

Market Update



Education Technology & Services Q4 2019

Key Highlights

The top subsector stock performer in Q4 2019 was digital educational content & services, up 13.7% year-over-year

On average, EBITDA multiples for the subsectors decreased 0.5x from the prior quarter and were down 0.8x on a year-over-year basis

2020 Forecast...Sustained Robust Deal Activity Focused on High Quality Assets and Strong Outcomes-Driven Business Models

For several years now, we have been predicting continued consolidation within the education technology and services market. Merger and acquisition activity of all types within the sector has been robust, with overall transaction volumes repeatedly surpassing year-over-year levels by healthy margins. Even with ongoing strategic consolidation in the space, ever-increasing private equity interest in the education sector has been the primary driver of continued strong transaction levels and increasing valuations. A record amount of available capital, or “dry powder,” and elevated interest in software-as-a-service (“SaaS”) business models were the primary underlying factors driving private equity interest levels in ed tech businesses.

Interest in high quality education providers has also been robust, underpinned by strong outcome-driven theses behind businesses built to solve the “achievement gap” and/or “skills gap” problem with a keen focus on value proposition to the consumer. In the early childhood segment, activity levels remain high, driven by continued professionalization and consolidation within an otherwise highly fragmented global market. And in the proprietary postsecondary sector, after a “decade of pain,” M&A has made a comeback with several new investments by private equity investors seeking premium operators in markets with strong supply/demand imbalances. Additionally, blurring of the lines between higher education and corporate learning and development continues with strategic mergers between businesses serving the talent and education worlds on the rise.

As in prior years, 2019 was marked by several notable and highly publicized transactions involving private equity groups, including:

- BV Investment Partners’ acquisition of Veracross
- Providence Equity’s acquisition of TES Global (TPG Growth)
- Weld North’s (Silver Lake Partners) acquisition of Glynlyon (Linsalata Capital Partners)
- Ardian’s acquisition of Study Group (Providence Equity)
- Gridiron Capital’s acquisition of Colibri Group (Quad-C Management)
- Pending merger of Cengage (Searchlight, OMERS,) and McGraw-Hill (Apollo)
- Clearlake Capital’s acquisition of Dude Solutions (Warburg Pincus)
- The Halifax Group’s acquisition of StrataTech Education Group (Summer Street Capital)
- Morgan Stanley Private Equity’s acquisition of Project Management Academy (Leeds Equity Partners)
- Apax’s acquisition of MetaMetrics (Pamlico Capital)
- Frontline Education’s (Thoma Bravo) acquisition of Perennial EdTech (Alpine Investors)
- Leeds Equity Partners’ acquisition of VitalSmarts (Providence Equity)
- Providence Equity’s acquisition of n2y (Riverside Co.)
- PowerSchool’s (Vista Equity) acquisition of Schoology (JMI Equity)
- Transom Capital’s acquisition of Scantron
- Wendel’s acquisition of Crisis Prevention Institute (FFL Partners)
- Thoma Bravo’s pending acquisition of Instructure

Private equity groups were not the only drivers of activity; some of the largest transactions of 2019 were executed by larger strategic buyers:

- Grand Canyon’s acquisition of Orbis (LLR Partners)
- 2U’s acquisition of Trilogy Education (Highland Capital, Macquarie Capital, others)
- Advance Publications’ acquisition of Turnitin (Insight Partners, Norwest Venture Partners)
- Bertelsmann’s acquisition of OnCourse Learning (CIP Capital) and subsequent sale of the Financial Services business to Adtalem Global Education
- Korn Ferry’s acquisition of Miller Heiman and other TwentyEighty assets (Providence Equity)

2020 Forecast...Sustained Robust Deal Activity Focused on High Quality Assets and Strong Outcomes-Driven Business Models (cont'd)

While long-term education investors remained active, the market has continued to evolve dramatically with the increased presence of a broad array of both technology and generalist investors desperately seeking higher-growth SaaS and other recurring revenue businesses, particularly those believed to be acyclical or countercyclical. With \$2+ trillion of dry powder, ever-increasing pressure from limited partners to deploy that capital aggressively and a laser focus on high quality businesses, private equity interest in the education market has once again surpassed previous record levels.

