

Market Update



Education Technology & Services Q3 2018

Key Highlights

The top subsector stock performer in Q3 2018 was Bridgepoint Education, up 55.6% quarter over quarter


On average, EBITDA multiples for the subsectors increased 0.4x from the prior quarter and were up 2.7x on a year over year basis

Selected Education Technology & Services Transactions

Project Touchdown

Provider of higher education student experience management solutions

Buy-Side




DREAM CENTER EDUCATION HOLDINGS, LLC

has acquired selected assets of

EDMC
Education Management Corporation

South University **ARGOSY UNIVERSITY** **The Art Institute**

Buy-Side




academicworks

has been sold to

blackbaud™

Sell-Side



PRAGMATIC MARKETING

has been acquired by

RENOVUS CAPITAL

and

petra CAPITAL PARTNERS

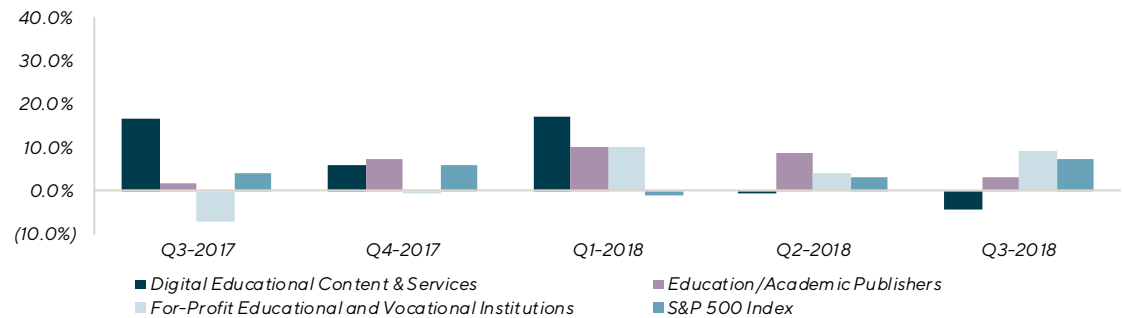
Sell-Side



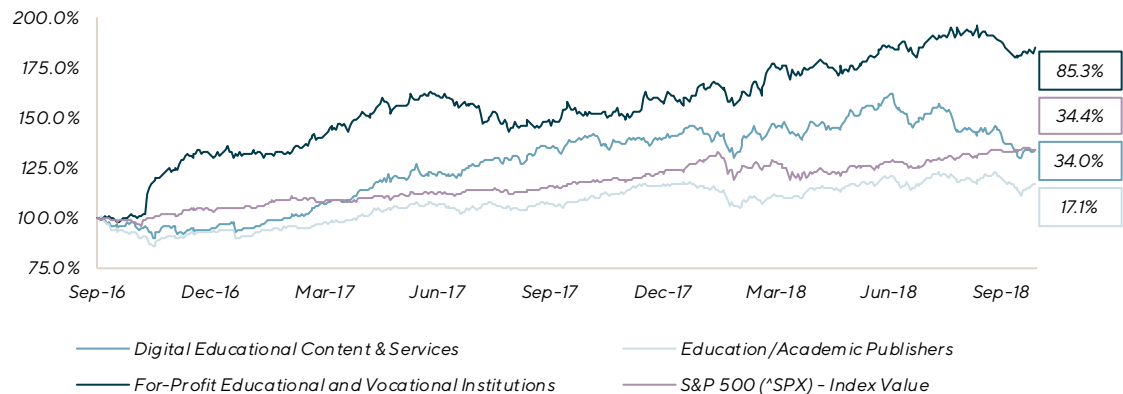
Quarter over Quarter Price Performance

Outperformers	Change	Underperformers	Change
Bridgepoint Education, Inc.	55.6%	TAL Education Group	(30.1%)
Lincoln Educational Services Corporation	29.9%	New Oriental Education & Technology Group Inc.	(21.8%)
Rosetta Stone Inc.	24.1%	American Public Education, Inc.	(21.5%)
Strategic Education, Inc.	21.3%	Instructure, Inc.	(16.8%)

