

M&A SPOTLIGHT ON

EDUCATION



Recent News Highlights

How a COVID Gap Year Will Be Different Than Previous Gap Year Experiences

The idea of taking a gap year between high school and college has been available, albeit a niche idea to many. About 40,000 students out of 2 million first-time college students each year in the United States do some form of gap year.

The COVID-19 pandemic has created a rush of interest in the gap year however, as many campuses have not opened for traditional classes this fall. Suddenly, website traffic for the Gap Year Association is seeing a huge spike in people looking into the idea, with website traffic up approximately 150 percent compared to the same time last year.

Experts say that gap years are typically done by students who don't know what they want to major in. However, for many students this year it was due to an aversion to paying the full price of residential college as many residential aspects will be unavailable, limited, or delayed.

How Schools will Need to Restart in Fall

Continuity of student learning has varied wildly between schools, compounding disparity between students. Some researchers expect students will have completed only half their grade-level goals in math and fewer than three-quarters of their goals in reading during COVID.

Quality formative assessments will be especially important for closing COVID learning gaps. In order to adjust to the new normal, schools will need to:

- Have the flexibility to administer assessments with teacher support without comprising the accuracy of results
- Have actionable data that include specific recommendations that match students' needs with options for differentiating instruction
- Have ongoing, comprehensive access to results in order to monitor progress

Industry Highlights

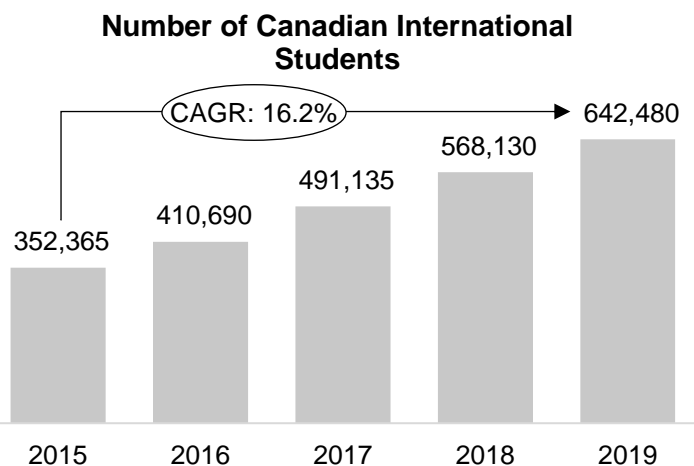
The Education Sector is Quite Large⁽¹⁾

The current size of the U.S. education sector is currently estimated to be approximately \$1,550 billion, and is forecasted to reach approximately \$2,040 billion by 2026, a CAGR of more than 4.5%. High demand for online education, as well as increased demand for video-based content in the U.S. is expected to propel growth.

It is anticipated that video-based content will be increasingly adopted as it facilitates faster thinking, improved problem-solving skills, and also reduces training costs and time.

Counter-Cyclicality of the Education Sector⁽⁴⁾

The education industry is widely considered a counter-cyclical industry as when the economy is doing poorly and unemployment is rising, more working adults decide to upgrade their education as a means to provide them with a competitive edge when the economy returns. As the economy improves, enrollments decline as plenty of jobs become available and a higher education becomes less important in a job search.



Current size of the education market in the United States...

\$1,550B

COVID is accelerating Transformative Technology Adoption^(2,3)

Whether it is language apps, virtual tutoring, video conferencing tools, or online learning software, there has been a significant surge in usage since COVID-19. In a matter of months, video conferencing tool Zoom has seen daily active users jump from 10 million to 200 million – many of which are from schools, universities, and other education providers.

Even before COVID-19, there was already high growth and adoption in education technology, with global edtech investments reaching \$19 billion in 2019. However, with global adoption of transformative technology adoption, the overall market for online education is project to reach \$350 billion by 2025⁽²⁾.

Growth in Global Education⁽⁵⁾

University education is becoming a global phenomenon, with global international students growing from approximately two million students to over five million today.

This comes largely due to the rise in the global middle-class population, with more students looking to pursue education and immigration opportunities overseas.

