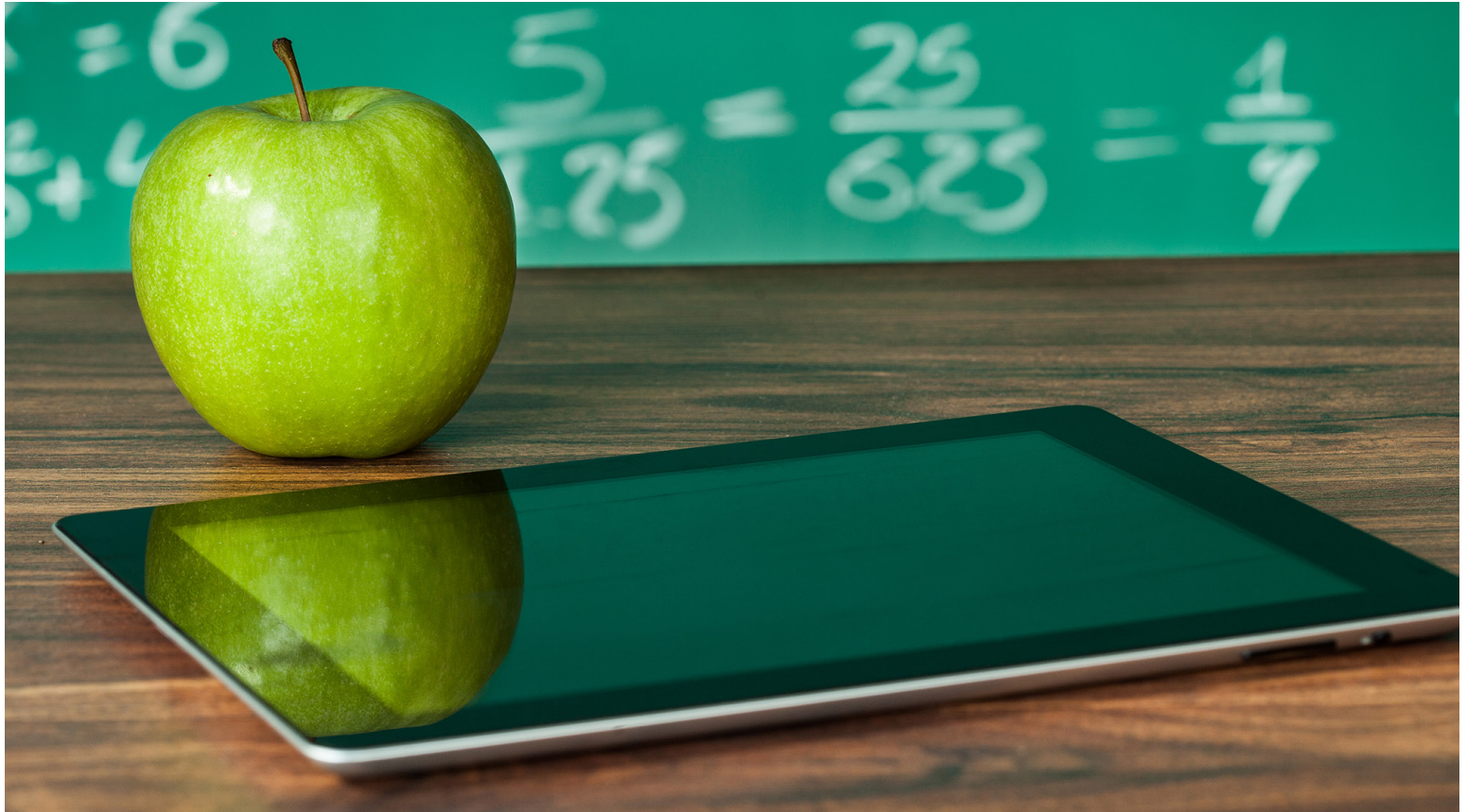


Market Update



Education Technology & Services Q2 2019

Key Highlights

The top subsector stock performer in Q2 2019 was institutions / workforce solutions, up 2.0% quarter-over-quarter

On average, EBITDA multiples for the subsectors decreased 0.3x from the prior quarter and were up 0.7x on a year-over-year basis

What Metric Suggests an Education Technology Company is ‘Acquire-able’

Our friends at [EdSurge](#) recently published an [article](#) in which a very seasoned education buyer and seller, Peter Bencivenga, cites a single metric as the key to making an education SaaS business attractive to buyers. According to Bencivenga, this metric is customer retention, and the magic threshold is 90%. While we undoubtedly agree that customer (logo) retention is a critical metric for SaaS investors and buyers, we would humbly disagree that there is one single indicator that suggests a business is suddenly “worthy” of being acquired.














