



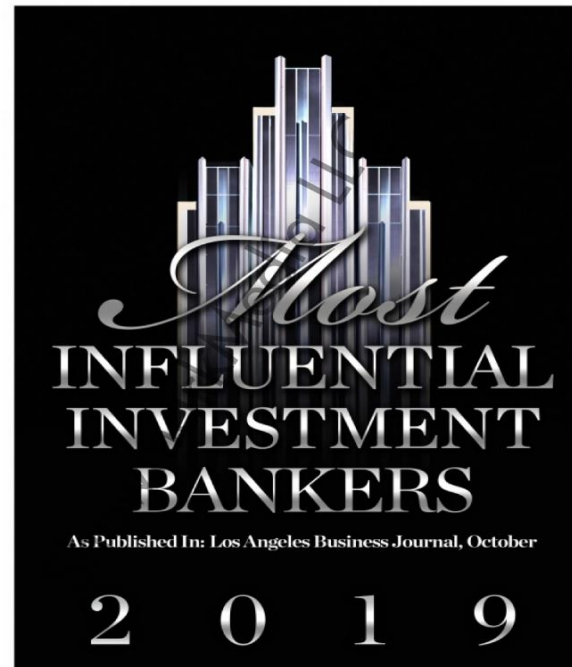
Solganick & Co.



Education, Learning and Training
Technology and Services
M&A Update
Q1 2020

Solganick & Co. – Education, Learning, and Training M&A Practice

- We are an award-winning data-driven, independent investment bank and M&A advisory firm focused exclusively on technology and tech-enabled services companies. Our deal team has completed over \$20B in transactions to date.
- Our firm has an active and fast-growing M&A practice within the education, learning, and training technology sectors and represent buyers and sellers of companies in order to increase shareholder value.



Solganick & Co. advises learning/training software firm on minority control transaction with Quad Partners

March 2020 – Solganick & Co. advised a confidential learning/training software client in its minority control recapitalization to PE firm Quad Partners.

- Solganick & Co. was hired by a co-founder and selling shareholder to find a PE firm that had a background in education, learning and training technology companies in order to sell a minority stake in the business.
- Solganick & Co. provided multiple alternatives for the client to consider and ran a confidential limited process to select the perfect match strategically and financially.
- The team was able to increase shareholder value beyond the valuation expectations and found the right PE firm when it approached Quad Partners.
- The transaction was completed in March 2020; Deal terms were undisclosed.



Quad Partners was founded in 2000.

Fund Size: \$229M

Focus: Education Technology,
Learning/Training Technology

Deal Types: Minority and
Majority Control

HQ: New York

Definitions and Disclosures

Definitions of Financial Terms Used in this Quarterly Industry Update:

Enterprise Value (EV): Market Value of Equity + Market Value of Debt —Cash

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA): Referred to as operating profit or operating earnings.

Gross Cash Flows: Net Income + Depreciation and Amortization Expense

Latest Twelve Months (LTM): Financial information is as of the latest twelve months through the date of this quarterly industry report.

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Table of Contents

	Page
M&A Market Brief	6
Education, Learning and Training Technology and Services: M&A Activity	7
Education Technology: M&A and Capital Raising Activity, Q1 2020	8
Impact of Coronavirus and Outlook	9
Global Education and Training Expenditure	10
Global Education Technology Expenditure Market	10
Global Education Advanced Technology Expenditure	12
90+ Education Technology Companies Writing the Future of Education	13
Global Education Technology Unicorns	14
Publicly Traded Education, Learning and Training Technology and Services Valuation Table	15
Publicly Traded Education, Learning and Training Market Multiples	16
Notable M&A Transactions Announced	18

M&A Market Brief



The total value of global M&A transactions in the first quarter of 2020 decreased significantly as compared to the corresponding period in 2019

- Global mergers and acquisitions activity plunged in Q1 2020 to its lowest level since 2016 as the devastating economic effects of the coronavirus pandemic took hold in March, compounding a slow start to the year for dealmakers.
- Q1 2020 witnessed a significant decrease in the value of global M&A transactions from \$933.2 billion in Q1 2019 to \$636.9 billion in Q1 2020. This is a decline of about 32%.
- During Q1, the largest M&A deal was the acquisition of Willis Towers Watson by Aon Plc for nearly \$30 billion. The deal was announced on March 9, 2020.
- The largest targeted sector for global M&A in Q1 2020 was Technology with M&A valued at nearly \$130 billion.
- After almost half a year of tense and increasingly hostile merger negotiations, Xerox walked away from its \$35 billion bid of rival, HP, saying it needs to instead focus on the impact of the coronavirus outbreak on its business.
- As much of the global economy shuts down due to widespread lockdowns and shelter-in-place orders, the M&A pipeline is slowing: Companies are facing a lack of debt financing, wild stock market swings and restricted face-to-face contact for business deals—all making it harder to seal new transactions.



A tough quarter for M&A deals in the U.S.:

- A decade-long boom in mergers and acquisitions, marked by some of the largest transactions in history, ground to a halt in March as the pandemic sent stock markets reeling and slammed debt markets shut.
- US-targeted M&A was valued at \$224.9 billion in Q1 2020, a decline of about 51% as compared to the same period last year (\$459.0 billion in Q1 2019).
- While the year started with a positive outlook for M&A deals, the decline in M&A dealmaking in Q1 2020 in US, due to the coronavirus outbreak, is even worse as compared to global impact.
- In Q1 2020, Technology has been the largest contributor to US M&A deals (30% share) followed by Finance (16%) and Telecom (10%).
- U.S.-targeted M&A in Technology sector has decreased from \$156.9 billion in Q1 2019 to \$68.1 billion during the same period in 2020.

