

Market Update



Education Technology & Services

Q3 2022

Key Highlights

The top subsector stock performer in Q3 2022 was digital education content and services, down 3.5% quarter-over-quarter

On average, EBITDA multiples for the subsectors decreased 0.9x from the prior quarter and are unchanged on a year-over-year basis

Oh How Quickly the Market Can Change

Unlike 2021, the education mergers and acquisitions (M&A) market in 2022 has seen some rather dramatic changes since January. In fact, the one consistent thing we have seen in 2022 is change. From month to month and even week to week, movements in values and in buyer / investor behavior have led to substantially more unpredictability in the M&A market than we've seen since the earliest days of COVID-19 in March and April of 2020.

Since reaching their peak values in February of 2021, several once-darling education players (Chegg, Coursera, Duolingo and 2U) have seen those values erode by more than 75%. Similarly, two of the public education technology bellwethers, PowerSchool and Instructure, have seen their valuations decline by 28% since November of 2021. Combined with the broader market selloff, particularly across software and technology stocks, those declines in value have driven a delayed but nonetheless challenging volatility in M&A valuations throughout Q2 and Q3 this year.

At the same time, we continue to see COVID-19 related questions dog M&A processes in the education market ([see our Q2 market update](#) for more discussion of how short-term COVID-19 funding has had substantial, if unintended, consequences on the broader education M&A market). When combined with broader market and valuation uncertainty, the net result has been an acceleration in a market bifurcation separating the highest performing businesses and every other business. This trend toward bifurcation has been in motion for several years but has become profound in 2022.

As a result, many would-be sellers have paused potential sale processes or pushed back the timing to even consider a sale until there is some perceived stability in the public markets that results in a decline in the volatility being experienced in the M&A market. As processes that were commenced in late 2021 or early 2022 play out, we are entering what we believe will be a relatively brief "air pocket" of deal activity. The vast majority of activity will be limited to the "best of the best" performing companies and companies with limited cash reserves that have no choice but to enter the market today.

While the vast majority of healthy businesses avoid wading into the current environment, truly high performers are finding a highly receptive buyer / investor audience prepared to pay "full" market prices to own businesses that they perceive to be safe harbors as the market navigates a very uncertain near-term future. Other transactions that yield more aggressive values are likely to come together quietly through informal negotiation rather than through a formal process. Patience and creativity will be the order of the day as investors and strategic buyers with ample cash reserves play it safe while still trying to put those cash reserves to work.

Despite the challenging environment, we were able to successfully complete several transactions in the education market in Q3, each of which was emblematic of the "best of the best" performers finding buyers / investors to be highly receptive to their stories:



has been sold to



a portfolio company of



Sell-Side



Founded in 2010, All About Children is a leading UK nursery operator with a portfolio of 38 nurseries located across London and the home counties. The company has developed a proven and highly differentiated model of acquiring nurseries in affluent catchment areas which offer the potential for significant value creation and transforming them into nurseries with leading local reputations. Today, All About Children provides education to around 3,500 children and employs over 850 staff.

All About Children garnered strong interest from the market due to its:

- Excellent brand reputation as a premium and high-quality operator with sector leading parent rating scores
- Platform asset in a highly fragmented UK nursery market
- Located in affluent catchment areas, supporting high fee rates and margins
- Differentiated acquisition strategy achieving significant post-acquisition value creation



has received a strategic investment from



Sell-Side



Ocelot is higher education's number one artificial intelligence (AI) communications and student engagement platform, serving eight million students at nearly 500 institutions. The Ocelot platform combines two-way texting for student outreach, AI plus live chat for student support and an unrivaled knowledge base of content - including thousands of video explainers and text Q&As - that answered more than 12 million questions in the last 12 months alone.

Ocelot was able to garner a premium value due to a powerful combination of attributes:

- Compelling, high-need value proposition for colleges and universities
- Highly experienced management in place for the next phase of growth
- Consistent track record of strong (more than 40%) annual growth
- Excellent client retention, which resulted in a highly stable recurring revenue base

Education Technology & Services Financial Performance

Quarter-over-Quarter Price Performance

Outperformers	Change
PowerSchool Holdings, Inc.	38.5%
Udemy, Inc.	18.4%
Chegg, Inc.	12.2%
Duolingo, Inc.	8.8%

Underperformers	Change
American Public Education, Inc.	(43.4%)
2U, Inc.	(40.3%)
Blackbaud, Inc.	(24.1%)
Coursera, Inc.	(24.0%)

