

INDUSTRY SPOTLIGHT ON EDUCATION



Welcome to the Winter 2022 Education Industry Spotlight, Focus on EdTech. In this issue, you will find:

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Education technology (“EdTech”) has enabled a form of communication and collaboration that has not been possible in the past. Students are now able to share their learnings and understanding with other students globally, while also using cloud-based technology to collaborate and complete projects, exams, and assignments.

Technology has allowed teachers to engage and transform their classrooms into a more interactive environment, as well as to create a more personalized learning experiences for students. With new technologies on the horizon, supported by strong investor interest, the education industry will continue to evolve, increasing its overall effectiveness.

The Education Team at Origin continues to work on mandates and close deals in the sector. If you would like to discuss this report or learn more about our practice, please reach out. We would be delighted to discuss further in a conversation.

Watch for our Education Industry Spotlight, Focus on K-12, in Spring 2022.

Jim Meloche
Principal

Jim Osler
Principal

Shaun Quennell
Director

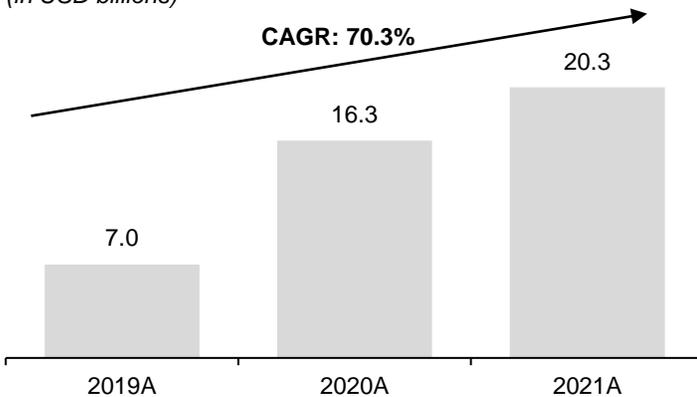
EdTech Industry Overview

2021 Edtech: Unparalleled Growth

- Through 2021, EdTech reached records in terms of investment and overall market growth across all segments of the education sector, as ongoing COVID related issues spurred continued necessity
- Global investments were largely driven by activity in the US market, which accounted for approximately 40% of total investments
- 2021 saw a record number of EdTech IPOs / SPAC mergers, with acquisitions utilized as a common strategy for established players and consolidators to improve operations
- The industry remains highly fragmented, and will likely experience increased consolidation and diversification of activities, with established players expanding their market

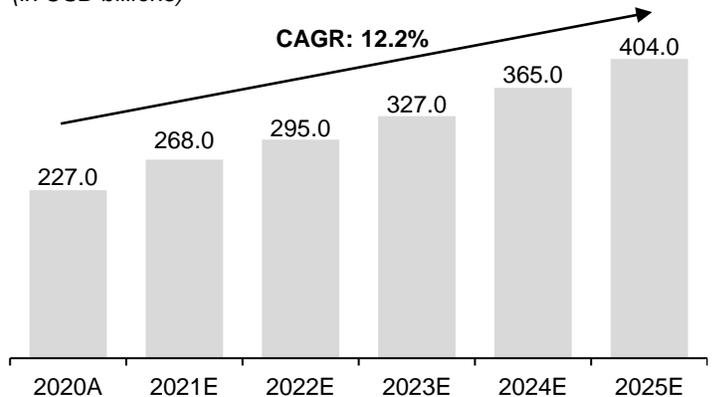
Edtech Total Capital Raised¹

(in USD billions)



Forecasted EdTech Expenditure¹

(in USD billions)



EdTech Accelerating Trends 2020 to 2021 due to the COVID-19 Pandemic¹

April 2020

2021



Quick adoption, Lasting Transition

Beginning of remote learning and installation / integration of various education technologies



Improvement of Digital Capital

Installation of security programs. Most schools started the process of upgrading technology systems



Rise of B2C EdTech Models

Students, parents, and faculty searching for and implementing support learning programs



Mobile / Advanced Tech Enablers

Variety of learning opportunities, increased social programs, and entertainment powered by data

- In 2022, EdTech trends are expected to emerge that will drive a growth in opportunities in the space. These include expansions into new segments / markets, increased focus on outcome / learner centric teachings, blockchain (learning records storage, provide credible digital certificates, realize learning resource sharing, and protect intellectual property through data encryption), and integration of virtual / augmented / extended reality