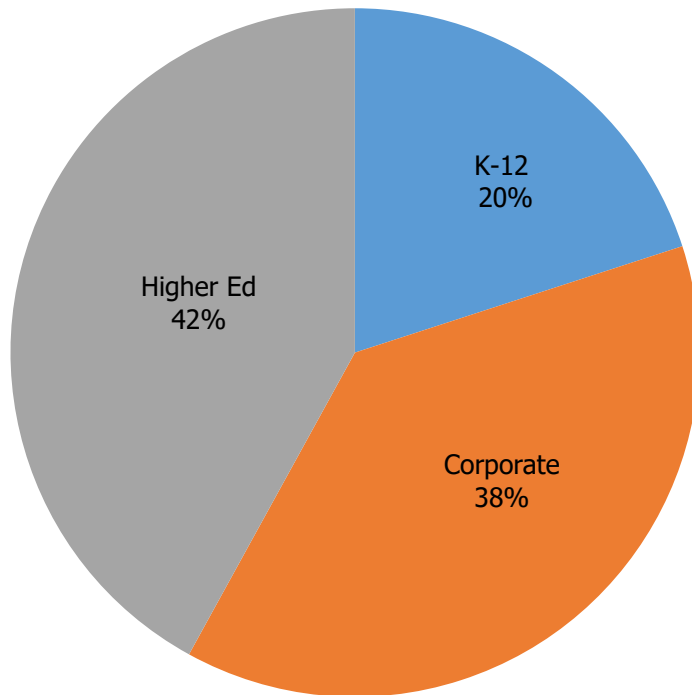
Source: The Wall Street Journal; Forbes

Education, Learning and Training Technology and Services: M&A Activity

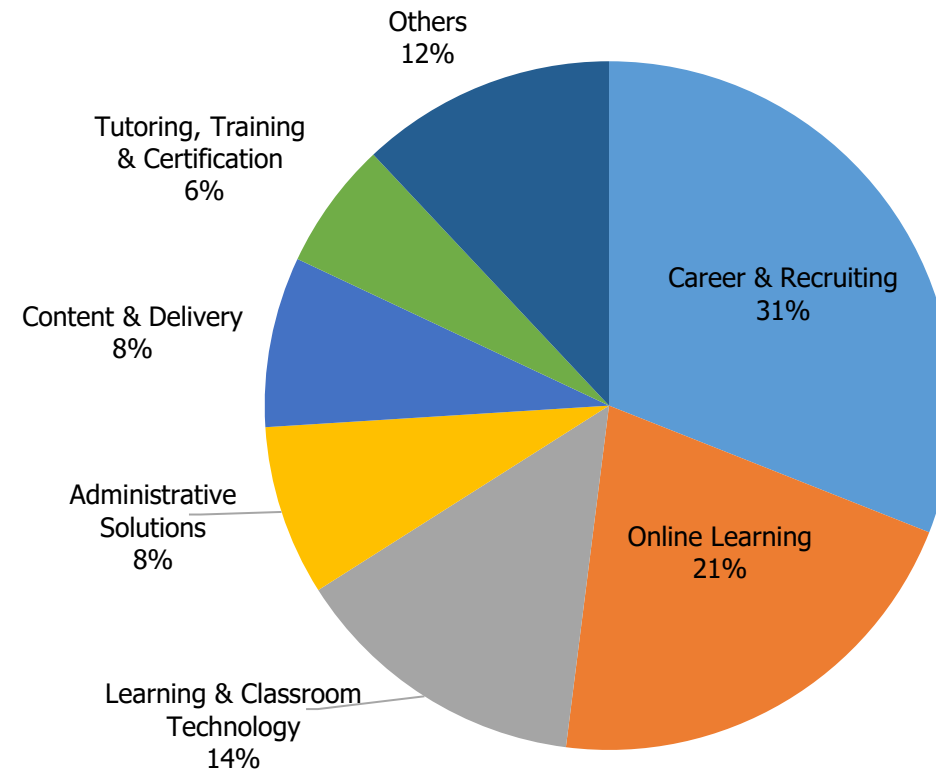
➤ Companies focused on the Corporate and Higher Education markets comprised 80% of education transactions announced in Q1 2020 in the U.S.

- Key sectors which comprised 66% of the total U.S. deals are Career & Recruiting (31%), Online Learning (21%) and Learning & Classroom Technology (14%).

