

M&A SPOTLIGHT ON EDUCATION



Recent News Highlights

Will COVID-19 Lead to Another MOOC Movement?

While massive open online courses (“MOOCs”) were initially invented to enable lower-cost education for people who often could not afford access to traditional education, the recent surge in COVID-19 cases has forced an unprecedented shift to online teaching at colleges around the world.

As the virus continues to spread, companies such as Coursera, a major platform for large-scale online courses, have expanded access to their platforms for free, so that a wider audience can make use of MOOCs content.

In addition to Coursera, edX, a nonprofit founded by MIT and Harvard University, began making its course catalog and certificate programs free to its college partners through its Remote Access Program.

3 Ways the Coronavirus Pandemic Could Reshape Education

COVID-19 has dramatically changed how students are educated around the world. With more than 420 million children affected due to school closures, these changes give us a glimpse at how education could transform in the long term.

- 1. Innovation in education:** Current conditions have become a catalyst for institutions to search for innovative educational solutions. For example, students in Hong Kong have started to learn via interactive apps
- 2. Growth in public-private partnerships:** Coalitions of diverse stakeholders have engaged to develop solutions to the crisis. In China, a public-private partnership has created a cloud-based online learning platform
- 3. Widening of the digital divide:** Digital access is becoming a more prominent hurdle for quality education

Highlighted Education M&A Activity



Galileo Global Education Sold

On March 6th 2020, **Providence Equity Partners** announced the sale of **Galileo Global Education**, one of Europe's largest private education groups, to a consortium of long-term institutional investors including **CPPIB** and **Montagu**. Based in Paris, Galileo operates a network of 40+ schools in 12 countries, including the Paris School of Business, Macromedia University in Germany, and Italian fashion school Istituto Marangoni. Under the deal, it is reported that each of the new shareholders will own approximately 40% of the company.

The deal was reportedly worth €2.5 billion, implying a valuation of nearly 20x its TTM EBITDA.

Galileo's Geographic Reach

Geography	# of Schools
North America:	
1. United States of America	1
2. Mexico	1
Europe:	
3. France	22
4. Italy	3
5. Germany	3
6. United Kingdom	1
7. Belgium	1
8. Cyprus	1
Asia:	
9. India	3
10. China	2
11. Singapore	1
Africa:	
12. Senegal	2



Cornerstone On Demand Acquires Saba

On February 24th, 2020, **Cornerstone On Demand** ("Cornerstone"), a global leader in people development solutions, announced it had entered into a definitive agreement to acquire **Saba Software Inc.**, a leader in talent experience solutions with over 20 years of experience developing, delivering, and supporting learning performance and recruiting solutions. The cash and stock transaction is valued at US\$1.4 billion and the combined company will have more than 75 million users across ~7,000 organizations worldwide. Cornerstone made the acquisition in order to consolidate the HR technology market and give the company increased scale to grow.