Source: S&P Capital IQ,

1. Educapital, Crunchbase, and HolonIQ

Education Technology Current Market Commentary¹

- The COVID-19 pandemic has prompted mass adoption of digital learning as closures and disruptions in school-based education served as a catalyst for student, parents, and schools to adopt online learning. This, in turn, has resulted in a plethora of private capital being injected into the industry
- Since the beginning of 2021, venture capitalists have funneled a record of USD \$20.3 billion into the EdTech space, however; the market overall has seen a decline in valuation and stock prices on the major stock exchanges. This is likely related to easing pandemic restrictions, with K-12 school, and post-secondary institutions transitioning back to in-person learning, and professionals filling jobs rather than taking online classes

Current Education Technology Analyst Sentiments²

- Currently, street analysts have buy / outperform ratings on all of the companies identified on our EdTech comparable listing, primarily driven by the large and growing education technology market in the global economy
 - Growth is expected to continue through the teaching services that lack historic digital integration, such as tutoring services, as well as the increasing acceptance of technology in the education sector, brought on by the pandemic
- Analysts see strategic M&A as key to successful expansion for companies operating in the EdTech space, driving growth by expanding capabilities and providing synergistic opportunities in areas such as sales, marketing, and school outreach
- Continued growth is expected in the Edtech space due to sustained external funding, increased demand for on-line professional certifications, and general acceptance of the use of EdTech services. Government bodies, such as the US Department of Education, have encouraged K-12 entities to use this funding in areas like remote-learning support, especially for disadvantaged or at-risk students and the teachers that support them
- Additionally, the industry is expected to push through current headwinds, which include chip shortages and the transition back to classroom learning due to the removal of pandemic restrictions



2021 Education Technology SPACs and M&A¹



In September 2021 Nerdy, which operates a platform for live online learning, went public via a merger with TPG Pace Tech Opportunities, a SPAC that has been publicly trading since 2015. The deal valued Nerdy at approximately USD \$1.7 billion, with total proceeds of \$750 million and USD \$150 million in PIPE financing



In October 2021, Anthology, a leading provider of higher education software, agreed to purchase Blackboard, a leading global EdTech software and solutions provider. Through the merger, the combined company has “create[d] the most comprehensive and modern EdTech ecosystem at a global scale for education”

Source: S&P Capital IQ,

1. Forbes, and Crunchbase

2. Information sourced from equity research reports on companies included on our list of Edtech comparables

2021 Education Technology Major IPOs

The COVID-19 pandemic has catalyzed the success of various education technology within the market, resulting in many IPOs/SPAC transactions capitalizing on the demand for accessible education



| | |
|---|-----------------|
| Ticker: | NYSE:COUR |
| IPO Date: | 31-Mar-21 |
| Implied Market Cap | \$5.3 Billion |
| Post-IPO Price Performance ² | (46.6%) |
| Gross Proceeds | \$655.6 Million |

Has serviced 77 million users since inception in 2012, 30 million of which joined during the pandemic¹. The funding raised is being used for global access to affordable and flexible learning



中小学
名师在线辅导

| | |
|---|-----------------|
| Ticker: | NYSE:ZME |
| IPO Date: | 07-Jun-21 |
| Implied Market Cap | \$274.4 Million |
| Post-IPO Price Performance ² | (87.9%) |
| Gross Proceeds | \$41.7 Million |

Provides personalized online courses to K-12 students. The company, Zhangmen Education Inc, held a share of approximately 31.9% of the Chinese market in 2020



| | |
|---|-----------------|
| Ticker: | NYSE:INST |
| IPO Date: | 21-Jul-21 |
| Implied Market Cap | \$3.5 Billion |
| Post-IPO Price Performance ² | 1.7% |
| Gross Proceeds | \$313.9 Million |

Provides cloud-based learning, assessment, development, and engagement systems worldwide. The company had been publicly traded since 2015, and was taken private in 2020 by Thoma Bravo



| | |
|---|---------------|
| Ticker: | NasdaqGS:DUOL |
| IPO Date: | 27-Jul-21 |
| Implied Market Cap | \$4.7 Billion |
| Post-IPO Price Performance ² | (19.5%) |
| Gross Proceeds | 654.3 Million |

