

Market Update



Education Technology & Services

Q4 2021

Key Highlights

The top subsector stock performer in Q4 2021 was education / academic publishers, up 6.5% quarter-over-quarter

On average, EBITDA multiples for the subsectors increased 0.7x from the prior quarter and increased 0.8x on a year-over-year basis

2021 - The Year All the Records Fell

2021 met and then quickly exceeded all forecasts for M&A activity in the education technology and services market. Across the board, from venture funding to IPOs to the volume of M&A deals, 2021 lived up to the hype. For many of us trying to play prognosticator in late 2020, there were plenty of signs that 2021 was going to be a banner year for education investors. As a result, Lincoln (and many others) pointed ahead in early 2021 at a year of continued growth and expansion in the wake of COVID-19 driven activity in the last quarter of 2020.

What happened in 2021 not only exceeded, but demolished, all expectations. Just a few highlights (by no means exhaustive):

Nearly \$21B in Global Ed Tech Venture Funding Despite Massive Dropoff in China



Successful IPOs



Large Cap PE Buyouts

Blackboard



ellucian



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In the mid-market segment, we continue to see a proliferation of investors owning or seeking to own businesses serving the education market. The degree to which this dynamic has changed over the last 10 years is difficult to put into words. For a long time, education was a little sought-after market due to misperceptions about budget cycles, slow and inefficient decision-making and a desire to avoid modernization. While those assumptions have all been true to differing extents in the past, they were already changing pre-COVID-19 and have now thoroughly and effectively been rendered relics of the past.

As we have previously covered, the amount of mid-market private equity capital pursuing high-caliber software and services businesses focused on the education market has skyrocketed. Much like the activity reflected above in massive venture financings and IPOs, the demand for exposure to the education market for private equity investors is immense. It is no longer the domain for the few and proud early pioneers that raised dedicated funds or created dedicated education practices within their funds. The degree to which technology has pervaded throughout education has been a major factor in the shift – once unpredictable, lumpy revenue businesses are now subscription-based, catering to that most attractive of business qualities – predictability.

Moreover, the maturation of software and tech-enabled services businesses in the education market has meant companies can deliver more efficient and more powerful growth. Further driving the frenzy has been the incredible capital flow into ESG investments, of which education is often a focus area for ESG-sensitive investors. Impact funds across the investment lifecycle have made their presence known with attention-grabbing transactions in 2021.

Growth + Predictability + Massive Capital Overhang = Premium Valuations

Lincoln witnessed this phenomenon firsthand throughout the year and now into 2022 across our M&A processes. The number and profiles of firms bidding aggressively for and ultimately prevailing in those processes directly reflects the “mainstreaming” of education investing. The long-held secrets related to the size and attractiveness of education as an investment sector are no longer secrets. The resulting momentum around education investing is immense as we enter 2022. Despite all of the records set in 2021, activity in backlog for Q1 and Q2 is substantial and still growing. The second half of the year should be no different given the amount of investment capital now aimed at getting education exposure this year.

So buckle in and hold on tight for another wild and exciting ride in 2022.

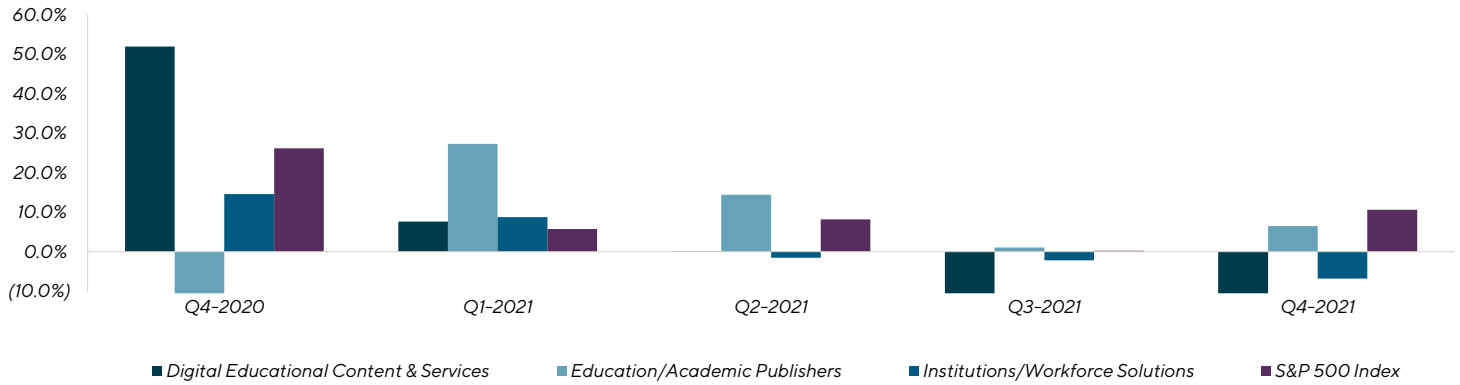
Education Technology & Services Financial Performance