Q1 2020 U.S. M&A Deals by Sector



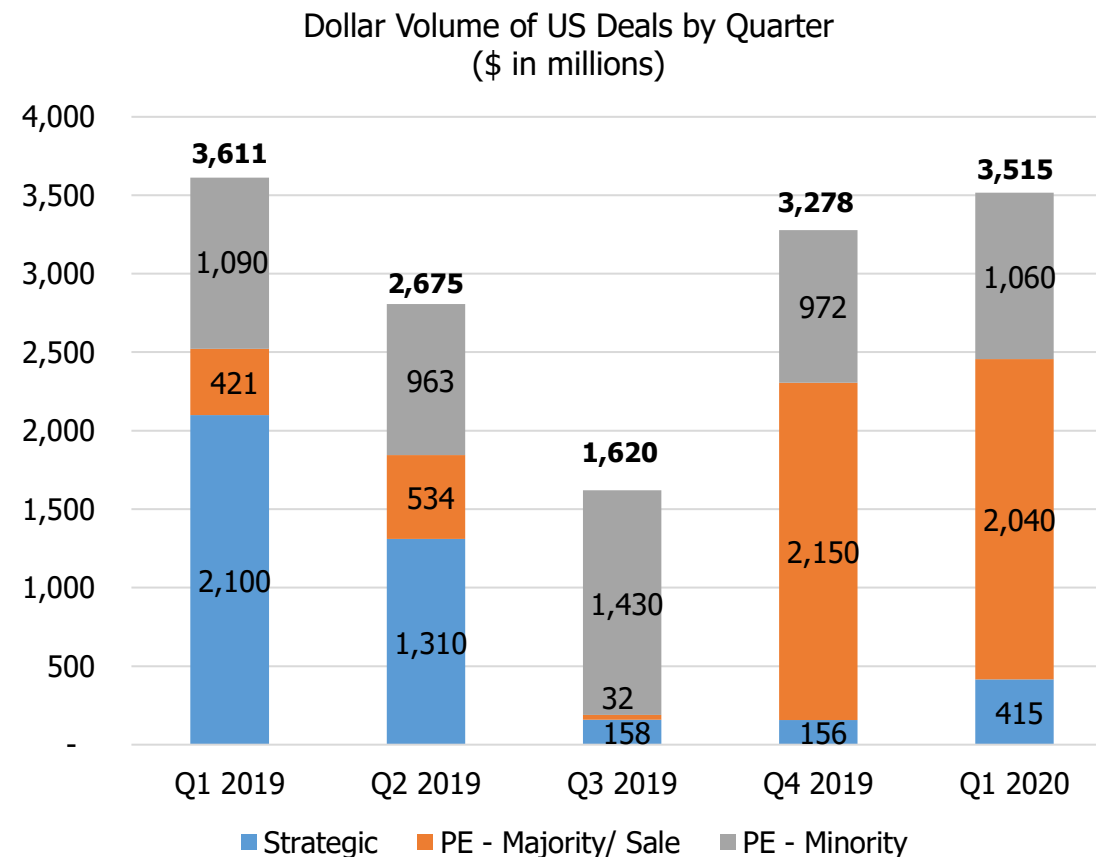
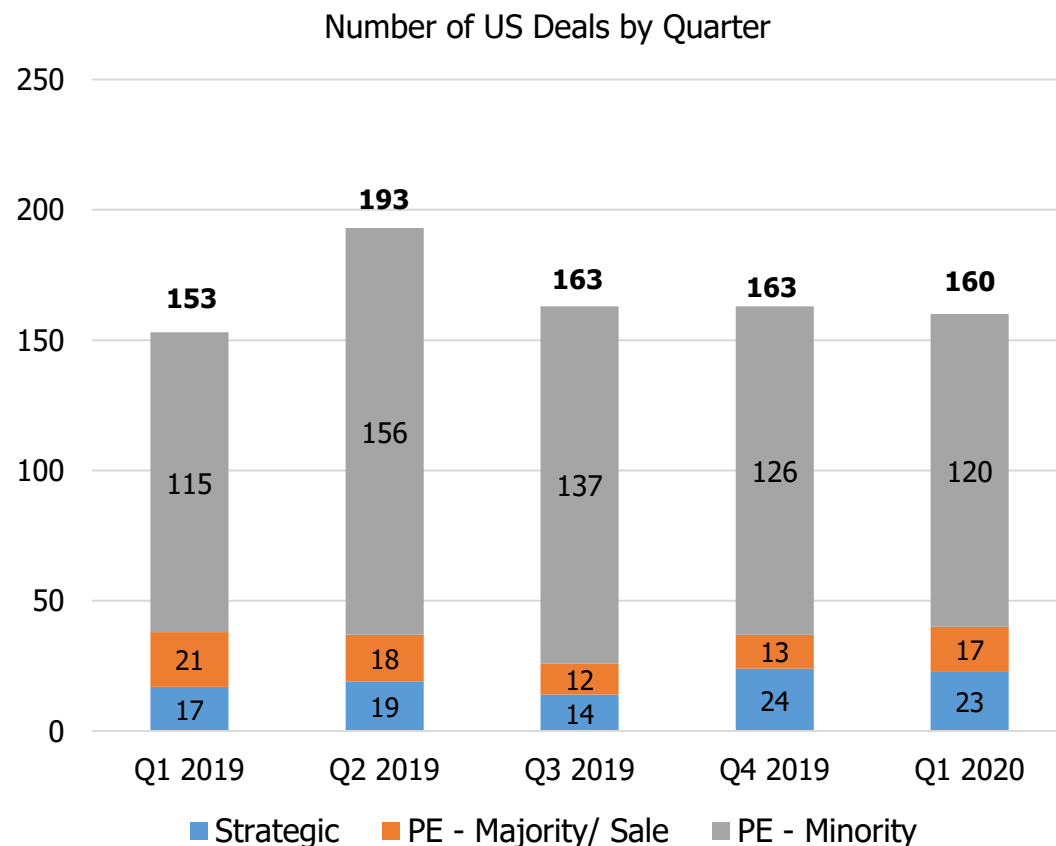
Q1 2020 U.S. M&A Deals by Domain



Education Technology: M&A and Capital Raising Activity, Q1 2020

➤ While the deal count in Q1 2020 remained consistent with that of Q4 2019, the deal value increased to \$3.5B

- In Q1 2020, the total U.S. deal count in Education Technology was consistent with that of Q3 and Q4 2019, at 160 deals announced. Total deal value increased to \$3.5B in Q1 2020 from \$3.28B and \$1.6B in Q3 and Q4 2019. Nearly two-thirds of the deal value is accountable to majority PE deals in Q1 2020.



Source: PitchBook

Impact of Coronavirus and Outlook

➤ Amidst the current downturn and expected global recession, experts predict boom in the education, learning and training technology sector

- The spread of a global health pandemic COVID-19 has sparked fears of global recession. It is being seen that the outbreak of the disease around the world is having severe global economic impact. The U.S. recession is already underway and is expected to continue for the first half of 2020.
- As countries shut down schools and companies to contain the spread of the coronavirus, a full swing to online learning is underway. Experts predict an Edtech boom globally for K-12, higher education, and corporate learning and training spending.
- It is expected that the education sector may witness a faster growth than predicted. However, increased M&A activity in the sector may come in the second half of 2020, by when the outbreak is expected to be controlled.

➤ U.S. has the largest number of education technology companies in the world

- The U.S. has the largest number of edtech companies in the world and the most venture capital funding for those companies.
- According to a recent Crunchbase research report, there were 1,444 edtech companies in the U.S. – 36% of the total number of edtech companies globally (4,027).
- The next largest number of edtech companies is in India (375). Europe has 712 edtech companies with 268 in United Kingdom.

➤ VC Funding Expected to Triple by 2030 to \$87B

- \$87 billion of Global EdTech Funding predicted through 2030; global edtech venture capital will nearly triple over the next decade.

