



Solganick & Co.

Education, Learning and Training Technology (EdTech)

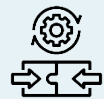
M&A Update Q4 2022
and 2023 Outlook



Who We Are!



Formed in 2009 by Aaron Solganick, a **28+ year experienced technology-focused investment banker** (KPMG Corporate Finance, Bear Stearns, and B. Riley)



Providing M&A advisory and investment banking services exclusively for Software, Tech-Enabled Services, and EdTech companies



Offices in **Los Angeles** and **Dallas**

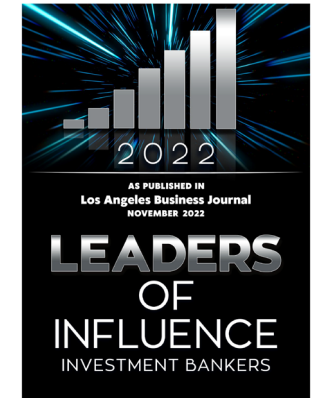


Average Transaction Size Range: **\$25m to \$250m**

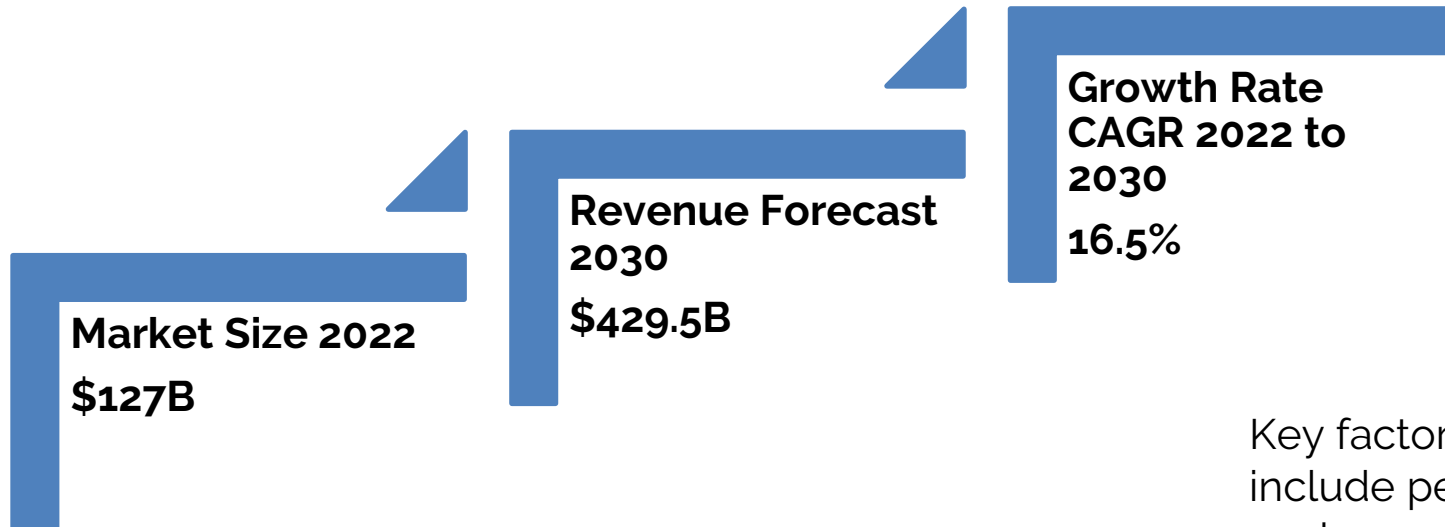


Axial Top Software M&A Advisory Firm, 2022

Solganick & Co. was recognized as a top software M&A advisor by Axial



EdTech Market Size, Revenue Forecast, and Growth Rate



Key factors driving the EdTech market growth include penetration of digitization in the education sector, growing adoption of EdTech tools by both academic and non-academic sectors, the proliferation of smart devices, and seamless internet connectivity.

- Mergers and acquisitions in the EdTech industry have been on the rise since 2020 yet cooled off in 2022. A few notable mergers and acquisitions include **BrightChamps acquiring Education10x, CollegeDekho acquiring Getmyuni and IELTSMaterial, and GoStudent acquiring UK-based Seneca Learning and Spanish**. Despite the ongoing downturn, edtech has seen a surge in M&A activity with 26 edtech startups being acquired since 2020. However, the pace of M&A activity has cooled from its sizzling pace set in 2021 through 2022.
- **Mergers and acquisitions in the edtech industry are expected to increase in 2023.** The Edtech industry has seen a significant increase in M&A activity in recent years, with many companies looking to acquire startups or smaller companies that have developed innovative technology or products. The COVID-19 pandemic has also accelerated the adoption of digital and online learning tools, leading to increased interest in edtech companies and further driving M&A activity.
- After sharp declines in equity funding in education and a **66% drop in mergers and acquisitions during 2022**, the year ahead is expected to bring further consolidation and see more listed education groups go private. EdTech companies are being acquired by traditional education companies as well as by larger technology companies looking to expand their offerings in the education space. The market is expected to continue to be active in M&A in the near future as the trend of digitalization and virtual learning will be the new norm in the future.
- 70 of the 213 deals during the first half of 2022 were financed by private equity, venture capital, or some other type of investment firm, a 14 percent decline compared to the same period a year ago.
- 3 in 10 Education Companies Secured Venture Capital or Made Acquisitions Over the Last Year.