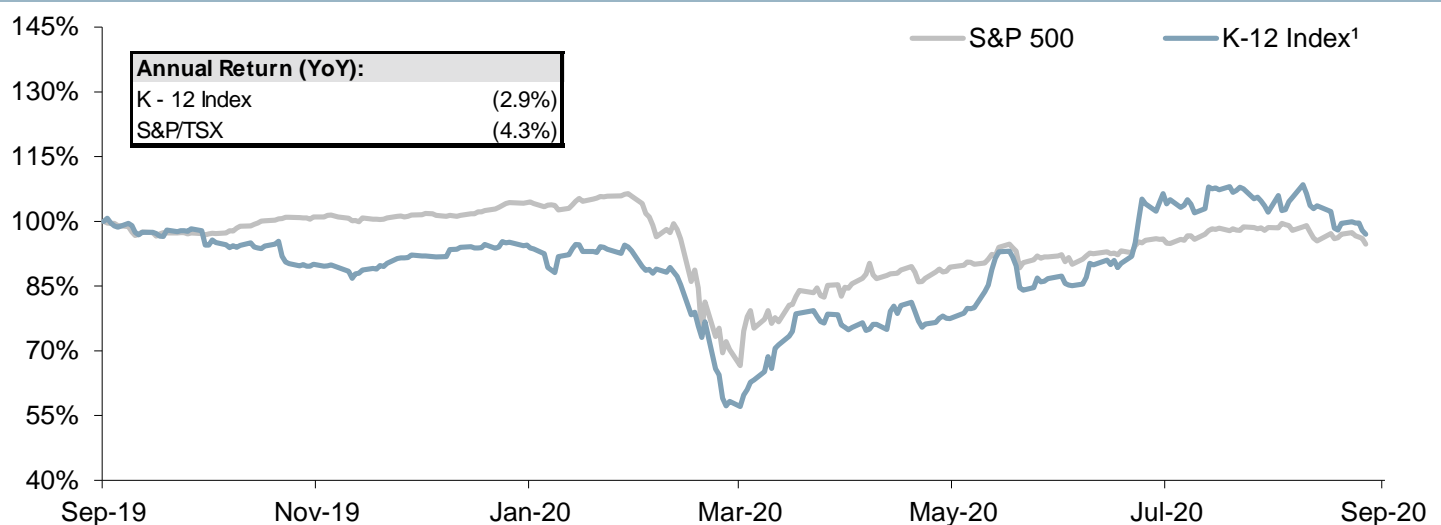
Canada in particular now ranks the world's third-largest destination of international students, with 642,000 foreign students in 2019, a growth rate of 13% from the year prior.

Source: (1) GlobeNewswire (2) Weforum (3) GlobalNewsWire (4) Forbes (5) Immigration, Refugees and Citizenship Canada (IRCC) data

Recent Education M&A Activity

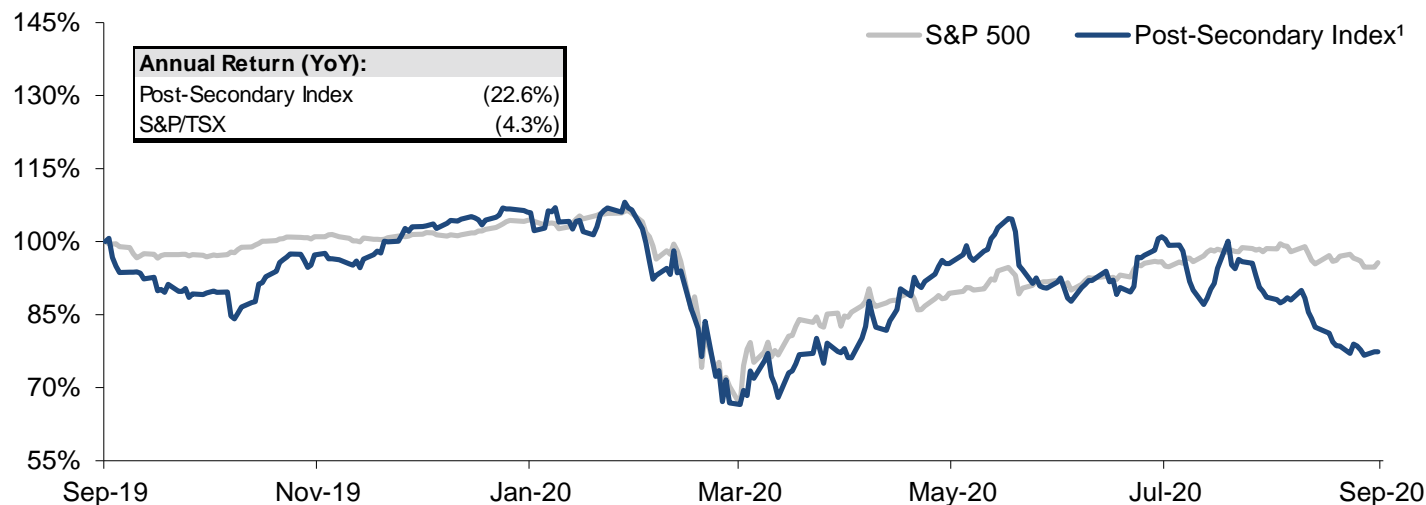
- In September 2020, **Birch Hill** completed an investment in **Yorkville Education Company**, the parent of Yorkville University and the Toronto Film School. Yorkville Education Company is a highly successful Canadian post-secondary institution that offers a variety of degree/diploma programs. Origin Merchant Partners acted as the exclusive financial advisor to Yorkville Education company with respect to the transaction.
- In September 2020, **Carnegie Learning**, a Pittsburgh-based provider of curricula, textbooks and math learning software for grades 6-12, acquired **Scientific Learning Corp**, a developer of neuroscience-based software and educational products for K-12, for \$15 million in an all-cash deal. Following the acquisition, the two companies will work together to redefine and accelerate the role technology plays in K-12 education.
- In September 2020, **Adtalem**, a workforce education services provider, agreed to acquire **Walden University**, a provider of online health education, in an all-cash transaction. Adtalem will pay \$1.5 billion, or 8.4x pre-synergy adjusted EBITDA, and expects to generate \$60 million in incremental free cash flow the year following the acquisition. The acquisition will expand Adtalem's workforce solutions offerings and help it to become a leading healthcare educator.
- In August 2020, **IXL Learning**, a California-based provider of digital instructional and assessment tools for K-12 agreed to acquire **3P Learning**, an Australian education technology company, in an all-cash deal worth A\$190 million. 3P Learning offers a diverse portfolio of digital math, literacy and science content that has reached an estimated 5 million students and 17,000 schools around the world, which will help IXL expand its footprint in Australia. This acquisition marks the company's fourth acquisition in 3 years, furthering its highly acquisitive strategy to drive growth.
- In July 2020, **Coursera**, a provider of online courses for higher education institutions, businesses and government agencies, raised \$130 million in a Series F round at a \$2.5 billion valuation. The investment was led by **NEA** and included participation from previous investors, **Kleiner Perkins**, **SEEK Group**, **Learn Capital**, **SuRo Capital Corp**, and **G Squared** whom have helped the company raise \$464 million to date.