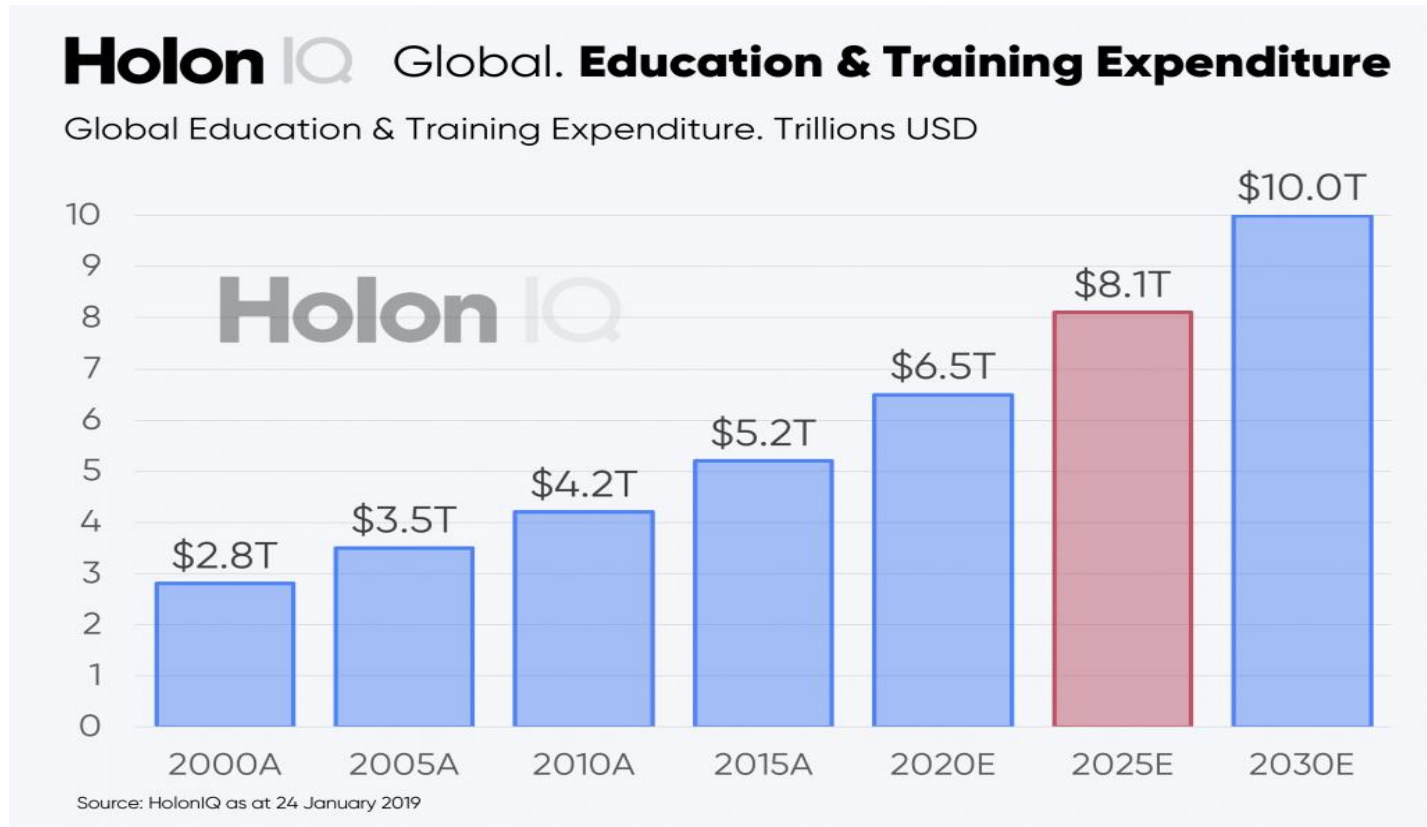
➤ 99% of schools in the U.S. are on scalable internet connections; 93% of U.S. school districts are utilizing digital learning (as of March 2020)

- The classroom connectivity gap is now closed. 99% of schools nationwide are on scalable internet connections with a clear path to delivering enough bandwidth for digital learning in every classroom, every day.
- 93% of school districts are using digital learning in at least half of their classrooms every week and 85 percent of teachers and principals support the increased use of digital learning in their schools.

Source: Crunchbase, EdScoop, EducationSuperHighway

Global Education and Training Expenditure - \$10T by 2030

➤ Expenditure on education and training from governments, parents, individuals and corporates continues to grow to historic levels and is expected to reach \$10 trillion by 2030.