We are often asked by our clients and prospective clients what those key metrics or key performance indicators (KPIs) should be if they seek to maximize value in a new investment round or potential sale. There are any number of sources that will cite a variety of KPIs that purport to be specific to SaaS businesses or even to SaaS businesses in a particular vertical market. Having worked with dozens of SaaS providers in the education sector over the last 10+ years, we have distilled those KPIs into a framework that has become highly reliable in predicting valuation ranges. A summary version of that framework is illustrated below.

KPI	Market Valuation Range		
	Below Average	Average	Above Average
Total Addressable Market	< \$500 million	\$500 million – \$1 billion	> \$1 billion
ARR Growth Rate	< 20 %	20 % – 40 %	> 40 %
Customer (Logo) Retention	< 90 %	90 % – 95 %	> 95 %
Gross Revenue Retention	< 90 %	90 % – 95 %	> 95 %
Net Revenue Retention	< 95 %	95 % – 100 %	> 100 %
EBITDA Margin	< 25 %	25 % – 40 %	> 40 %

While not exhaustive, the abbreviated framework above will provide a more fulsome view of likely market valuations than one single metric. Other key items in our framework, such as customer lifetime value, customer acquisition cost, etc., are not included in the abbreviated version above. Also embedded within our framework is a more nuanced version of the widely cited “Rule of 40” theory, which we will elaborate on in a future edition of our Market Update. The items we note above and in our comprehensive framework each reflect a particular element of the power of a SaaS business’ customer value proposition, competitive market position and relative growth trajectory. In the end, these are the core tenets of any investment or acquisition thesis.

We would be happy to discuss in greater detail the framework we have developed and how it may help focus strategic decisions for growing SaaS enterprises.

Selected Education Technology & Services Transactions

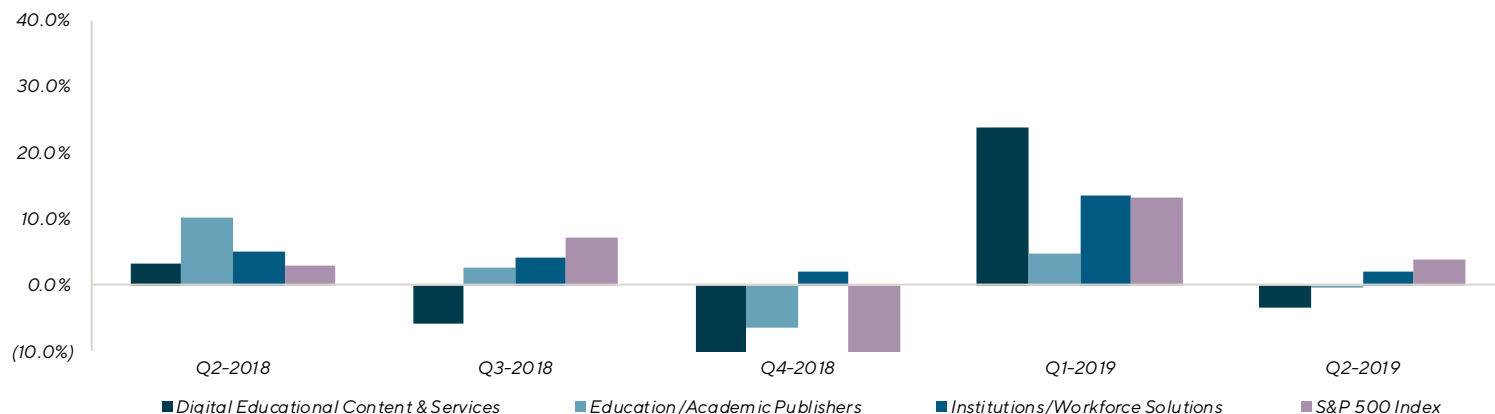
 has sold  to an undisclosed strategic acquirer Sell-Side 	 has recapitalized  Buy-Side 	 have sold  to  Sell-Side 	 has been sold to  Sell-Side 
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Quarter-over-Quarter Price Performance