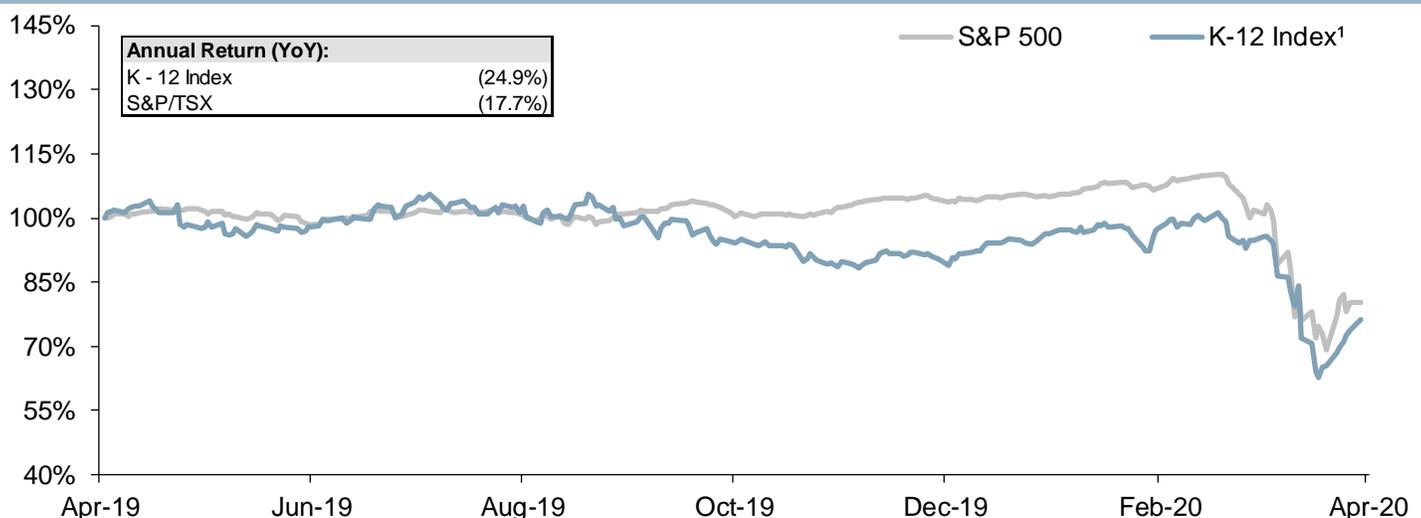
Cornerstone M&A Activity

Announce Date	Target	Description
24-Feb-20	Saba Software	Cloud-based solutions for learning, recruiting, and talent management
16-Jan-20	Clustree SA	Develops artificial intelligence for career management
07-Nov-18	Grovo Learning	Platform that provides microlearning solutions for companies
12-Sep-18	Workpop	Online job search and hiring platform for individuals and employers
07-Oct-14	Evolv	Provides workforce optimization solutions through cloud computing