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 (TEV)	TEV / EBITDA		Price / Earnings		1 Year Return
			2020E	2021E	2020E	2021E	
K-12 Comps:							
Bright Horizons Family Solutions Inc.	8,608	10,198	n/m	28.8x	n/m	45.1x	(8.5)%
AcadeMedia AB (publ)	859	1,871	7.7x	6.2x	16.2x	13.5x	57.5 %
G8 Education Limited	582	1,116	8.2x	7.1x	18.2x	17.2x	(61.2)%
K12 Inc.	1,082	1,105	7.0x	6.0x	28.8x	21.5x	0.8 %
Think Childcare Group	37	193	16.6x	11.3x	10.1x	3.9x	(34.9)%
Mayfield Childcare Limited	16	43	14.0x	10.4x	9.2x	6.3x	(27.7)%
K-12 Average			10.7x	11.6x	16.5x	17.9x	(12.4)%
Post-Secondary Comps:							
Laureate Education, Inc.	2,661	4,413	7.9x	7.8x	33.8x	14.4x	(26.0)%
Strategic Education, Inc.	2,278	1,887	7.1x	7.0x	13.9x	14.5x	(36.4)%
Adtalem Global Education Inc.	1,299	1,318	6.1x	5.4x	10.3x	8.9x	(39.2)%
Perdoceo Education Corporation	845	564	3.6x	3.3x	8.0x	7.1x	(27.8)%
Lincoln Educational Services Corporation	162	218	13.2x	8.8x	26.0x	15.4x	186.7 %
American Public Education, Inc.	410	206	5.7x	5.0x	25.4x	19.8x	16.5 %
Zovio Inc	138	98	5.9x	4.9x	26.8x	10.2x	99.1 %
Post-Secondary Average			7.1x	6.0x	20.6x	12.9x	24.7 %
Total Education Average			8.6x	8.6x	18.9x	15.2x	7.6 %

(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

M&A Spotlight



KKR Acquisition of MasterD

About the Deal

On July 31st 2020, KKR closed the acquisition of MasterD, a leader in vocational, private and public sector training with over 50,000 active students in a transaction valued at approximately €140 million.

MasterD will become part of KKR's Global Impact strategy – investing in ESG companies that contribute to positive changes in society in sectors such as education, environmental, and other related fields. KKR's Global Impact strategy is focused on generating risk-adjusted returns by investing in companies that contribute toward the United Nations Sustainable Development Goals (“SDGs”).

Overview of

master.D

Founded in 1994 and headquartered in Spain, MasterD has a portfolio of more than 230 proprietary courses aimed at providing vocational training and professional certifications for the private sector, as well as providing preparation services for examinations through a range of departments. The company teaches in both online and blended formats through its own digital platform and its network of 36 centers in Spain and Portugal.

With approximately 50,000 active students and 30,000 courses sold annually, MasterD is the leader in its sector in Spain and Portugal.

MasterD – By the Numbers

Number of Courses Sold Annually	• 30,000
Number of Active Students	• 50,000
Number of Courses Offered	• 500
MasterD Total Website Views	• 10+ million

About KKR

KKR

KKR & Co. Inc. is a private equity firm specializing in direct and fund of fund investments across all industries.

With over \$220 billion in assets under management, KKR has over 100 portfolio companies, \$180+ billion in annual revenues in their private equity funds, and over 75,000 people employed worldwide.

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