

# Market Update



## Education Technology & Services

Q2 2020

### Key Highlights

All subsectors increased performance in Q2 2020 as stock performance trended upward

EBITDA multiples for institutions / workforce solutions were up 2.0x on a quarter-over-quarter basis and down 2.4x on a year-over-year basis

## The 2020 Back-to-School Conundrum for Education Investors

After six months, we feel confident in saying that 2020 will go down as one of the most unique years in the history of education investing. COVID-19 has impacted every element of the education market in varying ways – in some cases dramatically accelerating trends toward online learning and the use of digital solutions; in other cases severely curtailing investment in new technologies as school systems and postsecondary institutions froze budgets and suspended all procurement processes for a period of time. Now as we quickly approach the back-to-school season, eyes across the country (and globally) are paying attention to the daily policy drama playing out at state and local levels.

All of this change creates the classic mix of opportunity and risk for education investors. An acceleration of technology adoption would suggest potentially massive opportunities to invest in companies that support online learning and/or enable schools to manage their critical processes remotely via the cloud. Similarly, the requirements of online learning have only accelerated the shift from traditional textbooks to digital solutions. At the same time, early childhood centers and many proprietary K-12 schools have been forced to adjust to lockdowns and quarantines. While many are shying away from those market segments given the uncertainty around them today, others see this as a unique time to find strong companies that will survive the lockdown periods and be well positioned to benefit from a return to normalcy. Similarly, some foresee aggressive growth for proprietary postsecondary institutions given a potentially extended recessionary environment and acutely high unemployment levels.

As we talk to investors active in the education market, we have heard every possible point of view on when, how and where to invest in the market. While we will not try to relate all of those permutations, we thought it would be useful to summarize the more prominent themes that investors have highlighted:

- Schools at all levels must have an online solution ready and available. Even if schools intend to operate in-person on campuses in the fall, they must have back-up plans in place to enable online or hybrid learning should COVID-19 flare-ups require it. This means substantial tailwinds behind online learning infrastructure tools.
- Like most enterprises, school systems must be able to continue to function effectively with staff working remotely. Doing so means continued, and likely expanded, investment in cloud-based enterprise tools.
- The substantial increase in unemployment caused by COVID-19 disruptions will persist and further accentuate the already acute skills gap. Providers with proven, effective solutions to upskill and re-skill the workforce will be in a position to dramatically accelerate growth.
- Back-to-school uncertainty is creating noise for many vendors to the education market and, at some level, is separating solutions that are “must-haves” from those that are “nice-to-haves.” That dynamic is playing out in real time as budget cycles roll over in July and August, and investors are keen to see performance through the third quarter.
- Investors are particularly interested and anxious to invest in businesses that have performed well through the COVID-19 crisis, or even more so for businesses that were well positioned and have benefited from COVID-driven changes.



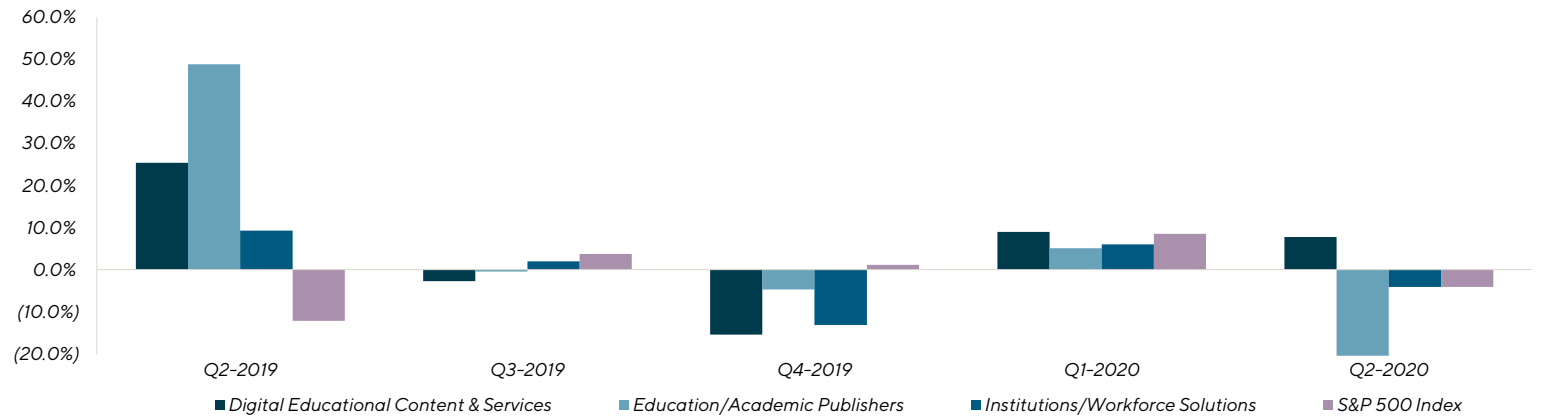
# Education Technology & Services Financial Performance