Quarter-over-Quarter Price Performance

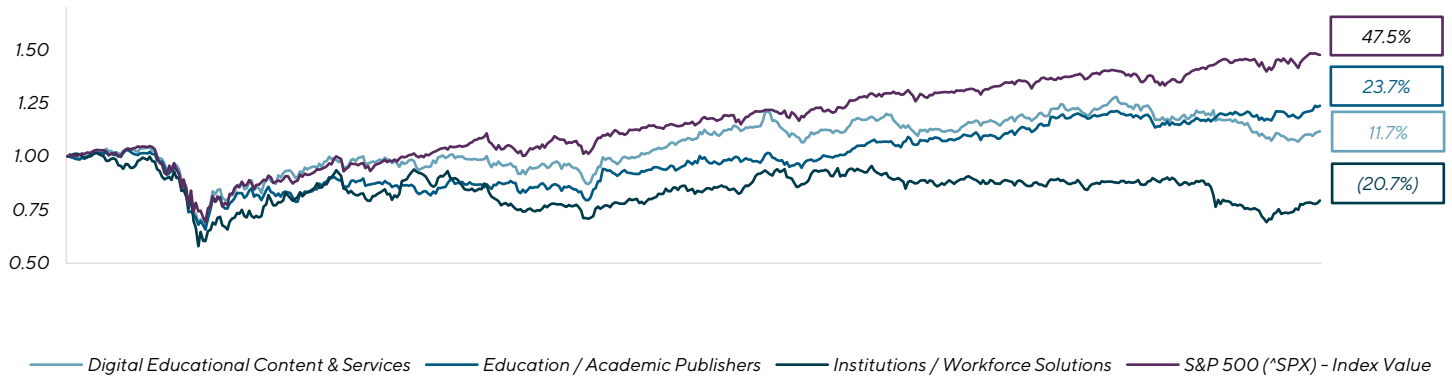
Outperformers	Change
Houghton Mifflin Harcourt Company	19.9%
Blackbaud, Inc.	12.3%
Scholastic Corporation	12.1%
RELX PLC	11.9%

Underperformers	Change
Chegg, Inc.	(54.9%)
2U, Inc.	(40.2%)
Duolingo, Inc.	(36.2%)
PowerSchool Holdings, Inc.	(33.1%)

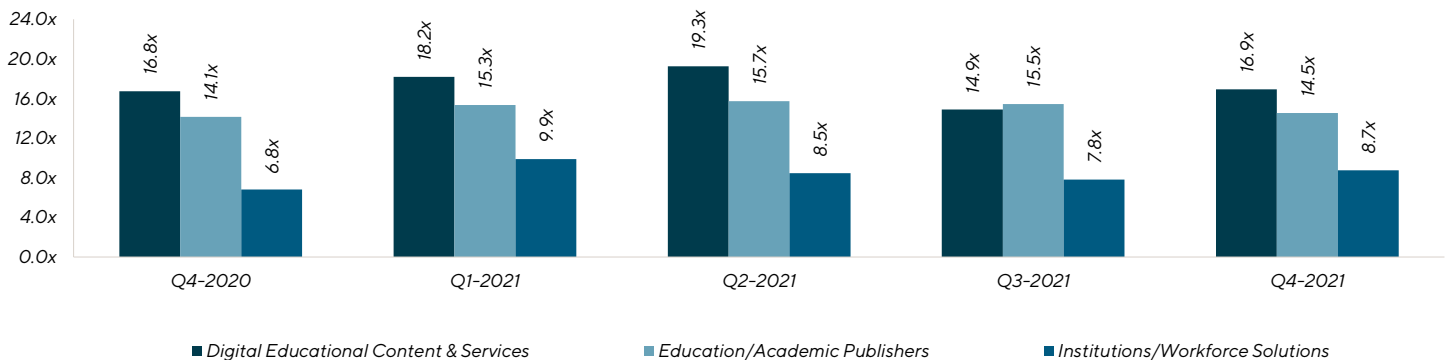
Quarter-over-Quarter Stock Indices Price Change



