

Market Update



Education Technology & Services

Q3 2020

Key Highlights

The top subsector stock performer in Q3 2020 was digital educational content & services, up 32.4% year-over-year

On average, EBITDA multiples for the subsectors increased 0.3x from the prior quarter and decreased 1.3x on a year-over-year basis

Q3 2020 Education Update

The third quarter of the year, and the second “COVID” quarter, unfolded largely as we expected. Closed transaction volumes remained slower than prior year and pre-COVID levels, but signs of increasing activity were demonstrable. The volume and pace of discussions amongst both entrepreneur-owned and institutionally-backed businesses increased markedly. Despite continued uncertainty around the impact of COVID on primary, secondary and post-secondary schools across the U.S. and globally, interest levels amongst investors in education assets, and particularly ed tech assets, has not dissipated. If anything, investors have become even more aggressive seeking recurring revenue-driven businesses with recession- and COVID-resistant products.



“Transforming the way that colleges and universities support their prospects, students and alumni has long driven our work at TargetX. By joining the Liaison family of solutions and services, we’ll truly be able to fulfill our promise to ‘make every student a graduate and every graduate a success.’”

Sasha Peterson, CEO of TargetX

As we enter the fourth quarter, we are already seeing and expect to see continued strong deal activity across the market. A number of ed tech businesses that have benefitted greatly from the shift to remote learning and assessment are expected to transact before year end. The sale of ExamSoft to Turnitin was recently announced and represents the first of what will be a small wave of larger middle market transactions in this category. Though we expect future transaction sizes to fall off somewhat, this trend will carry into 2021 as investors continue to be hyper-aggressive in competitive auction processes. Similarly, we expect strong 2020 performance from many SaaS providers in the education market to drive another wave of transaction activity in 2021 as the market continues to consolidate around a handful of private equity-backed platforms.

While the spread of COVID and related economic shutdowns paused a significant amount of activity briefly, overall 2020 market performance is now expected to be much closer to 2019 levels than forecasted as recently as June, and 2021 activity is poised to comfortably surpass 2020 levels.



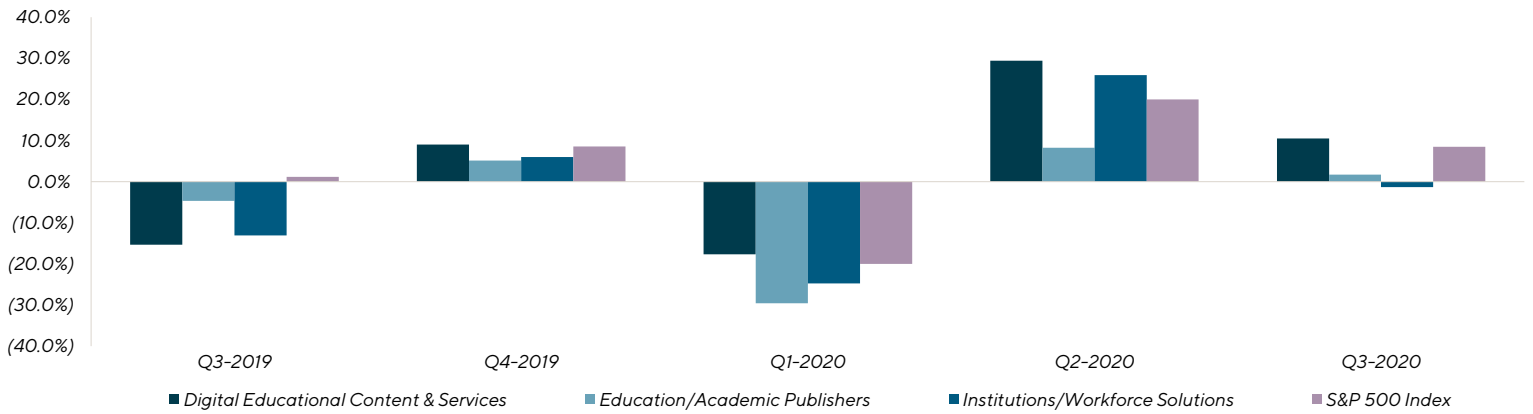
Education Technology & Services Financial Performance