## Quarter-over-Quarter Price Performance

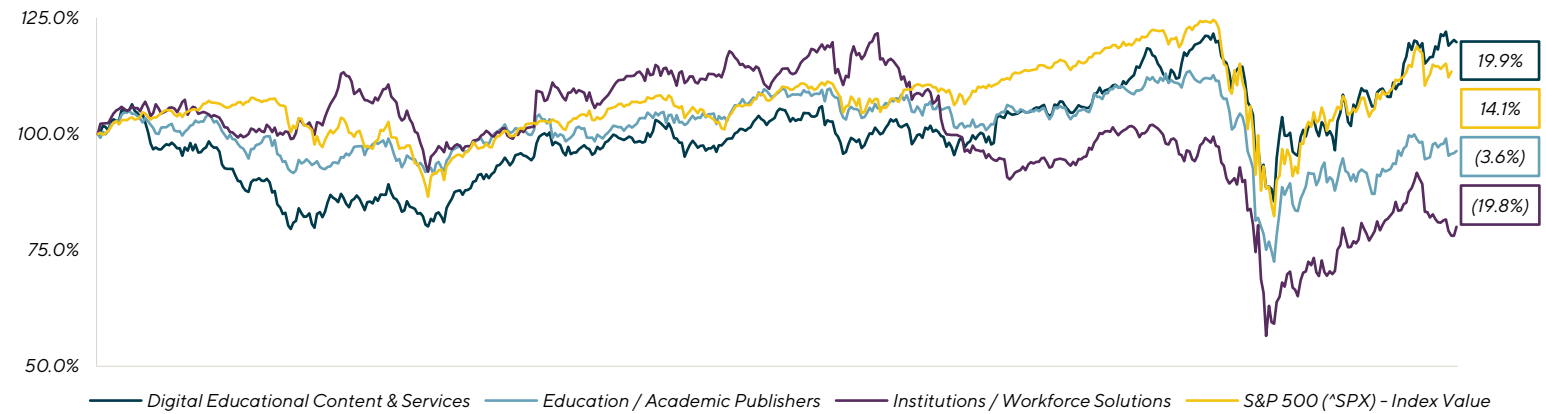
| Outperformers                | Change |
|------------------------------|--------|
| Chegg                        | 77.4%  |
| 2U                           | 58.2%  |
| Lincoln Educational Services | 44.4%  |
| TAL Education                | 41.9%  |

| Underperformers           | Change  |
|---------------------------|---------|
| Houghton Mifflin Harcourt | (71.0%) |
| Informa                   | (48.7%) |
| Graham Holdings           | (46.4%) |
| RISE Education Cayman     | (44.5%) |