Two-Year Relative Stock Indices Price Performance



Historical Enterprise Value / LTM 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.	\$20.07	33.6%	\$1,513	\$1,442	\$1,068	\$76	37.9%	7.2%	1.3x	18.9x
Blackbaud, Inc.	78.98	90.8%	3,704	4,225	936	237	2.5%	25.3%	4.5x	17.8x
Chegg, Inc.	30.70	26.6%	4,450	4,389	793	255	23.1%	32.1%	5.5x	17.2x
Coursera, Inc.	24.44	39.1%	3,369	2,574	488	(42)	66.1%	(8.5%)	5.3x	NM
D2L Inc.	10.87	79.9%	575	731	174	(16)	58.8%	(9.1%)	4.2x	NM
Duolingo, Inc.	106.11	51.8%	3,976	3,437	301	(11)	86.5%	(3.7%)	11.4x	NM
Grand Canyon Education, Inc.	85.71	73.9%	3,396	3,479	914	322	8.3%	35.2%	3.8x	10.8x
Instructure Holdings, Inc.	23.98	81.0%	3,367	3,689	443	154	46.6%	34.8%	8.3x	23.9x
Keypath Education International, Inc.	1.71	58.5%	356	293	122	(9)	67.8%	(7.4%)	2.4x	NM
Pearson plc	8.30	67.5%	6,255	7,360	4,749	847	2.4%	17.8%	1.5x	8.7x
PowerSchool Holdings, Inc.	16.47	45.0%	2,601	3,742	598	162	37.4%	27.0%	6.3x	23.2x
RELX PLC	32.43	98.9%	62,729	71,402	10,363	3,867	6.7%	37.3%	6.9x	18.5x
Udemy, Inc.	19.54	59.9%	2,715	2,858	596	(54)	38.6%	(9.1%)	4.8x	NM
Mean		62.0%					37.1%	13.8%	5.1x	17.4x
Median		59.9%					37.9%	17.8%	4.8x	18.2x
Education/Academic Publishers										
Houghton Mifflin Harcourt Company	\$16.10	89.8%	\$2,056	\$2,095	\$1,083	\$280	5.1%	25.8%	1.9x	7.5x
Informa plc	7.00	85.6%	10,506	13,510	2,751	781	21.3%	28.4%	4.9x	17.3x
John Wiley & Sons, Inc.	57.27	86.7%	3,177	4,290	2,148	446	15.2%	20.8%	2.0x	9.6x
Pearson plc	8.30	67.5%	6,255	7,360	4,749	847	2.4%	17.8%	1.5x	8.7x
RELX PLC	32.43	98.9%	62,729	71,402	10,363	3,867	6.7%	37.3%	6.9x	18.5x
Scholastic Corporation	39.96	96.3%	1,381	1,174	N/A	N/A	N/A	N/A	NM	NM
Wolters Kluwer N.V.	117.82	98.4%	30,480	33,229	5,495	1,708	(2.4%)	31.1%	6.0x	19.5x
Mean		89.0%					8.1%	26.9%	3.9x	13.5x
Median		89.8%					5.9%	27.1%	3.5x	13.5x
Institutions/Workforce Solutions										
Adtalem Global Education Inc.	\$29.56	67.4%	\$1,471	\$2,987	\$1,746	\$525	61.3%	30.0%	1.7x	5.7x
American Public Education, Inc.	22.25	56.8%	416	551	611	94	89.8%	15.4%	0.9x	5.9x
Graham Holdings Company	629.83	91.9%	3,119	3,284	3,347	333	15.9%	9.9%	1.0x	9.9x
Grand Canyon Education, Inc.	85.71	73.9%	3,396	3,479	914	322	8.3%	35.2%	3.8x	10.8x
Stride, Inc.	33.33	86.8%	1,425	1,796	1,601	259	25.8%	16.2%	1.1x	6.9x
Laureate Education, Inc.	12.24	64.4%	2,220	973	1,146	283	11.8%	24.7%	0.8x	3.4x
Lincoln Educational Services Corporation	7.47	91.1%	202	242	348	39	18.6%	11.2%	0.7x	6.2x
Perdoceo Education Corporation	11.76	83.7%	824	396	719	170	4.5%	23.7%	0.6x	2.3x
Strategic Education, Inc.	57.84	59.8%	1,409	1,410	1,097	213	6.7%	19.5%	1.3x	6.6x
Mean		75.1%					27.0%	20.6%	1.3x	6.4x
Median		73.9%					15.9%	19.5%	1.0x	6.2x