Recent Education M&A Activity

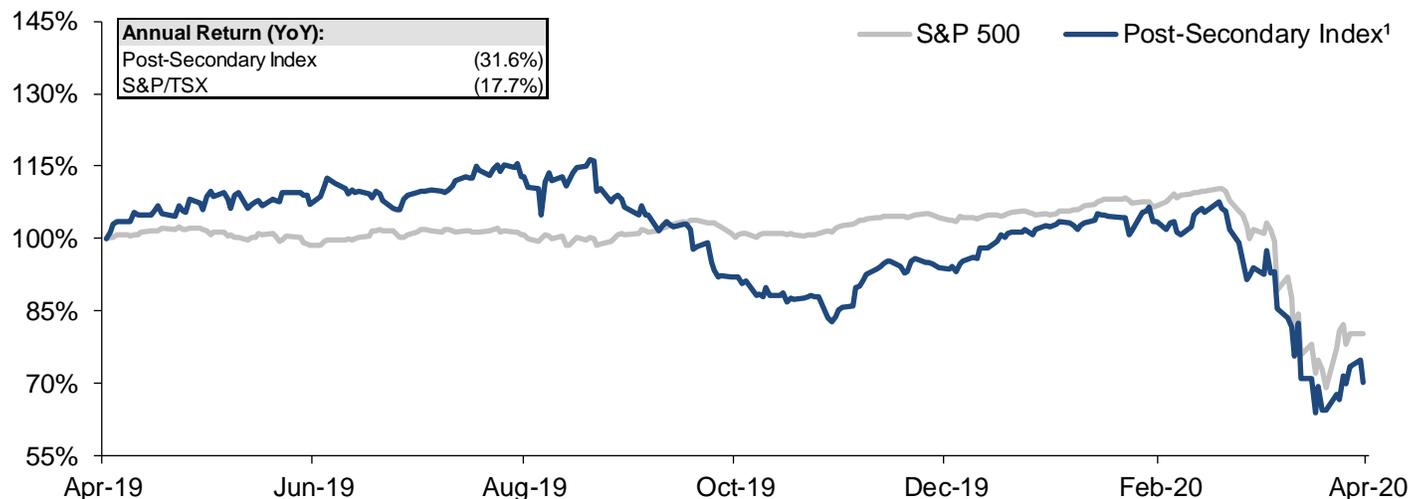
- In March 2020, **Hotmart**, a Brazil-based SaaS platform that creates and sells online courses, announced plans to acquire **Teachable**, a similar New York-based company, for US\$250 million, or 10x run-rate revenue. According to Hotmart CEO João Pedro, the acquisition is intended to help Hotmart expand its presence in the U.S. Hotmart currently has 670 employees, primarily in Latin America and Europe, and will expand to ~800 upon closing of the transaction. Founded in 2014, Teachable has ~30 million students on its platform.
- In March 2020, **Thoma Bravo**, a leading private equity firm focused on software and technology-enabled services sectors, announced its acquisition of **Instructure**, a Salt Lake City-based learning management system provider best known for its Canvas product, which is widely used in the U.S. higher education market. The deal values Instructure at ~US\$2 billion, or ~7.7x 2019 revenue. Instructure's platforms help educate over 30 million users by providing innovative learning management solutions that serve the needs of educators, students, and businesses.
- In March 2020, **Blackboard**, a Virginia-based provider of learning management software for K-12, higher education, government, and business agreed to sell its Open LMS business (formerly called Moodlerooms) to **Learning Technologies Group ("LTG")**, a London-based conglomerate of workplace learning software services. LTG will pay US\$31.7 million, or ~2x revenue for Open LMS, which is currently considered to be the largest commercial Moodle provider worldwide. According to Blackboard, the divestiture allows it to simplify its business and accelerate momentum in helping clients move to its core LMS offerings. Blackboard serves over 100 million users worldwide.
- In January 2020, **K12 Inc. ("K12")**, a leading tech-enabled education company, acquired **Galvanize Inc. ("Galvanize")**, a leader in learning development for individuals and corporations in technical fields such as software engineering and data science, for US\$165 million, or ~3.3x revenue. The acquisition positions K12 as a premier provider of career readiness education services and technical skills training.

K-12 Index Performance



1. K-12 Index is composed of equally weighted market prices for the mid-large cap companies (>\$250MM market cap) for those seen on the list of K-12 comparable companies

Post-Secondary Education Index Performance



Key Education Comparables

(All figures in \$US millions, unless otherwise indicated)

