



# Market Update

## Education Technology & Services

Q1 2018

### Key Highlights

- The top subsector stock performer in Q1 2018 was Digital Educational Content & Services, up 14.9% quarter over quarter
- On average, EBITDA multiples for the subsectors increased 0.9x from the prior quarter and were up 0.5x on a year over year basis

### Lincoln International's Education Technology & Services Group

Lincoln International recognizes the importance of understanding a client's industry, value drivers, growth opportunities and challenges. Our extensive expertise provides in-depth market insights, deep relationships with the most active strategic and financial partners and superior knowledge on how to best position a business and overcome potential issues. These attributes, combined with our globally integrated resources and flawless execution, enable us to consistently deliver outstanding outcomes for our clients.

Lincoln International's dedicated Education Technology & Services Group has established itself among the most active M&A advisors in the mid-market. Our senior bankers provide sector-specific expertise, global buyer access and unmatched execution within the education technology & services space. This update tracks pricing and valuation metrics and transaction activity for three key education technology & services subsectors:

- Digital Educational Content & Services
- Education/Academic Publishers
- For-Profit Educational and Vocational Institution

## Selected Education Technology & Services Transactions

**Project Touchdown**

Company A

has acquired

an undisclosed provider of higher education student experience management solutions



**D C DREAM CENTER**  
**E H EDUCATION HOLDINGS, LLC**

has acquired certain assets from

**EDMC**  
Education Management Corporation

**South ARGOSY UNIVERSITY** **The Art Institutes**



**academicworks**

has been sold to

**blackbaud**



**PRAGMATIC MARKETING**

has been acquired by

**RENOVUS CAPITAL**

and

**petra CAPITAL PARTNERS**

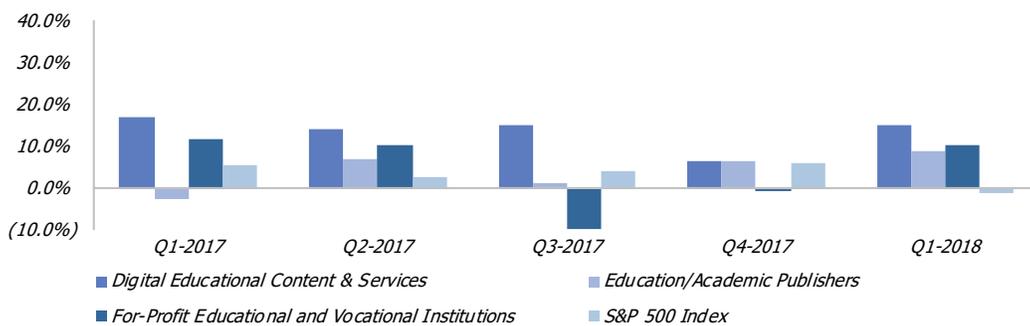


\* deal completed by Lincoln team members prior to joining the firm

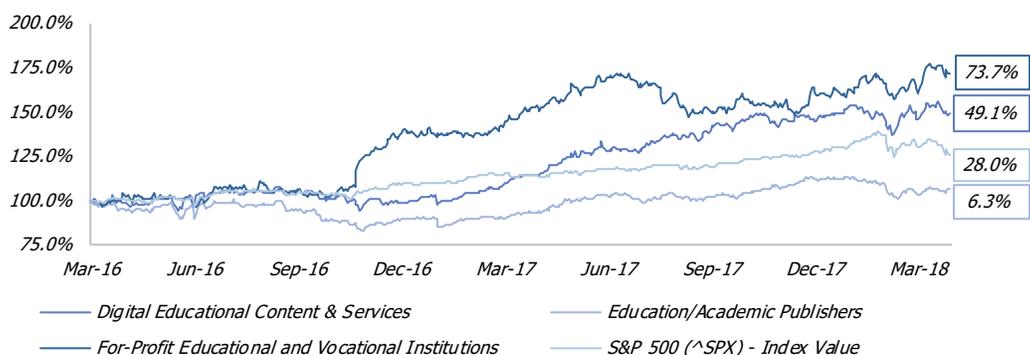
### Quarter over Quarter Price Performance

