

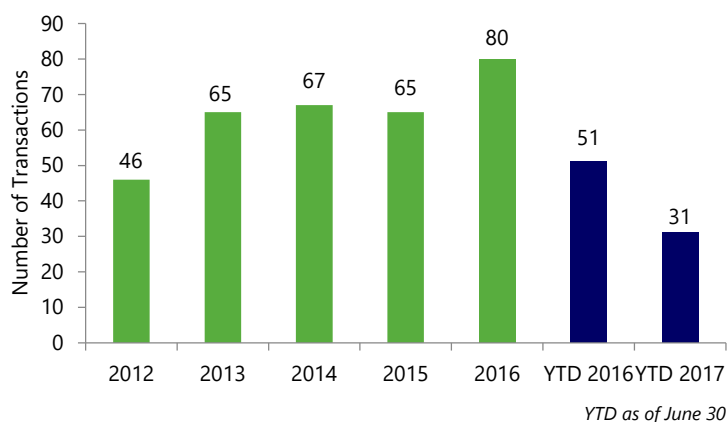


KEY M&A TAKEAWAYS

- ▶ The Education Technology (EdTech) industry has seen healthy M&A activity through Q3 2017. While deal volume has stabilized after a record amount of activity in 2016, public valuations continue to rise from their low of 2.6x revenue in 2016 to reach 3.7x revenue in July 2017.
- ▶ Private equity groups see strong growth prospects and attractive investment opportunities in EdTech, indicated by an increase in their share of total acquisition volume and a number of high profile acquisitions including that of Ascend Learning.
- ▶ Innovation in learning platforms, high levels of fragmentation, a growing number of K-12 students and strong demand for learning management systems are all factors that are expected to propel M&A activity through 2017 and into 2018.

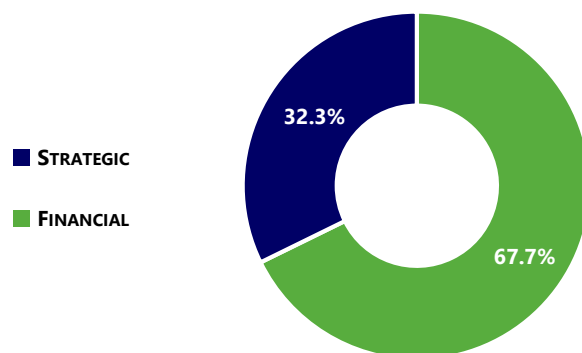
TRANSACTION VOLUME

- ▶ Transaction volume has settled in 2017 after a record year in 2016. While year-to-date (YTD) volume seems low, it's actually greater than YTD volume in 2015. This suggests that M&A activity is healthy and the discrepancy is largely just due to the flurry of deals seen in 2016.



BUYER BREAKDOWN

- ▶ Financial buyers (private equity groups) played an increasing role in making EdTech acquisitions in 2017. Thus far, they've accounted for 67.7% of deal volume through both platform and add-on acquisitions, compared to 52.5% for all of 2016.



NOTABLE TRANSACTIONS

- ▶ **Nelson acquires Edusight (June 2017)** – Nelson Education (Nelson), an educational publishing company in Canada, acquired the technology assets of Edusight, a provider of digital tools for K-12 teachers. Terms of the deal were not disclosed. The deal signals Nelson's increasing focus in the digital space and will help it to build an ecosystem of learning content and tools. Steve Brown, Nelson President and CEO, commented that Nelson "recognizes that acquisitions that complement our core business, and the searching out of innovative collaborations and partnerships are the pathway to solving the challenges that face education in Canada and abroad."
- ▶ **Blackstone and CPPIB announce acquisition of Ascend Learning (April 2017)** – Investment groups Blackstone and the Canadian Pension Plan Investment Board (CPPIB) agreed to acquire Ascend Learning, a provider of educational content and tools. Terms were not disclosed. This is Blackstone's second deal under one new investment strategy to hold companies for longer periods of time than traditional private equity funds, indicating a strong long-term outlook for the industry.

PUBLIC COMPANY VALUATIONS

Company (7/10/17)	Enterprise Value	LTM	EV / LTM	
		Margin	Revenue	EBITDA
2U	\$2,069.3	NA	NM	NM
3P Learning Limited	\$127.6	19.3%	3.3x	16.8x
Blackbaud	\$4,432.3	17.0%	NM	NM
Cambium Learning	\$317.7	18.2%	2.1x	11.3x
Chegg	\$1,085.8	NA	4.3x	NM
Cornerstone OnDemand	\$1,918.6	NA	4.4x	NM
K12	\$560.1	4.7%	0.6x	13.3x
Pearson	\$8,883.1	12.6%	1.5x	12.0x

Mean	14.4%	2.7x	13.4x
Median	17.0%	2.7x	12.7x

All data sources: CapIQ and Capstone Partners LLC Research