

A green apple sits on a tablet computer, which is placed on a wooden surface. The background is a chalkboard with various mathematical equations written in white chalk, including $b^2 = c$, $3x + 9y = 5$, $3x^2 = 6$, $5 = \frac{25}{5}$, and $25 = \frac{625}{25}$.

Market Update Education Technology & Services

Q4 2016

Key Highlights

- Buoyed by Donald Trump's election and several of his cabinet selections, the top subsector performer was For-Profit Educational and Vocational Institutions, up 29.7% from last quarter
- On average, the stock price indices for the subsectors outperformed the S&P 500 Index by 4.8% during Q4 2016, again led by strong performance in the For-Profit Education and Vocational Institutions subsector

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

BIRCH HILL
equity partners

has sold

CARSON-DELLOSA
PUBLISHING GROUP

to

GUARDIAN
CAPITAL PARTNERS

GLYNLYON
TEACHING TECHNOLOGY *

has been recapitalized by

LINSALATA CAPITAL PARTNERS

MetaMetrics *

has been recapitalized by

PAMLICO
CAPITAL

TEXAS
TEACHERS
ALTERNATIVE CERTIFICATION *

has been recapitalized by

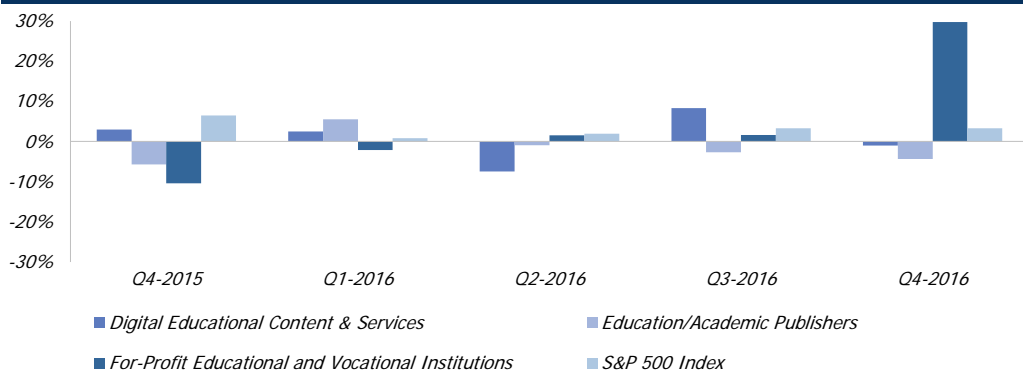
GAUGE
CAPITAL

Note: * deals completed by Lincoln team members prior to joining the firm

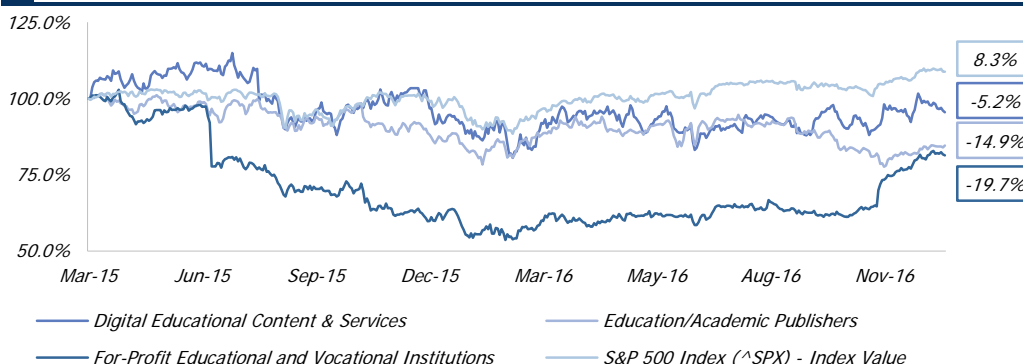
Quarter over Quarter Price Performance

Outperformers	Change	Underperformers	Change
Strayer Education Inc.	72.7%	Instructure, Inc.	(22.9%)
Capella Education Co.	51.3%	2U, Inc.	(21.3%)
Bridgepoint Education, Inc.	47.5%	Houghton Mifflin Harcourt Company	(19.1%)
Grand Canyon Education, Inc.	44.7%	Lincoln Educational Services Corporation	(12.7%)

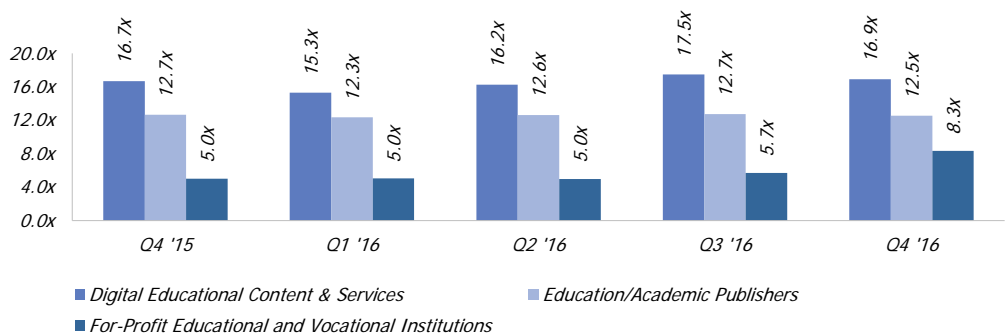
Quarter over Quarter Stock Indices Price Change