Note: USD in millions, except for stock price

Source: Bloomberg, Capital IQ and company filings, as of 12/31/21

12/15/21: **Lectorio**, a German-based provider of learning solutions, raised \$45 million in a round led by **Sterling Partners**

12/14/21: **Course Hero**, a California-based education technology company, raised \$380 million in a Series C funding round led by **Wellington Management**

11/23/21: **Sanjieke**, a China-based online education platform, raised \$31 million in a round led by **Owl Ventures** and **Udemy**

11/17/21: **Grammarly**, a California-based digital writing assistant software firm, raised \$200 million in a round co-led by **Baillie Gifford** and **BlackRock**

10/20/21: **360Learning**, a France-based software publisher of e-learning platforms, raised \$200 million in a round led by **Sumeru**

10/24/21: **Outschool**, a California-based provider of supplemental online education, raised \$110 million in a round co-led by **Tiger Global** and **Bond Capital**

Selected M&A Transaction Recap

Closed	Target Company	Target Description	Acquiring Company
Announced	DreamBox Learning	Develops and delivers online elementary and middle school math software that aligns to the United States and Canadian standards	Evergreen Coast Capital
Announced	Kimono	Develops a cloud-based education data integration and interoperability platform	Instructure
Announced	ISGA	Operates postgraduate schools in management and engineering in Morocco	AfricInvest
Announced	Finalsite	Provides web-based software and services for schools and educational organizations in the United States and internationally	Veritas Capital
Announced	Codecademy	Offers online coding training classes	Skillsoft
Announced	Wegesrand Verwaltungsgesellschaft	Engages in the computer game development, game design and digital education services	Wicket Gaming
12/31/2021	FrontRow Calypso	Designs and manufactures classroom amplification systems for schools in the United States and internationally	BOXLIGHT
12/30/2021	Classroom Salon	Develops and operates a learning management solution for salons	Global Tech Industries Group
12/23/2021	Virtual College	Offers online learning and training courses	Netex Knowledge Factory
12/22/2021	LINQ	Develops education resource management software solutions for schools	Welsh, Carson, Anderson & Stowe
12/22/2021	Munio	Develops an environmental, health and safety (EHS) e-learning and learning management systems software platform	EcoOnline
12/21/2021	Ophtho Questions / SunCam	Provides ophthalmology online test preparation and continuing education services in the United States	PDH Academy
12/20/2021	Skill Boosters	Provides equality, diversity, workplace behavior and compliance e-learning courses to the companies across the United Kingdom and internationally	Marlowe
12/14/2021	TeachNow	Provides online education services in teaching	Colibri
12/14/2021	Investors Alley	Publishes financial information and educational content that helps educate investors	Financialanswers.io
12/13/2021	Torchlight	Provides employee-caregiver support solutions	LifeSpeak
12/9/2021	People Test Systems	Designs and develops an assessment testing platform for managers and HR in companies and organizations to measure and identify talent	Assessio International
12/8/2021	GeoGebra	Develops and operates an interactive and collaborative mathematics learning tool that brings together geometry, algebra, spreadsheets, graphing, statistics and calculus in one package	Byju's
12/8/2021	PresenceLearning	Offers online speech therapy, occupational therapy, behavioral and mental health to K-12 students and school districts in the United States and Canada	Spectrum Equity and TPG Capital
12/6/2021	Orbis Communications	Develops computer software for education industry	Symplicity
12/2/2021	TPC Training Systems	Provides industrial skills and safety training programs	American Safety Council
12/2/2021	Whiteboard Higher Education	Operates as a student enrollment advisory company that helps colleges and universities with recruitment initiatives and financial aid strategies	Huron Consulting Group
12/2/2021	Kickboard	Develops behavioral management software for schools	PowerSchool
12/1/2021	U.S. legal education business	Comprises business of production of textbooks and digital educational solutions for law students	Transom Capital Group
12/1/2021	ProQuest	Develops information content in library, information technology, publishing and book communities	Clarivate
11/30/2021	ChildPlus Software	Provides a head start data management software solution	Procare Software
11/30/2021	Transfer Group	Provides language training services to executives of corporate clients	TransPerfect Translations International
11/19/2021	The Rowing Team	Develops, owns and operates a micro learning platform that focuses on employee performance	Health & Safety Institute

