



Market Update

Education Technology & Services

Q3 2016

Key Highlights

- In a challenging quarter for the publicly traded education market, the top subsector performer was For-Profit Educational and Vocational Institutions, up 1.3%
- On average, the stock price indices for the subsectors underperformed the S&P 500 Index by 4.5% during Q3 2016

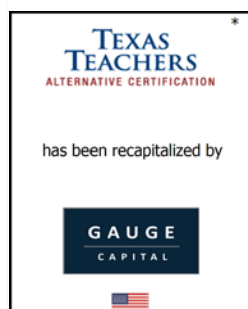
Lincoln International's Education Technology & Services

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 Institutions

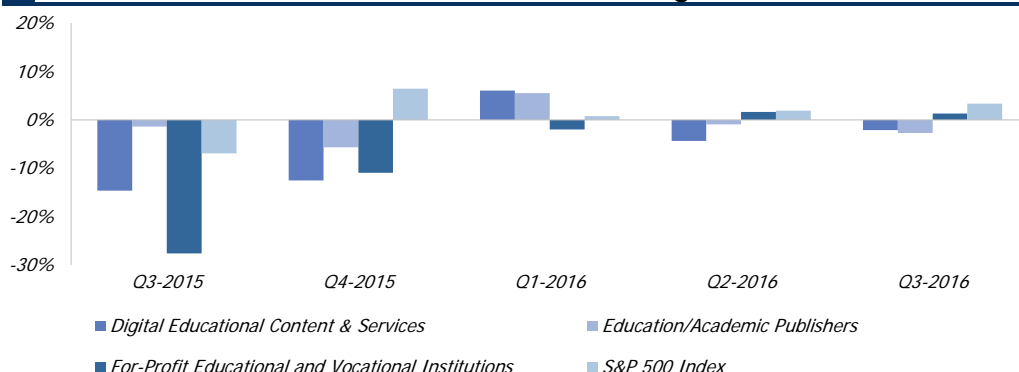
Recent Education Technology & Services Transactions



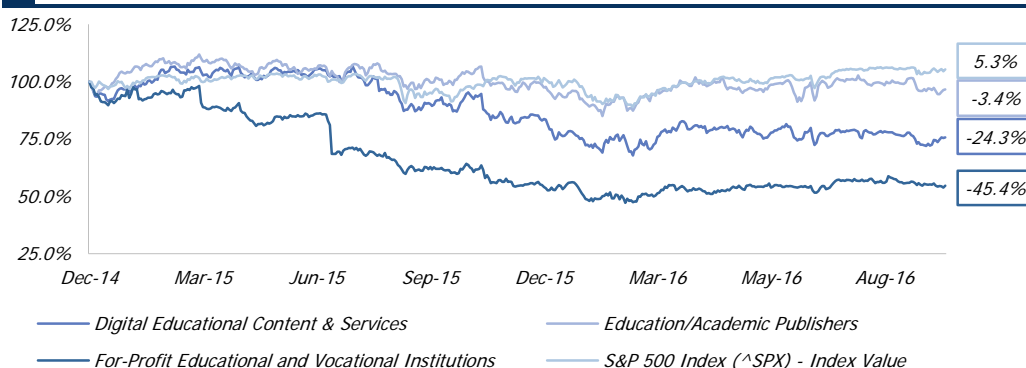
Quarter over Quarter Price Performance

Outperformers	Change	Underperformers	Change
3P Learning Limited	50.3%	American Public Education, Inc.	(29.5%)
Lincoln Educational Services Corporation	46.7%	Pearson plc	(22.1%)
Chegg, Inc.	41.8%	Houghton Mifflin Harcourt Company	(14.2%)
Instructure, Inc.	33.5%	Apollo Education Group, Inc.	(12.8%)

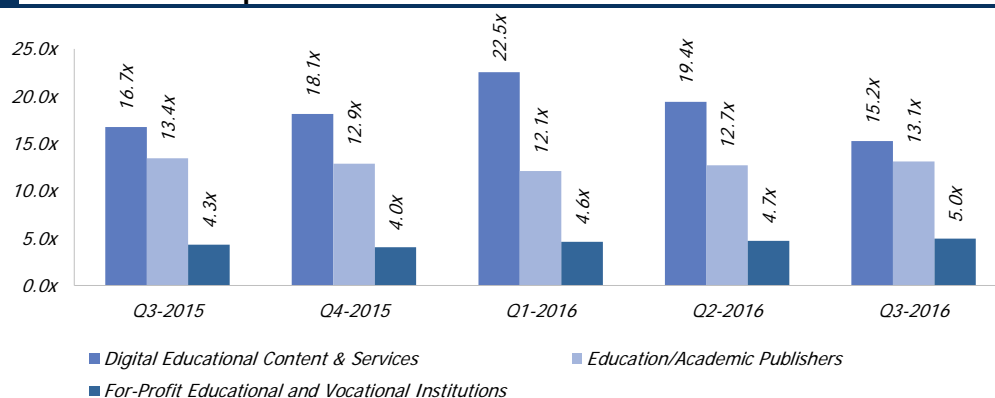
Quarter over Quarter Stock Indices Price Change



