



## *Education Market Update*

May 2021

# EDUCATION UPDATE COMMENTARY

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- **As the country began reopening in the spring, the return to in-person learning varied vastly throughout the country**
  - As of March, 37% of fourth and eighth graders of schools surveyed by the U.S. Department of Education continue to learn fully remotely. Race has played a determining role, as 67% of Asian, 50% of Hispanic, and 49% of Black students were still learning virtually, whereas just 21% of white students were <sup>(1)</sup>
  - Where students live has partially guided this imbalance due both to political and population density factors. The survey found that rural schools are more likely than urban schools to offer full-time, in-person learning. Full-time, in-person learning is much more prevalent in the South and Midwest than the West and Northeast <sup>(1)</sup>
  - Driven by the pandemic, undergraduate enrollment dropped by 4.5% compared to last spring <sup>(2)</sup>; however, an increase in vaccinations rates have prompted many higher ed institutions to announce in person reopening plans for the fall <sup>(2)</sup>
  - Educators and policy makers continue to express concern that the prolonged period of remote learning is taking a significant toll on students' academic and emotional well-being
- **Stimulus funding via the American Rescue Plan is intended to help mitigate the pandemic's effect on education**
  - The American Rescue Plan has designated \$205 billion in funding for education, with ~\$123 billion going towards K-12 schools <sup>(3)</sup>
  - \$22 billion of the stimulus is ear-marked for learning loss. Learning loss is the deterioration in knowledge and learning due to difficulties presented by the current environment. A majority of learning loss has occurred in low-income and underserved communities where there is limited access to the technology necessary for proper virtual learning <sup>(3)</sup>
  - A McKinsey study demonstrated that learning loss is concentrated in schools that mostly have students of color. In these schools, students have scored 59% of their historical average in math and 77% in reading <sup>(3)</sup>
- **Market continues to rebound from COVID-19 sell-offs and will be catalyzed by stimulus funding**
  - Education Index companies<sup>(4)</sup> posts a slightly negative return for 2021 YTD, although moderate volatility remains in the market
  - As stakeholders have adapted to completing due diligence and other processes remotely, M&A activity has rebounded, and as the country continues to get vaccinated, in-person meetings are expected to return and bolster activity