Five Trends to Watch in the EdTech Industry - McKinsey

❖ **Capital inflows are higher than ever.**

- While public valuations have recently cooled, private companies are still raising capital at double-digit revenue multiples. VCs continue to flock to edtech because professors, administrators, students, and employees have grown more comfortable with education technology during the pandemic.

❖ **Edtech players are merging and partnering to achieve scale and efficiency.**

- As they seek sustainable ways to drive down the industry-wide problem with high customer acquisition costs (CAC), some edtech firms are turning to M&A in hopes of reaching economies of scale.

❖ **Large firms view employee reskilling and upskilling as a necessity.**

- With a near-record number of US jobs, thanks to a tight labor market, attracting and retaining talent has become a core challenge for many firms. To meet the demand for upskilling and reskilling, online-education companies are expanding and emphasizing their enterprise offerings.

❖ **India becomes a leader in the edtech race with global aspirations.**

- With increasing regulatory headwinds buffeting the Chinese edtech industry, prominent edtech players—including Udacity, Coursera, and edX—have turned their investment focus to the enormous Indian market.

❖ **Edtech leaders are focusing on supporting career progression.**

- To deliver more holistic user experiences, some edtech players are building their internal capabilities and making acquisitions.

2022 Edtech 200 Market Map

MANAGEMENT SYSTEMS



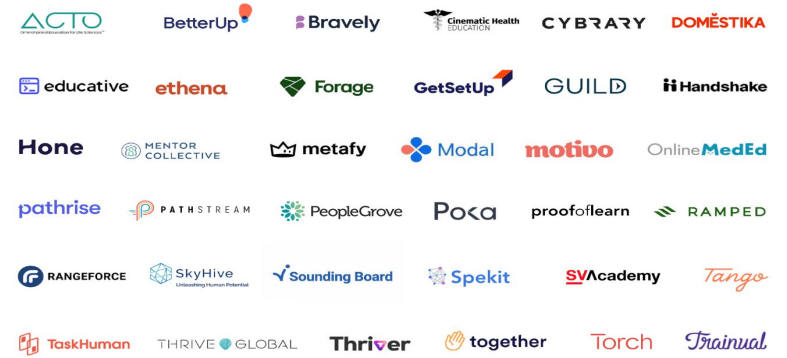
ONLINE LEARNING



STEAM



WORKFORCE & SKILLS



ADVANCED TECHNOLOGY



CONTENT



TUTORING & TEST PREP



TESTING



LANGUAGE LEARNING



INTERNATIONAL EDUCATION

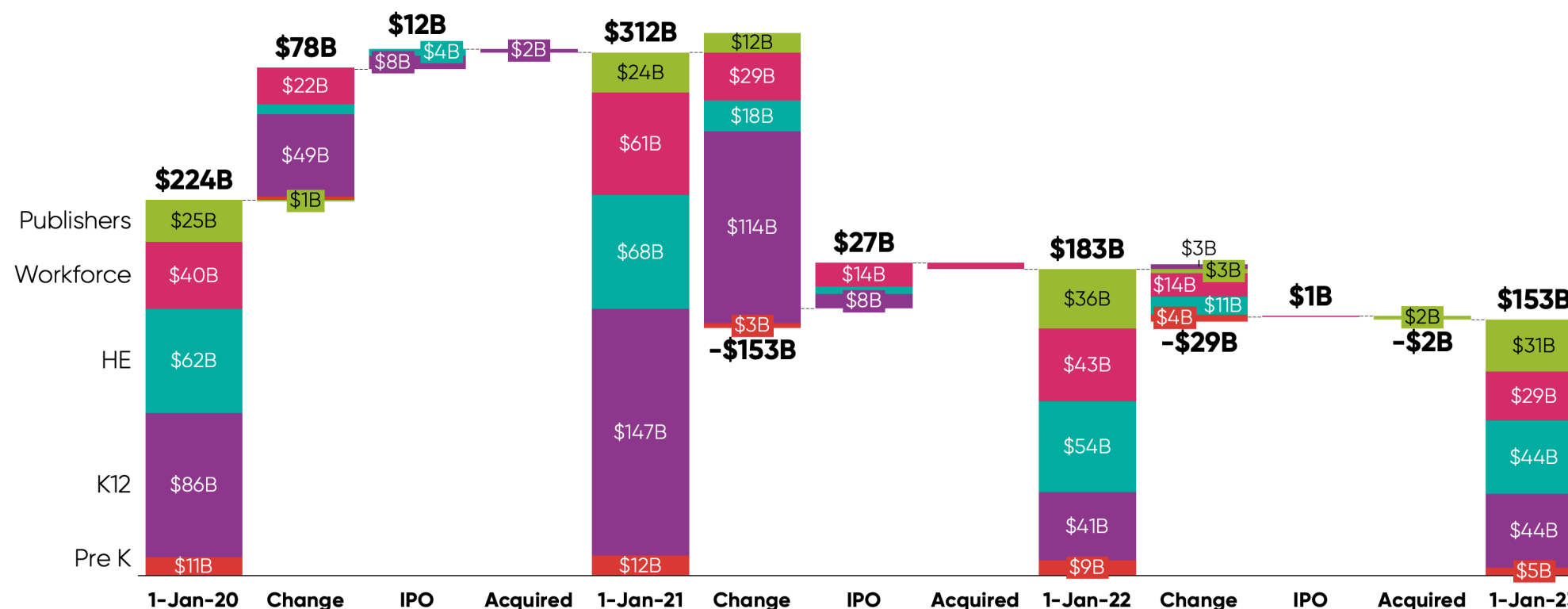


EdTech 200

Education Stocks Tumbled in 2022

Education stocks lost a further \$30B in 2022, now collectively valued at approx. \$153B, as much as was lost in market cap through 2021.

Global Education Stocks – Sum of Market Cap by Company Sector, 1 Jan 2020 – 1 Jan 2022 in USD Billions.



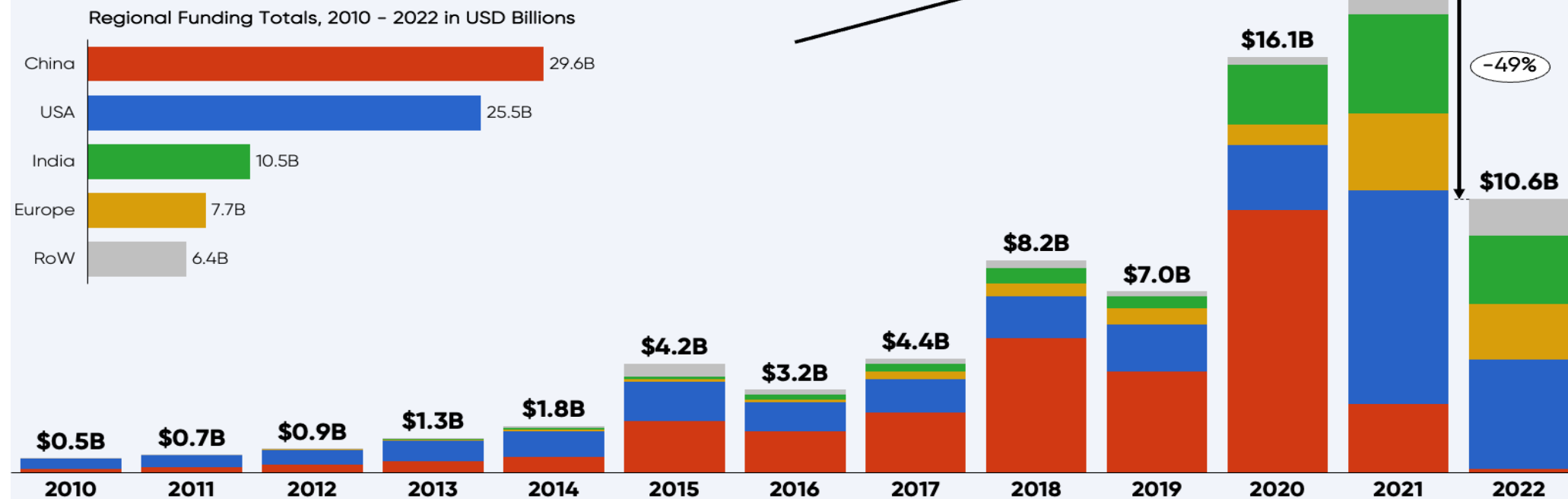
Source: HolonIQ, 3 January 2023. All numbers rounded and may not sum exactly due to rounding. Excludes PE transactions. All years calculated at historic FX.

www.holoniq.com

EdTech Venture Funding Down 49%

\$10.6B of EdTech Venture Funding for 2022, down 49% from \$20.8B in 2021, driven by a major reduction in mega rounds > \$100M (20 vs 53 in 2021).

