

Market Update

Education Technology & Services

Q2 2017

Key Highlights

- Top subsector stock performers in Q2 2017 included Education/Academic Publishers and For-Profit Educational and Vocational Institutions, up 8.9% and 6.1%, respectively
- On average, the stock price indices for these subsectors performed in line with the S&P 500 Index in Q2 2017
- On average, EBITDA multiples for the subsectors were up by 0.7x over the prior quarter and up 2.0x on a year over year basis

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 Institutions

Selected Lincoln Case Study

academicworks

has been sold to

blackbaud™

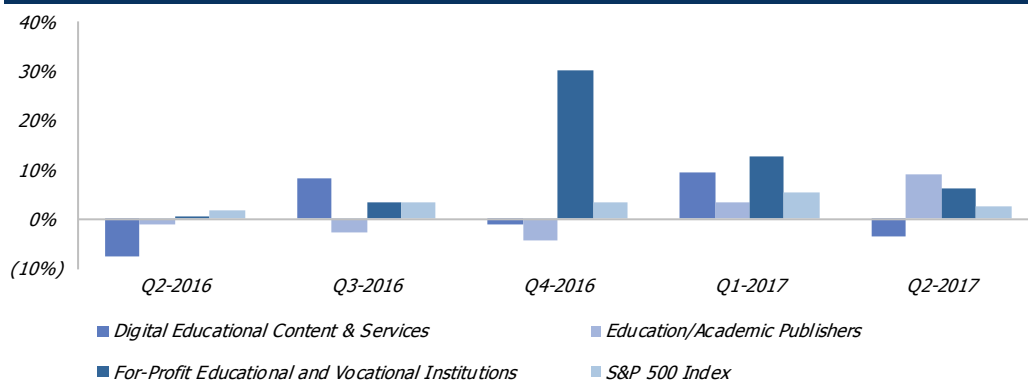


- AcademicWorks, Inc. is the market-leading provider of SaaS scholarship management solutions to 500+ higher education institutions and foundations
- Offers the only comprehensive scholarship management platform focused on improving access to education through innovative technology
- Experienced founders sought a partner to help the company navigate its next phase of growth
- Lincoln leveraged its deep industry experience and relationships to approach a targeted universe of strategic and financial acquirers
- Transaction expands Blackbaud's (NASDAQ:BLKB) cloud-based higher education platform, further enhancing its focus on providing a suite of fully-integrated education solutions
- Highly competitive process resulting in an optimal outcome for all stakeholders

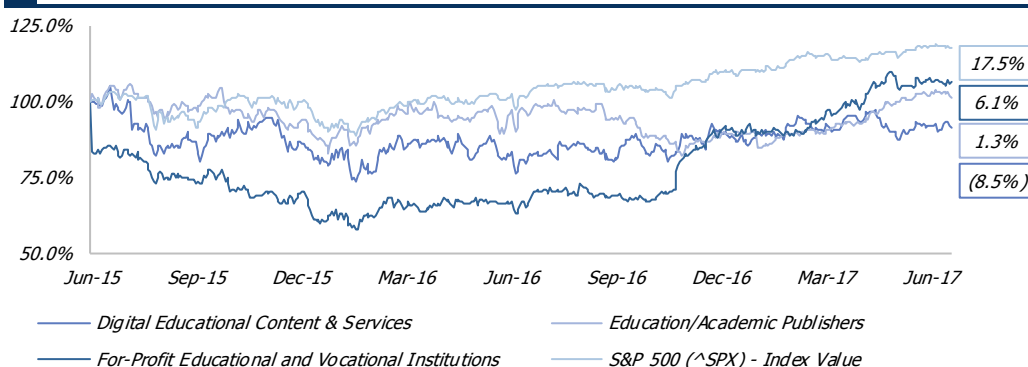
Quarter over Quarter Price Performance

Outperformers	Change	Underperformers	Change
Chegg, Inc.	45.6%	Discovery Communications, Inc.	(11.2%)
Bridgepoint Education, Inc.	38.3%	K12 Inc.	(6.4%)
Instructure, Inc.	26.1%	John Wiley & Sons, Inc.	(2.0%)
Houghton Mifflin Harcourt Company	21.2%	Graham Holdings Company	-