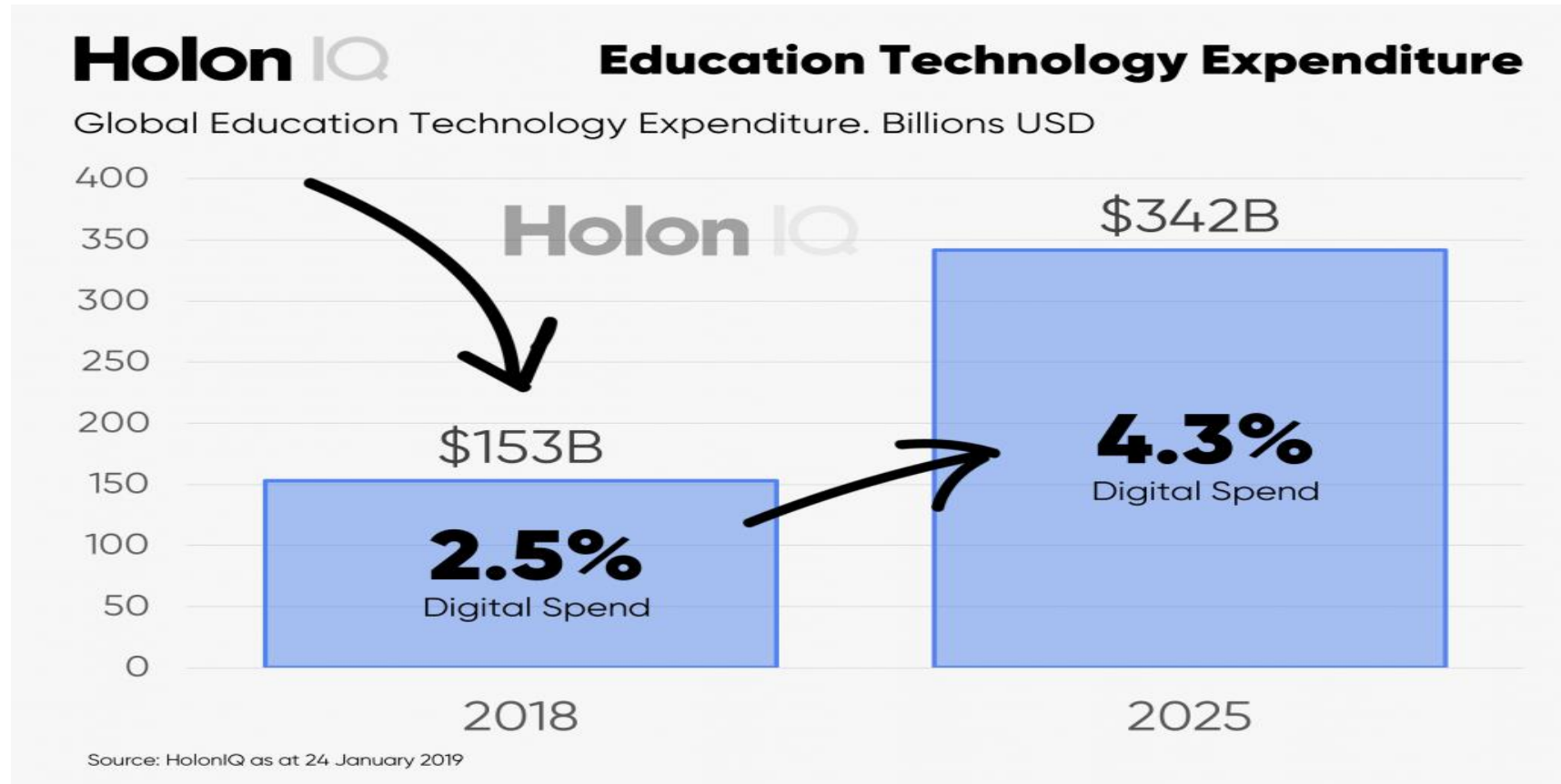


- By 2025 there will be **500 million** more school and university graduates in the world than today, driven primarily by population growth in developing countries.
- **\$87 billion** in venture capital will be invested over the next decade (2020-2029), almost triple of the prior decade.

Source: HolonIQ

Global Education Technology Expenditure - \$342B by 2025

- Education Technology expenditure is expected to grow from **\$153 billion** (2.5% of expenditure on education) in 2018 to **\$342 billion** (4.3% of expenditure on education) in 2025.



Global Education Advanced Technology Expenditure



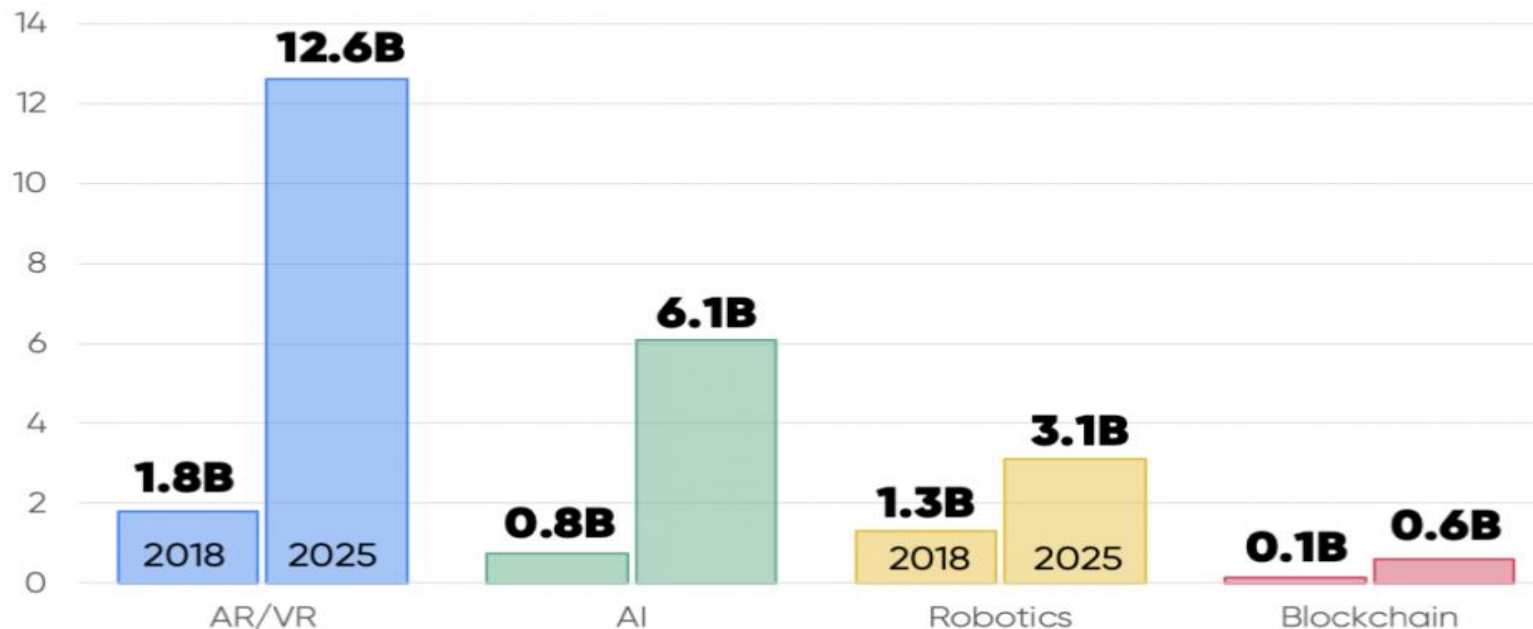
Advanced technology will embed into delivery and learning processes: AR/VR, Robotics, Blockchain, and Artificial Intelligence

- Applications of advanced technology in education and learning will begin to hit their strides by 2025 with AR/VR and Artificial Intelligence becoming increasingly integrated into core education delivery and learning processes. Most likely starting in the corporate and non-accredited sectors.
- We expect spending on advanced technologies to accelerate as we move toward a post Covid-19 environment.

Holon IQ

Global **Advanced Technology**

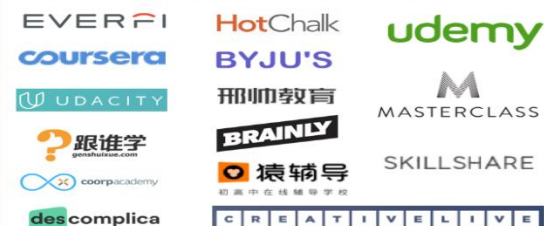
Advanced Education Technology Expenditure 2018–2025, USD Billions



Source: HolonIQ

90+ Education Technology Companies Writing the Future of Education

BROAD ONLINE LEARNING



CAREER DEVELOPMENT



TECH LEARNING



LEARNING MANAGEMENT SYSTEM



EARLY CHILDHOOD EDUCATION



LEARNING ANALYTICS



NEXT-GEN SCHOOL



TEST PREP



COURSE MATERIALS



SCHOOL ADMINISTRATION



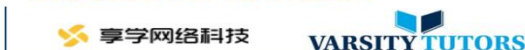
CLASSROOM ENGAGEMENT



STUDY TOOLS



ONLINE TO OFFLINE



LANGUAGE LEARNING



Global Education Technology Unicorns

➤ As of Q1 2020, there are 14 Education Technology unicorns around the world who have collectively raised over \$6.6B of total funding in the last five years.

