

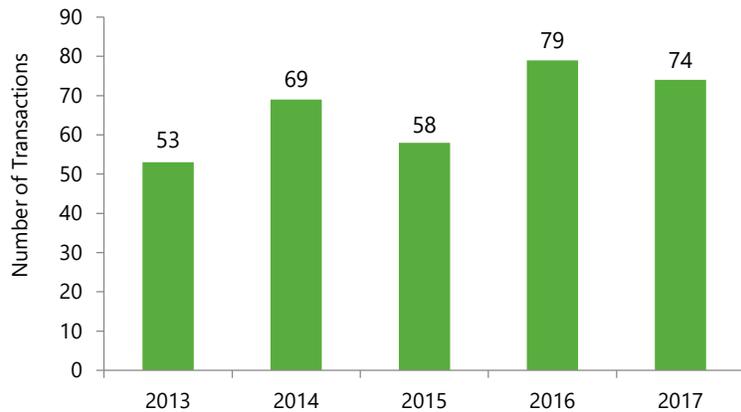


## KEY M&A TAKEAWAYS

- ▶ The Education Technology (EdTech) industry is displaying all the hallmarks of a healthy merger and acquisition (M&A) market, including robust deal volume, strong valuations and healthy interest from both private equity and strategic buyers.
- ▶ Interactive learning has developed into an important trend in the EdTech industry because it enables higher concept retention rates than passive teaching methods<sup>1</sup>. As a result, companies developing these types of solutions have been sought after acquisition targets. Examples include the acquisitions of New Valence Robotics (student 3D printers), IS3D (interactive STEM courses) and Motion Math (gamification), all of which were announced in November.
- ▶ Traditional publishers have lagged in adopting digital content, causing a downward trend in their performance, according to EdSurge<sup>2</sup>. As a result, companies providing quality digital content should expect strong buyer interest in the market, especially from publishers looking to enhance their legacy business models.

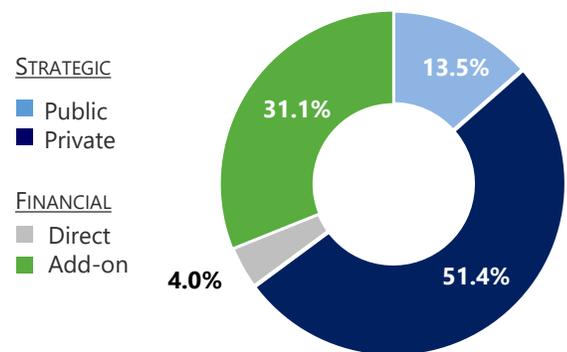
## TRANSACTION VOLUME

- ▶ With 74 deals announced or completed, volume almost reached the record levels seen in 2016. Only two companies made multiple acquisitions, Harris School Solutions and Nelson Education, indicating a diverse market of potential EdTech buyers.



## BUYER BREAKDOWN

- ▶ Strategic buyers have made an increased share of acquisitions in the industry as they look to reach new customer bases and add complementary products. In 2017, strategic buyers accounted for 64.9% of deal volume compared to 47.5% in 2016.



## AVERAGE PUBLIC REVENUE MULTIPLE

- ▶ Average public company Revenue multiples have risen by 33.7% over the last twelve months to 4.4x, indicating premium valuations for EdTech companies.



All Chart Sources: Capital IQ and Capstone Headwaters Research.  
Index includes: NasdaqGS:TWOU, ASX:3PL, NasdaqGS:BLKB, NasdaqCM:ABCD, SYSE:CHGG, NasdaqGS:CSOD, NasdaqGS:HMHC, NYSE:LRN, LSE:PSON

## NOTABLE TRANSACTIONS

- ▶ **Silver Lake acquires Weld North Education (January 2018)**  
Private equity group Silver Lake recently acquired a majority of Weld North Education from another private equity firm, KKR.<sup>3</sup> Terms of the deal were not disclosed. Since 2010, Weld North has acquired 16 EdTech companies, nine of which were included in the deal. Some of the companies include Imagine Learning, Edgenuity and Generation Ready. The deal is another example of private equity's continued interest in the EdTech space. Weld North's Founder, Jonathan Grayer, commented, "As digital curriculum businesses grow, they will become interesting assets for private equity groups."
- ▶ **Illuminate Education acquires eduCLIMBER (December 2017)**  
eduCLIMBER, a developer of a cloud-based data platform for schools, was acquired by Illuminate Education for an undisclosed amount.<sup>4</sup> The acquisition will provide Illuminate with "a complementary set of capabilities" commented Max Carnecchia, Illuminate's CEO. The deal also expands Illuminate's foothold in Wisconsin, where eduCLIMBER was founded.



## BUILT FOR THE MIDDLE MARKET



**United States**  
18 Offices  
150+ Professionals

**International**  
37 Offices  
300+ Professionals  
34 Countries

### CITATIONS

<sup>1</sup>Zishaan Hayath, "What technology trends you can expect in education in 2018," <https://yourstory.com/2017/11/technology-trends-education-2018/>, accessed January 9, 2018.

<sup>2</sup>EdSurge, "Spotting the 2017 Trends That Fuel Edtech Innovation and Investments," "<https://www.edsurge.com/news/2017-11-17-spotting-the-2017-trends-that-fuel-edtech-innovation-and-investments>, accessed January 9, 2018.

<sup>3</sup>Edsurge, "Silver Lake Acquires Majority Stake in Weld North's Digital Curriculum Business," <https://www.edsurge.com/news/2018-01-04-silver-lake-acquires-majority-stake-in-weld-north-s-digital-curriculum-business>, accessed January 9, 2018.

<sup>4</sup>EdSurge, "Illuminate Education Acquires Homegrown Data Visualization Tool, eduCLIMBER," <https://www.edsurge.com/news/2017-12-14-illuminate-education-acquires-homegrown-data-visualization-tool-educlimber>, accessed January 9, 2018.

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