Quarter-over-Quarter Price Performance

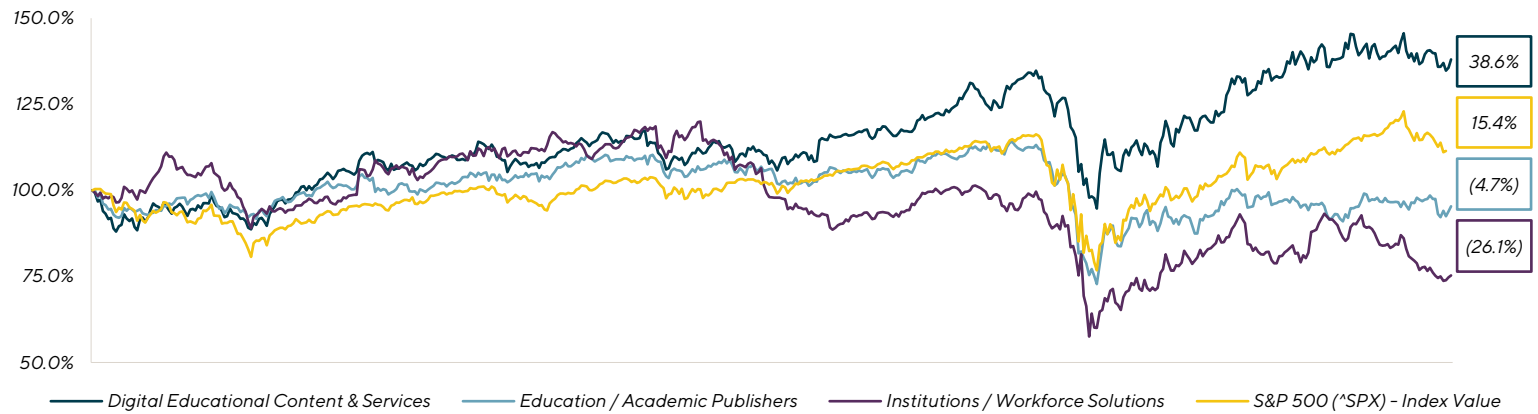
Outperformers	Change
Rosetta Stone (Oct-20: acquired by Cambium Learning Group)	77.8%
3P Learning (Announced: acquired by IXL)	60.6%
RISE Education Cayman	56.2%
Lincoln Educational Services	41.5%

Underperformers	Change
Strategic Education	(40.5%)
Adtalem Global Education	(21.2%)
John Wiley & Sons	(18.7%)
Informa	(16.4%)

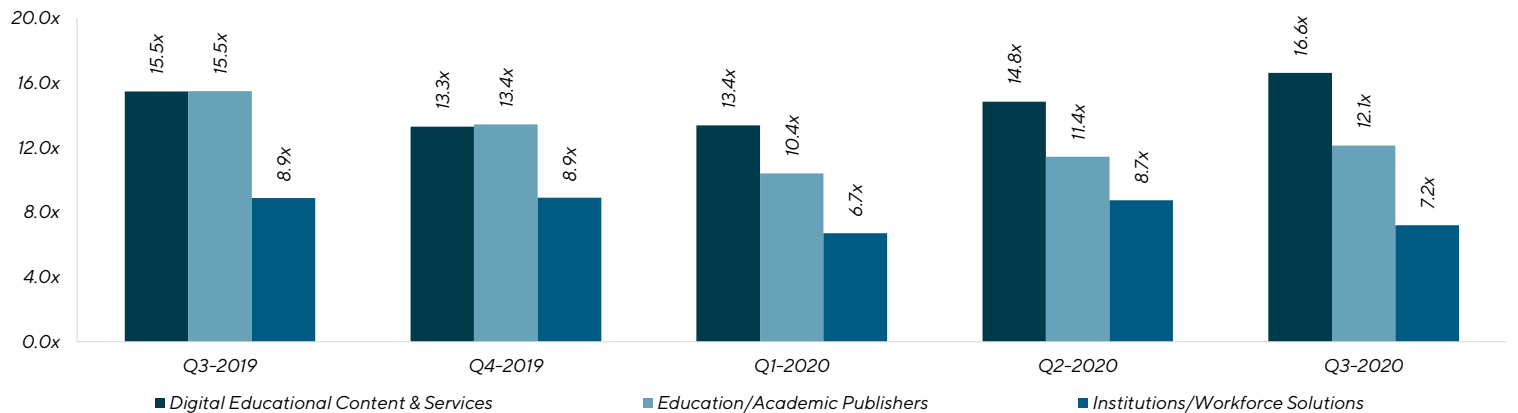
Quarter-over-Quarter Stock Indices Price Change