Is the developer of a language-learning website and mobile app in the United States and China. It offers approximately 95 courses across 40 distinct languages



| | |
|---|---------------|
| Ticker: | NYSE:PWSC |
| IPO Date: | 27-Jul-21 |
| Implied Market Cap | \$3.5 Billion |
| Post-IPO Price Performance ² | (8.8%) |
| Gross Proceeds | 893.2 Million |

Provides cloud-based software to the K-12 education market. Funds received from the IPO were to be used to repay outstanding debt, transaction expenses and other general corporate purposes



| | |
|---|---------------|
| Ticker: | NasdaqGS:UDMY |
| IPO Date: | 28-Oct-21 |
| Implied Market Cap | \$4.9 Billion |
| Post-IPO Price Performance ² | (61.0%) |
| Gross Proceeds | 521.4 Million |

Operates a platform for teaching and learning skills in the United States and internationally. The funds received will be used to expand the Udemy Business by improving the quality of the courses it offers



| | |
|---|-----------------|
| Ticker: | TSX:DTOL |
| IPO Date: | 03-Nov-21 |
| Implied Market Cap | \$899.0 Million |
| Post-IPO Price Performance ² | (28.4%) |
| Gross Proceeds | 150.0 Million |

Provides learning solutions for K-12, post secondary and corporate training industries. Proceeds will be used to strengthen its financial position and pursue its growth strategies



| | |
|---|-----------------|
| Ticker: | TSX:THNC |
| IPO Date: | 27-Apr-21 |
| Implied Market Cap | \$972.9 Million |
| Post-IPO Price Performance ² | (77.3%) |
| Gross Proceeds | 160.0 Million |

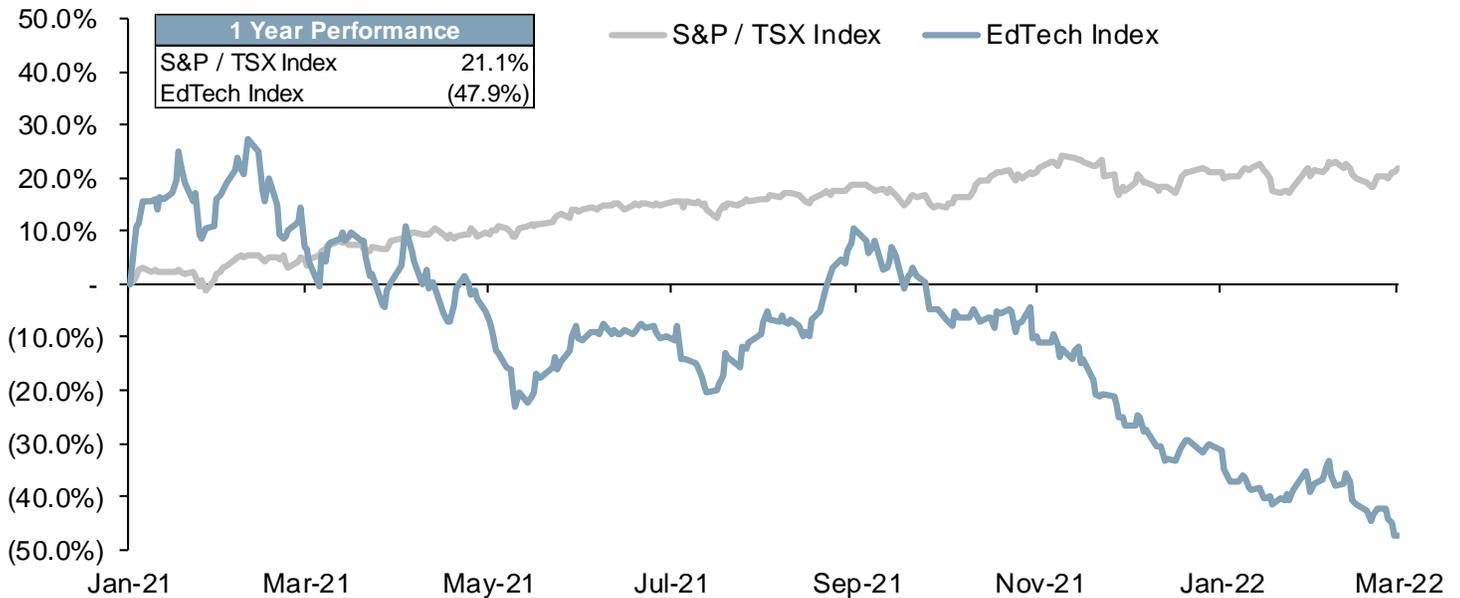
Develops a cloud-based platform for businesses to create, market, sell, and deliver online courses. The company went public to increase its financial flexibility, and facilitate access to public markets

