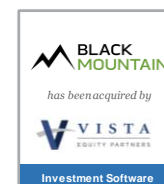
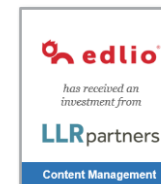
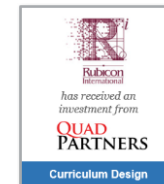


### Education & EdTech

- Child Care Services
- PreK-12
- Higher Education & Post-Secondary



### Financial Sponsors



# SELECT VCP CLOSED TRANSACTIONS

VCP has extensive transaction experience

 <p>select assets acquired by</p>  <p><b>Adaptive Learning</b></p>	 <p>has received an investment from</p>  <p><b>Instructional Management</b></p>	 <p>has received an investment from</p>  <p><b>Content Management</b></p>	 <p>has received an investment from</p>  <p><b>Curriculum Design</b></p>	 <p>has received an investment from</p>  <p><b>Content Management</b></p>	 <p>has been acquired by</p>  <p>a portfolio company of</p>  <p><b>Student and Data Management</b></p>
 <p>has made an investment to</p>  <p><b>Corporate Training</b></p>	 <p>has acquired</p>  <p><b>Test Preparation</b></p>	 <p>has acquired</p>  <p>including</p>   <p>and other select assets from</p>  <p><b>Informal Learning</b></p>	 <p>has been acquired by</p>  <p><b>PreK-8 School</b></p>	 <p>a portfolio company of</p>  <p>has been acquired by</p>  <p>a portfolio company of</p>  <p><b>Job Search and Recruiting</b></p>	 <p>has been acquired by</p>  <p>a portfolio company of</p>  <p><b>Student Information System</b></p>
 <p>has been acquired by</p>  <p><b>Investment Software</b></p>	 <p>has acquired</p>  <p><b>Investment Data</b></p>	 <p>has received an investment from</p>  <p><b>Learning Management</b></p>	 <p>has been acquired by</p>  <p><b>Corporate Training</b></p>	 <p>has formed an alliance with</p>  <p><b>Online Learning</b></p>	 <p>recapitalized with</p>  <p><b>English Language Training</b></p>

Includes transactions closed by VCP principals in previous roles

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*For additional information or any inquiries, please contact:*



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