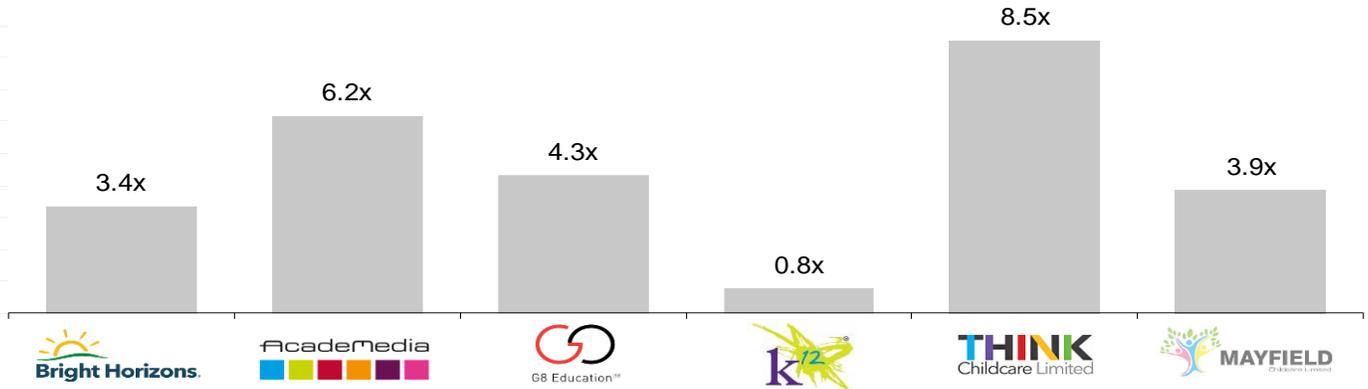
	Market Cap	Enterprise Value (TEV)	TEV / EBITDA		Price / Earnings		1 Year Return
			2020E	2021E	2020E	2021E	
K-12 Comps:							
Bright Horizons Family Solutions Inc.	5,413	7,178	20.7x	15.7x	30.6x	21.9x	(24.1)%
AcadeMedia AB (publ)	506	1,483	14.1x	12.4x	9.6x	8.7x	(10.3)%
G8 Education Limited	236	881	5.9x	4.9x	5.8x	4.8x	(65.2)%
K12 Inc.	700	537	3.9x	na	37.2x	19.1x	(40.2)%
Think Childcare Limited	28	159	12.6x	10.7x	4.9x	4.9x	(41.2)%
Mayfield Childcare Limited	12	35	8.5x	7.9x	4.5x	4.2x	(5.8)%
K-12 Average			10.9x	10.3x	15.5x	10.6x	(31.1)%
Post-Secondary Comps:							
Laureate Education, Inc.	2,138	4,061	6.0x	5.6x	11.2x	7.7x	(35.4)%
Strategic Education, Inc.	2,711	2,362	8.3x	7.5x	16.1x	14.9x	(10.5)%
Adtalem Global Education Inc.	1,386	1,970	8.5x	na	9.4x	na	(46.3)%
Perdoceo Education Corporation	705	475	3.2x	3.0x	6.7x	6.0x	(36.2)%
American Public Education, Inc.	339	149	5.4x	3.8x	33.8x	20.7x	(29.9)%
Lincoln Educational Services Corporation	59	124	8.1x	7.3x	9.3x	6.3x	(29.4)%
Zovio Inc	50	11	nmf	nmf	3.9x	3.0x	(75.0)%
Post-Secondary Average			6.6x	5.4x	12.9x	9.8x	(37.5)%
Total Education Average			8.8x	7.9x	14.1x	10.2x	(34.6)%

1. Post-Secondary Index is composed of equally weighted market prices for the mid-large cap companies (>\$250MM market cap) for those seen on the list of Post-Secondary comparable companies

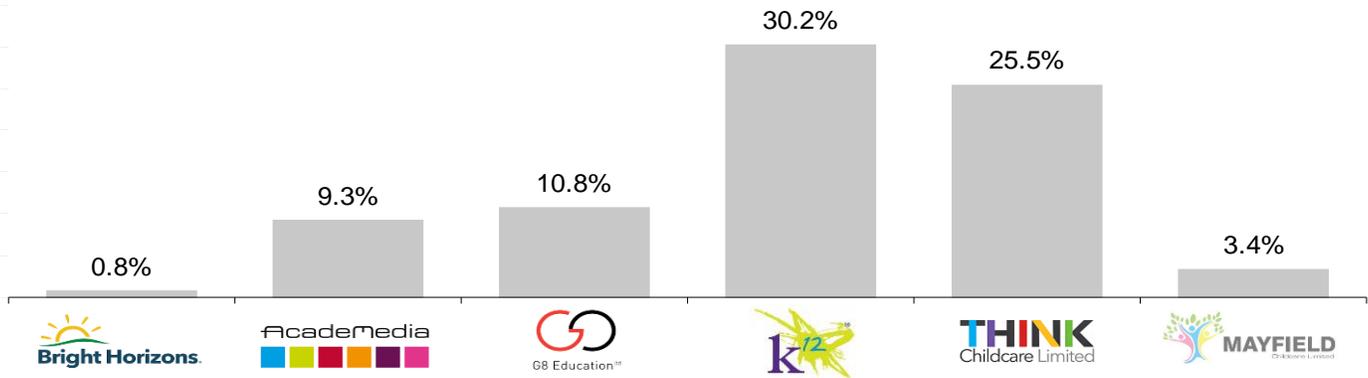
K – 12 Constituents Liquidity Analysis

Debt to LTM EBITDA

- AcademeMedia and Think Childcare have substantially higher leverage levels than their peers, which is largely the result of significant leases that had to be capitalized as part of the IFRS 16 accounting change