(1) Source: Institute of Education Sciences

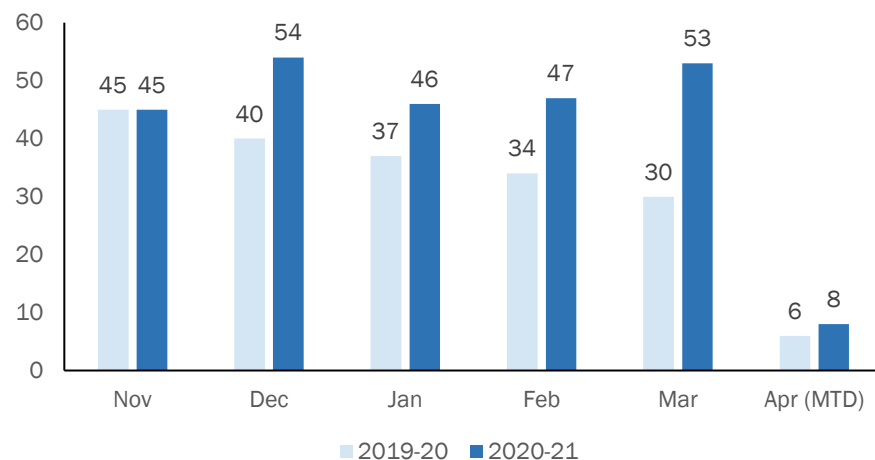
(2) Source: Inside Higher Ed

(3) Source: McKinsey & Company

(4) Market Cap-weighted index compositing education companies listed on pgs. 5-7

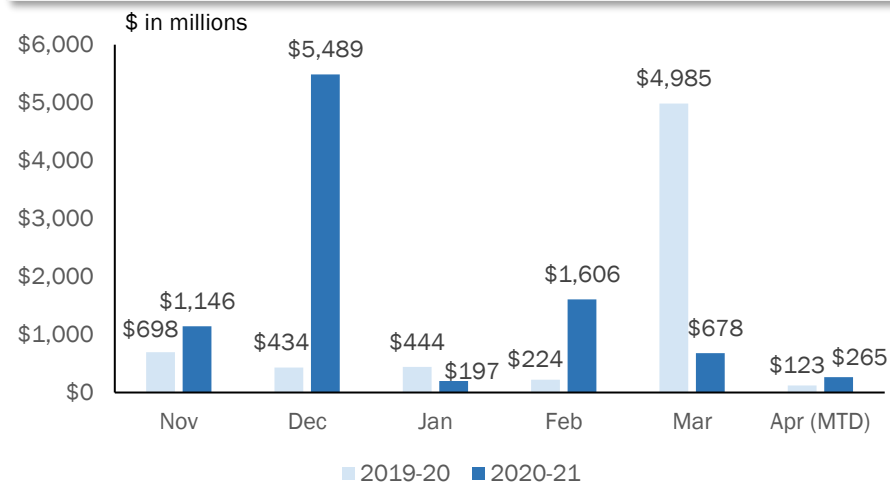
# EDUCATION ACTIVITY CONTINUES TO SHOW SIGNS OF GROWTH

## Education & Edtech M&A Deal Volume Up from 2019-20



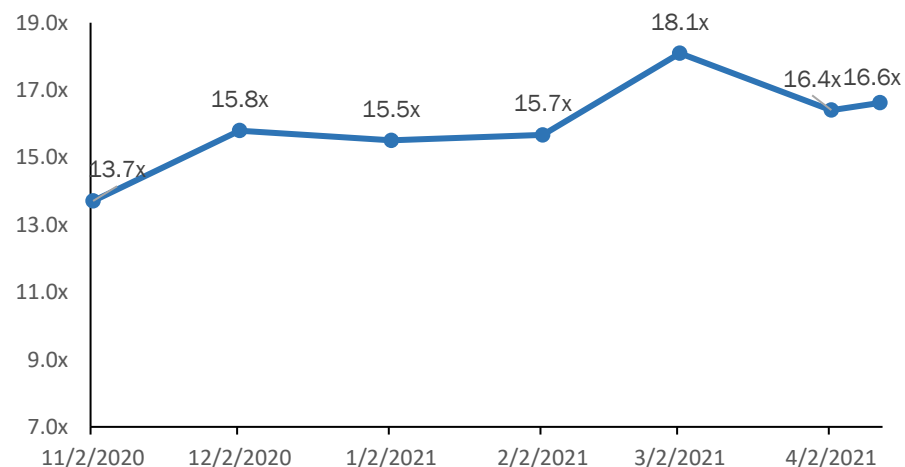
Note: Education and training services  
Source: CapIQ