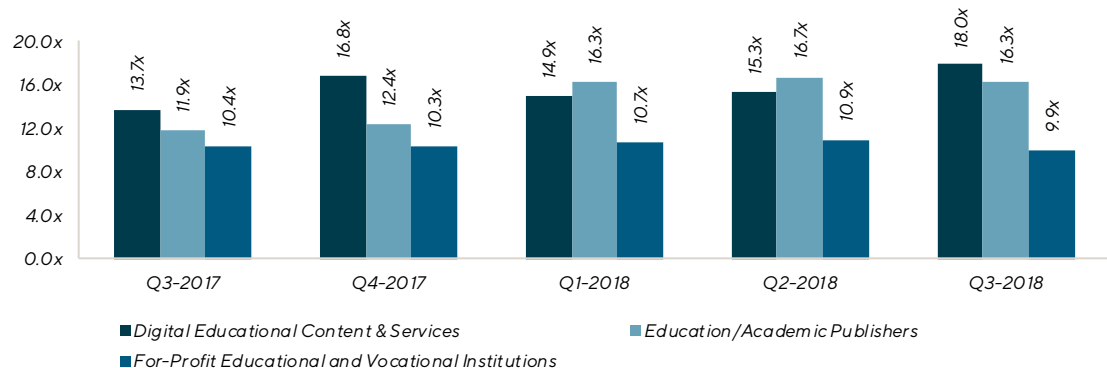
Quarter over Quarter Stock Indices Price Change



Two Year Relative Stock Indices Price Performance



Historical Enterprise Value/EBITDA Valuation Performance



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

Market Intelligence

10/11/18: Pearson

(LON:PSO) has resumed its K-12 courseware publishing segment sale process, continuing to shed assets to focus on its core education business

10/05/18: PSI Services,

the provider of professional testing services and talent assessment solutions backed by Waud Capital, plans to collect initial bids in Q4; the company is expected to be valued at approximately \$1 billion, marketed off ~\$100 million in EBITDA

10/02/18: Glynlyon,

a provider of web-based educational curriculum for PreK-12 public school systems backed by Linsalata Capital Partners, is now preparing to launch a sale process and will be marketed off ~\$20 million in EBITDA

9/27/18: Rosetta Stone

(NYSE:RST) is considering acquisitions in 2019 after fully integrating Lexia Learning into its operations and observing strong M&A activity in the foreign language space

9/07/18: John Wiley & Sons

(NYSE:JW.A) is actively pursuing acquisitions in the areas of education services and corporate learning in order to enhance breadth of capabilities in adjacent offerings

7/31/18: The Rise Fund,

a global investing fund managed by TPG Growth, has made its largest education technology commitment to date, investing \$130 million in DreamBox Learning, an online software provider that focuses on K-8 mathematics education