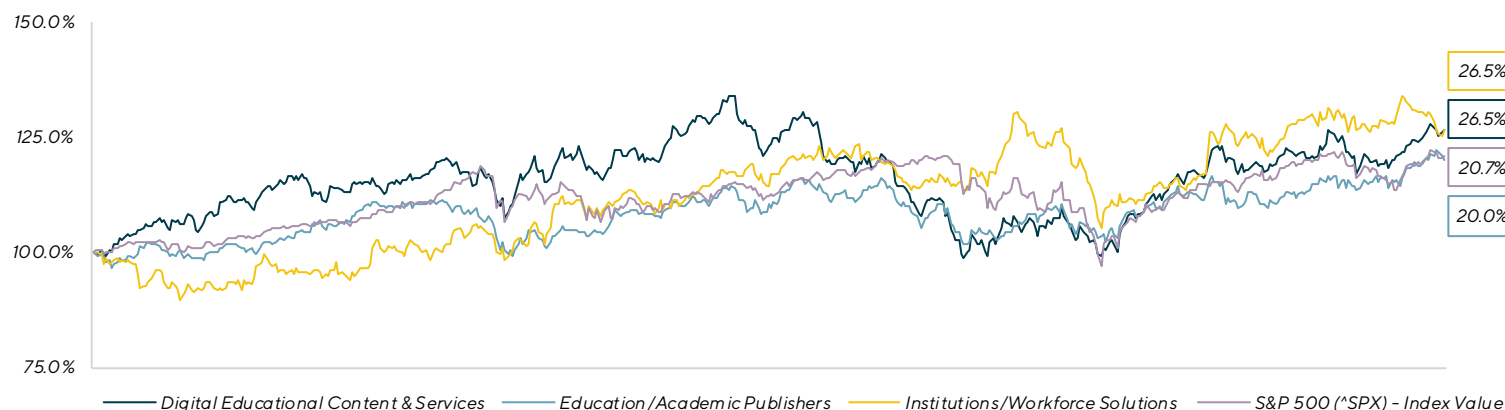
Outperformers	Change
Strategic Education	35.6%
RELX	13.3%
Informa	9.5%
New Oriental Education & Technology	7.2%

Underperformers	Change
2U	(46.9%)
Lincoln Education Services	(25.5%)
Houghton Mifflin Harcourt Company	(20.8%)
K12	(10.9%)

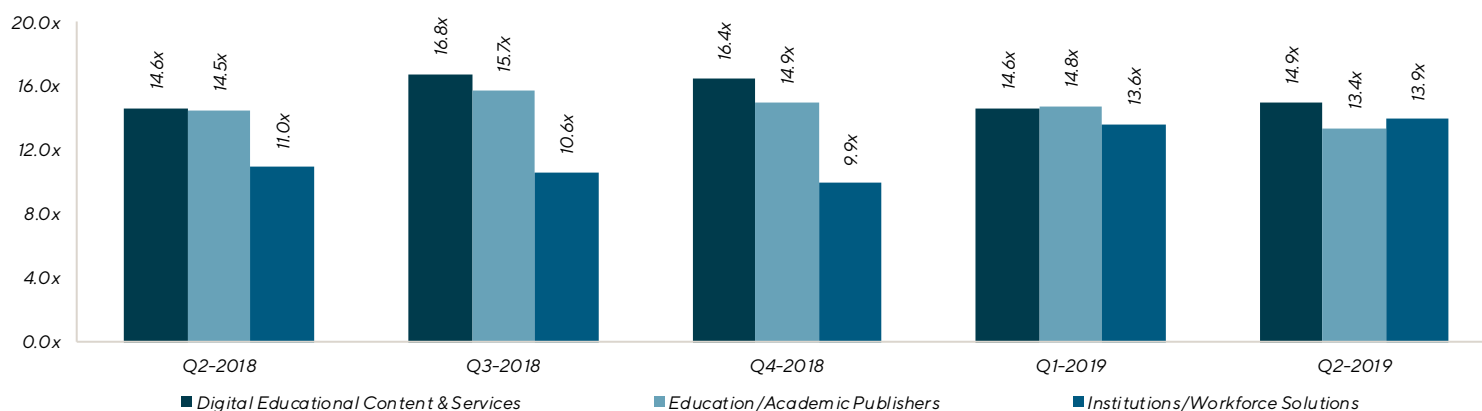
Quarter-over-Quarter Stock Indices Price Change