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



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

## EV/EBITDA Has Increased Over the Last 6 Months



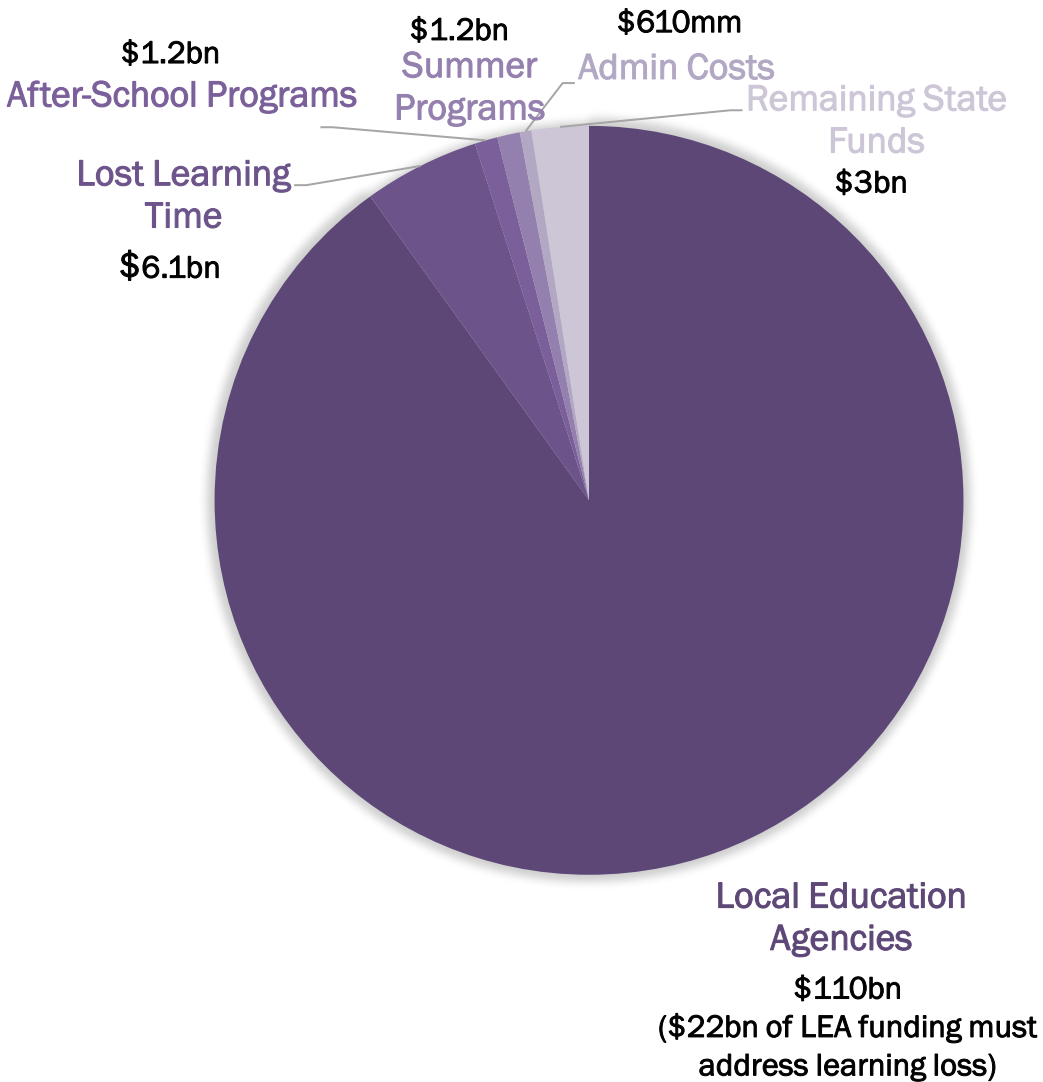
Note: Median EV/EBITDA multiple for Education Index companies listed on pgs. 5-7  
Source: Capital IQ

## M&A Market Has Been Active

Announced Date	Acquirer	Target	Target Category
05/06/21	Kahoot	Clever	eLearning Tools
02/26/21	TES Global Limited	SchoolCloud	Schedulign Software for Schools
02/26/21	Pearson Education	Spotlight Education	Student Analytics via Video
02/19/21	Renaissance Learning	Nearpod	Online Learning Platform
02/16/21	Learning Technologies Group	Bridge	LMS & Employee Development
02/11/21	Colibri Group	BrightPath Education	Real Estate Exam Prep
02/04/21	IXL Learning	Wyzant	Tutoring Provider
01/14/21	Teachers of Tomorrow	SimpleK12	Professional Development
12/14/20	Vista Equity Partners	Pluralsight	IT Online Training
12/10/20	Quad-C Management	Learners Edge	Teacher Continuing Education
12/01/20	Vistria Group	Edmentum	Digital Courseware

# AMERICAN RESCUE PLAN FUNDING BREAKDOWN

\$123 Billion designated for K-12 Education<sup>(1)</sup>



- Through the American Rescue Plan and the COVID-19 relief bills enacted in March and December of 2020, public schools will receive \$195 billion in aid from the federal government; nearly double the \$100 billion received in the 2009 American Recovery and Reinvestment Act<sup>(2)</sup>
- President Biden has highlighted the “loss of learning” and other effects COVID-19 has had on children
- As the legislation worked its way through Congress, lawmakers included mandatory support for learning recovery efforts (20% of LEA funding), created dedicated funding streams for summer enrichment, after-school school programs, private schools and special education<sup>(2)</sup>
- Not included in the chart, the bill also includes \$350 billion for state, local, territorial and tribal governments, and \$7 billion for the federal E-Rate program to provide students with internet service and internet-connected devices<sup>(2)</sup>; funding streams that should partially trickle down to schools