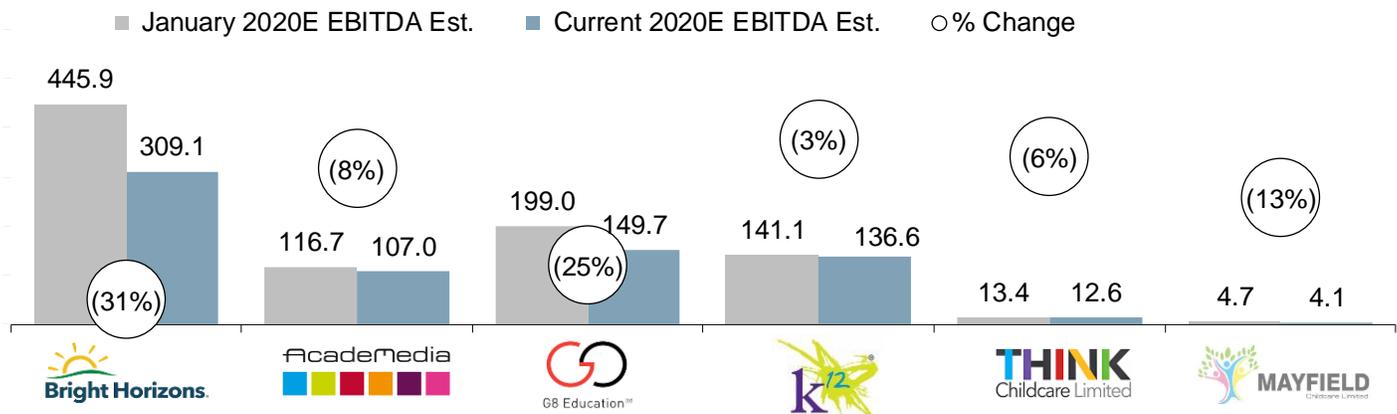
Cash as % of Market Capitalization



Analyst Expectations

(All figures in \$US millions, unless otherwise indicated)

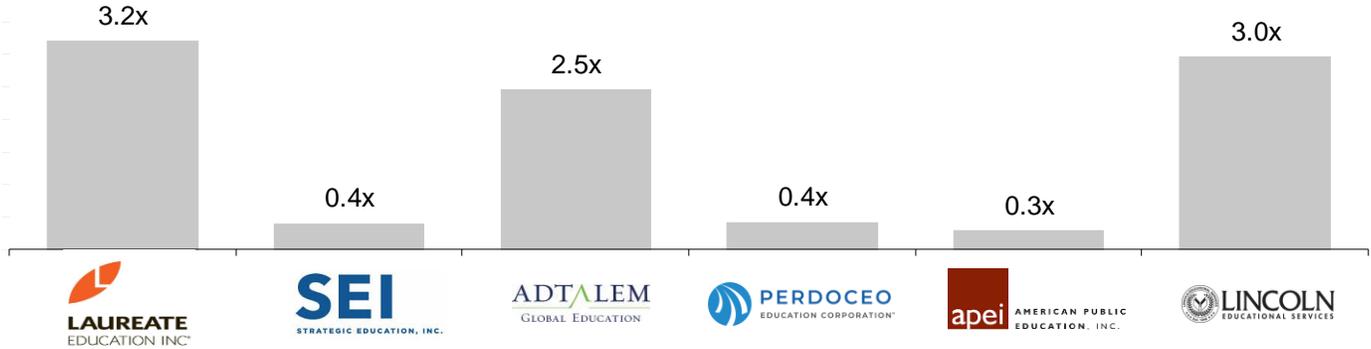
- K-12 2020 forecasts have been severely dampened in light of the current crisis, with childcare companies such as G8 and Bright Horizons bearing the brunt of the market disruption
- Primarily due to the temporary closure of several childcare locations in response to COVID-19