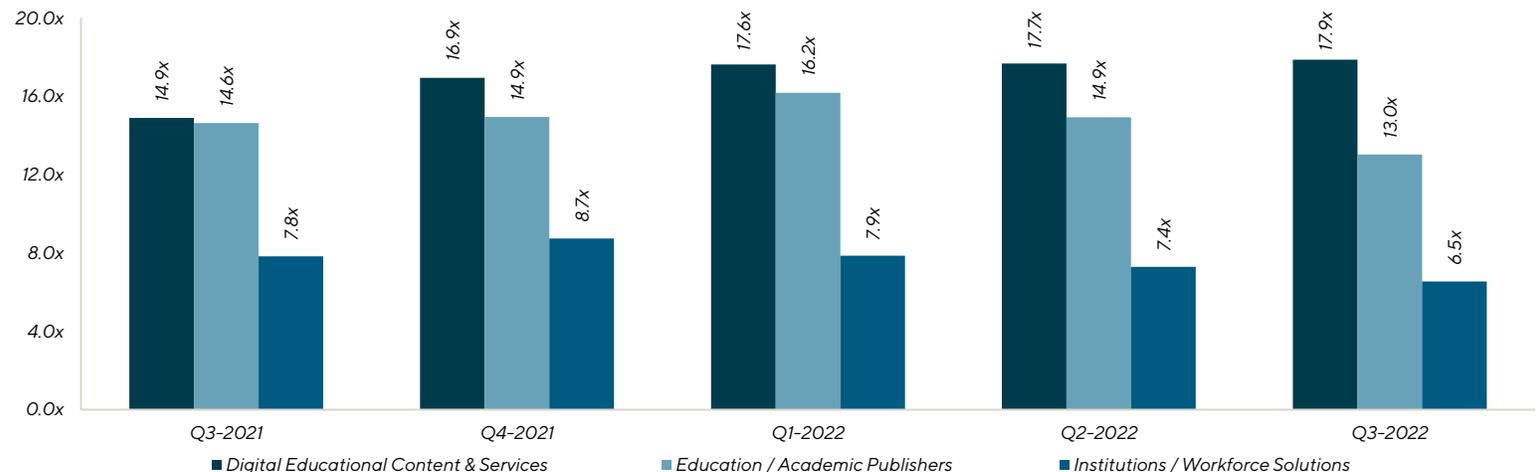
Quarter-over-Quarter Stock Indices Price Change



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.	\$6.25	17.9%	\$484	\$1,305	\$953	\$144	3.9%	15.1%	1.4x	9.1x
Blackbaud, Inc.	44.06	50.7%	2,284	3,252	1,083	262	17.4%	24.2%	3.0x	12.4x
Chegg, Inc.	21.07	29.5%	2,663	2,972	768	232	(0.8%)	30.2%	3.9x	12.8x
Coursera, Inc.	10.78	28.6%	1,571	805	559	(38)	45.6%	(6.7%)	1.4x	NM
D2L Inc.	4.44	35.5%	236	143	177	(3)	27.9%	(1.8%)	0.8x	NM
Duolingo, Inc.	95.23	49.6%	3,775	3,213	412	8	82.3%	1.9%	7.8x	NM
Grand Canyon Education, Inc.	82.25	80.6%	2,589	2,444	920	281	4.1%	30.5%	2.7x	8.7x
Instructure Holdings, Inc.	22.28	75.3%	3,162	3,598	490	178	28.2%	36.3%	7.3x	20.2x
Kahoot! ASA	1.89	30.4%	923	858	169	54	144.0%	32.0%	5.1x	15.9x
Pearson plc	9.66	92.9%	7,016	8,101	4,292	775	(8.3%)	18.1%	1.9x	10.5x
PowerSchool Holdings, Inc.	16.69	63.0%	2,645	3,944	664	200	25.5%	30.2%	5.9x	19.7x
RELX PLC	24.57	84.3%	46,927	54,487	9,635	3,628	0.2%	37.7%	5.7x	15.0x
Udemy, Inc.	12.09	37.1%	1,702	1,206	700	(66)	42.7%	(9.4%)	1.7x	NM
Mean		52.0%					31.7%	18.3%	3.7x	13.8x
Median		49.6%					25.5%	24.2%	3.0x	12.8x
Education / Academic Publishers										
Informa plc	\$5.79	82.7%	\$8,289	\$8,600	\$2,685	\$754	24.8%	28.1%	3.2x	11.4x
John Wiley & Sons, Inc.	37.56	64.5%	2,098	3,079	2,133	431	6.7%	20.2%	1.4x	7.1x
Pearson plc	9.66	92.9%	7,016	8,101	4,292	775	(8.3%)	18.1%	1.9x	10.5x
RELX PLC	24.57	84.3%	46,927	54,487	9,635	3,628	0.2%	37.7%	5.7x	15.0x
Scholastic Corporation	30.76	63.7%	1,058	913	N/A	N/A	N/A	N/A	NM	NM
Wolters Kluwer N.V.	97.98	89.7%	24,182	26,355	5,339	1,722	(1.6%)	32.3%	4.9x	15.3x
Mean		79.7%					4.4%	27.2%	3.4x	11.9x
Median		83.5%					0.2%	28.1%	3.2x	11.4x
Institutions / Workforce Solutions										
Adtalem Global Education Inc.	\$36.45	88.0%	\$1,648	\$2,367	\$1,419	\$352	20.0%	24.8%	1.7x	6.7x
American Public Education, Inc.	9.14	34.3%	173	289	606	56	72.7%	9.3%	0.5x	5.1x
Graham Holdings Company	537.98	79.7%	2,605	2,962	3,797	301	22.1%	7.9%	0.8x	9.9x
Grand Canyon Education, Inc.	82.25	80.6%	2,589	2,444	920	281	4.1%	30.5%	2.7x	8.7x
Stride, Inc.	42.03	93.5%	1,750	1,842	1,776	280	13.4%	15.8%	1.0x	6.6x
Laureate Education, Inc.	10.55	55.5%	1,737	2,123	1,266	352	17.8%	27.8%	1.7x	6.0x
Lincoln Educational Services Corporation	5.44	66.3%	146	190	348	34	5.7%	9.7%	0.5x	5.6x
Perdoceo Education Corporation	10.30	74.2%	698	222	657	131	(6.7%)	19.9%	0.3x	1.7x
Strategic Education, Inc.	61.41	81.8%	1,498	1,520	1,085	180	(3.7%)	16.6%	1.4x	8.5x
Mean		72.7%					16.2%	18.0%	1.2x	6.5x
Median		79.7%					13.4%	16.6%	1.0x	6.6x