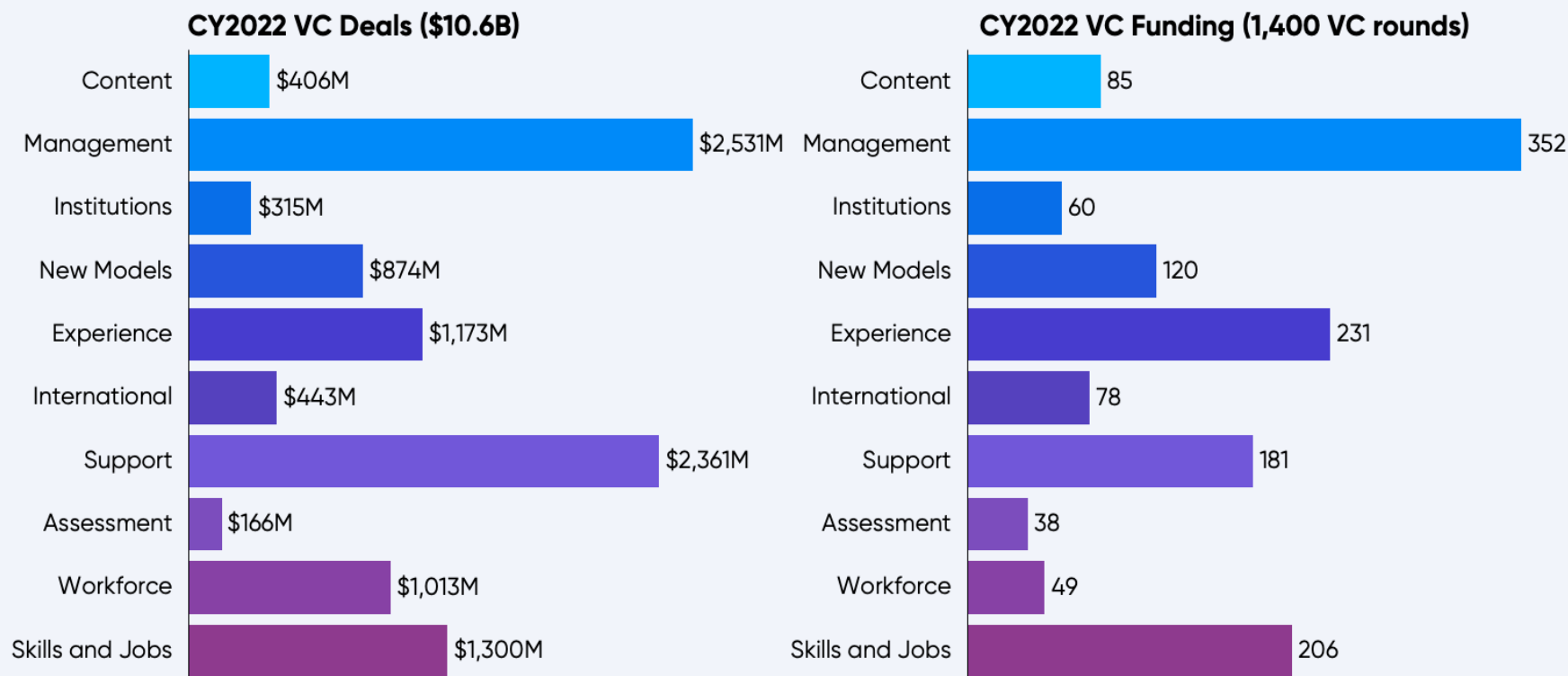
Global Education Venture Capital Funding, 2010 - 2022 in USD Billions



EdTech Venture Funding by Type, 2022

\$10.6B and 1,400+ deals of EdTech Venture funding for 2022, nearly half focused on management systems and learner/teacher support.

Global EdTech Venture Capital Funding, 2022 in USD Billions and number of funding rounds.