Source: S&P Capital IQ & Company IPO Prospectus; All figures in CAD\$ unless otherwise stated

1. CNBC; Crunchbase

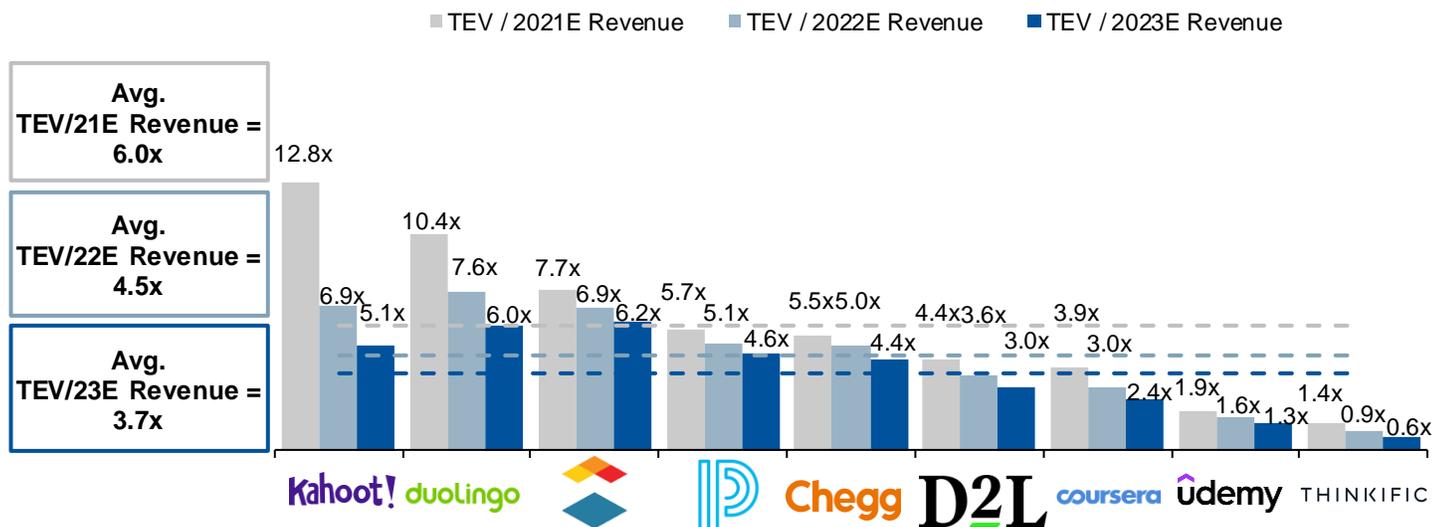
2. Calculated as the % variance between the IPO stock price and current stock price as of March 8, 2022

EdTech Index Performance¹



- Although the street remains positive on the Edtech industry, uncertainty around return-to-school plans and future growth prospects have hampered recent share performance for publicly traded edtech companies

EdTech Comparables¹



As of March 08, 2022; all figures in CAD millions

| | | | | | | | | | |
|-----------------------|--------|-------|-------|-------|-------|-------|-------|-------|-------|
| Enterprise Value | 1,522 | 3,313 | 4,057 | 4,106 | 5,457 | 850 | 2,098 | 1,261 | 66 |
| Market Capitalization | 1,657 | 3,985 | 3,594 | 3,261 | 5,262 | 644 | 3,133 | 1,950 | 228 |
| 2021E Revenue | 119 | 318 | 526 | 714 | 985 | 195 | 532 | 661 | 49 |
| 2022E Revenue | 220 | 436 | 592 | 806 | 1,088 | 234 | 694 | 807 | 71 |
| 2023E Revenue | 300 | 553 | 657 | 890 | 1,243 | 282 | 866 | 995 | 107 |
| 17A - 20A CAGR | 100.2% | n/a | 23.3% | n/a | 36.2% | n/a | n/a | n/a | n/a |
| 20A - 23E CAGR | 96.1% | 38.4% | 19.0% | 16.6% | 14.3% | 20.0% | 31.7% | 21.5% | 57.8% |

