



Market Update

Education Technology & Services

Q4 2017

Key Highlights

- Education Technology & Services M&A activity was strong in 2017, driven primarily by industry consolidation and increasing private equity interest in the space
- The top subsector stock performer in Q4 2017 was Education/Academic Publishers, up 9.3% quarter over quarter
- On average, EBITDA multiples for the subsectors increased 0.3x from the prior quarter and were up 0.4x 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:

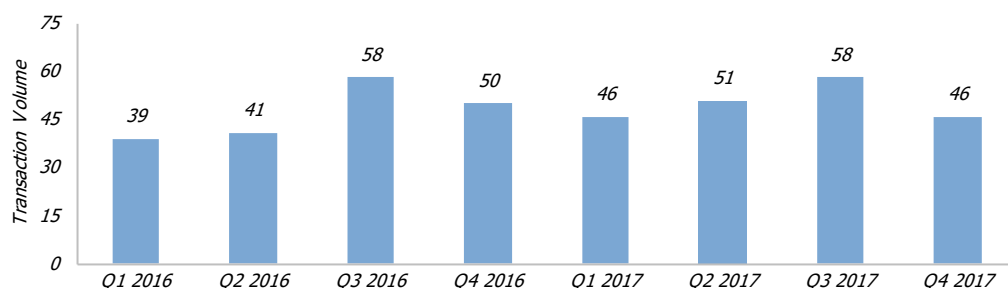
- Digital Educational Content & Services
- Education/Academic Publishers
- For-Profit Educational and Vocational Institutions

2017 Highlights

- ~200 reported transactions
- Over \$10 billion in estimated transaction value
- 5+ transactions reported or estimated to be more than \$1 billion
- \$1.2 billion in reported equity investments
 - K-12: ~\$750 million
 - Higher Ed: ~\$475 million

2017 in Review – Continued Consolidation Ahead

Education Technology & Services M&A Transactions (Global)



Source: Lincoln research, MergerMarket and Capital IQ, as of 12/29/2017

Merger and acquisition activity within the education sector was particularly strong in 2017, surpassing volume from the year prior. This activity was primarily driven by factors including industry consolidation and increasing private equity interest in the space.

Only a few years ago, traditional publishers such as McGraw-Hill and Pearson had typically been regarded as the almost inevitable exit option for Education Technology startups. Now, as these publishers have all been forced to deal with some form of internal restructuring, they have generally been less active buyers. In some cases, they have been more active sellers of assets rather than buyers. Private equity sponsors have effectively filled this void. Armed with ample dry powder and facing increasing pressure from limited partners to deploy capital, private equity funds focused on technology-enabled investments have recognized significant opportunity in the education market. Since the education sector remains highly fragmented and ripe for consolidation, investors are targeting roll-up strategies where they seek platform plays and bundling opportunities. Over the past several years, private equity firms have been combining assets to create large educational software/data platforms. Since 2015, PowerSchool (owned by Vista Equity Partners) has invested

nearly \$1 billion across eight companies. Since 2014, Frontline Education (under previous owner Insight Venture Partners) rolled up 10 separate companies before successfully selling the business to Thoma Bravo, another large cap software investor. Similarly, Weld North accumulated a number of digital content and curriculum businesses over an eight-year period starting in 2010. Several of these acquisitions were successfully monetized in January 2018 through a sale to Silver Lake. Other recent private equity platform consolidators include Insight Venture Partners, again, (Ministry Brands/Community Brands), BV Investment Partners (Hero K12), Leeds Equity Partners (Edcentric) and Quad Partners (TaskStream/Tk20/LiveText). The table below includes a selection of some of the largest private equity transactions of 2017 in the education sector.

In a trend that is likely to continue in 2018, private equity investors are reaching further down market to earlier-stage companies. In turn, valuations have risen considerably, particularly for fast growing platform targets with profitable SaaS (software-as-a-service) business models and high operating leverage. We expect these elements to again be the primary factors responsible for driving continued activity and valuation premiums in 2018.