(1) Source: Learning Policy Institute

(2) Source: Edweek

# 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)	\$31,838	\$3,991	\$172	4.3%	46.4%	8.0x	NM
Stride, Inc. (NYSE:LRN)	\$1,497	\$1,273	\$109	8.6%	5.4%	1.2x	13.7x
Houghton Mifflin Harcourt Company (NasdaqGS:HMHC)	\$1,480	\$1,031	-\$21	NM	-8.1%	1.4x	NM
Scholastic Corporation (NasdaqGS:SCHL)	\$998	\$1,183	-\$15	NM	-5.1%	0.8x	NM
3P Learning Limited (ASX:3PL)	\$131	\$43	\$0	NM	-1.9%	3.0x	NM
Janison Education Group Limited (ASX:JAN)	\$116	\$20	-\$1	NM	11.1%	5.7x	NM
<b>Median</b>	<b>\$1,239</b>	<b>\$1,107</b>	<b>-\$1</b>	<b>6.4%</b>	<b>1.8%</b>	<b>2.2x</b>	<b>13.7x</b>

## Higher Ed<sup>(2)</sup>

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)	\$12,908	\$644	\$122	19.0%	36.2%	20.0x	NM
Pearson plc (LSE:PERSON)	\$9,059	\$4,638	\$501	10.8%	-8.7%	2.0x	18.1x
Grand Canyon Education, Inc. (NasdaqGS:LOPE)	\$5,135	\$844	\$307	36.4%	-4.7%	6.1x	16.7x
Laureate Education, Inc. (NasdaqGS:LAUR)	\$3,394	\$1,025	\$196	19.1%	-32.5%	3.3x	17.4x
Blackbaud, Inc. (NasdaqGS:BLKB)	\$3,897	\$913	\$122	13.3%	5.0%	4.3x	32.0x

(1) Enterprise value as of April 12, 2021. EBITDA Margin <0% or EV/EBITDA multiples <0.0x or >40.0x are considered Not Meaningful ("NM"). Source: Capital IQ

(2) Higher Ed publicly traded companies do not include Coursera which had its IPO on March 30.

## PUBLICLY TRADED COMPANIES (CONTINUED)

(\$ in millions)

### Higher Ed <sup>(2)</sup>

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)	\$4,240	\$1,880	\$322	17.1%	2.1%	2.3x	13.2x
2U, Inc. (NasdaqGS:TWOU)	\$2,705	\$775	-\$73	NM	39.3%	3.5x	NM
Adtalem Global Education Inc. (NYSE:ATGE)	\$2,072	\$1,083	\$251	23.1%	-4.5%	1.9x	8.3x
Graham Holdings Company (NYSE:GHC)	\$3,209	\$2,889	\$331	11.5%	3.7%	1.1x	9.7x
Cengage Learning Holdings II, Inc. (OTCPK:CNGO)	\$2,580	\$1,233	\$196	15.9%	-3.4%	2.1x	13.2x
Perdoceo Education Corporation (NasdaqGS:PRDO)	\$471	\$687	\$158	23.0%	4.8%	0.7x	3.0x
Proeduca Altus, S.A. (BME:PRO)	\$887	\$195	\$36	18.5%	27.2%	4.5x	24.7x
Universal Technical Institute, Inc. (NYSE:UTI)	\$346	\$290	\$5	1.6%	-2.5%	1.2x	NM
Lincoln Educational Services Corporation (NasdaqGS:LINC)	\$223	\$293	\$16	5.6%	3.8%	0.8x	13.7x
Tribal Group plc (AIM:TRB)	\$296	\$100	\$14	14.2%	-4.6%	3.0x	21.0x
Zovio Inc (NasdaqGS:ZVO)	\$121	\$397	\$9	2.3%	-5.8%	0.3x	13.2x
<b>Median</b>	<b>\$2,642</b>	<b>\$809</b>	<b>\$140</b>	<b>15.9%</b>	<b>-0.2%</b>	<b>2.2x</b>	<b>13.7x</b>

(1) Enterprise value as of April 12, 2021. EBITDA Margin <0% or EV/EBITDA multiples <0.0x or >40.0x are considered Not Meaningful ("NM"). Source: Capital IQ

(2) Higher Ed publicly traded companies do not include Coursera which had its IPO on March 30.

