

Market Update



Education Technology & Services

Q1 2020

Key Highlights

All subsectors took a hit in Q1 2020 as stock performance trended downward

EBITDA multiples for digital educational content & services were down 0.2x on a quarter-over-quarter basis and down 0.1x on a year-over-year basis

Online Postsecondary Education Poised for an Enrollment Spike Due to Covid-19 Crisis

In Lincoln's Q3 2019 update, we had suggested that U.S. higher education proprietary schools were showing signs of reaching a steady state after years of facing fierce regulatory headwinds. Those institutions with staying power found a firm footing over the last few years and are now ready to "play offense." It's game-time in the Covid-19 era!

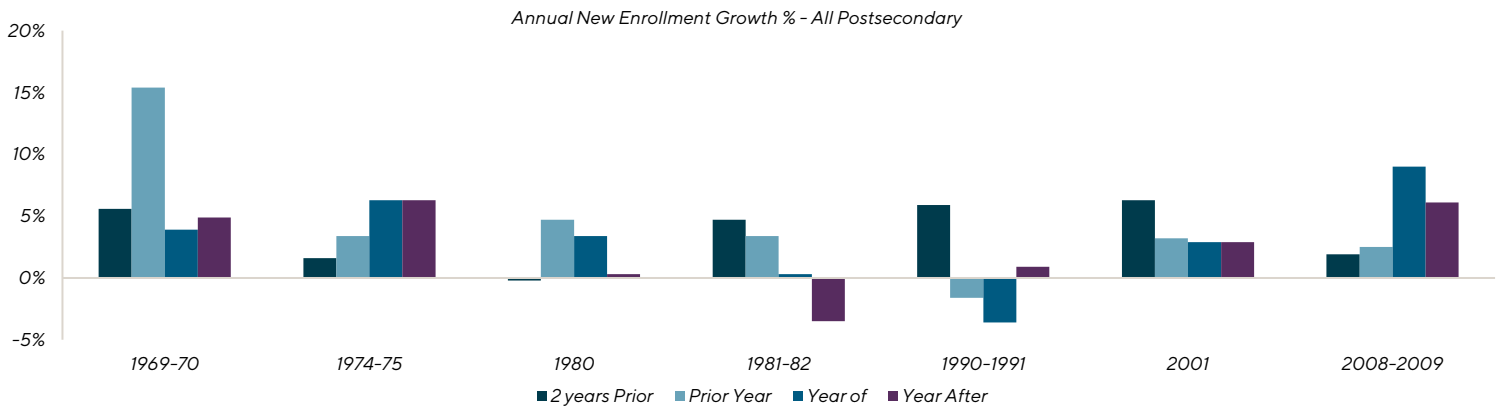
While the immediate term is difficult to predict given the current business and personal upheaval being experienced, we believe this sector will benefit significantly in the medium-to long-term due to a "step change" in the acceptance of online and digital learning formats. The forced use of Zoom and other similar platforms due to Covid-19 quarantine orders has dramatically accelerated the trend toward digital learning.

Additionally, business models with revenue streams from the government (e.g. U.S. Department of Education Title IV Program) might be viewed more favorably by investors in this

sector as many B2C and B2B businesses were amongst the first to feel the impact of the Covid-19 crisis. This sentiment is buoyed by a long-held conventional view that proprietary schools exhibit meaningful countercyclical in periods of economic dislocation and higher unemployment. We certainly expect that to be the case in the current economic cycle as well – especially for online programs serving stable / higher growth employment functions and sectors (e.g. healthcare, cybersecurity and technology) – but we wanted to test that conventional view against historical data.