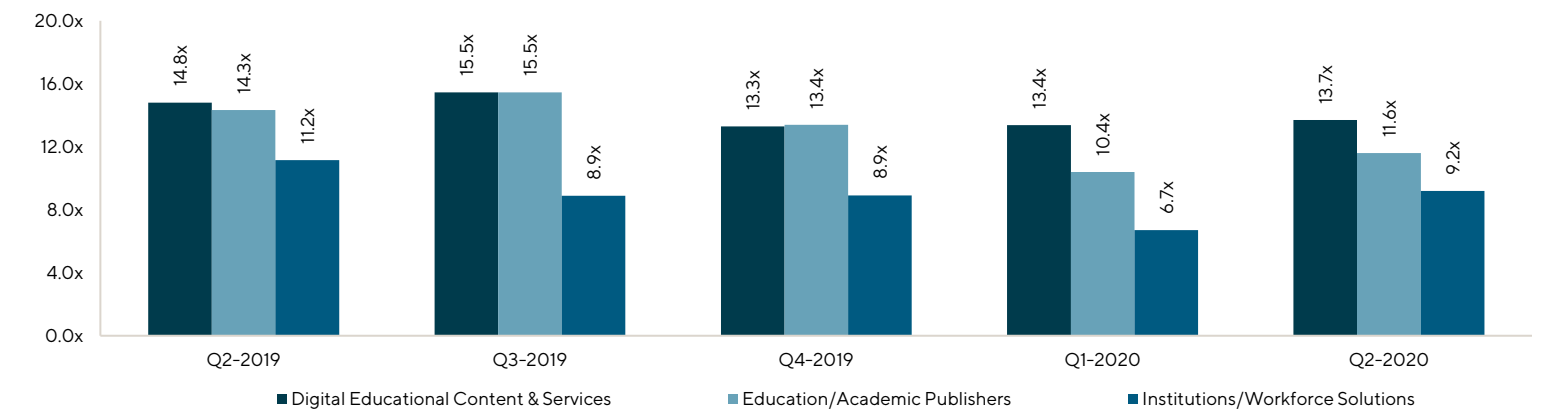
## Quarter-over-Quarter Stock Indices Price Change