Nowhere was this more apparent than at Lincoln International's fourth annual Growth Conference in November. The conference served as an excellent opportunity for investors to explore the growth drivers of education companies through presentations by privately-held businesses and a series of one-on-one breakout meetings. Of the ~60 presenting companies, we featured 10+ CEOs / Founders of education technology and services companies. Though they represented ~15% of the total number of presenters, these education companies participated in ~25% of one-on-one meetings conducted due to overwhelming demand from the private equity community.

We expect 2020 to largely be more of the same. With a general perception that an economic slowdown is coming, investors will continue to focus on businesses with a high degree of forward

revenue visibility and serving markets that have acyclical or countercyclical attributes. With that underpinning, could 2020 be the year of education megadeals? TPG and Leonard Green have already announced plans to sell Ellucian. Instructure's pending transaction with Thoma Bravo should close later in Q1 barring a successful shareholder intervention. Could this be the year that Providence looks to sell Blackboard?

We also expect to see strong global activity in the early childhood education market segment and a continuation of strategic activity between the talent management world and traditional higher education with the emergence of workforce solutions platforms. Higher education providers with strong value propositions serving high demand segments of the market (e.g., healthcare, cybersecurity, green technology) should also continue to see traction. The one significant limiting factor, however, will be the looming U.S. presidential election in November. Without clarity around the next administration, there are likely to be fewer proprietary post-secondary transactions.

In short, it should be another banner year for transaction activity in the education market.



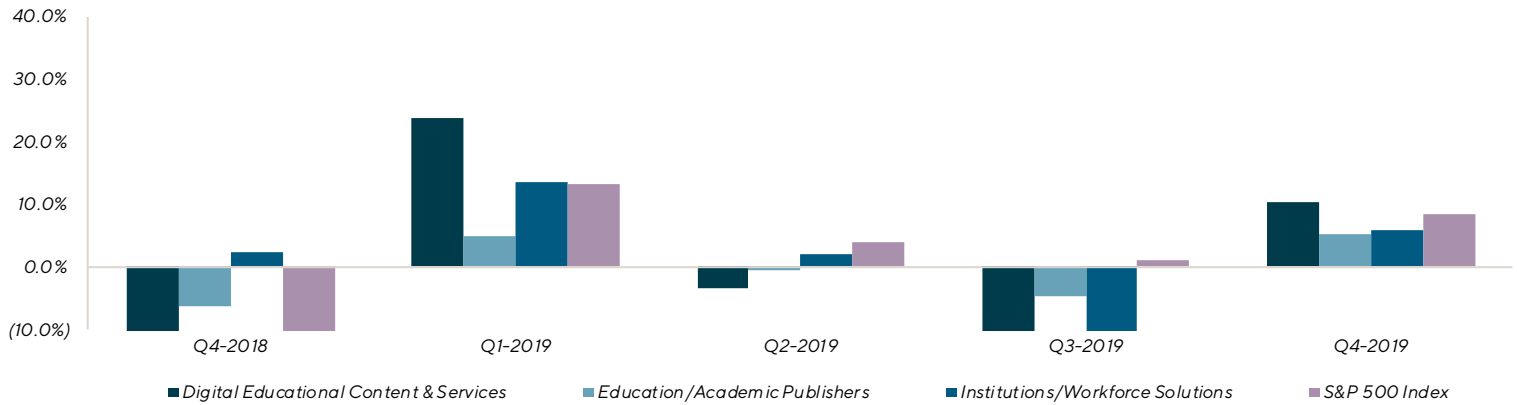
Education Technology & Services Financial Performance