Selected M&A Transaction Recap

Closed	Target Company	Target Description	Acquiring Company
11/18/2021	Rainbow Private Nursery School	Operates a day care and an early education center	Kids Planet Day Nurseries
11/16/2021	Village Green Day School	Owns and operates an early childhood school for children up to the junior kindergarten level	Endeavor Schools
11/16/2021	Mathnasium	Provides franchised mathematics learning services for children in the United States and internationally	Roark Capital
11/16/2021	Immediate Action Medicine	Provides online training and recertification education for flight and ground paramedics, EMTs and nurses	Knowfully Learning
11/16/2021	Assets of edX	Provides online education courses in partnership with leading universities globally	2U
11/15/2021	Edujoy Entertainment SL / Tellmewow Studios	Develops educational games for babies, toddlers and kids up to eight-years old globally	Sandbox London
11/10/2021	Robotify Labs	Develops, owns and operates a platform that helps kids to learn code by controlling virtual robots	Imagine Learning
11/10/2021	Institut des Médias avancés, des Arts et des Technologies	Offers undergraduate and diploma programs in audio and film production	AD Education
11/9/2021	Greenways Academy	Offers personalized online learning experiences that come with guidance and support from teaching staff and administration	eDynamic Learning
11/9/2021	Renaissance Learning	Provides computer-based assessment technology and school improvement programs for PreK-12 schools and districts in the United States and internationally	Blackstone
11/3/2021	Wrightcore	Offers data center and networking solutions that include cloud, virtualization, storage, wireless, security and unified communications services	ConvergeOne Holdings
11/1/2021	Achieve3000	Operates a cloud-based literacy platform that provides game-based foundational literacy learning courses and differentiated literacy instructions to students	McGraw-Hill Education
11/1/2021	SecurityAdvisor Technologies	Provides personalized security awareness platform against cyber threats	KnowBe4
10/27/2021	Estio Training	Provides information technology apprenticeship training for school and college leavers in the United Kingdom	BPP
10/27/2021	Operoo	Provides cloud-based solutions for online school forms, medical data and trip management	SchoolStatus
10/25/2021	Blackboard	Develops enterprise technology and solutions for the education industry	Anthology
10/20/2021	AFC GROUPE	Provides training tailored to the needs of catering professionals	TALIS
10/20/2021	Pentester Academy	Offers online courses, online high-definition videos and online labs for professionals and students internationally	Internetwork Expert
10/19/2021	PowerScore	Provides classroom and online test preparation courses for students preparing for exams in the United States and internationally	Barbri
10/14/2021	GP Strategies	Provides performance improvement and learning solutions worldwide	Learning Technologies
10/13/2021	Texas Teachers of Tomorrow	Provides a certification training program for aspiring teachers	TPG Growth
10/13/2021	Study Edge	Provides educational services to college students	Accelerate Learning
10/7/2021	Uni-Quest	Designs and develops an educational communication platform	Keystone Academic Solutions
10/5/2021	CPOMS Systems	Provides student safeguarding software solutions for monitoring wellbeing for children, young people and adults	Raptor Technologies
10/5/2021	SkillFactory	Develops professional training and higher education programs	Skillbox
10/4/2021	mStoner	Provides web design and technology services for higher education	Carnegie Dartlet