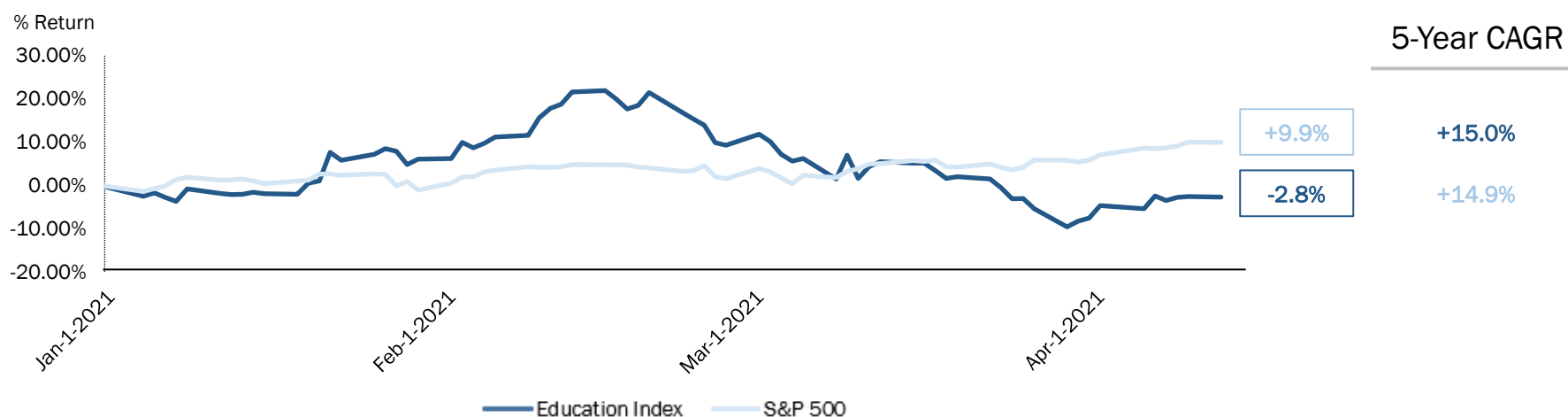
## PUBLICLY TRADED COMPANIES (CONTINUED)

(\$ 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)	\$4,040	\$741	\$113	15.3%	15.4%	5.5x	35.7x
Learning Technologies Group plc (AIM:LTG)	\$1,560	\$181	\$47	26.2%	37.6%	8.6x	33.0x
HealthStream, Inc. (NasdaqGS:HSTM)	\$680	\$245	\$35	14.3%	4.4%	2.8x	19.4x
Franklin Covey Co. (NYSE:FC)	\$406	\$183	\$17	9.5%	2.3%	2.2x	23.4x
GP Strategies Corporation (NYSE:GPX)	\$305	\$473	\$25	5.2%	-2.4%	0.6x	12.4x
LAIX Inc. (NYSE:LAIX)	\$79	\$143	-\$66	NM	41.5% <sup>(2)</sup>	0.6x	NM
<b>Median</b>	<b>\$543</b>	<b>\$214</b>	<b>\$30</b>	<b>14.3%</b>	<b>9.9%</b>	<b>2.5x</b>	<b>23.4x</b>

### Education Index Performance (2021 YTD)<sup>(3)</sup>



(1) Enterprise value as of April 12, 2021. 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. 5-7. As of April 12, 2021

# SELECT M&A TRANSACTIONS

(\$ in millions)

K-12

Announced Date	Acquirer	Target	Transaction Size	EV/Revenue	EV/EBITDA
5/6/2021	 Kahoot!	 Clever	\$435	9.9x	-
3/3/2021	 tes	 schoolcloud	-	-	-
2/26/2021	 Pearson	 spotlight	-	-	-
2/19/2021	 RENAISSANCE	 nearpod	\$650	P	-
2/4/2021	 IXL LEARNING	 wyzant	-	-	-
12/10/2021	 INSTRUCTURE	 CERTICA	P	P	-
12/1/2020	 VISTRIA	 edmentum	-	-	-
8/13/2020	 IXL LEARNING	 3P Learning	\$135	3.4x	12.9x