- Applications of advanced technology in education and learning will begin to hit their strides by 2025 with AR/VR and Artificial Intelligence becoming increasingly integrated into core education delivery and learning processes. Corporate and non-accredited sectors are the first movers.

Company	Country	Cluster	Last Round Date	Last Round Type	Valuation
ByJu's	India	Tutoring	Jul-19	PE Round	\$5.8B
VIPKid	China	Language	Sep-19	Corporate Round	\$4.5B
Yuanfudao	China	Tutoring	Dec-18	Series F	\$3.0B
Duolingo	United States	Language	Dec-19	Series F	\$1.5B
Guild Education	United States	UpSkilling	Nov-19	Series D	\$1.0B+
Knowbox	China	Tutoring	May-19	Series D	\$1.0B+
Coursera	United States	MOOC	Apr-19	Series E	\$1.0B+
iTutorGroup	China	Language	Feb-19	Corporate Round	\$1.0B
Zhangmen	China	Tutoring	Jan-19	Series E	\$1.0B+
Huike	China	OPM	May-18	Series D	\$1.0B
17zuoye (一起作业)	China	Tutoring	Mar-18	Series E	\$1.0B
Age of Learning	US	Online Curriculum	May-16	Series A	\$1.0B
Udacity	US	Proprietary Online	Nov-15	Series D	\$1.1B
HuJiang	China	Online Curriculum	Oct-15	Series D	\$1.0B

Source: HolonIQ

Publicly Traded Education, Learning and Training Technology and Services Valuation Table

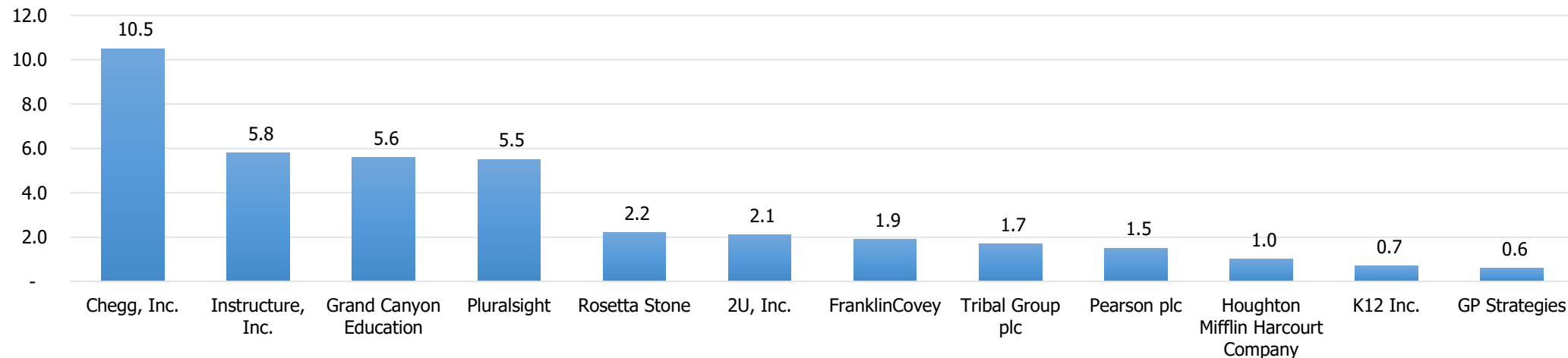
(\$ in millions, except per share data)

Company	Ticker	Enterprise Value (EV)	EV/Revenue 2020E	EV/EBITDA 2020E	Revenue LTM	Revenue CY 2019E	Revenue CY 2020E	Revenue Growth '18A-'19E	Revenue Growth '19E-'20E	EBITDA Margin LTM	EBITDA Margin CY 2019E	EBITDA Margin CY 2020E
Pearson plc	LSE:PERSON	\$7,821	1.5x	8.3x	\$5,201	\$5,167	\$5,076	(2%)	(2%)	14%	17%	19%
Chegg, Inc.	NYSE:CHGG	5,439	10.5x	33.3x	381	408	520	27%	27%	10%	26%	30%
Grand Canyon Education	NasdaqGS:LOPE	4,783	5.6x	13.8x	743	779	858	(8%)	10%	39%	37%	40%
Pluralsight	NasdaqGS:PS	2,191	5.5x	NA	295	315	395	36%	25%	(45%)	NA	NA
Instructure, Inc.	NYSE:INST	1,758	5.8x	NA	246	246	304	23%	18%	(24%)	NA	NA
2U, Inc.	NasdaqGS:TWOU	1,540	2.1x	NA	527	573	729	39%	27%	(12%)	4%	NA
Houghton Mifflin Harcourt Company	NasdaqGS:HMHC	1,395	1.0x	7.5x	1,398	1,402	1,433	6%	2%	0%	15%	11%
K12 Inc.	NYSE:LRN	706	0.7x	5.0x	1,022	1,024	1,054	5%	3%	6%	14%	12%
FranklinCovey	NYSE:FC	483	1.9x	15.3x	230	230	248	7%	8%	7%	6%	9%
Rosetta Stone	NYSE:RST	425	2.2x	NM	181	182	197	5%	8%	2%	NA	3%
GP Strategies	NYSE:GPX	388	0.6x	8.3x	561	574	606	11%	5%	4%	8%	7%
Tribal Group plc	AIM:TRB	185	1.7x	8.8x	100	107	110	5%	2%	10%	17%	19%
Mean		\$2,259	3.3x	12.5x	\$907	\$917	\$960	13%	11%	1%	16%	17%