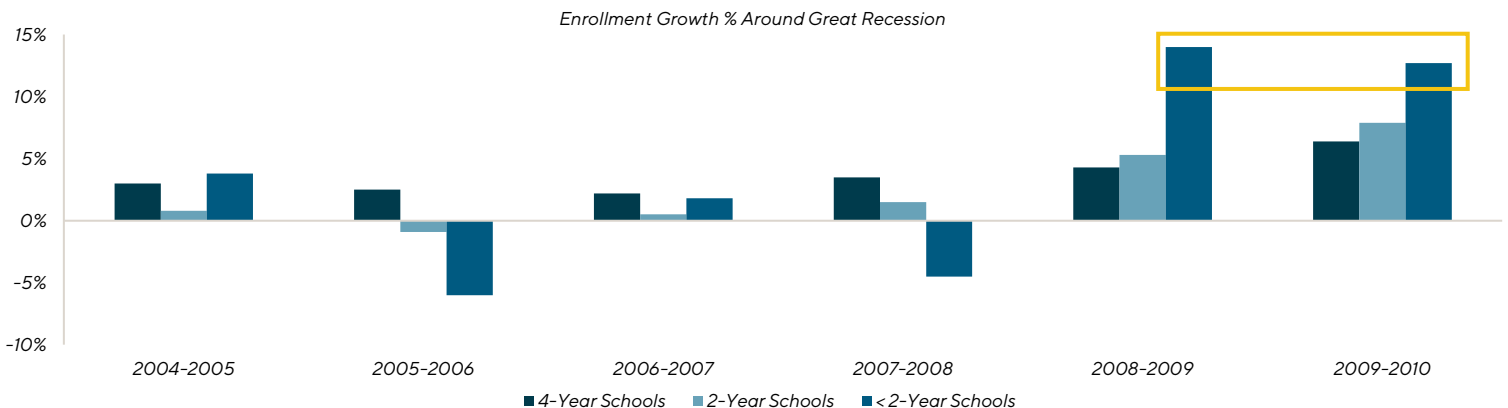
To do so, we reviewed publicly available enrollment data over the last seven major recessionary cycles and found a strong correlation between those recession time periods and growth in higher education enrollment. As the chart below illustrates, there tends to be a significant increase in enrollment immediately prior to or during the primary year of each recession cycle.

Enrollment Trends Around Multiple Recessions Suggests Countercyclicity



As we dug further into the data around the Great Recession (the most recent and most likely to mirror our current environment), we found that shorter programs (two years or fewer), many of which are at proprietary schools, exhibit even stronger countercyclicity. The chart below highlights the extent to which enrollment spiked in 2008 and 2009 within sub-two year programs. We expect this trend to be amplified as the millions that have recently filed for unemployment seek short-term programs that allow them to more quickly build the skills to enter a new career field and return to work.