Q4 2022 Selected M&A Transactions: EdTech

Deal Date	Seller	Buyers/Investors	Deal Size (million, USD)
12/19/22	Strawbees	eEducation Albert (Arta Mandegari)	60.00
12/15/22	LearnPlatform	Instructure (Steve Daly)	
12/12/22	InTeach	Undisclosed	
12/06/22	Hellosaurus	Brilliant (Educational Software) (Suyeon Khim)	
12/05/22	Aktiv Learning	Top Hat (Joe Rohrllich)	
12/02/22	Studienkreis	GoStudent (Felix Ohswald)	
12/01/22	Litmos	Francisco Partners (Jason Brein)	
12/01/22	Thomson Reuters (Compliance Learning Business)	Be-Cause Ventures, Leeds Equity Partners (Jacques Galante), LRN (Kevin Michielsen)	
11/28/22	RM Education	The Key Group	18.74
11/23/22	Tutorfair	SuperProf	
11/23/22	Coinage International	Undisclosed	500.00
11/23/22	Ambow Education Holding (Business Assets in China)	Clover Wealth Management	12.00
11/21/22	Crio.Do	Skill-Lync	
11/17/22	Explain Everything	Promethean World (Vin Riera)	
11/17/22	OmSister	Monex Group	
11/17/22	PBIS Rewards	Navigate360 (Jean-Paul Guilbault), The Riverside Company	
11/16/22	Grand Circus	Disys (Mahfuz Ahmed)	
11/15/22	MUSE Virtual School	Carnegie Learning (Barry Malkin), CIP Capital, Madison Dearborn Partners	
11/10/22	MasteryPrep	Achieve Partners	
11/03/22	C3 Groupe	Ecole Europeenne Des Métiers De L'internet, UI Investissement (Olivier Jarrousse)	
11/03/22	5T3M	Industronics (Datuk Chu Boon Tiong)	0.21
11/01/22	Peopleplan	Undisclosed	
10/25/22	Green Fox Academy	Sandberg Capital (Jakub Krajcovic)	
10/21/22	ST Unitas	Megastudy Education	126.20
10/17/22	Axiom Mentor	Sitero (Sankesh Abbhi)	
10/17/22	GoBoard	Littera Education (Justin Serrano)	
10/17/22	Willo Labs	Follett (Emmanuel Kolady)	
10/13/22	Trendesign	Digitalks (Brazil) (Flavio Horta)	
10/11/22	BrainPop	Kirkbi	875.00
10/10/22	Leadup Universe	Board Infinity (Sumesh Nair)	
10/04/22	Eduarte	Topicus (Dirk Timmer)	
10/04/22	Edufficient	Clarke Capital Partners, NewSpring Capital, PX (US) (Frans Van Hulle)	
10/04/22	Frontline Education	Roper Technologies (L. Neil Hunn)	3,725.00

Public Comparable: Valuation Table

Common Stock Comparison

Insert Desired Criteria:

As of Date:

31-Dec-22

Amounts in:

Million

Period Type:

Fiscal Year

Companies:

NASDAQ:TWOU

NYSE:CHGG

NYSE:COUR

NASDAQ: DCBO

NASDAQ: DUOL

NYSE:INST

NYSE:LRN

NYSE:PWSC

NASDAQ:UDMY

NYSE: PSO

Stock Price (\$) as of 12/31/2022	% of 5-Wk High	Market Capitalization (\$)		Enterprise Value / Revenue Multiples (x)			Calendarized P/E Multiple (x)	
		Equity Market Cap	Enterprise Value	LTM	2022E	2023E	2022E	2023E
6.27	-68.8%	490	1,364	1.4x	1.4x	1.4x	-2.2x	-6.7x
25.27	-17.7%	3,171	3,430	4.5x	4.5x	4.2x	14.9x	181.3x
11.83	-51.6%	1,734	964	1.9x	1.9x	1.5x	-14.8x	-16.4x
33.14	-50.8%	1,086	876	6.6x	6.2x	4.8x	335.6x	387.3x
71.13	-33.0%	2,857	2,286	6.8x	6.2x	5.0x	-61.8x	-69.0x
23.44	-2.3%	3,340	3,598	7.8x	7.6x	6.9x	-112.0x	-200.0x
31.28	-6.2%	1,346	1,724	1.0x	1.0x	1.0x	19.2x	19.4x
23.08	40.1%	3,678	4,808	7.8x	7.6x	6.9x	-119.4x	-147.1x
10.55	-46.0%	1,491	1,012	1.7x	1.6x	1.3x	-17.1x	-21.2x
11.27	34.2%	8,109	9,225	1.9x	2.1x	1.9x	29.7x	19.9x
High				7.8x	7.6x	6.9x	335.6x	387.3x
Mean				4.1x	4.0x	3.5x	7.2x	14.7x
Median				3.2x	3.3x	3.1x	-8.5x	-11.6x
Low				1.0x	1.0x	1.0x	-119.4x	-200.0x

Notable M&A Transaction: Kirkbi (Family Office of Lego) Acquires BrainPop

BrainPOP's mind-blowing deal: Founder nets \$875 million from deal with Lego

Avraham Kadar, a former pediatrician and immunologist, will receive \$875 million for the sale of BrainPop, the educational technology company he founded, to KIRKBI A/S, the family-owned holding and investment company of the Lego brand.

The deal, which was announced in October 2022, will see KIRKBI acquire 100% ownership of BrainPOP, which was fully owned by 71-year-old Kadar, who never raised any external funds for his company. BrainPOP was founded in 1999 with the mission “to empower kids to shape the world around them and within them.” It currently has a presence in over two-thirds of U.S. school districts and an estimated reach of 25 million students annually, as well as an international presence.

The company's core products provide short, animated movies that aim to make complicated and sometimes intimidating ideas simple, clear, and thought-provoking, alongside learning activities to help educators and parents build kids' higher-order thinking and life skills.

BrainPOP, which is headquartered in the U.S. and has an R&D center in Israel, employs 300 people and operates on a subscription model. Kadar ran the company until 2020, before stepping down and being replaced as CEO by Scott Kirkpatrick.

The transaction was announced in October 2022.