Note: USD in millions, except for stock price

Source: Bloomberg, Capital IQ and company filings, as of 9/30/22

9/19/22 **GiveCampus**, a Washington D.C.-based financial software technology company, raised \$50 million in a minority growth equity investment led by **Silversmith Capital Partners**

9/14/22 **Hone**, a California-based corporate training technology platform, raised \$30 million in a Series B funding round led by **3L Capital**

8/22/22 **Keen Technologies**, a Connecticut-based online information technology (IT) training provider, raised \$20 million in a seed round led by **Nat Friedman** and **Daniel Gross**

8/19/22 **Sunstone**, an India-based educational training firm, raised \$35 million in a Series C round led by **WestBridge Capital**

8/9/22 **Amplify Publishing Group**, a Virginia-based hybrid publishing firm, raised an undisclosed amount in a minority investment led by **Mudita Venture Partners**

7/13/22 **Preply**, a Ukraine-based digital learning company, raised \$50 million in a Series C round led by **Owl Ventures**

Selected M&A Transaction Recap

Closed	Target Company	Target Description	Acquiring Company
Announced	Intake Education	Provides advisory services that connect students with overseas education opportunities in English-speaking countries	IDP Education
Announced	Kahoot! (minority stake)	Operates a global game-based learning platform	General Atlantic Service
Announced	College Raptor	Operates an online platform that simplifies the college application process	Citizens Financial Group
Announced	Crème de la Crème	Operates daycare and childcare centers in Arizona, Colorado, Georgia, Illinois, Kansas, New Jersey, Ohio, Texas and Virginia	KinderCare Learning
Announced	Frontline	Designs and develops cloud-based, K-12 school administration software	Roper
Announced	Professional Bartending Schools of America	Provides online alcohol training and certification geared for bartenders and hospitality staff	360training.com
Announced	SAP Litmos	Develops and provides Software as a Service (SaaS) and cloud-based learning management solutions (LMS)	Francisco Partners Management
Announced	Changemakers Educations	Offers courses in areas, such as games, e-commerce, web, agile project management and urban food production to individuals and organizations	AcadeMedia
Announced	Maguire Associates	Offers higher education consulting services	Carnegie Dartlet
9/30/2022	Pairwise	Develops and provides Brightpath software for schools and universities	3P Learning
9/29/2022	Tutor House	Provides tutoring services through an online platform	oktopi Edutech
9/28/2022	Kids&Us English	Owns and operates English language centers for children	Charterhouse Capital Partners; Corpfin Capital
9/25/2022	BBD Education	Offers management consulting services to secondary schools in the UK	Pansophic Learning
9/25/2022	Curiosity Box	Operates a science, technology, engineering and math (STEM)-focused subscription box service	MEL Science
9/22/2022	Concourse Global Enrollment	Operates an online platform designed to help high school counselors find university programs for students	EAB Global
9/21/2022	EMT & Fire Training	Provides remote learning courses for emergency medical technicians and firefighters worldwide	Knowfully Learning Group
9/21/2022	AJS Formation	Provides online certification training courses in office automation, digital, languages and business	Artemys
9/20/2022	Graduateland	Operates a career and education portal for students and graduates	JobTeaser
9/20/2022	ChildCare Education Institute	Provides online training and certificates, childcare registry development and administrative solutions for the early care and education industry	StraighterLine
9/20/2022	BMI GlobalEd	Offers higher education admissions data analytics and insights services	THE World Universities Insights