Shorter Programs Tend to be More Countercyclical

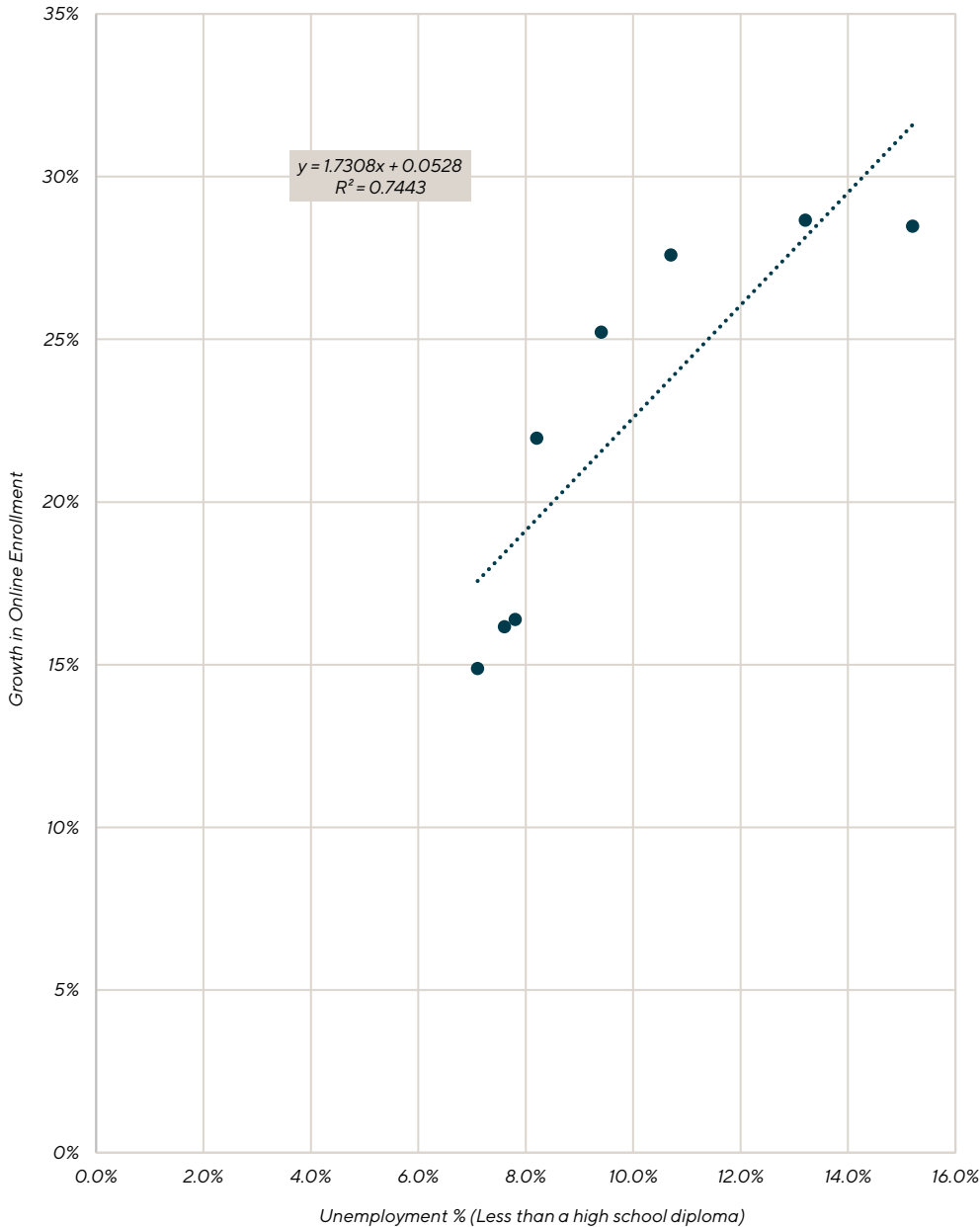


Source: NCES

Online Postsecondary Education Poised for an Enrollment Spike Due to Covid-19 Crisis (cont'd)

To obtain a more precise impact on online learning at proprietary schools, we performed a regression analysis on unemployment rate for individuals with less than a High School diploma to online enrollment growth in publicly-traded companies (with available data) from Q3 2007 to Q2 2009. The chart below illustrates the results of that regression, which indicate a strong correlation (R-square of 0.74), supporting the thesis that proprietary schools (and other commercial providers) are likely to see accelerated online enrollment growth especially for shorter term programs in high demand sectors.

Growth in Online Enrollment & Unemployment Rate (Students With Less Than a High School Diploma)



We believe this sector will benefit significantly in the medium- to long-term due to a “step change” in the acceptance of online and digital learning formats.

Proprietary schools exhibit meaningful countercyclicality in periods of economic dislocation and higher unemployment.

[Students’] desire to enter programs as soon as possible (and not wait for social distancing orders to subside) will exacerbate the already growing demand for online programs.

Tuition dependent, middle-of-the-road non-profit institutions with undifferentiated programs and limited online capabilities are likely to lose more market share through this cycle.

We expect this trend to be acute in the Covid-19 recession as the newly unemployed seek the training and credentials to gain entry level jobs in growth industries with long-term prospects. And moreover, the desire to enter programs as soon as possible (and not wait for social distancing orders to subside) will exacerbate the already growing demand for online programs.