Two Year Relative Stock Indices Price Performance



Historical Enterprise Value/EBITDA Valuation Performance



Education Technology & Services Stock Indices Data

Company Name	Stock Price	% of 52 Week High	Market Cap	Enterprise Value	LTM		YoY Revenue Growth	EBITDA Margin	EV / LTM	
					Revenue	EBITDA			Revenue	EBITDA
Digital Educational Content & Services										
2U, Inc.	\$37.64	39.9%	\$2,374	\$2,013	\$442	(\$18)	40.6%	(4.1%)	4.6x	NM
3P Learning Limited	0.69	72.6%	96	89	36	6	(15.8%)	16.7%	2.5x	14.3x
Blackbaud, Inc.	83.50	69.4%	4,002	4,680	860	122	6.5%	14.1%	5.4x	NM
Chegg, Inc.	38.59	92.6%	4,575	4,400	342	21	26.8%	6.2%	12.9x	NM
Grand Canyon Education, Inc.	117.02	89.9%	5,596	5,755	767	290	(23.4%)	37.8%	7.5x	19.8x
Instructure, Inc.	42.50	84.7%	1,555	1,513	220	(45)	25.9%	(20.7%)	6.9x	NM
New Oriental Education & Technology Group Inc.	96.58	97.1%	15,326	12,865	2,955	378	20.7%	12.8%	4.4x	NM
Pearson plc	10.41	79.6%	8,103	8,383	5,262	695	(15.2%)	13.2%	1.6x	11.2x
Pluralsight, Inc.	30.32	79.0%	2,889	2,739	252	(118)	40.6%	(46.8%)	10.9x	NM
RELX PLC	24.21	97.0%	47,093	55,094	9,549	2,896	(7.2%)	30.3%	5.8x	18.8x
RISE Education Cayman Ltd	9.53	64.4%	541	436	199	41	21.4%	20.8%	2.2x	10.5x
TAL Education Group	38.10	91.6%	22,545	21,292	2,563	430	31.9%	16.8%	8.3x	NM
Mean		79.8%					12.7%	8.1%	6.1x	14.9x
Median		82.1%					21.1%	13.7%	5.6x	14.3x
Education/Academic Publishers										
Houghton Mifflin Harcourt Company	\$5.76	54.1%	\$715	\$1,550	\$1,317	\$39	1.0%	3.0%	1.2x	NM
Informa plc	10.61	96.0%	13,277	16,932	3,020	939	21.0%	31.1%	5.6x	18.1x
John Wiley & Sons, Inc.	45.86	66.5%	2,618	3,004	1,800	310	0.2%	17.2%	1.7x	8.3x
Pearson plc	10.41	79.6%	8,103	8,383	5,262	695	(15.2%)	13.2%	1.6x	11.2x
RELX PLC	24.21	97.0%	47,093	55,094	9,549	2,896	(7.2%)	30.3%	5.8x	18.8x
Rosetta Stone Inc.	22.88	85.1%	545	524	175	(1)	(2.4%)	(0.5%)	3.0x	NM
Scholastic Corporation	33.24	69.3%	1,170	843	1,679	115	3.1%	6.8%	0.5x	7.3x
Wolters Kluwer N.V.	72.85	97.1%	19,724	22,032	4,877	1,336	(8.9%)	27.4%	4.5x	16.6x
Mean		80.6%					(1.1%)	16.1%	3.0x	13.4x
Median		82.3%					(1.1%)	15.2%	2.3x	13.9x
Institutions / Workforce Solutions										
Adtalem Global Education Inc.	\$45.05	76.6%	\$2,549	\$2,528	\$1,229	\$263	9.4%	21.4%	2.1x	9.6x
American Public Education, Inc.	29.58	64.1%	491	288	296	51	(0.8%)	17.3%	1.0x	5.8x
Career Education Corporation	19.07	93.5%	1,337	1,159	591	112	1.5%	18.9%	2.0x	10.4x
Graham Holdings Company	690.03	91.7%	3,667	3,944	2,729	475	2.3%	17.4%	1.4x	8.1x
Grand Canyon Education, Inc.	117.02	89.9%	5,596	5,755	767	290	(23.4%)	37.8%	7.5x	19.8x
K12 Inc.	30.41	81.2%	1,181	979	998	75	11.6%	7.5%	1.0x	13.1x
Laureate Education, Inc.	15.71	91.4%	3,455	6,394	3,340	532	5.6%	15.9%	1.9x	12.0x
Lincoln Educational Services Corporation	2.31	69.2%	58	123	265	6	2.4%	2.4%	NM	19.7x
Strategic Education, Inc.	178.00	95.2%	3,817	3,545	764	132	67.4%	17.3%	4.6x	26.6x
Mean		83.6%					8.4%	17.3%	2.7x	13.9x
Median		89.9%					2.4%	17.3%	1.9x	12.0x