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	Enterprise Value / LTM	
					Revenue	EBITDA			Revenue	EBITDA
Digital Educational Content & Services										
2U, Inc.	\$30.15	77.5%	\$1,419	\$1,262	\$192	(\$20)	27.7%	(10.6%)	6.6x	NM
3P Learning Limited	0.83	55.8%	116	121	37	6	(24.8%)	15.7%	3.3x	21.0x
Blackbaud, Inc.	64.00	89.2%	2,975	3,334	708	116	11.0%	16.3%	4.7x	28.8x
Cambium Learning Group, Inc.	4.99	85.2%	230	317	151	26	3.9%	17.0%	2.1x	12.4x
Chegg, Inc.	7.38	86.1%	674	584	259	(6)	(14.0%)	(2.2%)	2.3x	NM
Discovery Communications, Inc.	27.41	92.1%	16,190	24,046	6,471	2,435	1.2%	37.6%	3.7x	9.9x
Instructure, Inc.	19.55	72.6%	552	469	111	(49)	51.5%	(44.2%)	4.2x	NM
Pearson plc	10.11	82.7%	8,241	10,252	5,766	818	29.0%	14.2%	1.8x	12.5x
Mean		80.2%					10.7%	5.5%	3.6x	16.9x
Median		84.0%					7.5%	14.9%	3.5x	12.5x
Education/Academic Publishers										
Cambium Learning Group, Inc.	\$4.99	85.2%	\$230	\$317	\$151	\$26	3.9%	17.0%	2.1x	12.4x
Houghton Mifflin Harcourt Company	10.85	50.7%	1,335	1,905	1,429	225	0.9%	15.7%	1.3x	8.5x
Informa plc	8.40	89.2%	6,914	8,219	1,650	512	36.1%	31.0%	5.0x	16.1x
John Wiley & Sons, Inc.	54.50	92.6%	3,137	3,753	1,701	274	(3.6%)	16.1%	2.2x	13.7x
Pearson plc	10.11	82.7%	8,241	10,252	5,766	818	29.0%	14.2%	1.8x	12.5x
RELX NV	16.88	97.1%	34,437	40,306	8,328	2,485	39.5%	29.8%	4.8x	16.2x
Rosetta Stone Inc.	8.91	96.6%	197	167	200	(10)	(7.9%)	(4.8%)	0.8x	NM
Scholastic Corporation	47.49	96.2%	1,638	1,202	1,786	143	9.7%	8.0%	0.7x	8.4x
Mean		86.3%					13.5%	15.9%	2.3x	12.5x
Median		90.9%					6.8%	15.9%	1.9x	12.5x
For-Profit Educational and Vocational Institutions										
American Public Education, Inc.	\$24.55	79.7%	\$395	\$257	\$320	\$75	(2.3%)	23.4%	0.8x	3.4x
Bridgepoint Education, Inc.	10.13	92.7%	469	183	539	31	(4.1%)	5.8%	0.3x	5.9x
Capella Education Company	87.80	97.1%	1,007	866	438	75	1.8%	17.1%	2.0x	11.6x
DeVry Education Group Inc.	31.20	95.0%	1,954	1,900	1,852	308	(0.5%)	16.6%	1.0x	6.2x
Graham Holdings Company	511.95	93.5%	2,874	2,379	2,469	355	(4.5%)	14.4%	1.0x	6.7x
Grand Canyon Education, Inc.	58.45	94.6%	2,766	2,729	845	270	8.5%	32.0%	3.2x	10.1x
K12 Inc.	17.16	96.2%	698	600	893	41	(1.9%)	4.6%	0.7x	14.5x
Lincoln Educational Services	1.92	60.0%	48	72	181	10	(6.3%)	5.5%	0.4x	7.2x
Strayer Education, Inc.	80.63	96.1%	856	735	435	78	0.2%	17.9%	1.7x	9.5x
Mean		89.4%					(1.0%)	15.2%	1.2x	8.3x
Median		94.6%					(1.9%)	16.6%	1.0x	7.2x

Source: Bloomberg, Capital IQ and company filings, as of 12/31/2016

Market Intelligence

10/12/2016: **K12**, the Virginia-based provider of digital learning solutions and infrastructure, is actively seeking acquisitions for its institutional business

10/20/2016: **Learnsity**, a Dublin, Ireland-based provider of SaaS assessment tools, is considering sectors beyond K-12 while pursuing international expansion