Source: Capital IQ and VCP. "P" reflects VCP proprietary data
















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## SELECT M&A TRANSACTIONS (CONTINUED)

(\$ in millions)

Higher Ed

Announced Date	Acquirer	Target	Transaction Size	EV/Revenue	EV/EBITDA
10/5/2020	 LIAISON	 TARGET	P	P	P
9/11/2020	 ADT ALEM GLOBAL EDUCATION	 WALDEN UNIVERSITY EDUCATION FOR GOOD®	\$1,480	-	8.4x
9/8/2020	 Colibri	 HomeCEU	-	-	-
9/2/2020	 EducationDynamics®	QuinStreet's Higher Ed Business	\$20	-	-
8/25/2020	 TOP HAT	 bluedoor	-	-	-
7/23/2020	 KNOWFULLY LEARNING GROUP	 CME Outfitters	-	-	-
7/21/2020	 UWorld YOUR WORLD OF LEARNING	 Themis BarReview	-	-	-
7/7/2020	 unacademy	 PrepLadder	\$50	-	-














Source: Capital IQ and VCP. "P" reflects VCP proprietary data

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## SELECT M&A TRANSACTIONS (CONTINUED)

(\$ in millions)

### Corporate Training

Announced Date	Acquirer	Target	Transaction Size	EV/Revenue	EV/EBITDA
2/11/2021	 Colibri	 BRIGHTPATH EDUCATION SERVICES	-	-	-
1/14/2021	TEACHERS of TOMORROW	 simpleK12 PROFESSIONAL DEVELOPMENT IN YOUR PAJAMAS	-	-	-
12/14/2020	 VISTA EQUITY PARTNERS	 PLURALSIGHT	\$3,500	9.3x	-
12/10/2020	 QUAD-C	 LEARNERS EDGE	P	P	P
12/10/2020	 Riverside	 cea clinical education alliance	P	P	P
11/17/2020	 Stride	 MedCerts	\$70	3.7x	17.5x
10/13/2020	CHURCHILL CAPITAL II	 skillsoft	\$1,300	2.0x <sup>(1)</sup>	8.0x <sup>(1)</sup>
10/13/2020	CHURCHILL CAPITAL II	 Global Knowledge	\$233	2.0x <sup>(1)</sup>	8.0x <sup>(1)</sup>

(1) Multiples are for combined entity

Source: Capital IQ and VCP. "P" reflects VCP proprietary data

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# VCP AT A GLANCE

Vicksburg Capital Partners (“VCP”) was founded to provide sophisticated, trusted advice and best-in-class transaction execution by dedicated, experienced principals to middle market technology 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 domestic & cross-border transaction volume between VCP principals

**20+**

Transactions led by VCP professionals last five years

## VCP Sample Sector Coverage

### M&A Services

- Sell-side Advisory
- Buy-side Advisory
- Cross-border Transactions
- Corporate Finance

LEEDS Equity Partners has acquired PROJECT MANAGEMENT ACADEMY® Test Preparation

RENOVUS CAPITAL has made an investment to red nucleus Corporate Training

SMART SPARROW has sold select assets to Pearson Adaptive Learning

### Education & EdTech

- Child Care Services
- PreK-12
- Higher Education
- Corporate Training

chalkable has been acquired by PowerSchool a portfolio company of VISTA Student Information System

ilsc EDUCATION GROUP recapitalized with QUAD PARTNERS English Language Training

the mandell school has been acquired by RocketHub Pre-K-8 School

### Financial Sponsors

TEACHERS-TEACHERS.COM a portfolio company of FTL CAPITAL has been acquired by frontline a portfolio company of INSIGHT Job Search and Recruiting

Rubicon has received an investment from QUAD PARTNERS Curriculum Design

edlio has received an investment from LLRpartners Content Management

BLACK MOUNTAIN has been acquired by VISTA EQUITY PARTNERS Investment Software

# SELECT VCP CLOSED TRANSACTIONS

VCP has extensive transaction experience in the education space

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