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	NTM		YoY Revenue Growth	EBITDA Margin	Enterprise Value / NTM	
					Revenue	EBITDA			Revenue	EBITDA
Digital Educational Content & Services										
2U, Inc.	\$33.86	68.5%	\$2,411	\$2,561	\$807	\$20	53.2%	2.5%	3.2x	NM
3P Learning Limited	0.95	92.4%	133	117	52	19	42.4%	37.3%	2.3x	6.0x
Blackbaud, Inc.	55.83	58.8%	2,696	3,264	908	223	2.7%	24.6%	3.6x	14.6x
Chegg, Inc.	71.44	79.5%	8,881	9,123	682	221	79.1%	32.4%	13.4x	NM
Grand Canyon Education, Inc.	79.94	75.3%	3,746	3,728	877	330	18.0%	37.6%	4.3x	11.3x
New Oriental Education & Technology Group Inc.	149.50	95.1%	23,702	21,900	4,178	681	26.3%	16.3%	5.2x	NM
Pearson plc	7.10	73.9%	5,324	6,944	4,589	761	(6.3%)	16.6%	1.5x	9.1x
Pluralsight, Inc.	17.13	75.5%	1,917	2,127	409	(20)	38.4%	(4.9%)	5.2x	NM
RELX PLC	22.35	75.1%	43,116	53,010	10,019	3,501	4.4%	34.9%	5.3x	16.7x
RISE Education Cayman Ltd	6.06	59.4%	342	420	195	28	(5.2%)	14.6%	2.2x	14.8x
TAL Education Group	76.04	90.9%	45,649	44,373	4,811	540	63.0%	11.2%	9.2x	NM
Mean		76.8%					28.7%	20.3%	5.0x	12.1x
Median		75.3%					26.3%	16.6%	4.3x	13.0x
Education / Academic Publishers										
Houghton Mifflin Harcourt Company	\$1.73	25.3%	\$218	\$974	\$1,236	\$205	(11.6%)	16.6%	0.8x	4.8x
Informa plc	4.87	43.0%	7,310	10,078	2,416	638	(31.2%)	26.4%	4.2x	15.8x
John Wiley & Sons, Inc.	31.71	63.4%	1,774	2,697	1,801	334	(0.7%)	18.5%	1.5x	8.1x
Pearson plc	7.10	73.9%	5,324	6,944	4,589	761	(6.3%)	16.6%	1.5x	9.1x
RELX PLC	22.35	75.1%	43,116	53,010	10,019	3,501	4.4%	34.9%	5.3x	16.7x
Rosetta Stone Inc.	29.98	96.0%	738	713	202	12	12.1%	5.8%	3.5x	NM
Scholastic Corporation	20.99	45.8%	718	684	1,456	120	(12.7%)	8.2%	0.5x	5.7x
Wolters Kluwer N.V.	85.53	98.3%	22,591	25,238	5,508	1,629	11.6%	29.6%	4.6x	15.5x
Mean		65.1%					(4.3%)	19.6%	2.7x	10.8x
Median		68.6%					(3.5%)	17.6%	2.5x	9.1x
Institutions / Workforce Solutions										
Adtalem Global Education Inc.	\$24.54	63.8%	\$1,273	\$1,292	\$1,093	N/A	(13.0%)	N/A	1.2x	5.5x
American Public Education, Inc.	28.19	68.6%	417	213	328	39	13.7%	11.7%	0.6x	5.5x
Graham Holdings Company	404.11	60.5%	2,044	2,439	N/A	N/A	N/A	N/A	NM	NM
Grand Canyon Education, Inc.	79.94	75.3%	3,746	3,728	877	330	18.0%	37.6%	4.3x	11.3x
K12 Inc.	26.34	49.8%	1,045	1,068	1,444	182	41.4%	12.6%	0.7x	5.9x
Laureate Education, Inc.	13.28	61.3%	2,789	4,541	2,598	562	(20.3%)	21.6%	1.7x	8.1x
Lincoln Educational Services Corporation	5.52	61.4%	146	213	298	20	10.5%	6.8%	0.7x	10.6x
Perdoceo Education Corporation	12.24	61.7%	846	565	715	163	16.3%	22.8%	0.8x	3.5x
Strategic Education, Inc.	91.47	48.7%	2,213	1,790	995	263	2.0%	26.5%	1.8x	6.8x
Mean		61.2%					8.6%	19.9%	1.5x	7.1x
Median		61.4%					12.1%	21.6%	1.0x	6.3x