Outperformers	Change	Underperformers	Change
Cambium Learning Group, Inc.	97.2%	Houghton Mifflin Harcourt Company	(25.3%)
American Public Education, Inc.	71.7%	Tarena International, Inc.	(25.2%)
2U, Inc.	30.3%	Bridgepoint Education, Inc.	(18.8%)
Instructure, Inc.	27.3%	K12 Inc.	(10.8%)

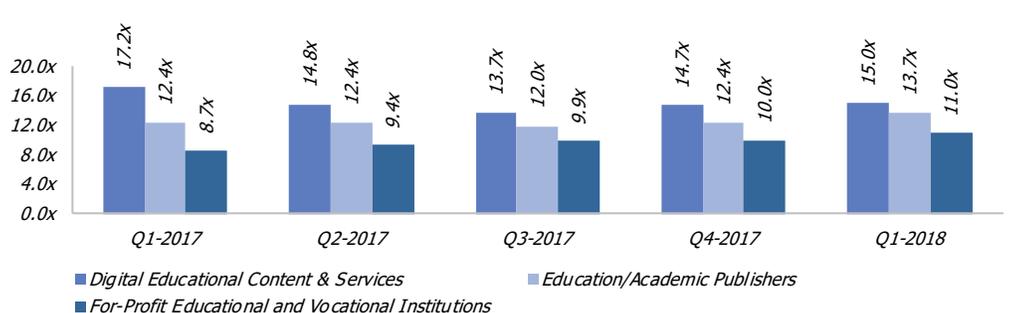
### Quarter over Quarter Stock Indices Price Change