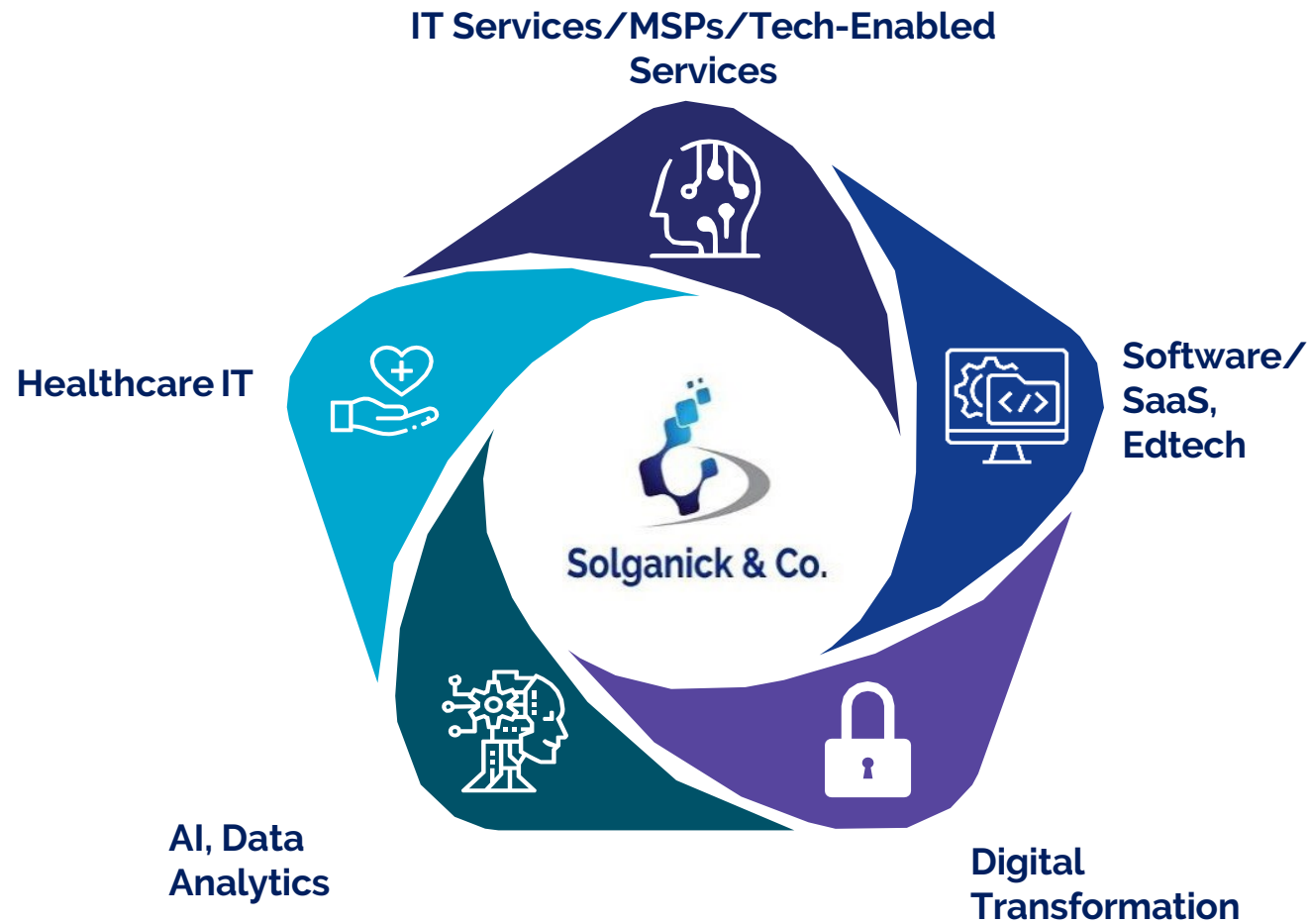


Solganick & Co.

Appendix: Solganick and Co.

Additional Background Information





Sector Experience

Comprehensive and deep-sector expertise
(not generalists)