Note: USD in millions, except for stock price

Source: Bloomberg, Capital IQ and company filings, as of 9/30/20

9/16/20: **ApplyBoard**, a Canada-based student recruitment website, raised \$55 million in an extension to a Series C round led by **Drive Capital**

9/8/20: **Byju's**, an India-based online education services provider, raised \$500 million in a funding round led by **Silver Lake**

8/26/20: **Course Hero**, a California-based education technology company, raised \$80 million in a Series B round led by **NewView Capital Management**

8/10/20: **Skillshare**, a New York City-based online learning website, raised \$66 million in a Series D round led by **OMERS Growth Equity**

7/20/20: **Coursera**, a provider of online education and certification courses, raised \$130 million in a Series F round led by **New Enterprise Associates**

7/15/20: **CampusLogic**, an Arizona-based developer of a cloud-based student financial success platform, raised \$120 million in a Growth round led by **Dragoneer Investment Group**

Selected M&A Transaction Recap

Closed	Target Company	Target Description	Acquiring Company
Announced	Carnegie Learning	Publishes research-based mathematics textbooks and web-based software tools	Madison Dearborn Partners
Announced	Confirm Platform of Precisely	Provides infrastructure lifecycle management to public and private sector organizations	Dude Solutions
Announced	Findel Education	Manufactures and sells educational supplies online	Yorkshire Purchasing
Announced	Walden e-Learning	Provides distance education programs for working professionals	Adtalem Global Education
Announced	3P Learning	Develops, markets and sells online math programs to schools and parents of school-aged students	IXL Learning
Announced	Ashford University	Offers online and campus-based educational programs	University of Arizona Global Campus
Announced	Assets of Laureate Education	Provides higher education programs and services to students through a network of universities and higher education institutions	Strategic Education
Announced	The Flatiron School	Provides software coding education	Carrick Capital
Announced	EF Kids & Teens	Offers online learning and English language education services	Permira Advisers
10/29/20	Hoonuit	Provides data analytics education solutions and courses to educators	PowerSchool
10/22/20	Finalsite	Provides web-based software and services for schools and educational organizations	HarbourVest Partners
10/21/20	ExamSoft	Operates an educational software that provides assessment solutions for students and teachers	Turnitin
10/15/20	Rosetta Stone	Provides technology-based language learning products	Cambium Learning Group
10/14/20	DevelopIntelligence	Provides managed technical learning solutions including software development	Pluralsight
10/14/20	1WorldSync	Provides online product-content solutions	Simplus
10/13/20	LogicBay	Offers a cloud-based partner relationship management software application	The Learning Network
10/8/20	Education Galaxy	Provides personalized online assessment, practice and instruction to K-8 students	USATestprep
9/29/20	Colyar Technology Solutions	Provides school nutrition management software	EMS LINQ
9/21/2020	Acorn Training Consultants	Provides various training courses for improving employment opportunity	Learning Curve
9/15/2020	ABC Insights	Develops and delivers education analytics and visualization platform for education institutions	HelioCampus
9/14/2020	Scientific Learning Corporation	Develops, distributes and licenses technology that accelerates learning by enhancing the processing efficiency of the brain	Carnegie Learning
9/11/2020	Life Science Training Institute	Offers training courses on clinical trials, research and development, manufacturing, compliance, regulatory and medical devices	Red Nucleus
9/2/2020	Teachit	Operates as an online library that offers various pages of classroom materials, schemes of work, lesson plans and teaching tools	Sandbox
8/31/2020	Educational Client Vertical of QuinStreet	Provides customer acquisition services for education clients in the United States and internationally	EducationDynamics
8/20/2020	Education Management Solutions	Develops and provides software solutions for applications in clinical simulation training facilities	Collegis
8/17/2020	Cadence Education	Provides childhood and private elementary education services	Apax Partners
8/17/2020	LearningMate Solutions	Provides eLearning solutions and services for universities, publishers, corporations and government bodies	SPi
8/5/2020	WhiteHat Education Technology	Provides online computer programming classes and coding courses for kids	Byju's
7/21/2020	Themis Bar Review	Offers online bar review courses for preparation of the bar exam	UWorld
7/7/2020	Professional Development and Training Platform of Hoonuit	Helps educators improve student learning and meet department objectives	Infobase
7/2/2020	Raise Labs	Provides an online service that allows college or university students to earn scholarships	CampusLogic