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.	\$75.19	76.3%	\$4,318	\$3,854	\$347	(\$27)	45.0%	(7.7%)	11.1x	NM
3P Learning Limited	0.91	71.6%	127	110	41	9	(21.9%)	20.8%	2.8x	12.6x
Blackbaud, Inc.	101.48	84.3%	4,802	5,253	830	142	9.4%	17.1%	6.3x	NM
Cambium Learning Group, Inc. ⁽¹⁾	11.84	84.7%	560	610	159	29	2.3%	18.1%	3.8x	21.1x
Chegg, Inc.	28.43	86.6%	3,240	3,051	287	11	13.4%	3.7%	10.6x	NM
Instructure, Inc.	35.40	72.0%	1,233	1,116	184	(49)	36.5%	(26.6%)	6.1x	NM
New Oriental Education & Technology Group Inc.	74.01	68.3%	11,745	9,253	2,646	346	37.3%	13.1%	3.8x	27.1x
Pearson plc	11.61	91.5%	8,999	10,116	5,715	749	20.7%	13.1%	1.8x	12.5x
Pluralsight, Inc.	32.00	83.4%	2,013	1,933	194	(85)	47.1%	(43.7%)	10.0x	NM
RELX PLC	21.02	96.5%	41,542	49,750	9,638	2,931	31.3%	30.4%	5.2x	16.9x
RISE Education Cayman Ltd	11.83	63.6%	715	637	167	16	(80.0%)	9.4%	3.8x	NM
TAL Education Group	25.71	54.0%	14,585	12,911	2,188	340	61.5%	15.5%	6.6x	NM
Tarena International, Inc.	8.12	50.8%	449	304	319	(9)	(81.6%)	(2.9%)	1.0x	NM
Mean		75.7%					9.3%	4.7%	5.6x	18.0x
Median		76.3%					20.7%	13.1%	5.2x	16.9x
Education/Academic Publishers										
Cambium Learning Group, Inc. ⁽¹⁾	\$11.84	84.7%	\$560	\$610	\$159	\$29	2.3%	18.1%	3.8x	21.1x
Houghton Mifflin Harcourt Company	7.00	57.1%	865	1,650	1,388	76	2.6%	5.5%	1.2x	20.8x
Informa plc	9.94	87.6%	12,440	16,040	2,374	749	47.3%	31.6%	6.8x	21.7x
John Wiley & Sons, Inc.	60.60	84.5%	3,494	3,884	1,796	327	4.0%	18.2%	2.2x	11.9x
Pearson plc	11.61	91.5%	8,999	10,116	5,715	749	20.7%	13.1%	1.8x	12.5x
RELX PLC	21.02	96.5%	41,542	49,750	9,638	2,931	31.3%	30.4%	5.2x	16.9x
Rosetta Stone Inc.	19.89	98.2%	454	435	177	(1)	(8.6%)	(0.5%)	2.5x	NM
Scholastic Corporation	46.69	97.4%	1,635	1,251	1,658	119	0.6%	7.2%	0.8x	11.3x
Wolters Kluwer N.V.	62.37	96.4%	17,026	19,316	4,984	1,402	12.9%	28.1%	3.9x	13.8x
Mean		88.2%					12.6%	16.9%	3.1x	16.3x
Median		91.5%					4.0%	18.1%	2.5x	15.3x
For-Profit Educational and Vocational Institutions										
Adtalem Global Education Inc.	\$48.20	85.4%	\$2,889	\$2,760	\$1,231	\$279	1.9%	22.6%	2.2x	9.9x
American Public Education, Inc.	33.05	71.6%	543	349	299	54	(0.4%)	18.1%	1.2x	6.8x
Bridgepoint Education, Inc.	10.16	74.5%	274	106	463	25	(9.2%)	5.4%	0.2x	4.2x
Career Education Corporation	14.93	78.3%	1,041	856	578	89	(8.4%)	15.4%	1.5x	9.6x
Graham Holdings Company	579.30	92.6%	3,097	2,825	2,665	372	6.2%	14.0%	1.1x	7.6x
Grand Canyon Education, Inc.	112.80	91.5%	5,443	5,208	1,020	355	10.7%	34.8%	5.1x	14.6x
K12 Inc.	17.70	94.7%	700	495	918	46	3.3%	5.0%	0.5x	10.7x
Laureate Education, Inc.	15.44	90.9%	3,459	5,982	4,411	706	18.5%	16.0%	1.4x	8.4x
Lincoln Educational Services Corporation	2.26	83.3%	56	77	258	4	(5.9%)	1.7%	0.3x	17.3x
Strategic Education, Inc.	137.03	98.6%	2,893	2,721	458	74	2.1%	16.1%	5.9x	NM
Mean		86.1%					1.9%	14.9%	1.9x	9.9x
Median		88.1%					2.0%	15.7%	1.3x	9.6x

(1) As of 10/15/18, Cambium Learning has entered into a definitive agreement to be acquired by Veritas Capital