Selected Private Equity Transactions in Education (2017)

Target	Investor	Transaction Size
Nord Anglia Education	Baring Private Equity Asia; CPPIB	\$4.35 billion
EAB	Vista Equity Partners	\$1.55 billion
Frontline Education	Thoma Bravo	Over \$1 billion
EverFi	TPG Growth; The Rise Fund; others	\$190 million
Hero K12	BV Investment Partners	\$150 million
Ascend Learning	The Blackstone Group	Undisclosed
Curriculum Associates	Berkshire Partners	Undisclosed
myOn	Francisco Partners	Undisclosed
WorldStrides	Eurazeo; Primavera Capital	Undisclosed

Source: Lincoln research, MergerMarket and Capital IQ, as of 12/29/2017

Selected Education Technology & Services Transactions

Project Touchdown

Company A

has acquired

an undisclosed provider of higher education student experience management solutions



D C DREAM CENTER
E H EDUCATION HOLDINGS, LLC

has acquired certain assets from

EDMC
Education Management Corporation



academicworks

has been sold to

blackbaud



PRAGMATIC MARKETING

has been acquired by

RENOVUS CAPITAL

and

petra
CAPITAL PARTNERS

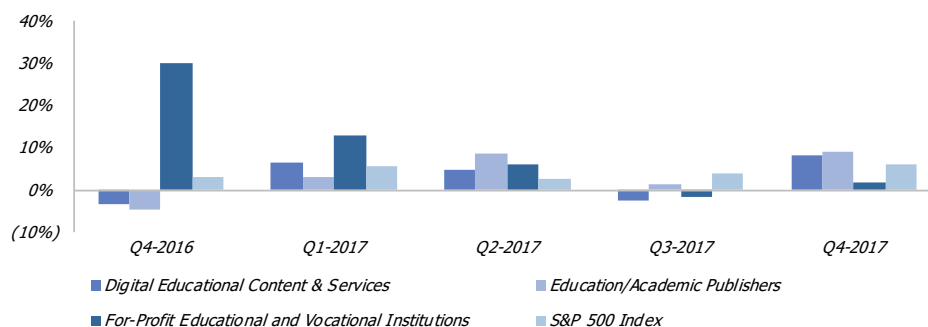


* deal completed by Lincoln team members prior to joining the firm

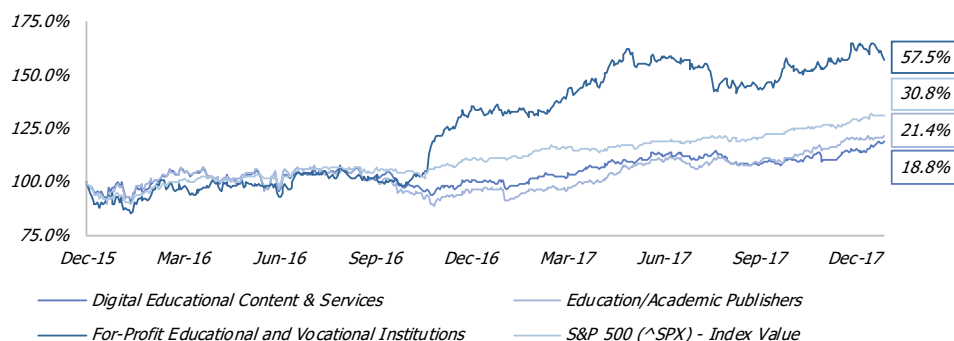
Quarter over Quarter Price Performance

Outperformers	Change	Underperformers	Change
3P Learning Limited	24.3%	Houghton Mifflin Harcourt Company	(22.8%)
John Wiley & Sons, Inc.	22.9%	Lincoln Educational Services Corporation	(19.2%)
Rosetta Stone Inc.	22.1%	Cambium Learning Group, Inc.	(14.3%)
Pearson plc	21.2%	Bridgepoint Education, Inc.	(13.5%)

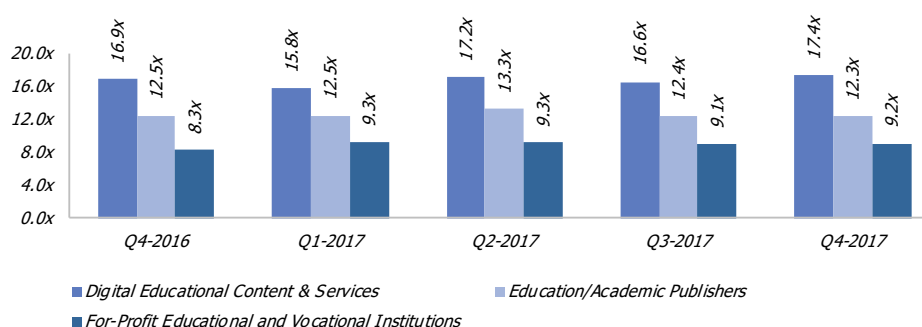
Quarter over Quarter Stock Indices Price Change