## 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 | NTM     |        | YoY Revenue Growth | EBITDA Margin | Enterprise Value / NTM |              |
|---|-------------|-------------------|------------|------------------|---------|--------|--------------------|---------------|------------------------|--------------|
|   |             |                   |            |                  | Revenue | EBITDA |                    |               | Revenue                | EBITDA       |
| <b>Digital Educational Content &amp; Services</b> |             |                   |            |                  |         |        |                    |               |                        |              |
| 2U, Inc.  | \$37.96     | 93.6%             | \$2,428    | \$2,616          | \$744   | \$3    | 55.1%              | 0.4%          | 3.5x                   | NM           |
| 3P Learning Limited                               | 0.59        | 79.6%             | 83         | 78               | 37      | 10     | (3.0%)             | 25.9%         | 2.1x                   | 8.1x         |
| Blackbaud, Inc.                                   | 57.08       | 58.6%             | 2,757      | 3,380            | 893     | 169    | 2.3%               | 19.0%         | 3.8x                   | 20.0x        |
| Chegg, Inc.                                       | 67.26       | 95.3%             | 8,316      | 8,484            | 583     | 187    | 61.3%              | 32.2%         | 14.6x                  | NM           |
| Grand Canyon Education, Inc.                      | 90.53       | 68.2%             | 4,245      | 4,264            | 850     | 318    | 20.6%              | 37.4%         | 5.0x                   | 13.4x        |
| New Oriental Education & Technology Group Inc.    | 130.23      | 91.5%             | 20,632     | 18,761           | 4,168   | 585    | 34.6%              | 14.0%         | 4.5x                   | NM           |
| Pearson plc                                       | 7.13        | 60.5%             | 5,341      | 6,902            | 4,301   | 676    | (17.3%)            | 15.7%         | 1.6x                   | 10.2x        |
| Pluralsight, Inc.                                 | 18.05       | 55.7%             | 1,905      | 2,046            | 392     | (38)   | 42.9%              | (9.6%)        | 5.2x                   | NM           |
| RELX PLC  | 23.18       | 81.3%             | 44,563     | 52,369           | 9,672   | 3,383  | (1.5%)             | 35.0%         | 5.3x                   | 16.7x        |
| RISE Education Cayman Ltd                         | 3.88        | 39.5%             | 219        | 250              | 140     | 0      | (31.3%)            | 0.3%          | 1.8x                   | NM           |
| TAL Education Group                               | 68.38       | 99.1%             | 41,051     | 40,377           | 4,611   | 544    | 69.8%              | 11.8%         | 8.8x                   | NM           |
| <b>Mean</b>                                       |             | <b>74.8%</b>      |            |                  |         |        | <b>21.2%</b>       | <b>16.5%</b>  | <b>5.1x</b>            | <b>13.7x</b> |
| <b>Median</b>                                     |             | <b>79.6%</b>      |            |                  |         |        | <b>20.6%</b>       | <b>15.7%</b>  | <b>4.5x</b>            | <b>13.4x</b> |
| <b>Education / Academic Publishers</b>            |             |                   |            |                  |         |        |                    |               |                        |              |
| Houghton Mifflin Harcourt Company                 | \$1.81      | 26.4%             | \$227      | \$924            | \$1,306 | \$176  | (3.2%)             | 13.5%         | 0.7x                   | 5.3x         |
| Informa plc                                       | 5.82        | 52.2%             | 8,749      | 12,306           | 2,544   | 722    | (29.0%)            | 28.4%         | 4.8x                   | 17.0x        |
| John Wiley & Sons, Inc.                           | 39.00       | 77.9%             | 2,174      | 2,928            | 1,810   | 357    | 0.6%               | 19.7%         | 1.6x                   | 8.2x         |
| Pearson plc                                       | 7.13        | 60.5%             | 5,341      | 6,902            | 4,301   | 676    | (17.3%)            | 15.7%         | 1.6x                   | 10.2x        |
| RELX PLC  | 23.18       | 81.3%             | 44,563     | 52,369           | 9,672   | 3,383  | (1.5%)             | 35.0%         | 5.3x                   | 16.7x        |
| Rosetta Stone Inc.                                | 16.86       | 69.1%             | 414        | 386              | 194     | 8      | 9.2%               | 4.0%          | 2.0x                   | NM           |
| Scholastic Corporation                            | 29.94       | 65.4%             | 1,026      | 867              | 1,558   | 95     | (5.8%)             | 6.1%          | 0.6x                   | 9.2x         |
| Wolters Kluwer N.V.                               | 78.24       | 96.3%             | 20,679     | 23,174           | 5,384   | 1,554  | 6.5%               | 28.9%         | 4.3x                   | 14.9x        |
| <b>Mean</b>                                       |             | <b>66.1%</b>      |            |                  |         |        | <b>(5.1%)</b>      | <b>18.9%</b>  | <b>2.6x</b>            | <b>11.6x</b> |
| <b>Median</b>                                     |             | <b>67.2%</b>      |            |                  |         |        | <b>(2.3%)</b>      | <b>17.7%</b>  | <b>1.8x</b>            | <b>10.2x</b> |
| <b>Institutions / Workforce Solutions</b>         |             |                   |            |                  |         |        |                    |               |                        |              |
| Adtalem Global Education Inc.                     | \$31.15     | 60.1%             | \$1,614    | \$2,130          | \$1,094 | N/A    | (11.7%)            | N/A           | 1.9x                   | 9.8x         |
| American Public Education, Inc.                   | 29.60       | 85.5%             | 438        | 254              | 311     | 31     | 5.7%               | 10.0%         | 0.8x                   | 8.1x         |
| Graham Holdings Company                           | 342.67      | 45.3%             | 1,795      | 2,262            | N/A     | N/A    | N/A                | N/A           | NM                     | NM           |
| Grand Canyon Education, Inc.                      | 90.53       | 68.2%             | 4,245      | 4,264            | 850     | 318    | 20.6%              | 37.4%         | 5.0x                   | 13.4x        |
| K12 Inc.  | 27.24       | 86.3%             | 1,074      | 1,168            | 1,106   | 145    | 8.8%               | 13.1%         | 1.1x                   | 8.0x         |
| Laureate Education, Inc.                          | 9.97        | 46.0%             | 2,092      | 3,943            | 2,718   | 574    | (16.2%)            | 21.1%         | 1.5x                   | 6.9x         |
| Lincoln Educational Services Corporation          | 3.90        | 87.8%             | 103        | 178              | 285     | 17     | 6.7%               | 5.9%          | 0.6x                   | 10.5x        |
| Perdoceo Education Corporation                    | 15.93       | 70.8%             | 1,100      | 883              | 709     | 157    | 17.1%              | 22.1%         | 1.2x                   | 5.6x         |
| Strategic Education, Inc.                         | 153.65      | 81.0%             | 3,380      | 3,014            | 1,037   | 277    | 15.9%              | 26.7%         | 2.9x                   | 10.9x        |
| <b>Mean</b>                                       |             | <b>70.1%</b>      |            |                  |         |        | <b>5.9%</b>        | <b>19.5%</b>  | <b>1.9x</b>            | <b>9.2x</b>  |
| <b>Median</b>                                     |             | <b>70.8%</b>      |            |                  |         |        | <b>7.8%</b>        | <b>21.1%</b>  | <b>1.3x</b>            | <b>9.0x</b>  |