Quarter-over-Quarter Price Performance

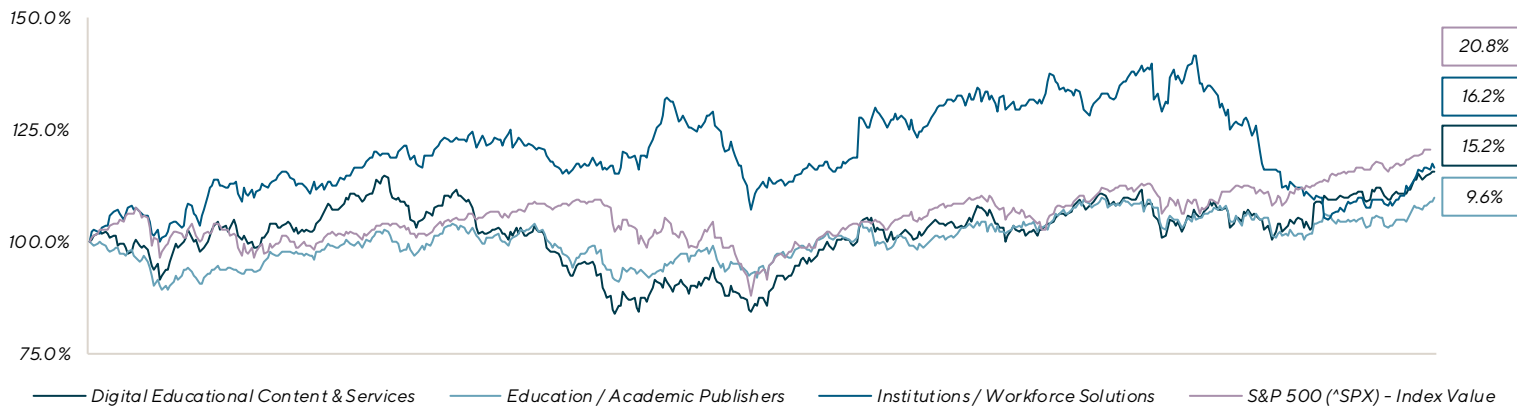
Outperformers	Change
2U	47.4%
TAL Education Group	40.8%
Lincoln Educational Services	29.8%
Chegg	26.6%

Underperformers	Change
K12	(22.9%)
RISE Education Cayman	(16.5%)
Blackbaud	(11.9%)
Adtalem Global Education	(8.2%)

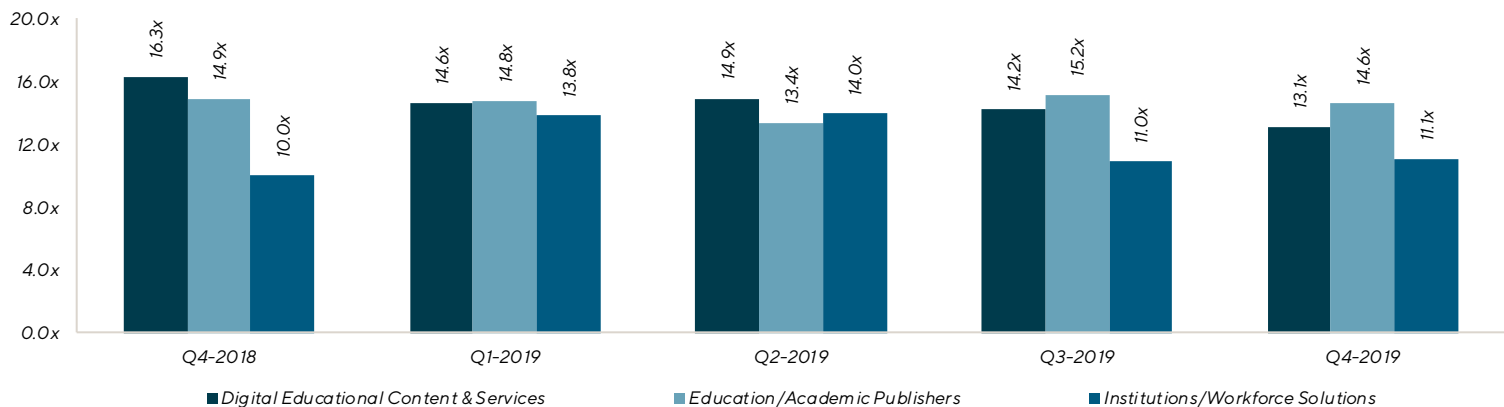
Quarter-over-Quarter Stock Indices Price Change