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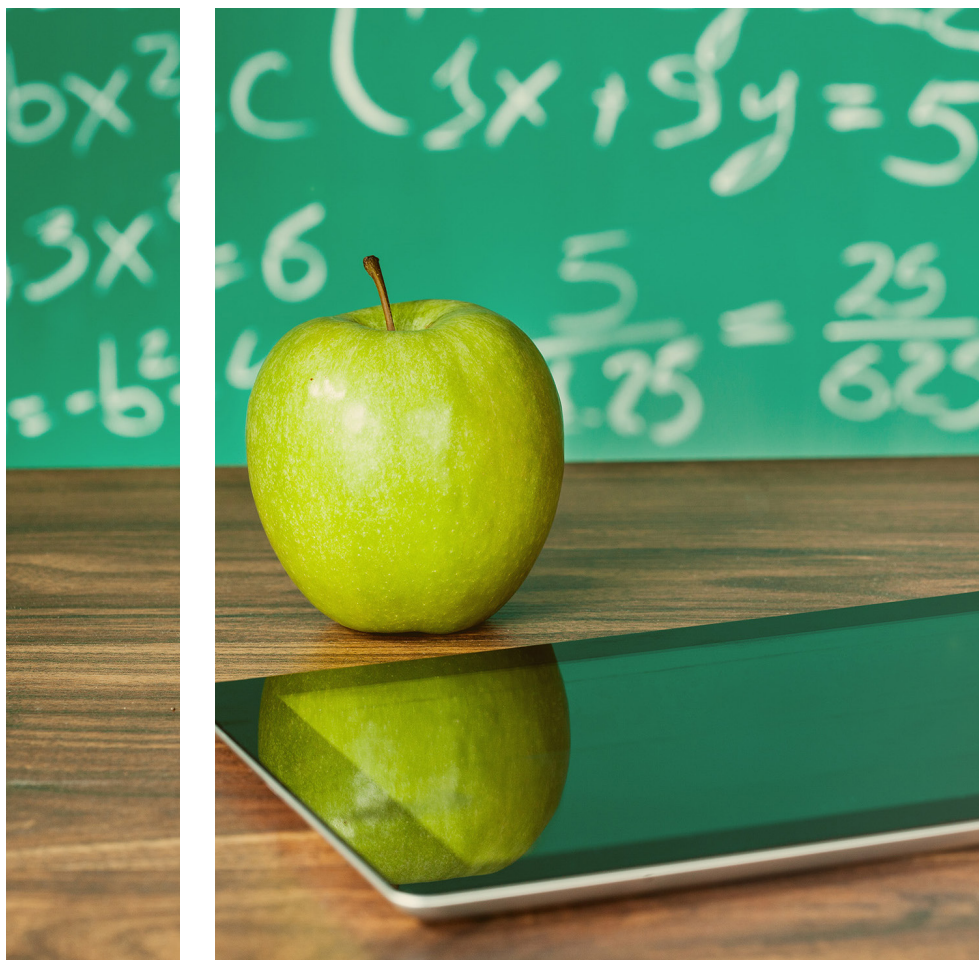
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Lincoln International's Education Technology & Services Team

Lincoln 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's dedicated education technology and 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 and services space. This update tracks pricing and valuation metrics and transaction activity for three key education technology and services subsectors:

- Digital education content and services
- Education / academic publishers
- Institutions / workforce solutions

Advisory Services

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

About Lincoln International

We are trusted investment banking advisors to business owners and senior executives of leading private equity firms and their portfolio companies and to public and privately held companies around the world. Our services include mergers and acquisitions advisory, private funds and capital markets advisory, valuations and fairness opinions and joint ventures advisory. As one tightly integrated team of more than 725 professionals across 15 countries, we offer an unobstructed perspective on the global private capital markets, 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: www.lincolninternational.com.