Two Year Relative Stock Indices Price Performance



Historical Enterprise Value / EBITDA Valuation Performance



Education Technology & Services Stock Indices Data

Education Technology & Services Stock Market 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
Digital Educational Content & Services										
2U, Inc.	\$38.29	98.4%	\$1,795	\$1,607	\$177	(\$22)	28.5%	(12.2%)	9.1x	NM
3P Learning Limited	0.85	45.1%	118	123	37	13	(21.1%)	15.7%	3.4x	9.5x
Blackbaud Inc.	66.34	92.4%	3,080	3,466	684	114	11.3%	16.6%	5.1x	30.5x
Cambium Learning Group, Inc.	5.43	91.0%	249	355	149	24	4.4%	16.2%	2.4x	14.7x
Chegg, Inc.	7.09	88.3%	645	596	269	(11)	(15.3%)	(4.2%)	2.2x	NM
Discovery Communications, Inc.	26.92	84.7%	14,846	22,687	6,472	2,480	0.7%	38.3%	3.5x	9.1x
Instructure, Inc.	25.37	97.6%	710	648	92	(48)	41.1%	(51.7%)	7.1x	NM
Pearson plc	9.81	61.4%	7,995	10,116	5,766	818	28.4%	14.2%	1.8x	12.4x
Mean		82.4%					9.7%	4.1%	4.3x	15.2x
Median		89.6%					7.8%	14.9%	3.4x	12.4x
Education/Academic Publishers										
Cambium Learning Group, Inc.	\$5.43	91.0%	\$249	\$355	\$149	\$24	4.4%	16.2%	2.4x	14.7x
Houghton Mifflin Harcourt Company	13.41	60.9%	1,640	2,329	1,471	186	6.3%	5.3%	1.6x	12.5x
Informa plc	9.27	93.4%	6,011	7,388	1,650	512	37.6%	31.0%	4.5x	14.4x
John Wiley & Sons Inc.	51.61	87.7%	3,004	3,473	1,708	275	(5.5%)	16.1%	2.0x	12.6x
Pearson plc	9.81	61.4%	7,995	10,116	5,766	818	28.4%	14.2%	1.8x	12.4x
RELX NV	17.98	95.5%	36,757	43,006	8,328	2,485	40.4%	29.8%	5.2x	17.3x
Rosetta Stone, Inc.	8.48	92.0%	186	160	202	(14)	(15.6%)	(7.1%)	0.8x	NM
Scholastic Corporation	39.36	89.0%	1,358	1,083	1,764	138	7.8%	7.8%	0.6x	7.9x
Mean		83.9%					13.0%	14.2%	2.4x	13.1x
Median		90.0%					7.1%	15.1%	1.9x	12.6x
For-Profit Educational and Vocational Institutions										
American Public Education, Inc.	\$19.81	64.3%	\$318	\$194	\$323	\$75	(3.1%)	23.1%	0.6x	2.6x
Apollo Education Group, Inc.	7.95	64.0%	865	331	2,210	219	(13.9%)	9.9%	0.1x	1.5x
Bridgepoint Education, Inc.	6.87	62.9%	318	17	543	35	(6.0%)	6.4%	0.0x	0.5x
Capella Education Co.	58.04	92.1%	671	565	432	74	2.3%	17.1%	1.3x	7.7x
DeVry Education Group Inc.	23.06	77.2%	1,438	1,135	1,844	288	(2.4%)	15.6%	0.6x	3.9x
Graham Holdings Company	481.37	79.2%	2,704	2,146	2,488	318	(7.7%)	12.8%	0.9x	6.8x
Grand Canyon Education, Inc.	40.39	89.7%	1,904	1,912	828	266	10.0%	32.2%	2.3x	7.2x
K12, Inc.	14.35	99.3%	569	386	873	41	(6.4%)	4.7%	0.4x	9.4x
Lincoln Educational Services	2.20	68.8%	52	86	186	16	38.1%	8.9%	0.5x	5.2x
Strayer Education Inc.	46.68	73.1%	496	378	432	80	(1.0%)	18.5%	0.9x	4.7x
Mean		77.1%					1.0%	14.9%	0.8x	5.0x
Median		75.1%					(2.8%)	14.2%	0.6x	5.0x

Source: Bloomberg, Capital IQ and company filings, as of 9/30/2016

Note: Houghton Mifflin Harcourt Company's EBITDA reflects adjusted EBITDA less the impact of cash spent for additions to pre-publication costs, or "Post-Plate Adjusted EBITDA"

Market Intelligence

07/01/2016 - **Carnegie Speech Company**, the Pittsburgh, Pennsylvania-based intelligent English language learning company, is planning to explore a merger or sale in 18 to 24 months