Commercial providers, whether higher education institutions or stand-alone training providers, are generally expected to be more competitive relative to traditional non-profit institutions due to their prior investments in technology, online delivery, sophisticated recruiting and enrollment processes and culture of innovation and agility. Tuition dependent, middle-of-the-road non-profit institutions with undifferentiated programs and limited online capabilities are likely to lose more market share through this cycle. We believe investors will find strong investment opportunities in this corner of the education ecosystem, especially with many other formerly strong subsectors now being deeply impacted by the Covid-19 crisis.

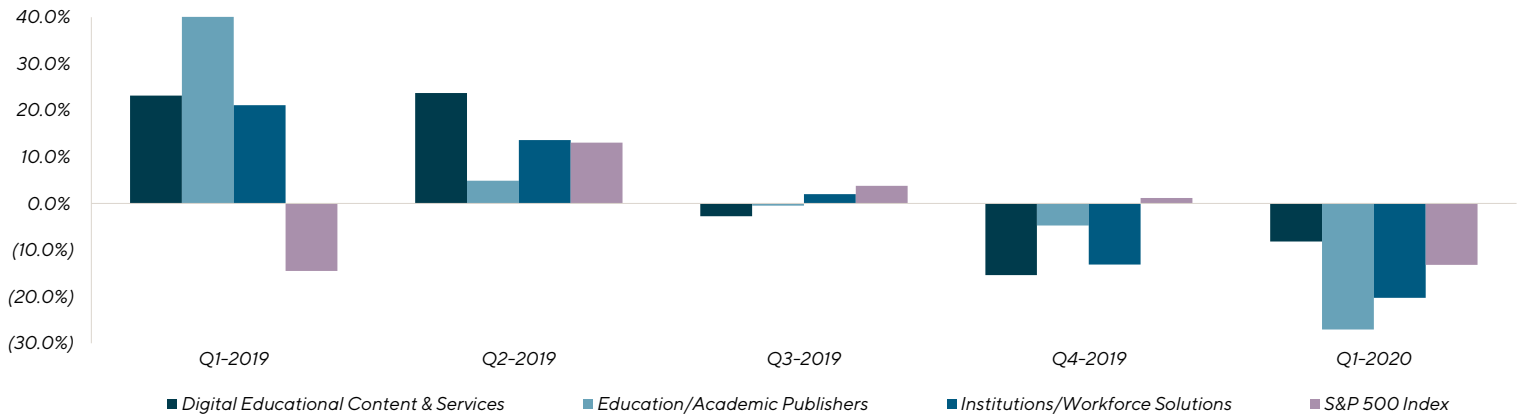
Education Technology & Services Financial Performance

Quarter-over-Quarter Price Performance

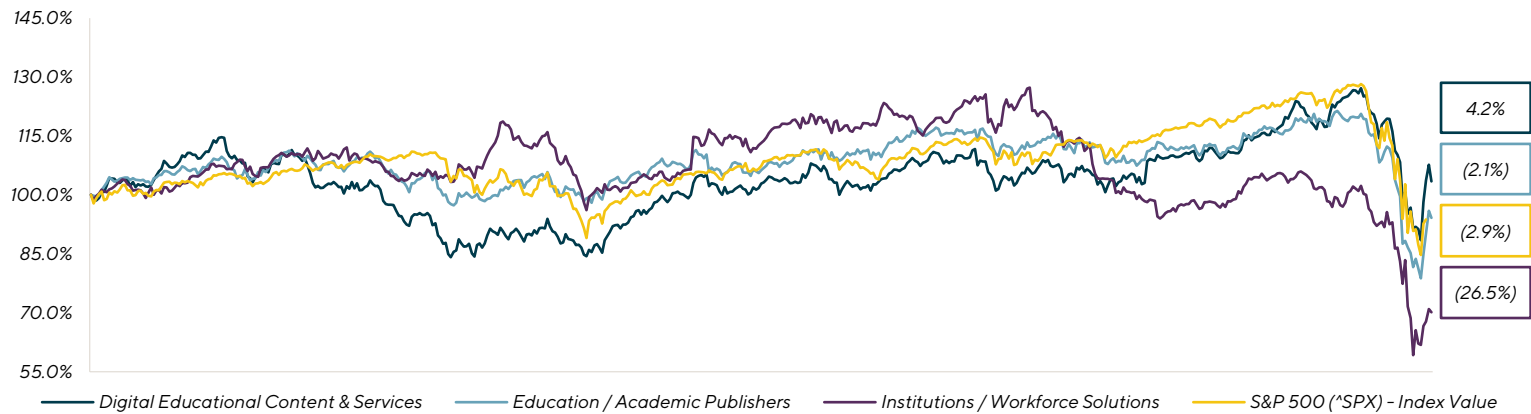
Outperformers	Change
TAL Education Group	55.5%
2U	30.3%
Chegg	19.5%
American Public Education	7.1%