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.	\$23.99	29.8%	\$1,523	\$1,681	\$697	(\$26)	69.3%	(3.7%)	2.4x	NM
3P Learning Limited	0.61	71.5%	85	67	40	12	10.1%	31.5%	1.7x	5.3x
Blackbaud, Inc.	79.60	81.8%	3,815	4,410	926	175	9.1%	18.9%	4.8x	25.2x
Chegg, Inc.	37.91	78.6%	4,586	4,698	487	138	51.6%	28.3%	9.6x	NM
Grand Canyon Education, Inc.	95.79	72.2%	4,579	4,730	836	334	(1.1%)	40.0%	5.7x	14.1x
Instructure, Inc.	48.21	88.8%	1,841	1,763	292	(8)	39.3%	(2.9%)	6.0x	NM
New Oriental Education & Technology Group Inc.	121.25	94.1%	19,210	17,340	4,206	744	51.5%	17.7%	4.1x	23.3x
Pearson plc	8.44	61.8%	6,571	8,771	5,166	983	(1.8%)	19.0%	1.7x	8.9x
Pluralsight, Inc.	17.21	48.2%	1,752	1,873	376	(66)	62.1%	(17.5%)	5.0x	NM
RELX PLC	25.20	99.1%	48,740	57,725	10,737	3,881	12.4%	36.1%	5.5x	15.2x
RISE Education Cayman Ltd	6.99	63.5%	397	437	254	51	37.2%	20.1%	1.7x	8.6x
TAL Education Group	48.20	98.3%	28,522	28,107	3,913	625	67.2%	16.0%	7.2x	NM
Mean		74.0%					33.9%	17.0%	4.5x	14.2x
Median		75.4%					38.2%	19.0%	4.8x	11.5x
Education / Academic Publishers										
Houghton Mifflin Harcourt Company	\$6.25	58.7%	\$777	\$1,378	\$1,428	\$156	8.0%	10.9%	1.0x	8.8x
Informa plc	11.35	95.1%	14,207	18,207	3,816	1,341	26.4%	35.1%	4.8x	13.6x
John Wiley & Sons, Inc.	48.52	91.6%	2,727	3,597	1,891	371	5.5%	19.6%	1.9x	9.7x
Pearson plc	8.44	61.8%	6,571	8,771	5,166	983	(1.8%)	19.0%	1.7x	8.9x
RELX PLC	25.20	99.1%	48,740	57,725	10,737	3,881	12.4%	36.1%	5.5x	15.2x
Rosetta Stone Inc.	18.14	67.5%	436	408	193	6	11.0%	2.9%	2.1x	NM
Scholastic Corporation	38.45	84.0%	1,331	1,162	1,705	157	2.4%	9.2%	0.7x	7.4x
Wolters Kluwer N.V.	72.97	96.0%	19,451	22,070	5,246	1,529	7.5%	29.1%	4.2x	14.4x
Mean		81.7%					8.9%	20.3%	2.3x	10.5x
Median		87.8%					7.8%	19.3%	1.9x	9.3x
Institutions / Workforce Solutions										
Adtalem Global Education Inc.	\$34.97	67.5%	\$1,888	\$2,347	\$1,092	N/A	(7.7%)	N/A	2.1x	NM
American Public Education, Inc.	27.39	78.3%	422	224	287	34	(3.6%)	12.0%	0.8x	6.5x
Graham Holdings Company	638.99	84.5%	3,396	3,795	N/A	N/A	N/A	N/A	NM	NM
Grand Canyon Education, Inc.	95.79	72.2%	4,579	4,730	836	334	(1.1%)	40.0%	5.7x	14.1x
K12 Inc.	20.35	54.4%	797	682	1,041	136	6.4%	13.1%	0.7x	5.0x
Laureate Education, Inc.	17.61	94.8%	3,850	5,696	3,284	703	(2.0%)	21.4%	1.7x	8.1x
Lincoln Educational Services Corporation	2.70	80.8%	68	128	282	16	7.0%	5.6%	NM	8.1x
Perdoceo Education Corporation	18.39	81.7%	1,294	1,079	635	138	9.3%	21.7%	1.7x	7.8x
Strategic Education, Inc.	158.90	83.7%	3,413	3,091	1,033	271	62.9%	26.2%	3.0x	11.4x
Mean		77.6%					8.9%	20.0%	2.2x	8.7x
Median		80.8%					2.7%	21.4%	1.7x	8.1x