10/25/2016: **Pearson**, the UK-listed education and publishing company, may be looking to sell the direct-to-consumer business in the US of its wholly-owned, India-based, education company **TutorVista**

11/03/2016: **Kaplan International**, the provider of educational and career services, remains keenly interested in acquisitions following one of its largest deals, the recent purchase of Mander Portman Woodward, a "sixth form" college in the UK

11/21/2016: **Ascend Learning**, a Massachusetts-based educational software firm, is mulling a sale that could fetch a USD 2bn-plus valuation

12/08/2016: **School Specialty**, the Wisconsin-based distributor of educational products, has hired an adviser and is getting ready to come to market

12/09/2016: **Guangdong Qtone Education Group**, a China-based education software company, aims to enter the US and Europe via acquisitions of local education providers

12/12/2016: **Imagine Learning**, a Provo, Utah-based provider of K-12 software owned by Weld North, is seeking additional acquisitions, following up on its recent purchase of Think Through Learning

Selected M&A Transaction Recap

Date	Target Company	Target Description	Acquiring Company
Announced	ASIAMET Education Group Berhad	Provides higher education and training services	CUCMS Education Sdn. Bhd.
Announced	TechSkills	Offers training and career placement programs	MyComputerCareer.com
Announced	American Hotel & Lodging Educational Institute	Offers hospitality education, training and professional certification	National Restaurant Association
Announced	Beijing Kuaxue.com Education Technology Co.	Provides online education courses	Beijing Combanc Technology Co.
Announced	SunGard Public Sector and Education Businesses	Provides school administrative software solutions	PowerSchool Group
Dec-16	Encyclopaedia Britannica (India) Pvt.	Publishes educational materials	Navneet Education Limited
Dec-16	Van Dijk Educatie B.V.	Distributes educational materials and text books	TowerBrook Capital Partners
Dec-16	eSped	Develops Web-based student data management applications	Frontline Technologies Group
Dec-16	Business & Legal Resources	Develops compliance and training solutions	Leeds Equity Partners
Dec-16	Learnsmart	Provides online IT and business training lessons	VectorLearning.com
Dec-16	China Bilingual Technology & Education Group	Owns and operates K-12 private boarding schools	Capstone Technologies Group
Dec-16	Computer Assisted Testing Service	Develops and delivers computer-based knowledge examinations	PSI Services
Dec-16	Flipped Learning Community	Offers an online educational community	Flipped Learning Global Initiative
Dec-16	FR Education Technology Pvt.	Owns and operates an online platform for high school students	Next Education India Private Limited
Nov-16	Qwiklabs	Owns and operates a laboratory that provides a cloud platform for software training	Alphabet
Nov-16	Hands-On Learning	Provides an online distance learning platform	Wasena Capital Management; Millpond Equity Partners
Nov-16	Astute Technology	Provides e-learning tools and virtual meetings	Echo360
Nov-16	IntroMaps	Offers a community engagement platform to connect alumni	Graduway
Nov-16	Hackster	Provides an online community platform	Avnet
Nov-16	Education & Media Services	Provides qualifications for beauty and complementary sectors	Vocational Training Charitable Trust
Oct-16	Med-IQ	Provides continuing medical education	Coverys
Oct-16	Inspiring Learning Limited	Provides co-curricular and out of classroom learning solutions	Bridgepoint Development Capital
Oct-16	Fronteer	Develops online tools for educators to improve accessibility of their course materials	Blackboard
Oct-16	Think Through Learning	Offers Software-as-a-Solution instructional curriculum	Imagine Learning
Oct-16	Studio Fun International	Publishes and markets educational hands-on children's books	ReaderLink Distribution Services
Oct-16	Chalkable	Develops a platform to inform and empower teachers, students, parents and administrators	PowerSchool Group
Oct-16	Swank HealthCare	Provides online healthcare education courses	Relias Learning
Oct-16	AHC Media	Publishes healthcare newsletters, sourcebooks, eBooks and special reports	Relias Learning
Oct-16	Wheelhouse Analytics	Provides data analytics, mobile sales solutions and online education tools	Yodlee
Oct-16	Dimension Data Learning Solutions Pty	Provides learning solutions across information technology, process management and professional development	ACTE Pty
Oct-16	Decision Science	Develops solutions that allow education leaders to see the link between spending and outcomes	SCHOOLZILLA
Oct-16	ACF Solutions	Provides salesforce-based cloud solutions for higher education	Attain
Oct-16	Medic-CE.com	Provides online EMS continuing education services	Career Step

Global Industry Groups

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

Global Locations

Amsterdam
Beijing
Chicago
Dallas
Frankfurt
London
Los Angeles
Madrid
Milan
Moscow
Mumbai
Munich
New York
Paris
São Paulo
Tokyo
Vienna
Zurich

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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