Note: USD in millions, except for stock price

Source: Bloomberg, Capital IQ and company filings, as of 6/28/2019

Market Intelligence

6/27/19: GEMS Education, an international operator of PreK-12 schools, is expected to receive \$1+ billion from **CVC Capital Partners** for a 25% stake in the company

6/3/19: Knowbox, a Beijing-based provider of online homework and test preparation solutions, has raised \$150 million in a Series D funding round from **Alibaba (NYSE:BABA)**

4/25/19: Coursera, an online learning platform offering courses, specializations and degrees, has received \$103 million in a Series E funding round led by **Seek Group**, increasing Coursera's total value to \$1+ billion

6/11/19: BetterUp, a leadership development platform that connects coaches to drive behavioral change in companies, has received \$103 million in a Series C funding round, the largest funding round ever received for an employee coaching platform

5/1/2019: Cengage Learning and McGraw-Hill agree to merge to become the 2nd largest U.S. textbook publisher, with a combined valuation estimated at \$5 billion, aiming to restructure product portfolio around digital offerings

4/18/19: Gaosi Education, a K-12 education service provider, has received \$140 million in a Series D funding round led by **Warburg Pincus**

Selected M&A Transaction Recap

Closed	Target Company	Target Description	Acquiring Company
Announced	Bosworth Independent College	Educational institution based in the United Kingdom	Bright Scholar Education
Announced	St. Michael's School (Bryn)	Operates primary and secondary schools	Bright Scholar Education
Announced	British-Georgian Academy	Tbilisi, Georgia-based private school	Georgia Capital
Announced	Syft Online	Operates an online recruitment platform that offers part time job vacancies	Indeed Ireland Operations
Announced	Seagull Maritime	Provides online learning and training solutions for the merchant shipping industry	Oakley Capital Investments
Announced	Sistema Positivo de Ensino	Manufactures computer components and develops educational software	Arco Platform Limited
Announced	General Revenue Corporation	Provides debt collection services for multiple industries including education	SinglePoint Group International
Announced	Beijing Huanquiyimeng Education	Provides educational services for students	ATA
Jun-19	Mawi	Provides a suite of student success and leadership courses	ACT
Jun-19	Cucumber	Offers on-site and online training	SmartBear Software (Francisco Partners)
Jun-19	FastBridge Learning	Provides K-12 assessment solutions	Illuminate Education (Insight Venture Partners)
Jun-19	Dude Solutions	Provides SaaS solutions for educational facilities and technology professionals	Clearlake Capital Group
Jun-19	JIBE	Provides engagement and recruiting technology solutions	iCIMS (Vista Equity)
Jun-19	Project Management Academy	Provides project management training related to the PMP certification	Morgan Stanley Private Equity
Jun-19	StrataTech Education	Operates educational institutions and vocational schools	The Halifax Group
Jun-19	The Center for Legal Studies	Provides offline and online learning solutions for legal studies courses	Barbri (Leeds Equity Partners)
Jun-19	Jigsaw Academy Education	Provides online courses in big data and data analytics	Manipal Education and Medical Group
Jun-19	DecisionInsite	Provides school district enrollment analytics and geographic information system technology	Hoonuit (Boathouse Capital)
Jun-19	BridgeEdU	Provides training and change management services	Edquity
Jun-19	Edurer Knowledge Labs	Provides software solutions to meet the learning and administrative needs of corporations	National Olympiad Foundation
Jun-19	HT2	Develops learning software solutions	Learning Pool (Cardinal Capital / Carlyle Group)
Jun-19	Skills Fund	Develops a student financing platform for higher education	Goal Structured Solutions
Jun-19	OnCourse Learning Financial Services Division	Provides education programs and training solutions to the financial industry	Adtalem Global Education
May-19	Assets of Knewton	Provider of courseware and adaptive learning technology	John Wiley & Sons
May-19	Laureate Education's institutions in Spain and Portugal	Represents the combined operations of Laureate's educational institutions in Spain and Portugal owned by Permira funds	Samarinda Investments
May-19	Texthelp	Develops assistive learning software for physical and communication issues	LDC Managers
May-19	Maarif Education	Owns and operates private schools in Saudi Arabia	GEMS Education; Hassana Investment
May-19	Prometheus Development	Offers a SaaS-based learning management system for K-12 schools	Absorb Software (Silversmith)
May-19	Bolt Learning	Operates as an online training provider	Aliter Capital
May-19	Onfire Learning	Offers learning content and learning management system solutions	Appliqate
May-19	Trilogy Education	Provides skills-based training programs for adults	2U
May-19	Futures Academy	Operates schools offering education services for grades 6-12	iEducation Group
May-19	SPAN International Training	Provides study material and training services for commercial certification exams	ClickSafety (Ascend Learning / The Blackstone Group)