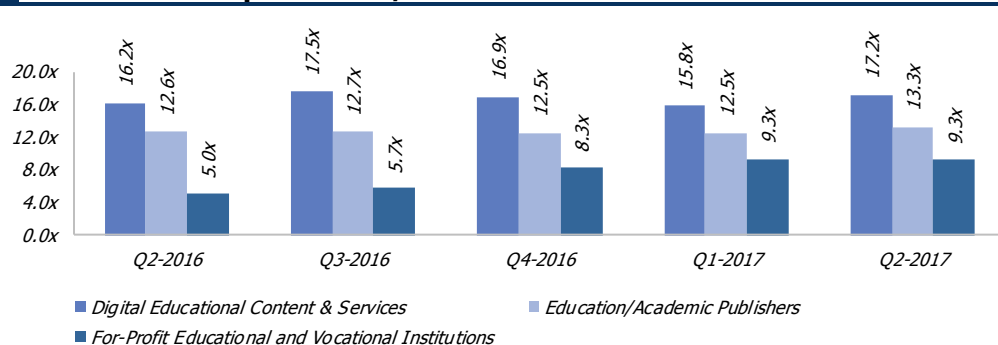
Quarter over Quarter Stock Indices Price Change



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.	\$46.92	96.9%	\$2,231	\$2,102	\$223	(\$18)	26.2%	(8.3%)	9.4x	NM
3P Learning Limited	0.80	85.0%	112	127	37	7	(24.3%)	18.7%	3.4x	18.3x
Blackbaud, Inc.	85.75	92.5%	4,025	4,368	745	127	8.9%	17.0%	5.9x	34.5x
Cambium Learning Group, Inc.	5.07	86.6%	234	314	155	28	4.0%	18.2%	2.0x	11.2x
Chegg, Inc.	12.29	93.8%	1,161	1,091	250	(11)	(7.1%)	(4.6%)	4.4x	NM
Discovery Communications, Inc.	25.83	85.4%	14,951	22,868	6,549	2,471	1.2%	37.7%	3.5x	9.3x
Instructure, Inc.	29.50	98.0%	853	815	122	(49)	32.3%	(40.5%)	6.7x	NM
Pearson plc	8.98	69.9%	7,323	8,968	5,620	709	29.6%	12.6%	1.6x	12.7x
Mean		88.5%					8.8%	6.4%	4.6x	17.2x
Median		89.5%					6.4%	14.8%	3.9x	12.7x
Education/Academic Publishers										
Cambium Learning Group, Inc.	\$5.07	86.6%	\$234	\$314	\$155	\$28	4.0%	18.2%	2.0x	11.2x
Houghton Mifflin Harcourt Company	12.30	69.5%	1,515	2,128	1,389	46	(5.6%)	3.3%	1.5x	NM
Informa plc	8.69	87.8%	7,154	9,085	1,662	522	33.9%	31.4%	5.5x	17.4x
John Wiley & Sons, Inc.	52.75	89.6%	3,016	3,341	1,719	292	(0.5%)	17.0%	1.9x	11.4x
Pearson plc	8.98	69.9%	7,323	8,968	5,620	709	29.6%	12.6%	1.6x	12.7x
RELX NV	20.54	94.8%	41,283	47,580	8,513	2,552	35.9%	30.0%	5.6x	18.6x
Rosetta Stone Inc.	10.78	86.9%	239	202	194	(2)	(3.8%)	(1.1%)	1.0x	NM
Scholastic Corporation	43.59	88.3%	1,518	1,062	1,756	129	5.0%	7.4%	0.6x	8.2x
Mean		84.2%					12.3%	14.8%	2.5x	13.3x
Median		87.4%					4.5%	14.8%	1.8x	12.0x
For-Profit Educational and Vocational Institutions										
Adtalem Global Education Inc.	\$37.95	93.2%	\$2,377	\$2,293	\$1,830	\$303	(0.7%)	16.6%	1.3x	7.6x
American Public Education, Inc.	23.65	76.8%	384	236	305	61	(5.6%)	19.9%	0.8x	3.9x
Bridgepoint Education, Inc.	14.76	93.1%	428	231	524	35	(3.6%)	6.7%	0.4x	6.6x
Capella Education Company	85.60	86.2%	992	841	436	76	0.8%	17.4%	1.9x	11.1x
Graham Holdings Company	599.65	97.4%	3,352	2,770	2,463	370	(1.0%)	15.0%	1.1x	7.5x
Grand Canyon Education, Inc.	78.41	94.5%	3,756	3,657	895	297	8.1%	33.2%	4.1x	12.3x
K12 Inc.	17.92	84.6%	727	558	894	42	2.4%	4.7%	0.6x	13.3x
Lincoln Educational Services Corp.	3.10	82.9%	77	97	192	10	(15.8%)	5.0%	0.5x	10.2x
Strayer Education, Inc.	93.22	97.4%	992	845	445	77	2.9%	17.3%	1.9x	11.0x
Mean		89.6%					(1.4%)	15.1%	1.4x	9.3x
Median		93.1%					(0.7%)	16.6%	1.1x	10.2x