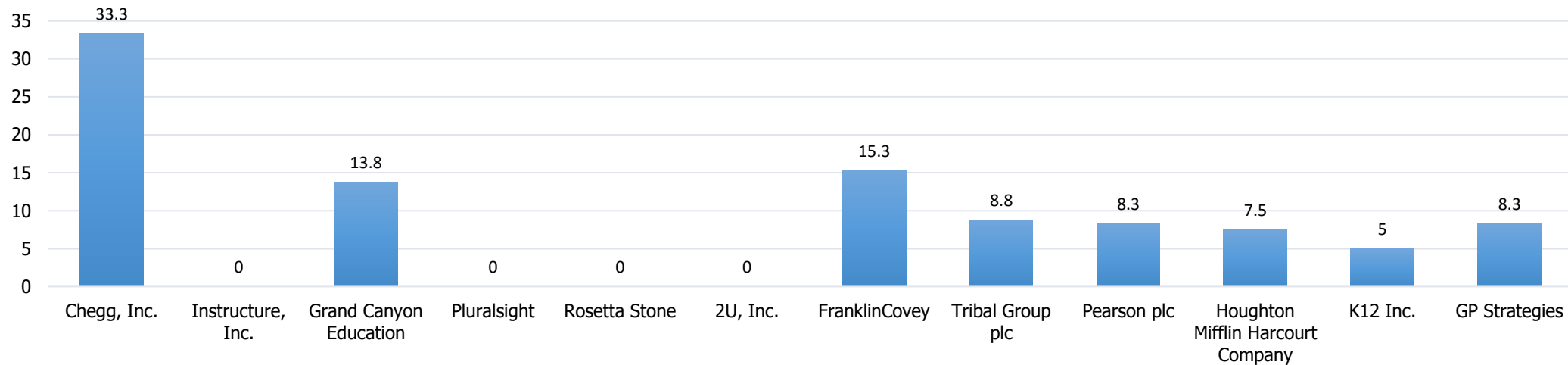
Source: CAPIQ, Nflunce Partners, Yahoo Finance

Publicly Traded Education Market Multiples

EV/Revenue 2020E

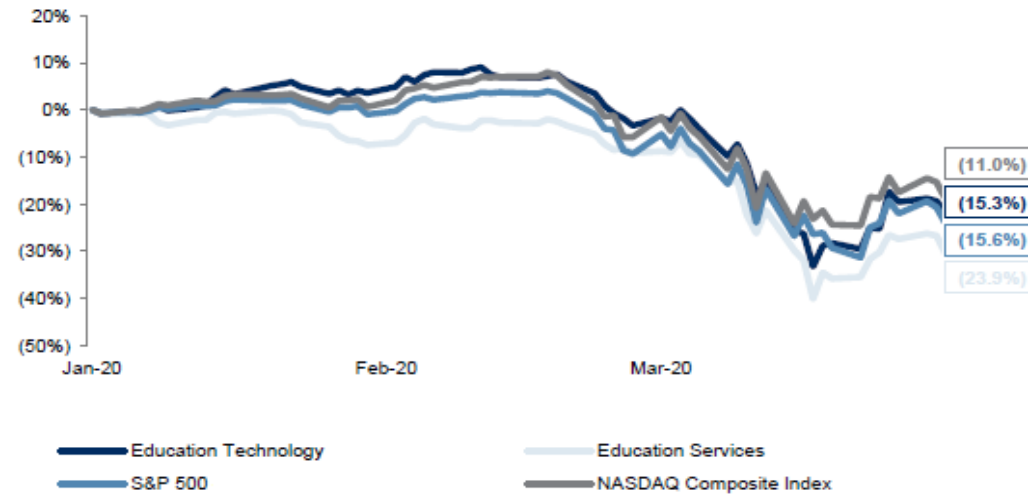


EV/EBITDA 2020E

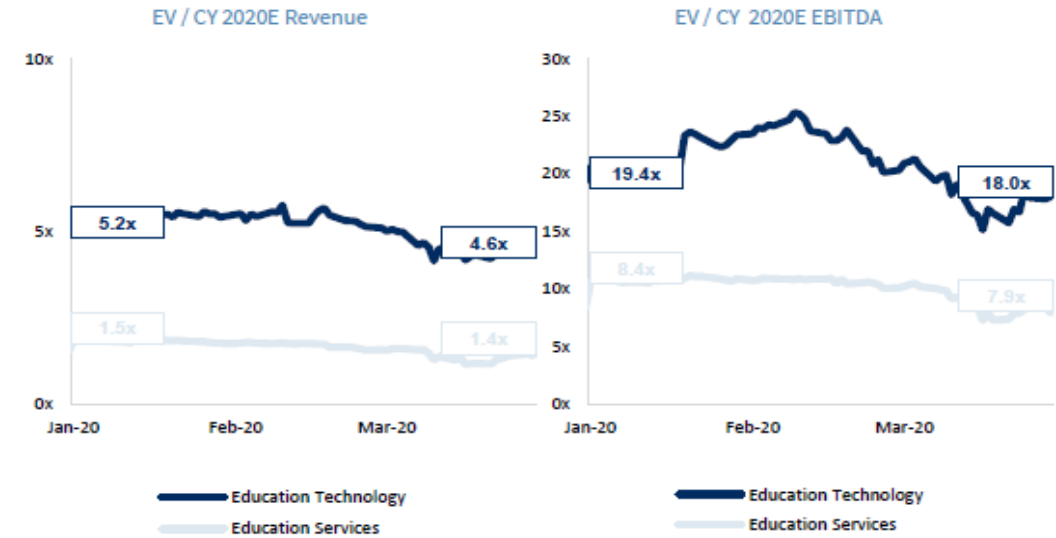


Companies Are Experiencing Modest Multiple Contraction from COVID 19 But Have Remained Relatively Insulated

EdTech Index⁽¹⁾













Trading Multiples













(\$ in millions)	January 2, 2020						March 31, 2020						Variance					
	Capitalization		EV / Revenue		EV / EBITDA		Capitalization		EV / Revenue		EV / EBITDA		Capitalization		EV / Revenue		EV / EBITDA	
	Equity Value	Enterprise Value	2020E	2021E	2020E	2021E	Equity Value	Enterprise Value	2020E	2021E	2020E	2021E	Equity Value	Enterprise Value	2020E	2021E	2020E	2021E
	Growth Category / Sector																	
Education Technology Median	\$3,880.1	\$4,432.6	5.2x	5.0x	19.4x	18.5x	\$2,656.7	\$3,209.2	4.6x	4.3x	18.0x	17.0x	(31.5%)	(27.6%)	(11.5%)	(14.0%)	(7.2%)	(8.1%)
Education Services Median	\$789.0	\$1,159.8	1.5x	1.6x	8.4x	8.3x	\$546.5	\$645.0	1.4x	1.5x	7.9x	7.8x	(30.7%)	(44.4%)	(6.7%)	(6.3%)	(6.0%)	(6.0%)

Notable M&A Education, Learning, and Training Technology Transactions in Q1 2020 (Sorted by date)