9/16/2022	Bugle	Develops a video training platform (SaaS) to onboard and train customers, partners and teams	Hi Bob
9/16/2022	NKD Learning	Provides strategic consulting, leadership development, employee engagement and onboarding and skills development	ITA Group
9/15/2022	Centum Learning	Provides training programs and skill development solutions for businesses in India and Africa	UpGrad
9/15/2022	The Nest Schools	Provides daycare services with a Montessori-based curriculum	RockBridge Growth

Selected M&A Transaction Recap (cont.)

Closed	Target Company	Target Description	Acquiring Company
9/15/2022	Blackboard K-12	Provides IT consulting services, solutions, website design and related services	Finalsite
9/13/2022	Solomon Exam Prep	Develops a training application designed to help financial professionals pass their Financial Industry Regulatory Authority (FINRA), North American Securities Administrators Association (NASAA) and Municipal Securities Rulemaking Board (MSRB) licensing exams	Cerifi
9/13/2022	SDA	Operates bootcamp style short courses (five-eight months) in the fields of software development, coding, data science and other related areas	Codecool
9/12/2022	Orenda Education	Provides school improvement and professional development consultancy services	Think Together
9/8/2022	Emmersion Learning	Operates a language learning platform that provides testing tools to diagnose learning gaps and prescribes individual learning paths	IXL Learning
9/6/2022	Learning Ovations	Develops an A2i literacy assessment and instructional system for classrooms and community organizations	Scholastic
9/6/2022	SchoolInfoApp	Operates an application that offers a full suite of digital communication tools including branded mobile apps, voice notification and websites for content management in schools	Edlio
9/6/2022	PLC Associates	Provides in-person and virtual consulting, webinars and other offerings for educators, school districts and professionals in the United States	XanEdu
8/31/2022	Pivot Interactives	Develops cloud-based activities and labs that actively engage students in the authentic exploration of real scientific phenomena	Discovery Education
8/31/2022	RM Advance	Offers online learning courses and training for finance professionals	Kinrock Education
8/31/2022	Ocelot	Develops an AI communication and student engagement platform for colleges and universities	K1 Investment Management
8/31/2022	Secure Schools	Provides IT consulting and services for primary and secondary schools in the UK	Wonde
8/30/2022	Little Big Minds Early Childhood Bilingual Center	Provides Spanish immersion programs that help students develop early childhood bilingualism through social and academic interaction	Cadence Education
8/26/2022	Egg Childcare	Offers childcare and education services across all age groups	Busy Bees Nurseries
8/24/2022	Schola	Operates an online English learning platform for non-native children	Brightchamps Tech
8/24/2022	Illuminate Education	Develops tools to collect, organize and analyze student data	Renaissance Learning
8/18/2022	Strivven Media	Operates a online career management platform	Nepris
8/18/2022	BigSIS	Provides a cloud-based, K-12 school data management system	Community Brands
8/16/2022	Today's Class	Provides online curriculum and instructional material software solutions	CEV Multimedia
8/16/2022	EZ Education	Develops K-6 educational applications for tablets	Discovery Education
8/16/2022	Fundriver	Develops a cloud-based endowment management software	EverTrue
8/16/2022	PlayPosit	Operates an online learning environment to create and share interactive video lessons	WeVideo
8/15/2022	Codeverse	Provides a platform and curriculum that teaches kids to code	Nerdy
8/9/2022	Clio Online	Develops digital learning portals for primary and lower secondary education	Lindhardt og Ringhof Forlag

Selected M&A Transaction Recap (cont.)