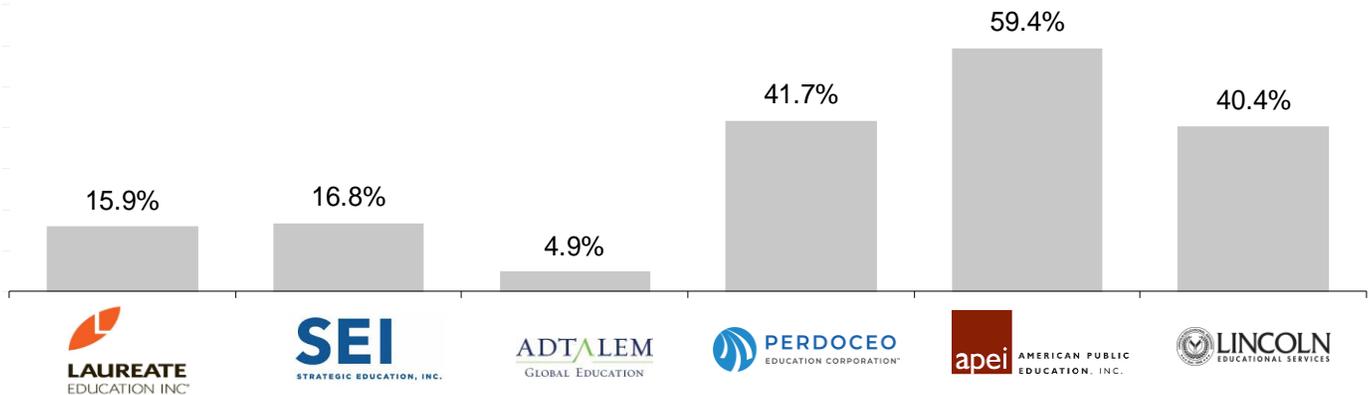
Post Secondary Constituents Liquidity Analysis

Debt to LTM EBITDA

- Post-Secondary companies have typically been more conservatively capitalized, averaging approximately 1.6x Debt / EBITDA, with a broad range of debt structures within the peer group



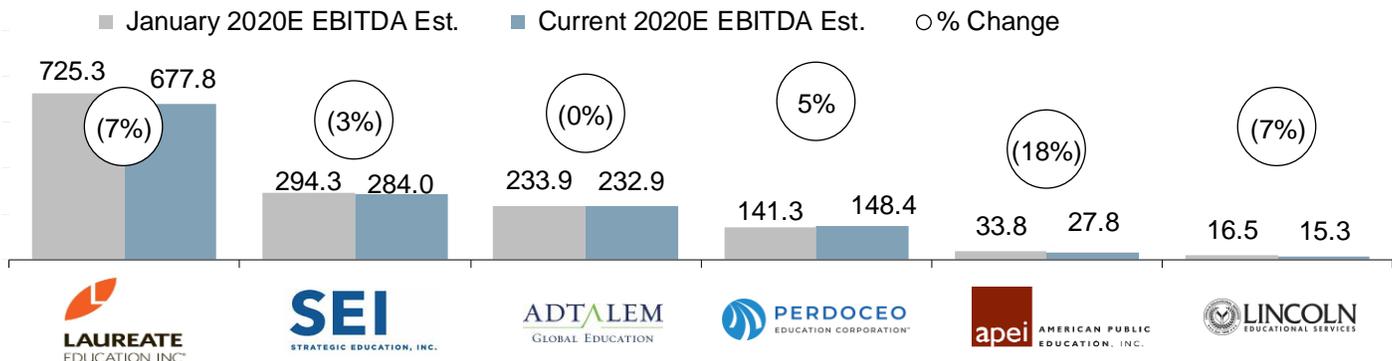
Cash as % of Market Capitalization



Analyst Expectations

(All figures in \$US millions, unless otherwise indicated)