Announced Date	Target	Acquirer	Target's Description	Value (million – US\$)
03/16/2020	 teachable	 hotmart	Teachable is an online marketplace that allows educators to sell their online courses and build up their own classroom businesses.	\$250
03/12/2020	 madgex	 WILEY	Madgex is a provider of advanced job board software and career center services.	-
03/10/2020	 vocabulary.com	 IXL LEARNING	Vocabulary.com offers instructional technology for improving literacy through vocabulary building.	-
03/10/2020	 Blackboard Open LMS™	 ltg learning technologies group	Blackboard Open LMS, formerly called Moodlerooms is currently considered the largest commercial Moodle provider worldwide.	\$32
03/02/2020	 MyBuddy.ai		Mybuddy.ai is an educational voice technology company. It developed a mobile app based around Buddy the robot, that helps children practice their spoken English through conversations and voice-based games.	-








Source: Crunchbase, Pitchbook

Notable M&A Education, Learning and Training Technology Transactions in Q1 2020 (Sorted by date), Cont'd

Announced Date	Target	Acquirer	Target's Description	Value (million – US\$)
02/25/2020			Snap! Advance, the leading provider of digital fundraising and giving day solutions.	-
02/24/2020			Saba delivers a cloud-based Intelligent Talent Management Solution to help organizations hire, develop, engage and inspire their people.	\$1400
02//20/2020			Kronos provides workflow management solutions that enable organizations to control labor costs, minimize compliance risk, and improve workforce productivity.	-
02/10/2020			Avesta Systems is a provider of comprehensive talent acquisition software and services that help streamline recruiting and hiring processes for organization.	-
02/07/2020			Paradigm is a provider of educational technology solutions that prepare students to achieve the requisite digital literacy skills and career knowledge needed to enter the workforce, reskill, upskill and succeed as professionals.	-

Source: Crunchbase, Pitchbook

Notable M&A Education, Learning and Training Technology Transactions in Q1 2020 (Sorted by date), Cont'd

Announced Date	Target	Acquirer	Target's Description	Value (million – US\$)
02/06/2020			School Pathways offers a web-based student information system that provides quick access to online student registrations and grade books for online schools independent study.	-
02/04/2020			Headquartered in Columbus, Ohio, HEG offers online and in-classroom courses, exam prep solutions, and textbooks for the real estate, mortgage, appraisal, insurance, and home inspection industries.	-
01/27/2020			Galvanize is a provider of workforce training in software engineering and data science. They offer full-time boot camps for high school graduates.	\$165
01/08/2020			LearnZillion is an education software company that serves as the delivery of the curricula. It empowers teachers to spend less time building student-facing materials.	-
01/06/2020			Mthree is talent partner which helps: <ul style="list-style-type: none"> • find, train and hire technology talent • build and develop future talent pipelines • Reskill workforces 	\$129

Source: Crunchbase, Pitchbook

Notable M&A Education, Learning and Training Transactions in Q1 2020 (Sorted by date)

Date Announced	Target (Seller)	Buyer (Investor)	Transaction Value
3/24/2020	Red Nucleus Enterprises LLC	Riverside Partners (PE)	-
3/16/2020	NFE Group Ltd.	Red Driving School	-
3/13/2020	Learning Curve Group	Agilitas (PE)	-
3/12/2020	CozyKin, Inc.	Higher Ground Education, Inc.	-
3/10/2020	Vocabulary.com	IXL Learning, Inc	-
3/9/2020	Epic Autokoulu Oy	Korona Invest (PE)	-
3/6/2020	Galileo Global Education	Montagu Private Equity LLP	-
3/5/2020	Kiddie Country Developmental Learning Center	Endeavor Schools LLC	-
3/5/2020	Certification Europe Ltd.	AMTIVO Group Ltd.	-
3/3/2020	AcademyX	Learnit	-
2/12/2020	Cadence Education, Inc.	Apax Partners (PE)	-
1/30/2020	XanEdu Publishing, Inc.	Frontenac (PE)	-
1/29/2020	Statistics.com LLC (The Institute for Statistics Education)	Elder Research, Inc.	-
1/24/2020	Galvanize LLC	K12, Inc.	\$165M
1/23/2020	Verbling, Inc.	Busuu Online SL	-
1/14/2020	Laguna Niguel Montessori Center	Endeavor Schools LLC	-
1/6/2020	Rapid Learning Institute LLC	BTS Group AB	-

Source: Crunchbase, Pitchbook

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Education, Learning, and Training Technology Focus

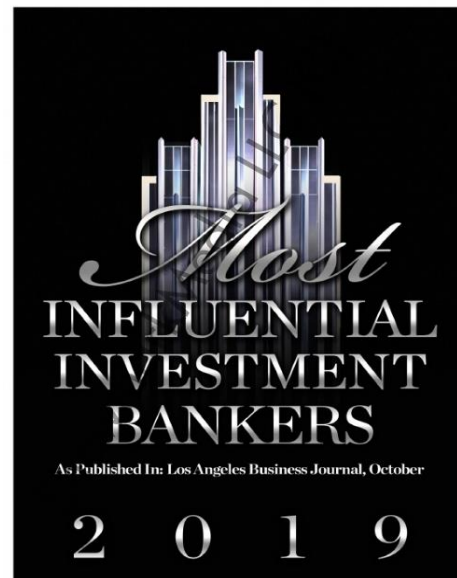
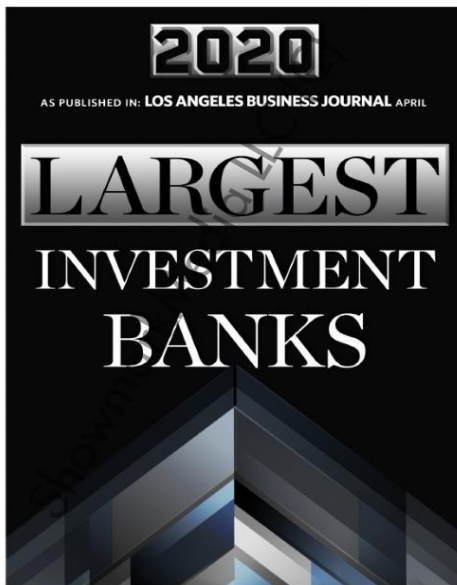


Solganick & Co.

- Solganick & Co. provides data-driven expertise and advisory including M&A and capital raising transaction origination, management and execution.
- Deep domain expertise within the education, learning, and training technology and services sectors.
- Recognized and awarded as Top Investment Bank by Axial, Most Influential Investment Bankers, and Largest Investment Banks by The Los Angeles Business Journal.

\$20B in Transactions Completed

Established: 2009



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