Underperformers	Change
Houghton Mifflin Harcourt	(64.7%)
RISE Education Cayman	(51.4%)
Graham Holdings	(48.6%)
Informa	(47.4%)

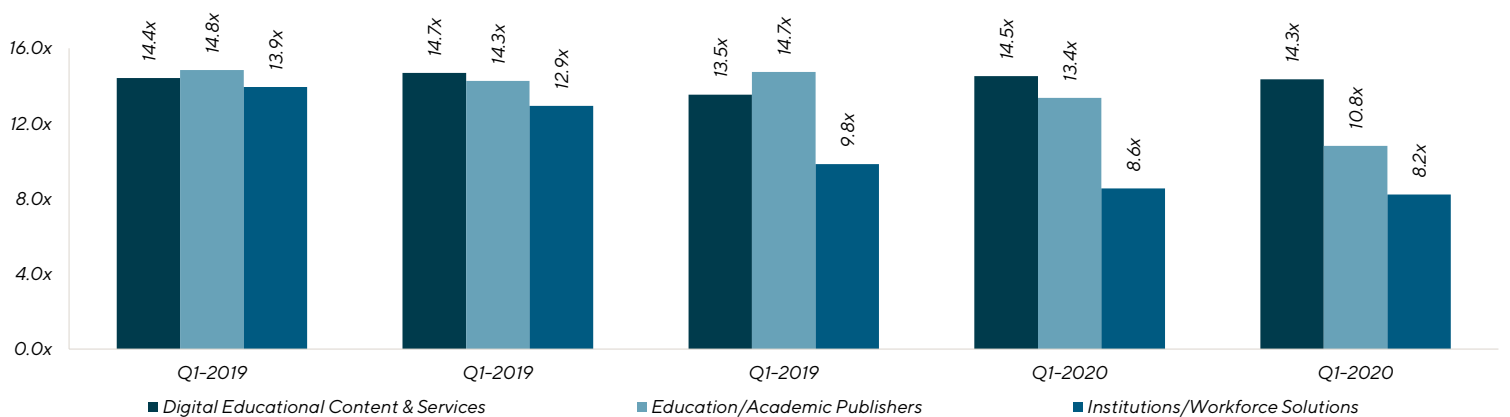
Quarter-over-Quarter Stock Indices Price Change