08/14/2016 - **Jinke Holdings**, a Chongqing, China-based private company active in real estate, finance and energy, is seeking to buy education targets in the UK, the US or Singapore

09/26/2016 - **Duolingo**, a language-learning platform with more than 150 million global users, is seen as a highly attractive target for a large number of heavyweight acquirers

09/26/2016 - **Knewton**, the privately held adaptive learning platform licensed by many of the largest EdTech publishers and backed by numerous well-known VC groups, is

likely to attract numerous buyers were it to consider a sale

09/27/2016 - **Age of Learning**, the Los Angeles-based developer of the ABCmouse.com Early Learning Academy, is seen as an attractive sale target, although an IPO is the more likely exit for the privately held education technology company; this follows a \$150 million VC round valuing the company at \$1 billion

09/28/2016 - **Vidku**, a venture capital-backed social learning platform, could soon lure acquirers that have an appetite for peer-to-peer content technology

09/29/2016 - **John Wiley & Sons**, a historically acquisitive provider of content and knowledge-enabled services, publicly stated its desire to further expand its service lines through acquisition

Selected M&A Transaction Recap

Date	Target Company	Target Description	Acquiring Company
Announced	Maverick Solutions	Provides Oracle-related training services	GP Strategies
Announced	Media-X Systems	Offers Web-based evaluation and assessment software solutions for educators	Harris School Solutions
Announced	College Raptor	Operates an online platform that simplifies the college application process	PowerSchool Group
Announced	GL Education Group Limited	Provides integrated assessments, stakeholder surveys, self-evaluation systems and professional development services	Levine Leichtman Capital Partners
Announced	Roberts and Company Publishers	Publishes textbooks, interactive media and original monographs	Macmillan Learning
Announced	Wiki Kids	Provides an online learning platform for students, parents and teachers	Avantel Ltd
Sep-16	Redbird Advanced Learning	Provides personalized learning solutions for students, educators and parents	McGraw-Hill Education
Sep-16	Advanced Instructional Systems	Operates an online instructional platform	Cengage Learning Holdings II
Sep-16	Ranku	Provides online grade and degree programs	Deltak edu
Sep-16	Eduventures	Provides primary research, analysis and advisory services	The National Research Center for College & University Admissions
Sep-16	IPCed	Provides training and certification solutions	OnCourse Learning Corporation
Sep-16	Learner's Edge	Provides professional development and continuing education graduate courses for teachers	L Squared Capital Partners
Sep-16	Smart Technologies	Designs, develops and sells interactive technology products	Foxconn Singapore Pte.
Sep-16	Active Internet Technologies	Provides Web-based software and services for schools and educational organizations	Bridge Growth Partners
Sep-16	Astrum Education Group Limited	Offers educational services	Sailing Capital Advisors (HK) Limited
Sep-16	Cadence Education	Provides childhood and private elementary education services	Morgan Stanley Private Equity
Sep-16	Excent Corporation	Develops data management software and student curriculums	Frontline Technologies Group
Aug-16	Six Red Marbles	Develops learning software	JOUVE
Aug-16	Duck Duck Moose	Develops children's educational applications for smartphones	Khan Academy
Aug-16	Uvize	Operates as an education technology and publishing company	SonderMind
Aug-16	Arden University Limited	Offers online distance and blended learning	Global University Systems
Aug-16	SRB Education Solutions	Provides software solutions for K-12 administration	PowerSchool Group
Aug-16	Acorn Care and Education	Provides education and care services for children with special needs	The National Fostering Agency Limited
Aug-16	Hillcrest Media Group	Provides book publishing, education and support services	Salem Media Group
Aug-16	CompassLearning	Develops K-12 learning acceleration software	Edgenuity
Jul-16	Digital Assess Limited	Provides SaaS based assessment products to support personalized learning	Vocational Training Charitable Trust
Jul-16	Carson-Dellosa Publishing	Publishes and sells supplementary educational products	Guardian Capital Partners
Jul-16	LawRoom	Provides online compliance training services	EverFi
Jul-16	Schoolie	Provides a cloud-based platform that helps parents compare, evaluate and select public schools	GreatSchools
Jul-16	n2y	Provides cloud-based learning services for special education	The Riverside Company
Jul-16	For Skills Limited	Designs Web-based functional skills learning resources	N C F E
Jul-16	A Train Simple Company	Provides online training videos on Adobe software	Pluralsight

Global Industry Groups

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 Automotive & Truck
 Building & Infrastructure
 Business Services
 Chemicals
 Consumer
 Distribution
 Electronics
 Energy & Power
 Financial Institutions
 Food & Beverage
 Healthcare
 Industrials
 Packaging
 Technology & Media

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 Milan
 Moscow
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Advisory Services

Mergers & Acquisitions
 Debt Advisory
 Special Situations
 JV & Partnering
 Valuations & Opinions

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 and valuations on a wide range of transaction sizes. With seventeen 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.

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