Active Mandates

Current buyers and sellers actively seeking transaction partners

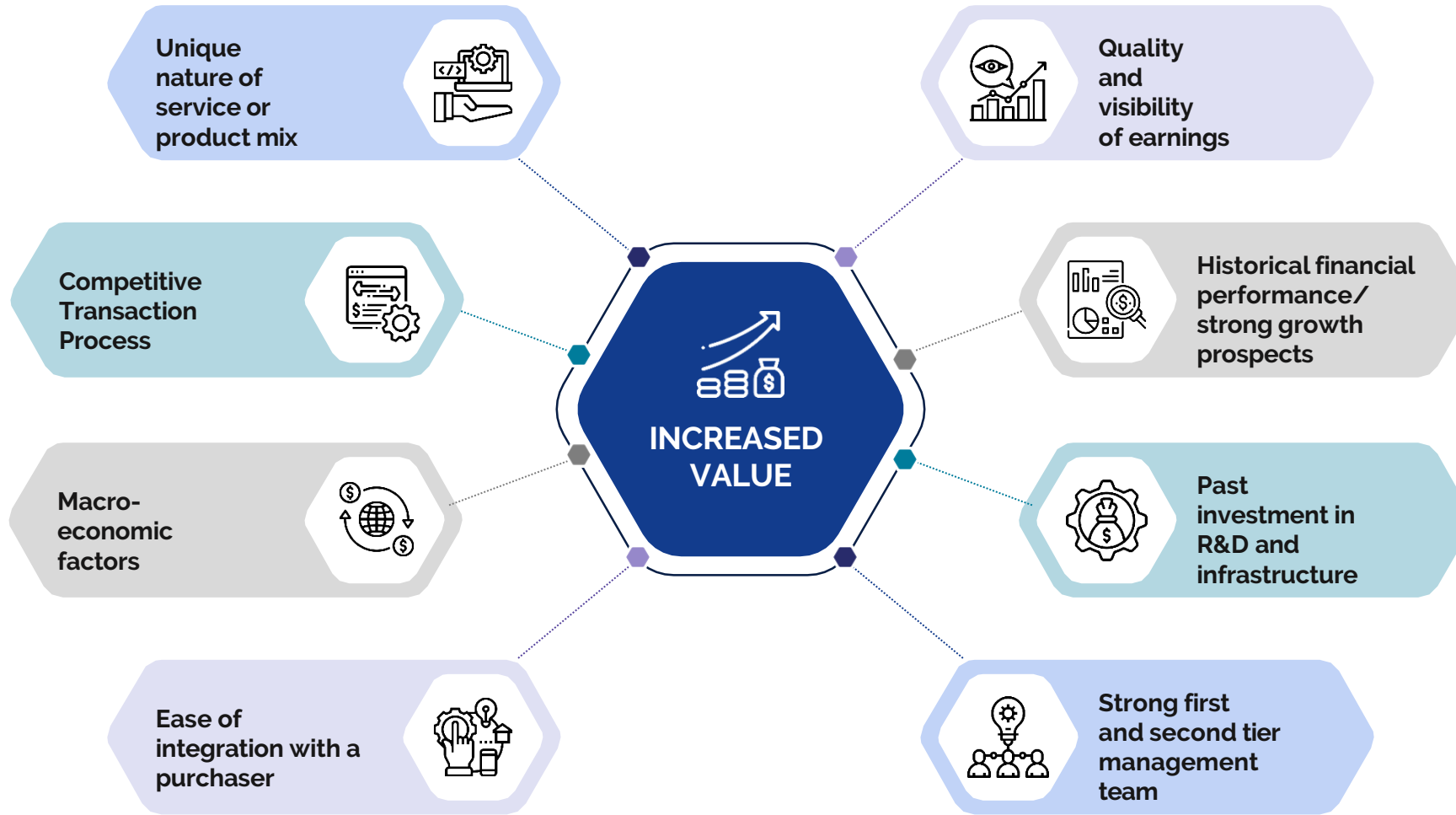
Experienced Team

Experienced and dedicated team of technology focused M&A professionals

Transactions Completed

Over \$20B in Transactions Completed

Key Factors in Valuation Dynamics



Select Representative Transactions



has been acquired by



has been recapitalized by



has merged with



has been acquired by



has been acquired by



has invested in



has been acquired by



has acquired



has been acquired by



has been acquired by



has acquired



has acquired



has been acquired by



has invested in



has been acquired by



has been acquired by



has acquired



has been acquired by



Case Study

Strata Information Group

Client

- **Strata Information Group, Inc.** is an IT consulting firm focused exclusively on the higher education sector. The company provides systems integration and IT assessments to universities and colleges across the U.S.

Situation

- The two co-founders had been running the company for the last 30 years and were ready to transition out for retirement.
- The company hired Solganick & Co. to run a sell-side M&A process and leverage its deep domain expertise and relationships to procure multiple, high-quality offers in excess of the initial offer received by the Company.

Process and Results

- Solganick & Co. conducted an efficient, focused and highly competitive M&A marketing process targeting strategic buyers.
- Several highly-qualified parties expressed interest and **14 of them submitted offers.**
- After discussions and preliminary negotiations with numerous groups, Fort Point Capital ultimately put forth the most compelling offer.
- Through the transaction, Strata Information Groups co-founders were able to maximize cash at close with a very attractive market driven transaction multiple.
- **The transaction was announced and closed in June 2021.**



has been
acquired by

FORT POINT
CAPITAL

Case Study

Learn on Demand Systems

Client

- **Learn on Demand Systems, Inc.** (Now **Skillable**), a virtual labs platform built to adapt quickly in the face of constant change. Industry leaders such as Microsoft, Amazon, IBM, Veritas, Global Knowledge and New Horizons trust the company's full stack lab development and hosting platform, generating nearly 5 million lab launches to date in 2021 and more than 20 million lab launches over its tenure.