Source: Bloomberg, Capital IQ and company filings, as of 6/30/2017

Market Intelligence

7/11/2017: Pearson (LSE:PSON), the London-based provider of educational materials and learning technologies, is selling a 22% stake in Penguin Random House to Bertelsmann for ~\$1 billion

6/19/2017: Hero K12, a provider of behavioral management technology solutions, is actively pursuing acquisitions to broaden its platform's capabilities following a recent investment by BV Investment Partners

6/14/2017: John Wiley & Sons (NYSE:JW.A), the New Jersey-based provider of research and educational publishing solutions, is evaluating acquisition targets as it continues its search for a permanent CEO

6/10/2017: INTI Education Group, the Malaysia-based private university operator, will soon be engaged in a sale process; the company has already held preliminary discussions with several financial sponsors

5/31/2017: Autism Learning Partners, a privately-held autism services provider, is reportedly receiving significant interest from potential buyers given its leading position in this expanding market

5/26/2017: Frontline Education, an Insight Ventures-backed educational technology company, is exploring a sale and could be valued at up to \$1 billion

5/15/2017: IO Education, an LLR Partners-backed provider of student achievement monitoring and assessment solutions, is actively seeking acquisitions

4/3/2017: Shanghai Siji Education, a privately-held education services provider, plans to raise ~\$200 million from a U.S. IPO that could occur as early as this year

Selected M&A Transaction Recap

Date	Target Company	Target Description	Acquiring Company
Announced	Penguin Random House	Publishes books in North America and internationally	Bertelsmann ⁽¹⁾
Announced	Edusight	Provides digital gradebook and portfolio services	Nelson Education
Announced	JustGiving	Operates an online social giving platform	Blackbaud
Announced	QA Limited	Provides IT training and learning solutions	CVC Capital Partners
Announced	SPi Global	Provides technology solutions for the creation, enrichment and transformation of published content	Partners Group
Announced	McGraw-Hill Ryerson, K-12 Business	Publishes print and digital educational materials	Nelson Education
Announced	Ascend Learning	Provides technology-based education and assessment solutions	The Blackstone Group
Jun-17	Authentica Solutions	Offers cloud-based technology solutions for higher education and K-12 academic systems	BrightBytes
Jun-17	Unbound Concepts	Operates a taxonomy platform to tag metadata and make content more accessible	Certica Solutions
Jun-17	ItemLogic	Operates an enterprise-class assessment and item content management platform	Certica Solutions
Jun-17	Orbis Education & Care	Provides education and clinical support services for individuals with learning disabilities	August Equity
Jun-17	Sociative	Develops highly-focused content discovery technology	EdCast
Jun-17	Learning Heroes	Offers open access eLearning modules and blended resource platforms	Callidus Software
May-17	Thrivist	Provides K-12 teaching and learning management solutions	Tennessee Book Company
May-17	Results Squared	Offers cloud technology solutions to allow schools to interact with parents	IRIS Software Group
May-17	InsideTrack	Provides technology-enabled student coaching solutions	Strada Education Network
May-17	AdvancePath Academics	Offers technology-based learning and behavioral intervention resources	Graduation Alliance
May-17	My Learning Collaborative Solution	Operates an online platform to support personalized, interdisciplinary learning	Epiphany Learning
May-17	Citelighter	Develops digital classroom writing solutions	Sylvan Learning
May-17	Rafter	Provides cloud-based course material management solutions	A Book Company
May-17	GetSmarter	Operates a platform to build short online courses	2U
May-17	Apex Learning	Provides digital learning and curriculum solutions	Education Growth Partners
Apr-17	Kaplan University	Provides undergraduate, graduate and continuing education through online and campus-based programs	Purdue University
Apr-17	Workplace Answers	Provides online compliance training courses	EverFi
Apr-17	Teachers-Teachers	Operates a job search web platform for educators	Frontline Education
Apr-17	Education for Advancement and Advancement Courses	Provides student recruitment and continuing education services	The Learning House
Apr-17	Chromatik	Develops digital sheet music applications	Service Scout
Apr-17	Emantras	Provides eLearning materials and content development services	GP Strategies
Apr-17	AcademicWorks	Develops cloud-based scholarship management software	Blackbaud

Note: (1) Pearson is selling a 22% stake in Penguin Random House. Post-transaction, Bertelsmann will hold a 75% stake.

Global Industry Groups

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Healthcare
Industrials
Packaging
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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 eighteen 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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