Note: USD in millions, except for stock price

Source: Bloomberg, Capital IQ and company filings, as of 09/28/2018

Selected M&A Transaction Recap

Closed	Target Company	Target Description	Acquiring Company
Announced	Interfolio	Provides institutional accreditation and reporting solutions	Insight Venture Partners
Announced	Tapingo	Provides an application for mobile ordering that primarily serves college campuses	GrubHub
Announced	Cognita Schools	Owns and operates a network of schools	Jacobs Holding
Announced	Cirrus Group	Operates as an application development, consulting and investment company for education industries	Procare Software (TA Associates)
Announced	Critiquelt	Develops annotation software for higher education learning management systems	2U
Nov-18	OnCourse Learning	Provides education, pre-licensing and corporate training services online	Bertelsmann
Oct-18	Riverside Clinical & Standardized Testing Portfolio of Houghton Mifflin Harcourt	Comprises brands in the Woodcock-Johnson family, the Cognitive Abilities Test, Iowa Assessments and the distribution of Battelle Developmental Inventory	Alpine Investors
Sep-18	Groupcall	Develops data driven solutions for schools and academies	Community Brands
Sep-18	ACG Education	Manages PreK-12 and higher education institutions	Inspired Schools
Sep-18	General Assembly	Provides education services in the areas of technology, business and design	Adecco Group
Sep-18	Casino Essentials	Provides AML/Title 31 compliance training, certification and eLearning solutions to the gaming industry	Vector Solutions
Sep-18	Test prep, Study aid and Foreign Language Assets of Barron's Educational Series	Includes test prep, study aid and foreign language assets	Kaplan
Sep-18	EOS Education	Provides professional development services to the K-12 education market	BOXLIGHT
Sep-18	Mondo Publishing	Provides ongoing professional learning services and develops literacy resources for K-5 classrooms	EMC School (Carnegie Learning)
Sep-18	Aries Systems	Develops software to manage the complexities of modern print and electronic publishing	Elsevier B.V.
Sep-18	Carnegie Learning (merged with New Mountain)	Publishes research-based mathematics textbooks and web-based software tools	CIP Capital
Aug-18	Western Schools	Offers courses in nursing and behavioral health to healthcare professionals	Colibri Group (Quad-C)
Aug-18	Designation	Provides digital and design education programs	The Flatiron School (WeWork)
Aug-18	Rainbow Child Development Center	Provides child care services and educational programs	KinderCare Learning (Partners Group)
Aug-18	Prime Education	Engages in developing, accrediting and delivering health care education for health care providers	Everyday Health (j2 Global)
Aug-18	PaperRater.com	Offers automated proofreading tool that enables students to improve writing skills	Barnes & Noble Education
Aug-18	Leed International (51%)	Provides education consultation and owns Dianchi College, a higher education institution	Minsheng Education
Aug-18	Talis Education	Operates commercial and training schools	SAGE Publications
Aug-18	Knowre	Develops an adaptive digital learning platform which provides students with personalized curriculum solutions	Daekyo
Aug-18	VineUp	Develops career mentoring software for universities	Graduway
Aug-18	Contratanet	Offers an integrated network of career portals for jobs and internships in Brazil	Symlicity
Aug-18	Research Research Limited	Provides funding opportunities and publishes authoritative news and analysis of research politics and funding	Ex Libris
Aug-18	Procare Software	Develops and provides software and hardware solutions for the child care industry	Warburg Pincus
Aug-18	LifeCubby	Provides preschool classroom and childcare software for early childhood providers and families	Excelligence Learning
Aug-18	Nobel Learning	Operates a network of nonsectarian private schools that include preschools, elementary schools, middle schools and specialty high schools	Spring Education Group
Aug-18	PeopleAdmin	Develops recruitment, assessment and records management software for the K-12 market	PowerSchool (Onex Corporation)
Aug-18	PowerSchool Group	Offers student information systems and performance solutions for K-12 schools and districts	Onex Corporation (50% stake)
Aug-18	Capella Education	Provides online postsecondary education and job-ready skills services	Strayer Education
Jul-18	Reasoning Mind	Provides first-rate math education solutions	Imagine Learning (Weld North)
Jul-18	The National Research Center for College & University Admissions (NRCCUA)	Connects colleges and universities to the nation's largest college and career planning program for students seeking post-secondary guidance	ACT
Jul-18	Renaissance Learning	Offers PreK-12 learning analytics solutions	Francisco Partners
Jul-18	iteach / Teaching Channel	Provides online learning services / provides teaching practices	Learner's Edge (L Squared Capital Partners)
Jul-18	College For Financial Planning	Offers financial education and training to individuals pursuing the CFP designation	Kaplan Professional Education
Jul-18	The Learning Experience	Operates childcare and early childhood development centers	Golden Gate Capital
Jul-18	StudyBlue	Enables students to connect with others who are on a similar learning journey through a shared library of user-generated content	Chegg