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	NTM		YoY Revenue Growth	EBITDA Margin	Enterprise Value / NTM	
					Revenue	EBITDA			Revenue	EBITDA
Digital Educational Content & Services										
2U, Inc.	\$21.22	28.6%	\$1,350	\$1,500	\$728	(\$1)	76.8%	(0.1%)	2.1x	NM
3P Learning Limited	0.52	76.4%	72	68	34	10	(6.6%)	28.8%	2.0x	7.0x
Blackbaud, Inc.	55.55	57.1%	2,657	3,209	934	175	10.1%	18.7%	3.4x	18.3x
Chegg, Inc.	35.78	74.2%	4,361	4,513	519	162	61.6%	31.3%	8.7x	27.8x
Grand Canyon Education, Inc.	76.29	57.5%	3,642	3,668	856	331	1.2%	38.7%	4.3x	11.1x
New Oriental Education & Technology Group Inc.	108.24	76.0%	17,148	15,107	4,194	717	51.1%	17.1%	3.6x	21.1x
Pearson plc	6.88	58.1%	5,154	6,724	4,698	785	(10.7%)	16.7%	1.4x	8.6x
Pluralsight, Inc.	10.98	30.8%	1,157	1,285	387	(55)	66.9%	(14.3%)	3.3x	NM
RELX PLC	21.53	77.3%	41,517	49,367	10,066	3,609	5.4%	35.9%	5.3x	16.7x
RISE Education Cayman Ltd	4.07	37.7%	231	252	161	(21)	(12.8%)	(13.0%)	1.6x	NM
TAL Education Group	53.26	89.1%	31,516	30,213	4,259	590	82.0%	13.9%	7.1x	NM
Mean		60.2%					29.5%	15.8%	3.9x	15.8x
Median		58.1%					10.1%	17.1%	3.4x	16.7x
Education / Academic Publishers										
Houghton Mifflin Harcourt Company	\$1.88	22.6%	\$236	\$741	\$1,411	\$187	6.7%	13.2%	0.5x	4.0x
Informa plc	5.51	49.1%	6,897	10,446	3,183	976	5.4%	30.7%	3.3x	10.7x
John Wiley & Sons, Inc.	37.49	74.9%	2,104	2,964	1,899	374	6.3%	19.7%	1.6x	7.9x
Pearson plc	6.88	58.1%	5,154	6,724	4,698	785	(10.7%)	16.7%	1.4x	8.6x
RELX PLC	21.53	77.3%	41,517	49,367	10,066	3,609	5.4%	35.9%	5.3x	16.7x
Rosetta Stone Inc.	14.02	52.2%	348	312	192	4	10.3%	2.2%	1.6x	NM
Scholastic Corporation	25.49	55.7%	874	714	1,558	95	(7.2%)	6.1%	0.5x	7.5x
Wolters Kluwer N.V.	70.53	90.4%	18,722	21,159	5,301	1,563	8.7%	29.5%	4.0x	13.5x
Mean		60.0%					3.1%	19.2%	2.3x	9.8x
Median		56.9%					5.9%	18.2%	1.6x	8.6x
Institutions / Workforce Solutions										
Adtalem Global Education Inc.	\$26.79	51.7%	\$1,418	\$2,002	\$1,100	N/A	(10.6%)	N/A	1.8x	8.6x
American Public Education, Inc.	23.93	68.4%	357	168	294	28	(1.1%)	9.5%	0.6x	6.0x
Graham Holdings Company	341.17	45.1%	1,791	2,129	N/A	N/A	N/A	N/A	NM	NM
Grand Canyon Education, Inc.	76.29	57.5%	3,642	3,668	856	331	1.2%	38.7%	4.3x	11.1x
K12 Inc.	18.86	50.4%	740	577	1,087	137	11.2%	12.6%	0.5x	4.2x
Laureate Education, Inc.	10.51	48.5%	2,203	4,126	3,168	678	(5.4%)	21.4%	1.3x	6.1x
Lincoln Educational Services Corporation	2.20	67.7%	58	136	286	15	8.7%	5.4%	0.5x	8.8x
Perdoceo Education Corporation	10.79	48.0%	757	527	674	148	15.9%	22.0%	0.8x	3.6x
Strategic Education, Inc.	139.76	73.6%	3,073	2,724	1,054	284	66.1%	27.0%	2.6x	9.6x
Mean		56.8%					10.7%	19.5%	1.5x	7.2x
Median		51.7%					5.0%	21.4%	1.0x	7.3x

Note: USD in millions, except for stock price

Source: Bloomberg, Capital IQ and company filings, as of 3/31/20

Lincoln Deal Spotlight

Founded in Belgium, SiPM is a pioneer in high-impact e-learning solutions for blue-chip corporations worldwide. The Company has changed the way their clients train their procurement, supply chain and sales professionals by providing role-specific curriculum and the latest e-learning methods, resulting in maximum impact for employees and organizations. Since its founding, SiPM has rapidly expanded its platform to over 50,000 individuals employed by over 200 blue-chip corporations in over 100 countries worldwide.