Note: USD in millions, except for stock price

Source: Bloomberg, Capital IQ and company filings, as of 12/31/19

Market Intelligence

10/22/19: Adtalem Global Corporation, an Illinois-based education company, has agreed to sell its Brazilian colleges for \$465 million

11/19/19: Surgent, a Pennsylvania-based professional education services company, received an investment from **NexPhase Capital**

12/4/19: Instructure, whose Canvas product is the “gold standard” for learning management systems, has agreed to be acquired by **Thoma Bravo**

11/13/19: Guild Education, a Colorado-based education benefits company, has raised \$157 million in a Series D fundraise led by General Catalyst

11/20/19: Ellucian, a higher education software and services provider, recently conducted a bake-off to select financial advisors for a sale

12/4/19: Scantron, a developer of assessment and survey solutions for education among other sectors, has been sold to **Transom Capital**

Selected M&A Transaction Recap

Closed	Target Company	Target Description	Acquiring Company
Announced	Belgian training assets of Wolters Kluwer	Provides consulting, information, software solutions and services for businesses	NCOI
Announced	Findel Education	Manufactures and sells educational supplies online	Yorkshire Purchasing
Announced	Meten International Education Group	Develops a global platform of next-generation education and training institutions	EdtechX Holdings
Announced	Parchment	Operates an eTranscript exchange community that connects high schools, community colleges, four year public and private universities, trade schools and employers	Credentials Solutions
Announced	Instructure	Provides applications for learning, assessment and performance management through a SaaS business model worldwide	Thoma Bravo
Announced	EdSurge	Operates a community which provides news and information on innovation in education technology	The International Society For Technology In Education
Announced	Adtalem Educacional do Brasil	Operates post-secondary institutions	Universidade Estácio de Sá
12/26/2019	Children's Discovery Center	Provides early care and education services to children	Endeavor Schools (Leeds Equity)
12/23/2019	Crisis Prevention Institute	Provides training and consulting in behavior management and dementia care	Wendel
12/20/2019	Flow Hospitality Training	Operates online learning and development platform for developing staff in hospitality industry	MAPAL Software
12/18/2019	Global Mixed Reality and Immersive Learning Assets of Pearson	Develops software programs that bring the "best of the web" directly and safely to home computers	Global Immersive Group
12/17/2019	Clickart Taller de Comunicació	Develops and operates a cloud-based educational management software platform for schools	Sanoma Learning
12/10/2019	SchoolSpire	Develops and delivers a comprehensive K-12 software platform that meets the curriculum, instruction, assessment and reporting needs of school districts	Mentoring Minds
12/5/2019	itslearning	Develops and hosts learning platforms and educational software for primary, secondary and higher education sectors	Sanoma Learning
12/5/2019	Tembo	Assists education agencies in using data to improve their schools	Hoonuit
12/4/2019	YouVisit	Creates online campus visit programs for colleges and universities	EAB Global (Vista Equity Partners)
12/4/2019	Martech Media	Serves companies in electrical generation, oil and gas production, public utilities, paper and pulp and other general process facilities with e-Learning and onsite training	Health & Safety Institute
12/4/2019	Scantron Corporation	Develops assessment and survey solutions to education, commercial, financial, automotive, insurance, healthcare and government sectors worldwide	Transom Capital Group
12/3/2019	Home Away From Home	Operates preschools providing families with an education-focused environment for infant care, preschool, afterschool and summer camp services	O2B Kids Early Education
11/30/2019	Altior Consulting & Training	Provides skills training and assessment services for the legal profession	BARBRI
11/28/2019	Pebbles Care Limited	Provides residential care homes and specialist school academies for young people aged 6-18 years	Ardenton Capital
11/27/2019	Fitzgerald Health Education Associates	Provides nurse practitioner certification preparation and continuing education services for healthcare providers	Colibri Group (Gridiron Capital)