Filling the Gap

How Private Enterprise is Tackling the Up-skilling and Re-skilling Challenge

Much has been written over the last several months and years about the looming divide between available jobs and the supply of candidates with the requisite skills to fill those jobs. Moreover, many of those jobs are in fields that lead to long-term careers – a path to social and economic upward mobility for many. Over that same time period, we have seen a wide range of proposed solutions to narrow what has generally become known simply as the “Skills Gap.” Identifying approaches to fill this gap remains one of the most daunting challenges facing our country and its education system. This issue, and the market that has developed around it, is a frequent topic of conversation amongst the venture and private equity investors we meet with regularly.

The Community College Dilemma

Federal- and state-level initiatives have ranged from modest funding support for local skills-development programs to sweeping changes to the community college systems across the U.S. Some states have experimented with such extensive changes (namely the “Promise” tuition support programs employed by various states). Most, however, have limited the breadth of those programs or simply remain frozen in grappling with a daunting identity crisis – are community colleges intended to be the bridge between high school and a four-year degree or should they be focused on providing key career and technical education (“CTE”) programs for those not seeking a four-year degree. Or can they be both?

While that question remains unanswered, a series of unique program providers have stepped into the void with the goal of providing critical skills to those students seeking a career path that can provide long-term stability and income to support a family. In the professional trades arena, much of that effort historically was expended by for-profit post-secondary schools. But in the wake of Obama-era regulatory changes, a significant portion of that market was closed or hampered to such an extent that many schools simply closed their doors. However, some have thrived, including many focused on critical needs within the medical, technical and skilled trades. By providing a clear and measurable ROI to their students, these institutions have prevailed not only through regulatory headwinds but also despite the longest-running economic expansion in modern history.

Companies Taking on the Challenge

At the same time, we have witnessed a combination of new market entrants introducing novel and innovative approaches along with decades-old providers that have successfully migrated their business models to meet the needs of 21st century learners. Penn Foster (www.pennfoster.edu; backed by Bain Capital’s Double Impact Fund) is a noteworthy example of a long-standing company navigating the changes in market needs and finding creative ways to partner with communities

and students to deliver in-demand skill development for those that need it most. In stark contrast are two newer entrants, Graduation Alliance (www.graduationalliance.com) and Acceleration Academies (www.accelerationacademy.org), that help high school dropouts find paths back into the workforce and are making significant strides in guiding these students back on a path toward long-term career opportunities.

We have also seen entrepreneurial enterprises develop a host of creative solutions spanning the education spectrum. One such provider focuses on leveraging existing resources to provide a unique solution in the coding market. Unlike many of its bootcamp predecessors that have often stumbled amidst bold expansion efforts, Trilogy Education Services (www.trilogyed.com; backed by Highland Capital, Exceed Capital and Macquarie), is partnering with universities to deliver short-term software development bootcamps on their campuses using their facilities. Revature (www.revature.com; backed by University Ventures and Eden Capital) is another skill development provider focused on bridging students across any major/focus area toward a career in software development. uCertify (www.ucertify.com) is another prime example of leveraging technology to reach 21st century learners wherever they are to deliver critical career-enhancing training. Focused primarily on IT professional certifications, uCertify’s programs can be delivered either on the ground with partner universities or online (both live and on-demand).

While the question of how the Skills Gap will ultimately be bridged remains, it seems clear the answer is not a simple one and likely not the same for all students. So long as there is demand, entrepreneurs will continue to create ways to meet that demand in new and interesting ways. We look forward to seeing how things progress both for existing enterprises such as Graduation Alliance, Trilogy, uCertify and others, as well as for those developing new ideas that have not yet been put into action. We applaud the efforts of those plowing new ground today and those who are just embarking on a new approach that will further push the boundaries of what our traditional education systems have supported.

Companies to Watch



**ACCELERATION
ACADEMIES**



PENN FOSTER



Advisory Services

Mergers & Acquisitions
Debt Advisory
Growth Equity
Special Situations
Valuations & Opinions
Joint Ventures & Partnering

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, debt advisory, growth equity and restructuring 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 www.lincolninternational.com.

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

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