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.	\$64.51	93.1%	\$3,369	\$3,184	\$257	(\$19)	34.2%	(7.2%)	12.4x	NM
3P Learning Limited	1.16	99.0%	162	166	40	7	(20.0%)	17.8%	4.1x	23.2x
Blackbaud, Inc.	94.49	90.4%	4,440	4,761	770	138	8.6%	18.0%	6.2x	34.4x
Cambium Learning Group, Inc.	5.68	77.8%	265	323	157	30	4.5%	19.3%	2.1x	10.6x
Chegg, Inc.	16.32	97.9%	1,770	1,567	245	(6)	(5.6%)	(2.5%)	6.4x	NM
Discovery Communications, Inc.	22.38	74.0%	12,200	20,096	6,681	2,524	3.2%	37.8%	3.0x	8.0x
Instructure, Inc.	33.10	90.4%	1,002	935	147	(47)	44.9%	(32.3%)	6.4x	NM
Pearson plc	9.95	89.2%	8,022	10,447	6,147	1,068	38.3%	17.4%	1.7x	9.8x
RELX NV	23.01	97.5%	46,019	52,949	9,553	2,886	45.2%	30.2%	5.5x	18.3x
Mean		89.9%					17.0%	10.9%	5.3x	17.4x
Median		90.4%					8.6%	17.8%	5.5x	14.5x
Education/Academic Publishers										
Cambium Learning Group, Inc.	\$5.68	77.8%	\$265	\$323	\$157	\$30	4.5%	19.3%	2.1x	10.6x
Houghton Mifflin Harcourt Company	9.30	66.7%	1,147	1,711	1,389	195	(2.8%)	14.0%	1.2x	8.8x
Informa plc	9.76	93.4%	8,037	10,157	2,095	658	62.0%	31.4%	4.8x	15.4x
John Wiley & Sons, Inc.	65.75	98.3%	3,744	4,234	1,752	315	3.0%	18.0%	2.4x	13.4x
Pearson plc	9.95	89.2%	8,022	10,447	6,147	1,068	38.3%	17.4%	1.7x	9.8x
RELX NV	23.01	97.5%	46,019	52,949	9,553	2,886	45.2%	30.2%	5.5x	18.3x
Rosetta Stone Inc.	12.47	91.2%	278	240	191	3	(4.5%)	1.7%	1.3x	NM
Scholastic Corporation	40.11	83.2%	1,400	1,023	1,623	102	(9.1%)	6.3%	0.6x	10.0x
Mean		87.2%					17.1%	17.3%	2.5x	12.3x
Median		90.2%					3.8%	17.7%	1.9x	10.6x
For-Profit Educational and Vocational Institutions										
Adtalem Global Education Inc.	\$42.05	91.4%	\$2,551	\$2,419	\$1,781	\$310	(3.8%)	17.4%	1.4x	7.8x
American Public Education, Inc.	25.05	91.4%	408	241	300	54	(6.4%)	18.0%	0.8x	4.5x
Bridgepoint Education, Inc.	8.30	52.4%	243	51	493	30	(8.5%)	6.2%	0.1x	1.7x
Capella Education Company	77.40	78.0%	900	732	440	69	3.6%	15.8%	1.7x	10.5x
Graham Holdings Company	558.35	90.7%	3,089	2,684	2,546	359	3.1%	14.1%	1.1x	7.5x
Grand Canyon Education, Inc.	89.53	93.1%	4,308	4,107	947	322	12.2%	34.0%	4.3x	12.8x
K12 Inc.	15.90	75.1%	657	540	888	41	0.9%	4.6%	0.6x	13.2x
Lincoln Educational Services Corp.	2.02	54.0%	50	59	178	4	(34.1%)	2.4%	0.3x	14.1x
Strayer Education, Inc.	89.58	88.9%	959	808	455	78	4.6%	17.0%	1.8x	10.4x
Mean		79.4%					(3.2%)	14.4%	1.3x	9.2x
Median		84.2%					0.9%	16.3%	1.1x	9.2x

Note: USD in millions, except for stock price

Market Intelligence

1/08/2018: Center for Autism and Related Disorders (CARD), the largest provider of autism treatment services in the U.S., has launched a competitive sale process

1/08/2018: Hero K12, the BV Investment Partners-backed education technology platform, is aggressively seeking acquisitions of companies with up to \$50 million in revenue

12/15/2017: Renaissance Learning, a Hellman & Friedman-backed education technology business, has initiated a sale process with an expected launch in February

12/05/2017: Fusion Academy, a provider of customized education services that was recently sold to Leeds Equity Partners, is interested in acquiring other one-on-one education companies