Note: USD in millions, except for stock price

Source: Bloomberg, Capital IQ and company filings, as of 6/30/20

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**, a cloud-based student financial success platform provider, received an investment of \$120 million from **Dragoneer**

6/27/20: **Degreed**, a California-based skills learning software firm, raised \$75 million in a Series C2 round led by **AllianceBernstein**

6/25/20: **Byju's**, an India-based online education services provider, received another \$23 million in its ongoing Series F round from **Mary Meeker's Bond Capital** fund, valuing the company at more than \$10 billion

5/19/20: **PresenceLearning**, a New York City-based provider of live online special education services, raised \$27 million in a Series D round led by **Bain Capital Double Impact**

5/13/20: **Quizlet**, a California-based educational flashcard software firm, raised \$30 million in a Series C round led by **General Atlantic**

## Selected M&A Transaction Recap

| Closed    | Target Company                | Target Description  | Acquiring Company                 |
|-----------|-------------------------------|---|-----------------------------------|
| 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 | iSimulate                     | Develops and offers online healthcare simulation training   | 3B Scientific                     |
| Announced | Findel Education              | Manufactures and sells educational supplies online  | Yorkshire Purchasing              |
| 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  | Prepladder                    | Operates an online platform to provide education services and preparation material for exams                                    | Sorting Hat Technologies          |
| 7/2/2020  | Raise Labs                    | Provides an online service that allows college or university students to earn scholarships                                      | CampusLogic                       |
| 6/19/2020 | American Safety Council       | Provides online courses for traffic school, workplace safety and continuing education   | Ridgmont Equity Partners          |
| 6/4/2020  | Mathway                       | Operates a problem solving engine for students  | Chegg                             |
| 6/1/2020  | Pupilasset                    | Develops software applications for providing a management information and tracking systems                                      | Juniper Education                 |
| 5/19/2020 | Entangled Solutions           | Provides strategy consultancy for the education system  | Guild Education                   |
| 5/8/2020  | Truelearn                     | Develops performance analytics that personalizes the learning experience  | LLR Partners                      |
| 5/4/2020  | SiPM                          | Provides e-learning solutions for blue-chip corporations worldwide  | Levine Leichtman Capital Partners |
| 5/4/2020  | ScootPad                      | Develops online curriculum for K-8 math and English   | ACT                               |
| 4/30/2020 | Kalkomey                      | Offers online safety certification courses in boating, hunting and off-road vehicle activities                                  | Cove Hill Partners                |
| 4/28/2020 | Trivantis / Edulence          | Develops and delivers authoring and electronic learning software solutions  | eLearning Brothers                |
| 4/28/2020 | RxPrep                        | Designs, develops and supports a desktop and mobile application for exam preparation  | Uworld                            |
| 4/27/2020 | Unitek Learning               | Provides for-profit, post-secondary education   | Vistria Group                     |
| 4/24/2020 | StraighterLine                | Provides a low cost online and distance learning courses from accredited colleges and universities                              | BV Investment Partners            |
| 4/23/2020 | SelectQ                       | Develops educational technology platform that offers performance-based training for SATs  | Thinkster Learning                |
| 4/7/2020  | Double First                  | Develops Engage, a school management information system.  | Education Horizons Group          |
| 4/6/2020  | VidGrid                       | Operates the leading peer-to-peer learning enterprise video platform  | Paylocity                         |