Selected M&A Transaction Recap (cont'd)

Closed	Target Company	Target Description	Acquiring Company
May-19	Isarkids	German operator of kindergartens and nurseries	Unserre Champions
May-19	Freckle Education	Provides a differentiation platform for K-12 education	Renaissance Learning (Francisco Partners)
May-19	School by Design	Provides data-driven analytics and research solutions for academic institutions	Abl Schools
May-19	Envisiontel	Provides educational ecommerce and cloud integration applications	Remote Learner
May-19	Interactive Communications Solutions	Provides custom training and digital learning software solutions	Acendre (Strattam Capital)
May-19	Poio	Develops mobile applications that engage kids with written language	Kahoot!
May-19	Veriforce	Provider of integrated compliance, safety and training software and services	PEC Safety Operations (Thoma Bravo)
May-19	Taylor Associates (dba Reading Plus)	Develops customizable literacy assessment solutions	Sterling Partners Education Opportunity Fund
May-19	Inlight Labs	Operates a workforce management platform that optimizes workers for businesses	TEAM Software
May-19	WeWantToKnow	Offers DragonBox+, a mobile learning algebra game	Kahoot!
May-19	StoryBots Brand of JibJab Media	Comprises an educational animated series	Netflix
May-19	CV KNOWHOW	Provides professional CV writing services	Talent (Coffin Capital & Ventures)
May-19	Brookside Academy	Provides infant care, afterschool enrichment and summer camp programs	O2B Kids Early Education
May-19	Abrams Pre-K Curriculum / Letter People Business Units	Provide early learning educational solutions	Excelligence Learning Corporation (Brentwood Associates)
May-19	Publicaciones y Ediciones Salamandra	Spain-based independent publisher	Penguin Random House Grupo Editorial
May-19	Converge Consulting	Provides higher education marketing services to colleges and universities	Ruffalo Noel Levitz (Summit Partners)
May-19	Colibri Group	Provides learning solutions to licensed professionals	Gridiron Capital
Apr-19	Blackboard Transact Business Unit Including Cashnet	Comprises campus engagement and payments solutions business units	Reverence Capital Partners
Apr-19	Turnitin	Provider of internet-based plagiarism detection solutions	Advance Publications
Apr-19	FutureLearn	Offers online courses from universities and organizations worldwide	SEEK Limited (Gresham Private Equity Limited)
Apr-19	Oxford International Education Group	Private tutorial college based in central Oxford	Oxford International College (Oxford International Education Group / Bowmark Capital)
Apr-19	Ulyngo	Provides online higher education marketplace creation and payment services	Modo Labs
Apr-19	Oceanus Partners	Offers B2B insurance training, coaching and consulting services	ReSource Pro (DFW Capital Partners)
Apr-19	Uninorte (Universidad del Norte)	Operates multiple campuses in Manaus, offering a diverse set of academic programs	Ser Educacional
Apr-19	GlobalEnglish	Provides an internet-based English language instruction portal	Learnship Networks (THI Investments)
Apr-19	Corporate Training Group	Provides employee training solutions	SHI International
Apr-19	HigherEducation.com	Provides digital marketing services to the education sector	Red Ventures
Apr-19	TE21	Offers benchmark assessments aligned to college and Common Core State Standards	Certica Solutions (New Harbor Capital Management)
Apr-19	Early Learning Labs	Develops and sells curriculum-based measurement tools	Renaissance Learning (Francisco Partners)
Apr-19	Flocabulary	Provides a web-based learning program for students worldwide	Nearpod
Apr-19	MasteryConnect	Provides software for assessment and curriculum planning	Instructure
Apr-19	SLIDE21	Offers agile team development, scrum training, certification and business analysis services	eduPresent (dba Bongo)
Apr-19	Tutorme.Com	Provides on-demand, online tutoring services	Zovio
Apr-19	FindUniversity	Operates an online directory of educational institutions in the Philippines	Edukayson
Apr-19	Mizuni	Develops and markets enterprise solutions to the education industry	Hoonuit
Apr-19	Funderbolt	Provides college student fundraising software	CampusLogic (JMI Equity)
Apr-19	Fullstack Academy	Operates a software development school in New York	Bridgepoint Education (nka Zovio)