Contributors

Tom Burgett

Managing Director
+1 (214) 396-2345
tburgett@lincolninternational.com

Zack Shah

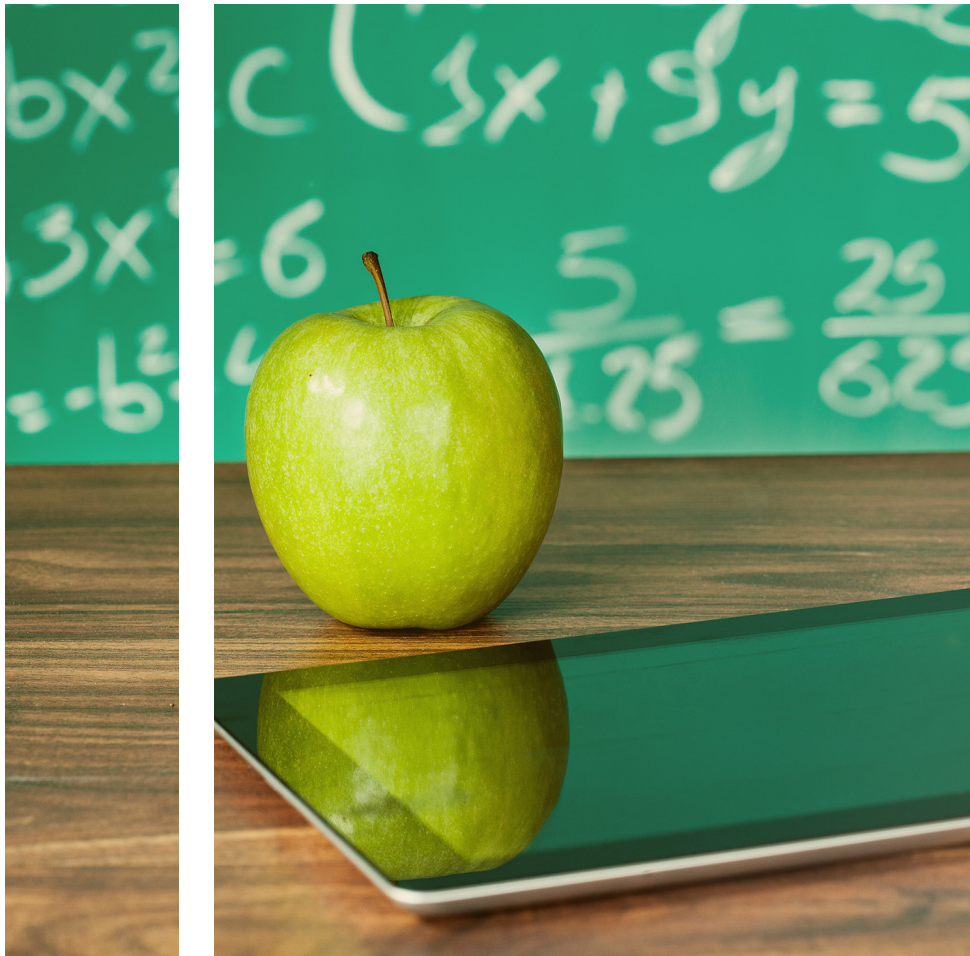
Managing Director
+1 (312) 506-2798
zshah@lincolninternational.com

Edward Lethbridge

Managing Director
+44 20 7632 5224
elethbridge@lincolninternational.com

Matt Causero

Vice President
+1 (214) 396-2350
mcausero@lincolninternational.com



Lincoln International's Education Technology & Services Team

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Lincoln International's dedicated education technology & services team 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
- Institutions / Workforce Solutions

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