Situation

- A co-founder of Learn on Demand Systems was active in the company and was ready to retire.
- The shareholder hired Solganick & Co. to run targeted and confidential process and leverage its deep domain expertise and relationships to procure multiple, high-quality offers to maximize shareholder value.

Process and Results

- Solganick & Co. conducted an efficient, focused and highly competitive marketing process targeting private equity firms focused on edtech/learning/training.
- Several highly-qualified parties expressed interest and **multiple offers were submitted**.
- After discussions and preliminary negotiations with numerous groups, **Quad Partners** ultimately put forth the most compelling offer.
- Through the transaction, Learn on Demand's co-founder was able to maximize cash at close with a very attractive market driven transaction multiple.
- **The transaction was announced and closed in March 2020.**



Has Received a
Significant Investment by



"The Solganick team ran an efficient M&A process that allowed our shareholders and management team to select the best fit for our needs. Aaron Solganick and his deal team know our industry ecosystem very well and have many connections in the sector. Their expert advice coupled with running a fast and effective transaction process helped us make the best overall decision for our business."

Kevin Curley, CEO, Pandera Systems

"The Solganick team ran an efficient M&A process that allowed our shareholders and management team to select the best fit for our needs. Aaron Solganick and his deal team know the data analytics and IT consulting sectors very well. Their expert advice and effective transaction process helped us make the best overall decision for our business."

William Crowell, Managing Partner and Founder of Waypoint

Aaron Solganick is top-notch M&A professional as well as his team. I have worked with his firm on three separate M&A transactions and value his industry knowledge, expertise, professionalism, commitment to creating value for both buyer and seller in M&A transactions."

Michael Pearson, CEO and Founder of CONTAX, Inc.

"I have known Solganick & Co. and Aaron Solganick for more than eight years and during that time, he consistently presented appropriate opportunities, demonstrating a real understanding of the IT Services industry and value of strong alignment between target and potential acquirer.

Because of his deep network, Aaron was able to bring deals that might otherwise have been below the radar and offer strong value to both parties. I will continue to work with Aaron in the near future on M&A deals."

Robin Kearon, CEO, North America of Inforte/Business & Decision

Most Influential Investment Bankers Los Angeles Business Journal, 2022



AARON SOLGANICK

CHIEF EXECUTIVE OFFICER

Years in
Practice: 28+

Years with
Current Firm: 14

Specialty or Industry Focus:
Software, IT Services and EdTech

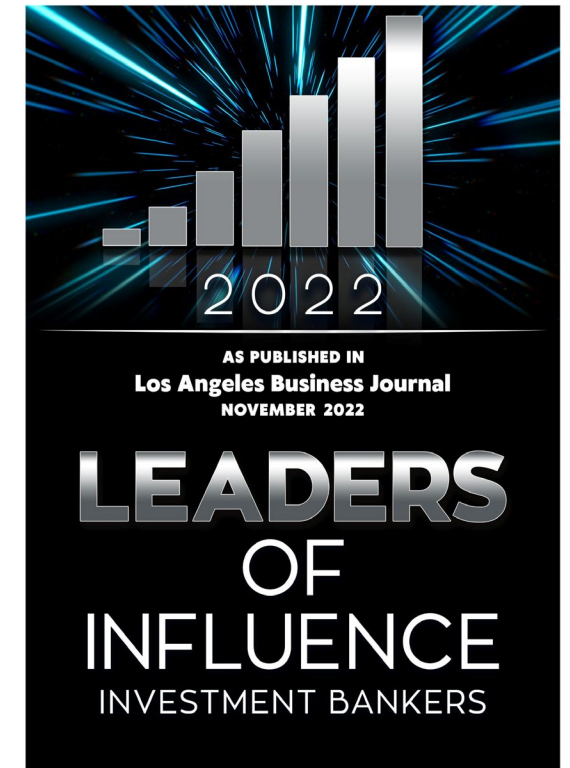
Aaron Solganick is a high energy and experienced technology investment banker with an entrepreneurial spirit. He launched the investment bank Solganick & Co. in 2009 to focus exclusively on completing mergers and acquisitions software and tech-enabled services companies.

Previous Experience

- Senior Vice President Investment Banking, B. Riley FBR
- Vice President Investment Banking, KPMG Corporate Finance
- Corporate Development and Senior Financial Analyst, Perot Systems Corporation
- Investment Banking Associate, Southwest Securities
- Investment Banking Analyst, Bear Stearns & Co.

Education

- MBA, Southern Methodist University
- BBA/MS in Finance, University of North Texas
- Executive Education, M&A, Columbia University



OFFICE LOCATIONS



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