On May 4, 2020, Levine Leichtman Capital Partners Europe ("LLCP") announced that it had acquired SiPM in partnership with management and its founding partners. David Rajakovich, Managing Director Operations at SiPM, was excited to welcome "LLCP's extensive experience in corporate education and training, along with its proven track record of supporting entrepreneurs." The sellers of the business were advised by Lincoln International (M&A), Stibbe (legal) and PwC (financial and tax).



and founders

have sold

SiPM

to



Sell-Side



Selected M&A Transaction Recap

Closed	Target Company	Target Description	Acquiring Company
Announced	Clustree	Designs and develops an artificial intelligence solution for career management	Cornerstone OnDemand
Announced	iSimulate	Develops and offers online healthcare simulation training	3B Scientific
3/31/2020	Lev	Operates as a cloud solution consulting and technology services company	Cognizant Technology Solutions
3/31/2020	Open LMS business of Blackboard	Develops moodle-based SaaS learning management system	Learning Technologies Group
3/30/2020	EdtechX Holdings SPAC	Develops a global platform of next-generation education and training institutions	Meten International Education Group
3/24/2020	Cadence Education	Provides childhood and private elementary education services	Apax Partners
3/24/2020	Vinca	Provides online training for food safety management systems and helps companies prepare for certification	Registrar
3/20/2020	Instructure	Provides applications for learning, assessment and performance management through a software-as-a-service business model worldwide	Thoma Bravo
3/16/2020	Teachable	Develops a platform to create and sell online courses	Hotmart
3/12/2020	CozyKin	Provides nanny services for new or expecting parents	Higher Ground Education
3/10/2020	Thinkmap	Develops and markets software that uses visualization to facilitate communication, learning and discovery	IXL Learning
3/5/2020	Kiddie Country	Offers preschool and kindergarten, professional staff, curriculum / programs director, music director, registered nurses, computer stations and other related services	Endeavor Schools
2/28/2020	Campus Management Acquisition Corp./Edcentric Holdings	Designs and develops cloud-based SIS, CRM and ERP solutions	Veritas Capital
2/7/2020	Paradigm Publishing	Provides online education services through their platforms to traditional and post-traditional students to achieve the requisite digital literacy skills and career knowledge	Kendall/Hunt Publishing Company
2/4/2020	School Pathways	Provides a leading web-based student information system for Independent Study and online schools	Banyan Software
1/31/2020	Edukids	Provides online as well as offline education programs	Busy Bees
1/31/2020	Parchment	Operates an eTranscript exchange community that connects high schools, community colleges, four year public and private universities, trade schools and employers	Credentials eSCRIP-SAFE
1/28/2020	Foundation Source Philanthropic Services	Provides support services for private foundations in the United States	Incline Equity
1/27/2020	Galvanize	Provides technology workforce education, workspace and networking services for students, startups, and large companies	K12 Management
1/16/20	Smart Sparrow	Owns and operates an education-learning platform that allows students and professionals to create an e-learning courseware	Pearson
1/15/2020	Talis Education Group	Operates commercial and training schools	Azulis Capital; Aquiti Gestion
1/14/2020	Insight	Provides education service staffing services	Kelly Services
1/14/2020	Meazure Learning (formerly Yardstick)	Designs and develops online testing and training solutions	ProctorU
1/13/2020	21 Grams	Provides marketing, advertising, and patient / medical education services to the healthcare industry	W2O Group (New Mountain Capital)
1/10/2020	Prime Principle	Develops and delivers Classroom Monitor, a tool that is used to track pupil progress in schools	Juniper Education (Horizon Capital)
1/9/2020	imPACT Applications	Provides a computerized concussion evaluation system for teams, organizations and individuals globally	Riverside Assessments (Alpine Investors)
1/9/2020	Ping Pong	Provides learning management systems	TSS (Alfven & Didrikson)
1/8/2020	Harappa Learning Private	Operates a web-based platform that offers courses for improving foundational skills and building competencies for professionals of all specializations	Lupa Systems
1/8/2020	LearnZillion	Provides open and cloud-based curriculum to schools in District of Columbia	Weld North Education
1/1/2020	MThree Corporate Consulting	Provides technology services for financial services and tech companies	John Wiley & Sons