Source: S&P Capital IQ,

1. EdTech Index is composed of equally weighted market prices for those seen on the list of Edtech comparable companies; consists of the most prominent Canadian and largest US based education technology companies

Education Technology M&A Overview

- Throughout 2021, the EdTech industry experienced strong growth, with companies engaging in multiple financing rounds, acquisitions, and IPOs
- Acquisitions have yielded significant opportunities to realize revenue and cost synergies through integration and to provide companies access to new markets
- M&A is expected to continue throughout 2022, driven by momentum gained over the last 18 months, as well as due to the large amount of injected capital into the industry that has given rise to new players
 - Technologies such as artificial intelligence (AI), internet of things (IOT) and cloud-based computing have disrupted traditional industries, and have led to a technology convergence
 - The race to exploit emerging technologies creates opportunities for M&A, either as an acquirer or as a target to be acquired, while serving to rapidly scale EdTech businesses

| Date | Target | Target Location | Buyer | Buyer Location | TEV | Target Description |
|--|---|--------------------------|--|--------------------------|------|---|
| <i>(Figures in CAD\$ millions, unless otherwise indicated)</i> | | | | | | |
| Feb-22 | Follett Corporation | United States and Canada | Jefferson River Capital | United States and Canada | - | Provides education technology, services to pre-K and K-12 schools |
| Feb-22 | Seneca Learning Ltd. | Europe | GoStudent GmbH | Europe | - | Operates as an EdTech company that operates as a homework platform |
| Jan-22 | Shalatech Private Limited | Asia / Pacific | LectureNotes Technologies Private | Asia / Pacific | - | Develops a community driven education technology platform |
| Dec-21 | Arrina Education Services Private Limited | Asia / Pacific | upGrad Education Private Limited | Asia / Pacific | - | Provides online education and training services |
| Nov-21 | Global Study Partners Pty Ltd | Asia / Pacific | upGrad Education Private Limited | Asia / Pacific | 20.5 | Provides online B2B EdTech platform that include management services |
| Nov-21 | Listen Innovation Inc. | United States and Canada | Know ledgemotion Ltd | Europe | - | Operates a listening teaching platform that uses public radio |
| Oct-21 | Coding Minutes Edtech Private Limited | Asia / Pacific | Interview Bit Technologies Pvt Ltd. | Asia / Pacific | 1.2 | Offers online education courses for coding and machine learning |
| Oct-21 | UMOOC Online Education Technology | Asia / Pacific | Beijing Yierxue Education Technology Company | Asia / Pacific | 7.2 | Provides online teaching support for post-secondary institutions |
| Sep-21 | ClassKlap Private Limited | Asia / Pacific | Proficiency Learning Solutions Private Limited | Asia / Pacific | 24.4 | Offers personalized digital learning curriculums accessible via phones |
| Sep-21 | Shenzhen Jisen Information Tech Limited | Asia / Pacific | Skillful Craftsman Education Technology | Asia / Pacific | 5.8 | Develops financial education software |
| Sep-21 | Blackboard Inc. | United States and Canada | Anthology Inc. | United States and Canada | - | Develops enterprise technology and solutions for the education industry |
| Jul-21 | Elation Edtech Pvt. Ltd. | Asia / Pacific | Navneet Tech Ventures Private Limited | Asia / Pacific | 0.5 | Set up and run innovation and tinkering labs in schools |
| Jul-21 | Convergia Digital Education | Asia / Pacific | Safari Digital Education Initiatives Private Limited | Asia / Pacific | 0.0 | Provides technology integrated teaching and learning solutions |
| Jul-21 | EesySoft Software International B.V. | Europe | Instructure Holdings, Inc. (NYSE:INST) | United States and Canada | 23.6 | Develops online education and management platforms |
| Jun-21 | Guangdong Mingsheng Online Education | Asia / Pacific | Chongqing Fanyun Education Technology | Asia / Pacific | 24.8 | Provides various services through its online platform |
| May-21 | Shenzhen Jisen Information Tech Limited | Asia / Pacific | Wuxi Kingway Technology Co., Ltd. | Asia / Pacific | 7.5 | Develops financial education software |
| May-21 | Dalian Neusoft Ruixin Technology | Asia / Pacific | Dalian Sidi Technology Development Co., Ltd. | Asia / Pacific | 35.1 | Operates as a developer and seller of educational software |
| Apr-21 | Beijing Xiangyue Education Technology | Asia / Pacific | China Online Education Group (NYSE:COE) | Asia / Pacific | - | Provides a digital application that provides reading material to students |
| Mar-21 | Noesis Learning Private Limited | Asia / Pacific | Giggle Galaxy Private Limited | Asia / Pacific | - | Enables digital learning and offers online degree programs |
| Mar-21 | Tianjin Puxin Online School Education | Asia / Pacific | Gaotu Techedu Inc. (NYSE:GOTU) | Asia / Pacific | 7.3 | A K-12 institute that operates Puxin online school business |
| Feb-21 | Dalian Neusoft Ruixin Technology | Asia / Pacific | Dalian Sidi Technology Development Co., Ltd. | Asia / Pacific | 51.1 | Operates as a developer and seller of educational software |