Selected M&A Transaction Recap (cont'd)

Closed	Target Company	Target Description	Acquiring Company
11/25/2019	Schoology	Provides a learning management system for K-12 schools	PowerSchool Group (Vista Equity / ONEX)
11/22/2019	The Richardson Company	Provides sales training and coaching, continuous learning and performance improvement services to organizations	Kartesia Advisor
11/22/2019	All Assets of Get Prepped	Comprises LSAT preparation and law school admissions services	Manhattan Review
11/20/2019	Smart Choice Technologies	Provides an online admissions software system	SchoolMint (BV Investment Partners)
11/20/2019	QuadWrangle	Provides a mobile application for alumni engagement	Ruffalo Noel Levitz (Summit Partners)
11/19/2019	Surgent McCoy CPE	Provides continuing professional education packages for CPAs and other financial professionals	NexPhase Capital
11/18/2019	n2y	Provides software and curriculum focused on the special education market	Providence Equity
11/18/2019	Education.com	Operates an online education platform for parents, teachers and homeschoolers to find guidance, inspiration and materials	IXL
11/15/2019	TRINITY 3	Operates as a distributor of custom built technology hardware for the education market	Capital Southwest; Rotunda Capital Partners
11/13/2019	Sponge	Provides mobile learning applications and content	Aliter Capital
11/7/2019	Paton Group	Distributes education technology and curriculum	H2I Group
11/4/2019	Lumerit Education	Develops customized degree and course progression plans that take into account goals, available time, costs, degree major, college selection and any other important life situations	Pearson Education
11/1/2019	Miller Heiman Group / Achieveforum / TwentyEighty Strategy Execution	Leadership development companies formally owned by TwentyEighty	Korn Ferry
11/1/2019	Sistema Positivo de Ensino	Manufactures computer components and develops educational software	Arco Platform Limited
10/29/2019	SCHOOLZILLA	Develops a data management platform that turns achievement and operational data into interactive reports	Renaissance Learning (Francisco Partners)
10/28/2019	Knowledge4You	Develops business intelligence software solutions	Logibec Group
10/11/2019	ESGI	Develops educational software for conducting one-on-one assessments for childhood students	Riverside Assessments (Alpine Investors)
10/8/2019	Universidad Interamericana de Panam	Offers undergraduate, graduate and technical degree programs	Universal Knowledge Systems; Global Education Services
10/3/2019	Accelify	Provides technology solutions and services for the management of individualized education plans	Frontline (Thoma Bravo)
10/2/2019	EdComs	Communications and marketing agency specializing in education	EVERFI
10/2/2019	L'Ermitage	Operates international private schools	Platina Equity Solutions
10/2/2019	Hazel	Operates a platform that maintains companies' information	Rise People