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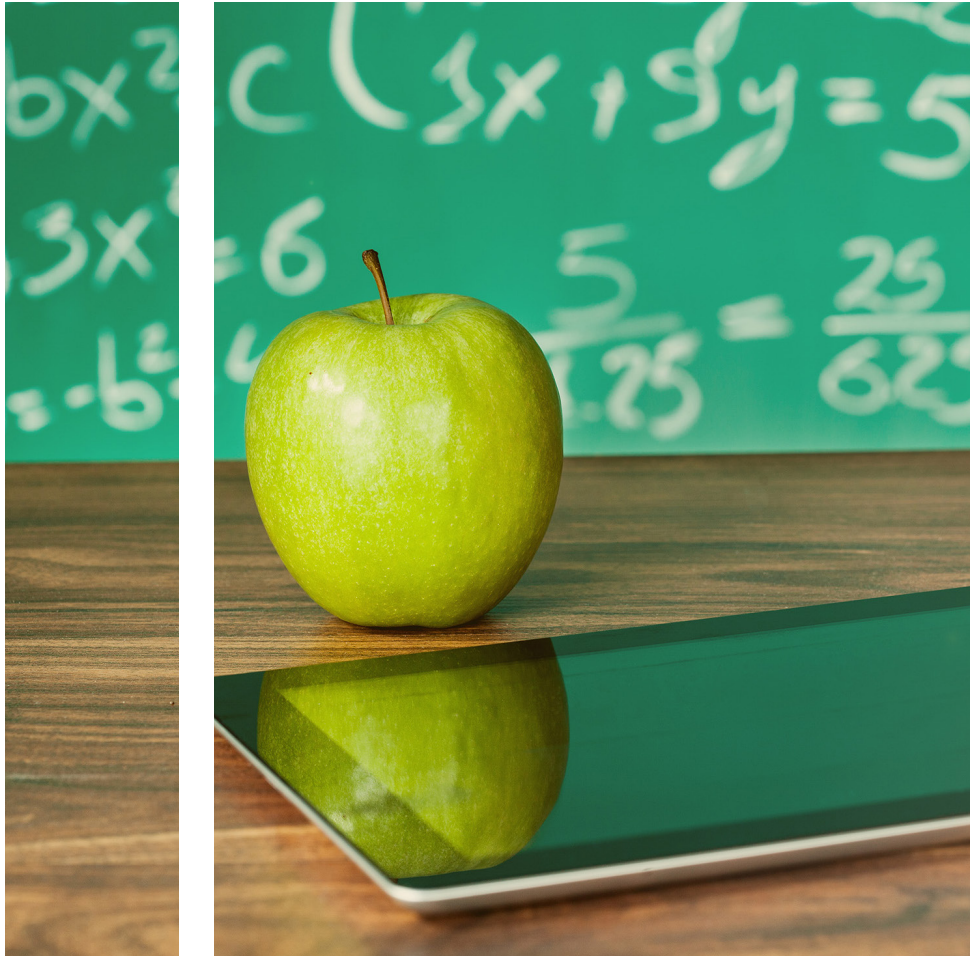
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Lincoln International's Education Technology & Services Team

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
- Institutions / Workforce Solutions

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 600 professionals across 16 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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