EdTech Industry Significant News

Federal Funding to EdTech

- **January 21, 2022** – Recent US Federal stimulus meetings resulted in the Biden administration promising to provide funding for student tutoring
- The stimulus is expected to amount to USD\$122 billion over three years, which will go towards online tutoring, either one-to-one or through learning programs
- Spending on virtual tutoring is explicitly allowed under federal stimulus guidelines, with online tutoring expected to persist in the future due to current labour shortages, and the high quality of remote tutoring

Skillsoft to Acquire Codecademy

- **December 22, 2021** – Skillsoft announced the acquisition of the leading online learning platform for technical skills, Codecademy
- The acquisition will significantly expand Skillsoft's capabilities in the high-growth tech and dev segment, and create an even more immersive online learning experience
- On completion, the acquisition combines Skillsoft's enterprise customer base of more than 12,000 corporate customers and 46 million learners with Codecademy's 40 million learners

Daycare Software Funding

- **November 18, 2021**– Hi Mama Inc, which engages in the developing documentation and communication solutions in the childcare sector, has raised CAD \$70 million to bring software to daycares
- The company's current service offering is a mobile app that enables daycares to share photos and daily activities, track attendance and development skills, and manage staffing
- The company has more than 6,800 childcare centers in Canada and the US

Owl Ventures Closes New Fund

- **January 12, 2022** – Owl Ventures, the largest venture capital fund in EdTech, announced it has closed over \$1 billion in new funds
- The new funds will further fuel Owl Ventures' strategy of making early, growth and later stage investments in the world's leading EdTech companies
- The funds will also be deployed through Owl Ventures' role as an active investor in the next wave of global EdTech companies, from seed to late-stage investments

Beijing to Build Edtech Platform

- **December 8, 2021**– Beijing is rolling out a centralized Edtech platform for middle schoolers aimed to meet the still high demand for academic tutoring, following the ban on for-profit tutoring
- Middle school students will be able to access the platform through laptops or smartphones and connect with public school teachers every weekday

China's EdTech Crackdown

- **September 22, 2021**– The Chinese central government has imposed new policies that have impacted the industry
- The most impactful policy was the ban on for-profit tutoring services which have been disastrous for Edtech companies since as much as 50% to 80% of their revenue comes from tutoring

ApplyBoard Capital Raise

- **June 15, 2021** – ApplyBoard, which operates a platform to connect students internationally, announced the raise of C\$375 million in in Series D funding to bolster its international expansion efforts
- The all-equity round was led by Ontario Teachers' Pension Plan Board

Select Recent OMP Transactions

Yorkville Education Company, parent of



& **Toronto Film School**

Has been acquired by



BIRCH HILL
equity partners



Exclusive Financial Advisor on its Strategic Investment from



About Origin Merchant Partners

Origin Merchant Partners is a leading independent investment bank providing acquisition and divestiture services across North America. For additional information on the matters contained herein please contact any member of our team below



Shaun Quennell
Director– **Primary Contact**
shaun.quennell@originmerchant.com
T: 416-800-1768



Jim Osler
Principal
jim.osler@originmerchant.com
T: 416-800-0784



Jim Meloche
Principal
jim.meloche@originmerchant.com
T: 416-800-0873



Alain Miquelon
Principal
alain.miquelon@originmerchant.com
T: 416-800-0850



Karen Fisman
Director
karen.fisman@originmerchant.com
T: 416-356-1226



Francis Laferriere
Analyst
francis.laferriere@originmerchant.com
T: 905-399-3206