### Two Year Relative Stock Indices Price Performance



### Historical Enterprise Value/EBITDA Valuation Performance



## Education Technology &amp; Services Stock Indices Data

Company Name	Stock Price	% of 52 Week High	Market Cap	Enterprise Value	LTM		YoY Revenue Growth	EBITDA Margin	Enterprise Value / LTM	
					Revenue	EBITDA			Revenue	EBITDA
<b>Digital Educational Content &amp; Services</b>										
2U, Inc.	\$84.03	92.3%	\$4,430	\$4,229	\$287	(\$11)	39.3%	(3.7%)	14.7x	NM
3P Learning Limited	1.13	84.1%	158	171	44	9	16.5%	19.9%	4.0x	18.8x
Blackbaud, Inc.	101.81	87.7%	4,767	5,175	788	134	7.9%	17.0%	6.6x	NM
Cambium Learning Group, Inc.	11.20	98.7%	525	564	158	31	3.8%	19.3%	3.6x	18.4x
Chegg, Inc.	20.66	89.0%	2,272	2,064	255	(2)	0.4%	(0.9%)	8.1x	NM
Instructure, Inc.	42.15	90.6%	1,406	1,365	159	(47)	43.2%	(29.3%)	8.6x	NM
New Oriental Education & Technology	87.65	80.9%	13,859	11,476	2,053	316	20.2%	15.4%	5.6x	NM
Pearson plc	10.51	96.5%	8,266	9,258	6,100	750	8.5%	12.3%	1.5x	10.4x
RELX NV	20.70	85.6%	41,117	47,776	9,941	3,021	16.8%	30.4%	4.7x	15.2x
RISE Education Cayman Ltd	15.31	82.3%	842	773	149	17	45.5%	11.1%	5.2x	NM
TAL Education Group	37.09	88.8%	18,577	17,539	1,527	230	46.4%	15.1%	11.5x	NM
Tarena International, Inc.	11.22	51.7%	631	459	303	37	33.3%	12.3%	1.5x	12.3x
<b>Mean</b>		<b>85.7%</b>					<b>23.5%</b>	<b>9.9%</b>	<b>6.3x</b>	<b>15.0x</b>
<b>Median</b>		<b>88.3%</b>					<b>18.5%</b>	<b>13.7%</b>	<b>5.4x</b>	<b>15.2x</b>
<b>Education/Academic Publishers</b>										
Cambium Learning Group, Inc.	\$11.20	98.7%	\$525	\$564	\$158	\$31	3.8%	19.3%	3.6x	18.4x
Houghton Mifflin Harcourt Company	6.95	49.8%	858	1,392	1,408	81	2.5%	5.7%	1.0x	17.2x
Informa plc	10.08	93.0%	8,304	10,247	2,376	755	43.1%	31.8%	4.2x	13.1x
John Wiley & Sons, Inc.	63.70	93.1%	3,657	3,957	1,771	326	4.1%	18.4%	2.2x	12.1x
Pearson plc	10.51	96.5%	8,266	9,258	6,100	750	8.5%	12.3%	1.5x	10.4x
RELX NV	20.70	85.6%	41,117	47,776	9,941	3,021	16.8%	30.4%	4.7x	15.2x
Rosetta Stone Inc.	13.15	88.8%	296	255	185	9	(4.9%)	4.7%	1.4x	NM
Scholastic Corporation	38.84	83.4%	1,349	994	1,632	105	(7.1%)	6.5%	0.6x	9.4x
<b>Mean</b>		<b>86.1%</b>					<b>8.4%</b>	<b>16.1%</b>	<b>2.4x</b>	<b>13.7x</b>
<b>Median</b>		<b>90.9%</b>					<b>4.0%</b>	<b>15.4%</b>	<b>1.8x</b>	<b>13.1x</b>
<b>For-Profit Educational and Vocational Institutions</b>										
Adtalem Global Education Inc.	\$47.55	95.1%	\$2,866	\$2,826	\$1,809	\$319	12.5%	17.6%	1.6x	8.9x
American Public Education, Inc.	43.00	94.0%	705	526	299	56	(4.4%)	18.6%	1.8x	9.9x
Bridgepoint Education, Inc.	6.74	42.5%	183	(4)	478	27	(9.2%)	5.7%	NM	NM
Capella Education Company	87.35	88.0%	1,018	866	440	70	2.6%	15.9%	2.0x	12.3x
Graham Holdings Company	602.25	97.8%	3,312	2,879	2,592	322	4.4%	12.4%	1.1x	9.0x
Grand Canyon Education, Inc.	104.92	95.5%	5,049	4,873	974	337	11.5%	34.6%	5.0x	14.4x
K12 Inc.	14.18	66.9%	587	426	884	37	(1.0%)	4.2%	0.5x	11.6x
Laureate Education, Inc.	13.75	72.5%	2,578	5,911	4,378	659	3.2%	15.1%	1.4x	9.0x
Lincoln Educational Services Co.	1.99	53.2%	49	87	262	2	(8.3%)	0.9%	0.3x	NM
Strayer Education, Inc.	101.05	96.4%	1,081	925	455	73	3.1%	16.1%	2.0x	12.6x
<b>Mean</b>		<b>80.2%</b>					<b>1.4%</b>	<b>14.1%</b>	<b>1.7x</b>	<b>11.0x</b>
<b>Median</b>		<b>91.0%</b>					<b>2.8%</b>	<b>15.5%</b>	<b>1.6x</b>	<b>10.7x</b>

Note: USD in millions, except for stock price

Source: Bloomberg, Capital IQ and company filings, as of 03/29/2018

## Acquisition Spotlight

**4/16/18: Onex Corporation (TSX:ONEX)** has acquired a 50% stake in a newly combined entity including **PowerSchool** (student information systems) and **PeopleAdmin** (HR management software) from **Vista Equity Partners**; Vista will retain the remainder of its stake in the combined entity

## Market Intelligence

**4/18/18: Renaissance Learning**, the provider of Accelerated Reader and Accelerated Math backed by **Hellman & Friedman**, plans to collect its final round of bids at the end of this month, with leverage being offered at 7x-8x on a run-rate projected EBITDA of \$140 million

**4/12/18: Pearson plc (NYSE:PSO)** continues to shed assets with the divestiture of its badging operation to **Credly**, and is still seeking buyers for its K-12 textbook business

**4/08/18: NetDragon Websoft (HKG:777)**, the China-based online game and education platform developer, has announced the acquisition of **Edmodo**, which operates a free communication and collaboration platform for K-12 schools, for \$135+ million

**4/03/18: Amazon (NasdaqGS:AMZN)** has continued its trend of inconsistent involvement in the education sector, winding down its TenMarks online math program and announcing a partnership with **Edhesive** to sponsor computer science programs in K-12 schools

**4/02/18: Pluralsight**, the Utah-based provider of online courses for technology professionals, has publically announced its previously confidential IPO filing

**3/27/18: TCV and Exceed Capital** have acquired **Watermark** (formerly Tk20, Taskstream and Livetext), a provider of data and assessment services for higher education institutions, with **Quad Partners** retaining a stake in the company