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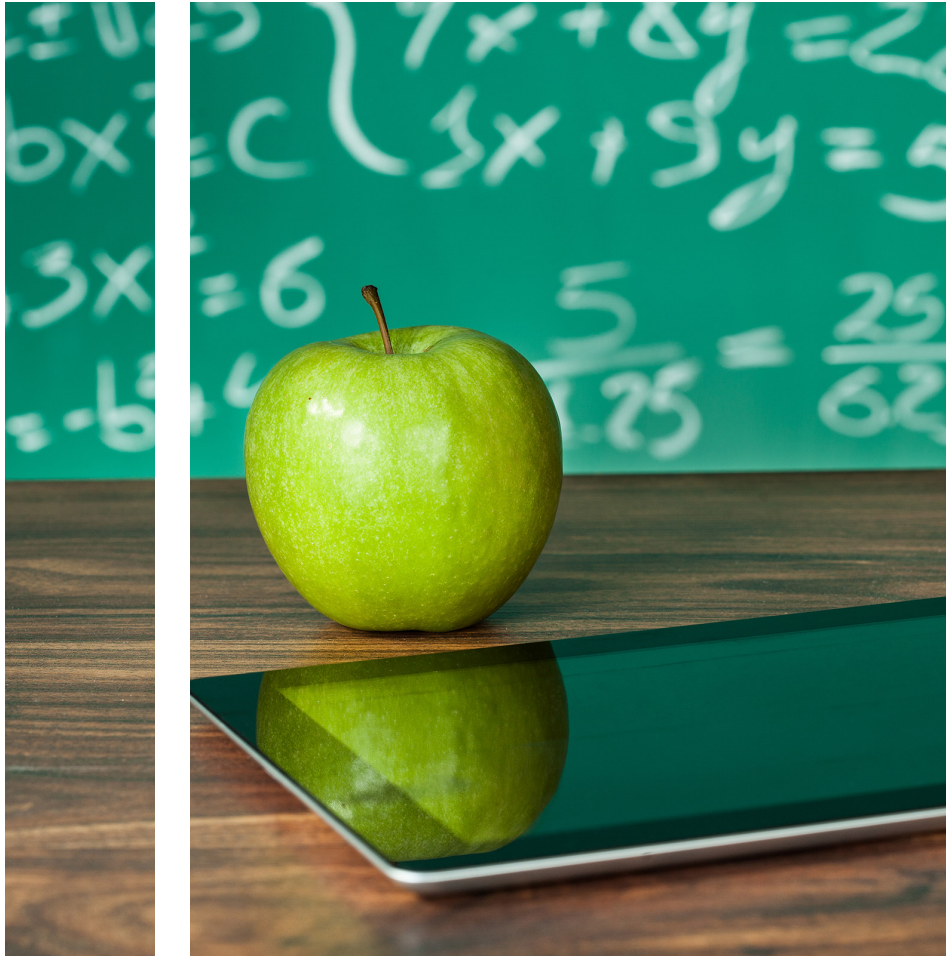
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Lincoln International's Education Technology & Services Team

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 team 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



Advisory Services

Mergers & Acquisitions
Capital Advisory
Joint Ventures & Partnering
Valuations & Opinions

About Lincoln International

We are trusted investment banking advisors to business owners and senior executives of leading private equity firms and public and privately held companies around the world. Our advisory services include mergers and acquisitions and capital markets advisory for the mid-market. We also provide valuations and fairness opinions and joint ventures advisory services. As one tightly integrated team of more than 500 professionals across 15 countries, we offer an unobstructed perspective, backed by superb execution and a deep commitment to client success. With extensive industry knowledge and relationships, timely market intelligence and strategic insights, we forge deep, productive client relationships that endure for decades. Connect with us to learn more at:

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