11/28/2017 Sentral Education, the Australian-based provider of school administrative software, is actively pursuing acquisitions both domestically and internationally

11/09/2017; 09/27/2017: Four Seasons Education (NYSE:FEDU), the Shanghai-based provider of K-8 afterschool education services, and **RYB Education (NYSE:RYB)**, the Beijing-based provider of early childhood education solutions, completed successful IPOs in Q4 2017

8/26/2017: PowerSchool, the Vista Equity-backed provider of student information systems solutions, will seek to continue its international expansion plan ahead of an anticipated exit by Vista

Selected M&A Transaction Recap

Date	Target Company	Target Description	Acquiring Company
Announced	INTI International	Operates higher education academic institutions in Asia	Affinity Equity Partners
Announced	College For Financial Planning	Offers financial education and training to individuals pursuing the CFP designation	Kaplan Professional Education
Announced	DeVry University	Offers online undergraduate and graduate degree programs	Cogswell Education
Announced	Wall Street English	Offers blended learning solutions to English language learners	CITIC Capital; Baring Private Equity Asia
Announced	European University	Operates higher education and training institutions in Europe	Galileo Global Education
Announced	Apollo Global Germany	Offers private education and personnel development services	Oakley Capital
Announced	Capella Education	Offers online postsecondary and professional skills development solutions	Strayer Education
Announced	Yoho	Provides off-campus student living management solutions	Goldman Sachs
Announced	Milpark Education	Offers online and offline higher education business programs	Brimstone; Stadio
Jan-18	METEOR Education	Provides innovative learning space design services	Saw Mill Capital
Jan-18	Infobase	Provides cloud-based educational content solutions for K-12 schools and universities	Centre Lane Partners
Jan-18	Weld North Education	Develops digital curriculum and tools for PreK-12 applications	Silver Lake
Dec-17	Hunan International Economics University	Provides undergraduate degrees in business management and related disciplines	China YuHua Education
Dec-17	Autism Learning Partners	Provides applied behavior analysis therapy for children and adults with autism spectrum disorders and developmental disabilities	FFL Partners
Dec-17	WorldStrides	Provides travel and study abroad services for middle school students	Eurazeo; Primavera Capital
Dec-17	Studienkreis	Provides tech-enabled tutoring services for students and young adults	IK Investment Partners
Dec-17	Cornerstone OnDemand	Provides SaaS human capital management and training software	Silver Lake; LinkedIn (growth investment)
Dec-17	Neville Clarke	Provides organizational training and consulting solutions	British Standards Institution
Dec-17	Being Human	Provides tech-enabled change management solutions	Prosci (Leeds Equity Partners)
Dec-17	Learning Seat	Provides adaptive training and compliance content and solutions	Callidus Software
Dec-17	Intrepid Learning	Provides online corporate learning solutions	Vital Source
Nov-17	Stratford School	Operates a chain of premier PreK-8 schools in California	Primavera Capital
Nov-17	GEDH	Offers dedicated communication, arts management and journalism degrees	Quilvest Private Equity
Nov-17	Practice	Operates an interactive learning and assessment platform for corporations, healthcare providers and academic institutions	Instructure
Nov-17	Fusion Education	Operates a network of schools focused on individualized education	Leeds Equity Partners (growth investment)
Nov-17	Education Advisory Board	Provides research and practical advice to academic, human resources and business institutions	Vista Equity Partners
Nov-17	DENNIS Uniform	Provides school uniforms for children and young adults	Spanos Barber Jesse & Co.
Nov-17	iversity	Operates a digital learning platform for higher education and professional development applications	Springer Nature
Nov-17	IS3D	Operates an interactive online STEM education platform	ExploreLearning
Nov-17	Motion Math	Develops movement-based mobile math games	Curriculum Associates
Nov-17	CASCAID	Operates a career information and guidance platform for the education industry	Anaca Technologies
Nov-17	ThiemeMeulenhoff	Offers tech-enabled learning content and standardized tests	Ernst Klett
Oct-17	SchoolMint	Provides cloud-based PreK-12 student enrollment and school choice solutions	Hero K12 (BV Investment Partners)
Oct-17	Big Universe Learning	Operates an online reading and writing community for PreK-8 students	K12
Oct-17	Cogeson	Provides adaptive math technology and development solutions	Chegg
Oct-17	Education Management Corp.	Offers campus-based and online post secondary degree programs	Dream Center Foundation

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Healthcare
Industrials
Technology, Media & Telecom

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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, valuations and joint venture and partnering advisory services on a wide range of transaction sizes. With nineteen 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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