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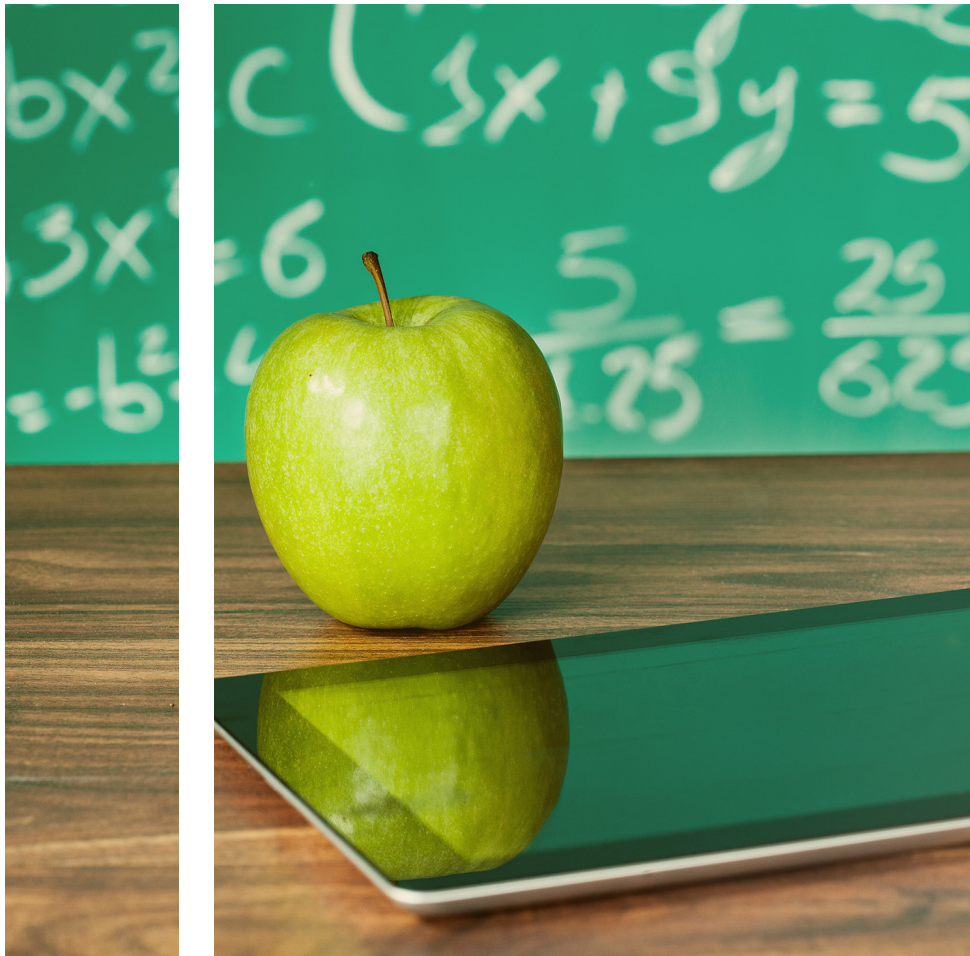
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## Lincoln International's Education Technology & Services Team

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

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Capital Advisory  
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