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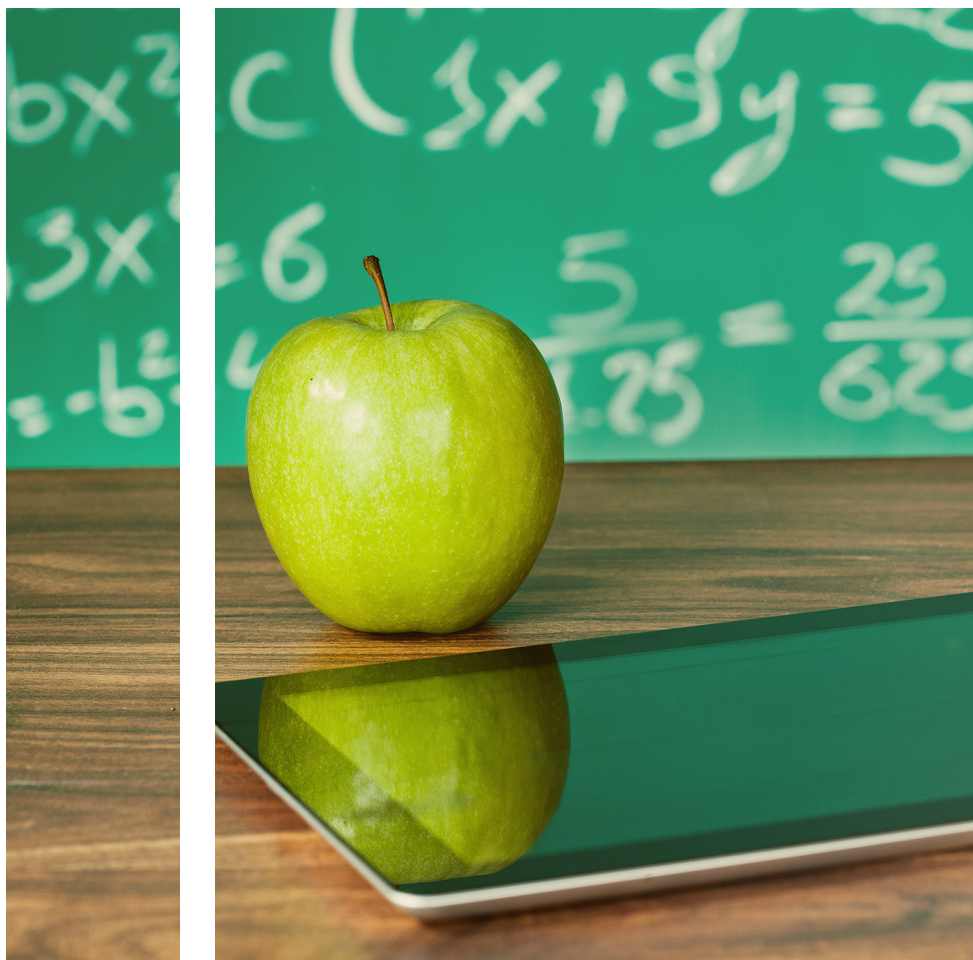
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Lincoln International's Education Technology & Services Team

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 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

Advisory Services

Mergers & Acquisitions
Capital Advisory
Joint Ventures & Partnering
Valuations & Opinions

About Lincoln International

We are trusted investment banking advisors to business owners and senior executives of leading private equity firms and public and privately held companies around the world. Our advisory services include mergers and acquisitions and capital markets advisory for the mid-market. We also provide valuations and fairness opinions and joint ventures advisory services. As one tightly integrated team of more than 500 professionals across 16 countries, we offer an unobstructed perspective, backed by superb execution and a deep commitment to client success. With extensive industry knowledge and relationships, timely market intelligence and strategic insights, we forge deep, productive client relationships that endure for decades. Connect with us to learn more at:

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