## Selected M&A Transaction Recap

Date	Target Company	Target Description	Acquiring Company
Announced	PowerSchool	Offers SIS and performance management solutions for K-12 schools and districts	Onex Corporation (50% stake)
Announced	PeopleAdmin	Develops talent management software for educational and government institutions	PowerSchool (Vista Equity)
Announced	General Assembly	Operates an online learning, career training and staffing platform	Adecco
Announced	Center for Autism and Related Disorders	Provides behavioral health and learning services for individuals affected by autism spectrum disorder	Blackstone
Announced	Discovery Education	Provides print and digital textbooks and curriculum	Francisco Partners
Announced	Weld North Education	Develops digital education curriculum and tools for K-12 applications	Silver Lake
Announced	learnirect eAssessment Business	Operates a network of skills test centers in the UK	PSI Services (Waud Capital)
Announced	Edmodo	Offers a communication and collaboration platform for K-12 schools	NetDragon Websoft
Announced	Université Internationale de Casablanca (Laureate Education)	Offers undergraduate and graduate degree programs in Morocco	Developmental Partners International
Apr-18	Blue Print Test Preparation	Provides LSAT test preparation and tutoring services	New Harbor Capital
Apr-18	Next Step Test Preparation	Provides personalized, one-on-one live tutoring programs	New Harbor Capital
Apr-18	Callidus Software	Provides cloud-based sales, marketing, learning and customer experience solutions	SAP America
Apr-18	CEB Talent Assessment	Develops objective assessment products and services	Exponent Private Equity
Mar-18	Watermark	Provides a wide variety of data and assessment solutions for higher education institutions	TCV and Exceed Capital (majority stake)
Mar-18	Emerald Education	Offers digital entertainment, game and education services	Great Wall of Culture
Mar-18	Kaplan University	Offers undergraduate, graduate and continuing professional education courses	Purdue University
Mar-18	myON	Develops a cloud-based literacy software program for the K-12 market	Renaissance Learning (Hellman & Friedman)
Mar-18	Milpark Business School	Offers programs resulting in degrees and certificates	Stadio (70%); Brimstone (30%)
Mar-18	Wall Street English	Provides English language training solutions for adults	CITIC; Baring Private Equity Asia
Mar-18	Scripps	Develops lifestyle-oriented television and internet content	Discovery Communications (n/k/a Discovery, Inc.)
Mar-18	Kids' Adventures	Offers before-school and after-school programs	Springboard Education
Feb-18	LightSail	Develops a literacy application for K-12 teachers and students	Agile Investment Group
Feb-18	VeriCite	Develops plagiarism detection software	Turnitin (Insight Venture Partners; Norwest Venture Partners)
Feb-18	Endeavor Schools	Owns and operates private K-12 schools	Leeds Equity
Feb-18	Chalkup	Develops learning management and collaboration software	Microsoft
Jan-18	Edbacker	Develops an online funding platform for PTA/PTOs, schools and organizations	Snowflake Technologies
Jan-18	Bask	Develops a video learning platform	Brainly
Jan-18	MeTEOR Education	Provides learning spaces, furnishings and interior design services for educational institutions	Saw Mill Capital
Jan-18	Sokikom	Develops web-based educational games	NetDragon Websoft
Jan-18	NABA, Domus Academy & European University Cyprus (Laureate Education)	Collectively, offer academic degrees in Italy and Cyprus	Galileo Global Education (Providence Equity)

## Global Industry Groups

Business Services  
Consumer  
Energy, Power & Infrastructure  
Healthcare  
Industrials  
Technology, Media & Telecom

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## About Lincoln International

Lincoln International specializes in merger and acquisition advisory services, debt advisory services, private capital raising and restructuring advice on mid-market transactions. Lincoln International also provides fairness opinions, valuations and joint venture and partnering advisory services on a wide range of transaction sizes. With twenty offices in the Americas, Asia and Europe, Lincoln International has strong local knowledge and contacts in key global economies. The firm provides clients with senior-level attention, in-depth industry expertise and integrated resources. By being focused and independent, Lincoln International serves its clients without conflicts of interest. More information about Lincoln International can be obtained at [www.lincolninternational.com](http://www.lincolninternational.com).

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