- Post-Secondary companies have fared better than their K-12 counterparts, averaging an EBITDA revision of only 6% from a quarter prior as online education remains an alternative option for continued education



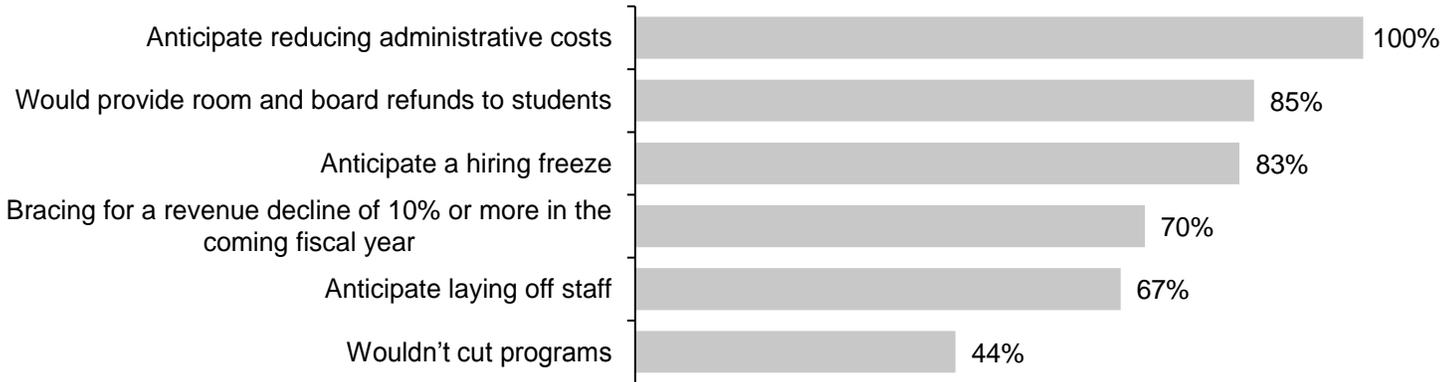
Note: Zovio was excluded from the analysis as an outlier

Post Secondary Constituents Liquidity Analysis

College Survey Results – Coronavirus Pandemic

In a survey conducted of 285 college presidents – it was found that most are planning employee layoffs and cost reductions for the upcoming fiscal year in response to the coronavirus pandemic

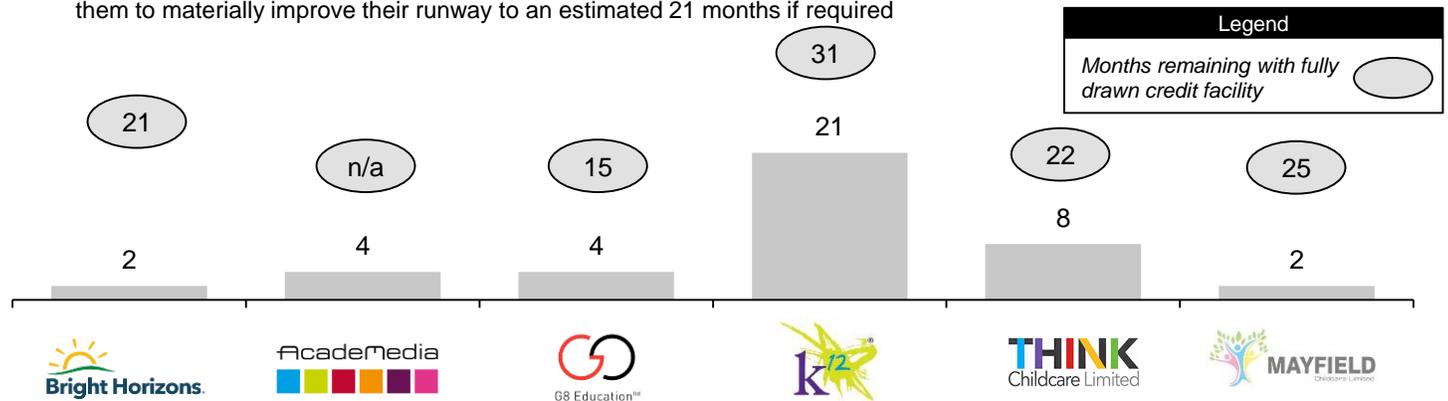
Survey Results:



Source: ABC Insights, Association of American Colleges and Universities

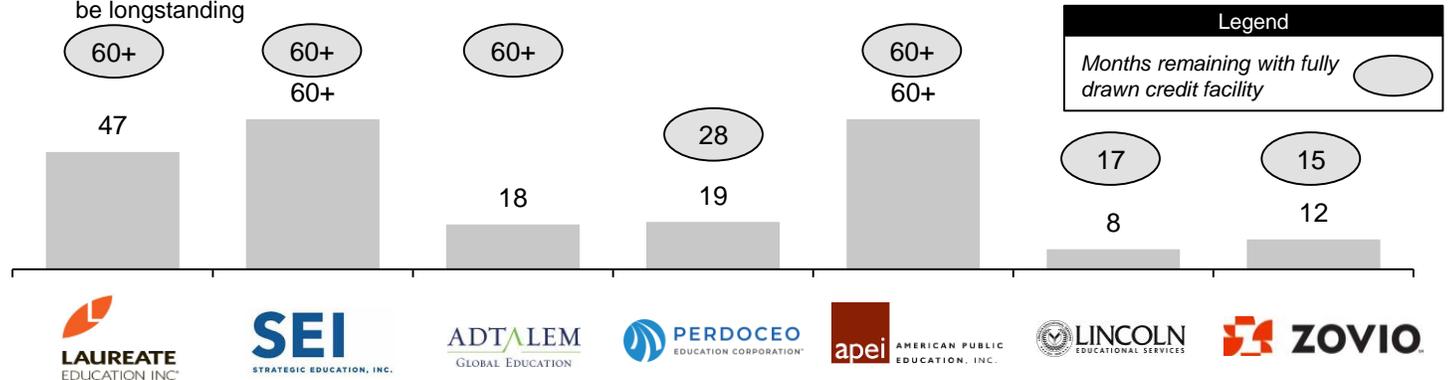
K-12 Liquidity Analysis – Months of Cash Remaining to Fund Operations¹

- Due to the relatively low cash on hand, Bright Horizons Family Solutions is estimated to only last approximately two months if operations were to shut down. However, additional credit facilities including a \$225 million revolving credit facility would allow them to materially improve their runway to an estimated 21 months if required



Post-Secondary Liquidity Analysis – Months of Cash Remaining to Fund Operations¹

- Due to Strategic Education and American Public Education's relatively high current cash balance and manageable SG&A expenses, we estimate that they will be able to fund operations for the longest duration if the impacts due to COVID-19 were to be longstanding



1. The following presents an estimate as to how many months each respective company could stay afloat (excluding impacts of external financing) assuming the following expenses are incurred for each month based on FY2019 results and current cash balances:

- 0% of revenue & COGS, 50% of SG&A, and 100% of interest expenses for K-12 companies
- 25% of revenue & COGS, 50% of SG&A, and 100% of interest expenses for Post-Secondary companies

For More Information *on our insights into the education sector or to discuss this report further,*
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