Closed	Target Company	Target Description	Acquiring Company
8/9/2022	EDU FIRST	Provides undergraduate, professional development, postgraduate and health and social care professional courses	EducationDynamics
8/4/2022	Academic Merit	Provides online professional development, assessment and learning solutions that focus on reading, writing and language for grades 6-12	Prometric
8/4/2022	Native Tongue	Offers a mobile learning game platform for languages	Concord Music Group
7/29/2022	Good Education Media	Provides education and career information services to help students and families	Adventus Education
7/28/2022	Canal Santé	Provides online training programs for healthcare professionals	EXTENS
7/28/2022	Eskool Estudio Creativo	Offers training for Adobe, Apple, Autodesk, Maxon and Google Partner	OMNES Education
7/25/2022	Amplifire	Develops and provides a learning software for students and teachers	Polaris Venture Partners
7/21/2022	Cranfield Academy	Operates charter schools in Cary and Morrisville, North Carolina	Endeavor Schools
7/18/2022	Strafford Publications	Operates a leading continuing education provider of continuing legal education (CLE) and continuing professional education (CPE) webinars	Barbri
7/13/2022	Hangry Solutions	Develops mobile apps for campus dining and auxiliary services	Transact Campus
7/13/2022	Cohort Solutions	Operates an online platform for international K-12 student management services	Flywire
7/11/2022	AppleTree & Gilden Woods	Provides care and education services to children from 6 weeks to 10 years old	Learning Care Group
7/11/2022	Pragmatic Institute	Provides product management and marketing training services	MidOcean Partners
7/8/2022	Acacia University	Offers education to the global learning community through online and distance learning	Westford University College
7/7/2022	CJ Fallon	Publishes educational textbooks	Management-led Investment Trust
7/6/2022	JobReady	Operates an online platform delivering high-quality, affordable and relevant career pathways	LearningMate Solutions
7/6/2022	Curtis Learning	Provides online education and training for health care services	Renovus Capital
7/6/2022	The Revenue Enablement Institute	Operates an advisory and research firm that provides education services to management and senior leaders	Horizon Media
7/5/2022	Baragar Enterprises	Develops planning software for school districts to make decisions regarding the funding and development of regional learning institutions	Univerus Software
7/4/2022	Dinantia Mobile	Designs, develops and operates a web and mobile communication platform intended to improve communication between schools and families	LiveKid Software
7/1/2022	Lili Et Compagnie	Operates a training organization for individuals and professionals in residential renovation, upkeep and maintenance	Eduform'action
7/1/2022	Academy Hour	Offers online mental health and leadership training classes for first responders	Lighthouse Health & Wellness

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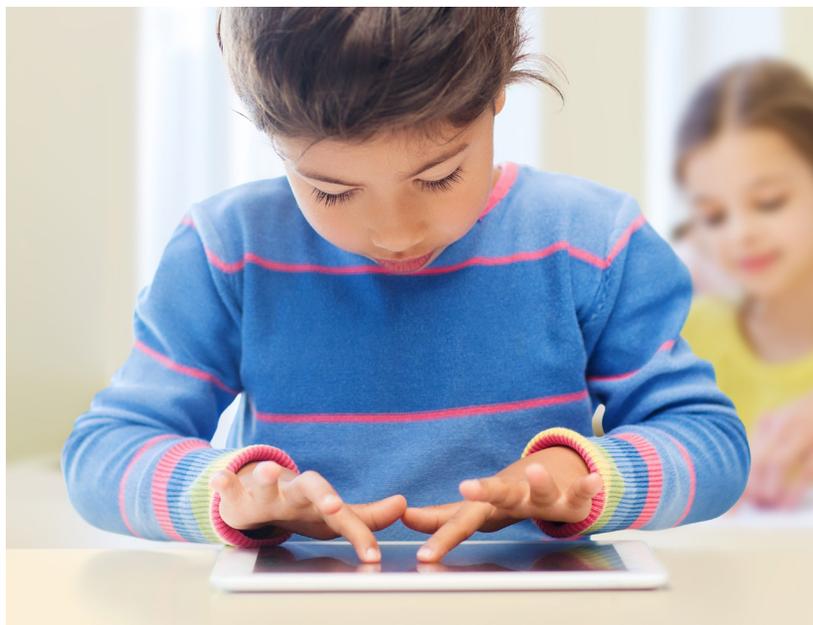
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Lincoln International's Education Technology & Services Team

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 middle 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

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, and valuations and fairness opinions. As one tightly integrated team of more than 850 employees in more than 20 offices in 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.

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