



HOULIHAN LOKEY

PROFESSIONAL LEARNING AND K-12 EDUCATION

INDUSTRY UPDATE | Q3 2021



Integrated, Global Team Built to Advise the Training and Education Sector

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Among the Most Active Global Advisor Since the Beginning of 2020

EducationDynamics
a portfolio company of
Prudential Private Capital
and
MUIRLANDS
capital
has been acquired by
RENOVUS
CAPITAL

Sellside Advisor

corporate visions
conversations that win[®]
a portfolio company of
Sentinel
has been acquired by
Riverside

Sellside Advisor

skillsoft
has merged with
CHURCHILL CAPITAL II

Sellside Advisor

Circus Street
has been acquired by
QA
a portfolio company of
CVC

Sellside Advisor

TAILWIND CAPITAL
has acquired
ISSA

Buyside Advisor

skillsoft
has confirmed a "pre-packaged"
Chapter 11 Plan of Reorganization,
restructuring \$2.1 billion of debt and
raising \$110 million of new money
investment

Company Advisor

WorldStrides
Educational Travel & Experiences
has completed a "pre-packaged"
Chapter 11 Plan of Reorganization,
restructuring \$768 million of debt
and raising \$200 million of new
money investment

Company Advisor

its learning
a portfolio company of
IEQT
has been acquired by
sanoma

Sellside Advisor

TDR Capital
has acquired
BPP

Buyside Advisor

question mark
a portfolio company of
FPE
has been acquired by
Learnosity
a portfolio company of
Battery

Sellside Advisor

thi investments
has invested in
Corndel

Buyside Advisor

cbpe
has invested in
The Key

Buyside Advisor

BIMM INSTITUTE
a portfolio company of
SOVEREIGN
CAPITAL PARTNERS
has been acquired by
ICG

Sellside Advisor

eci
building successful businesses
has invested in
CIPHR
ALL ABOUT PEOPLE

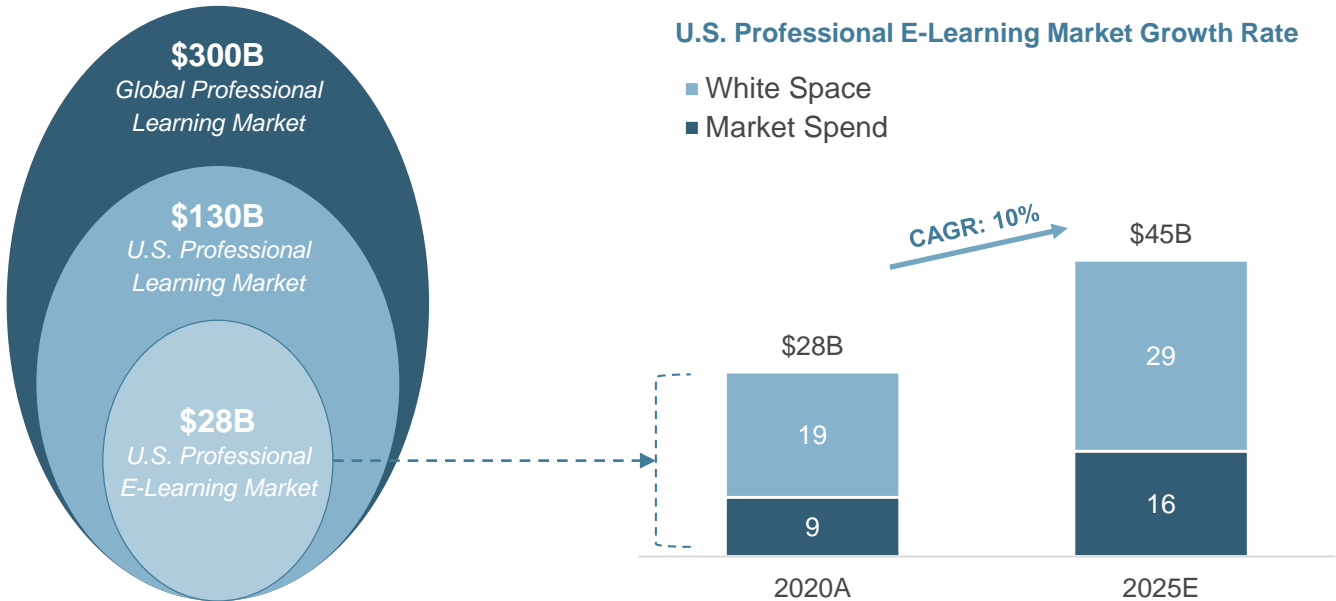
Buyside Advisor and Financing Advisor

Professional Learning

General Themes

The professional learning market is large and growing; the COVID-19 pandemic has accelerated enterprise focus on training and upskilling in an effort to both develop and retain talent.

Summarizing TAM and Market Growth Expectations⁽¹⁾



Upskilling and Talent Development

Given an aging workforce and increasing digitization accelerated by COVID-19, enterprises across industries are keen to bridge the growing skills gap and support their workforce.



Initiatives by Global Leaders



Feb. 2021: \$1 billion annual investment in reskilling, training, and learning.



Jun. 2020: \$1 billion commitment to combat racial inequity includes an upskill program.



June. 2020: Launched global initiative aimed at increasing digital skills.

(1) Skillsoft Investor Presentation (June 2021); (2) Talent LMS; (3) Represents the percent of global L&D professionals (from the survey cited in the second footnote) who identified these programs as their top priority in 2021; (4) Upskilling Hopes and Fears 2021, PwC (March 2021).

Professional Learning

Key Segment to Watch: Cybersecurity Training

Cybersecurity has emerged as a top priority for enterprises across sectors. Thus, companies will need to train and develop talent to best effectuate successful cybersecurity strategies.

Commentary

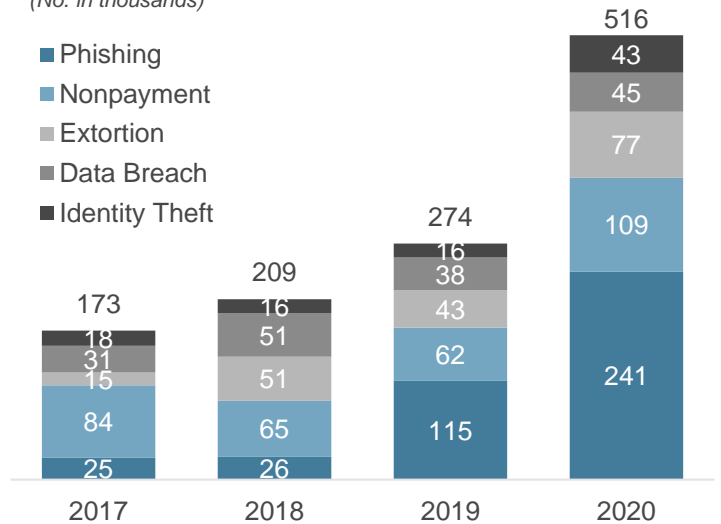
- The abrupt transition to a largely digital environment in the spring of 2020 created a favorable backdrop for cyberattacks, which targeted ill-prepared businesses; the surge in attacks escalated cybersecurity to a top go-forward priority for enterprises.

“There needs to be a real different approach to creating a cybersecurity solution... In what is an interconnected world it’s not about any one point solution, it is about having, I would say, an architectural approach.” —Satya Nadella, CEO of Microsoft, January 2021

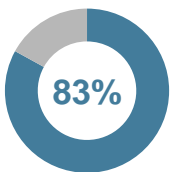
Surge in Cybersecurity Attacks⁽¹⁾

(No. in thousands)

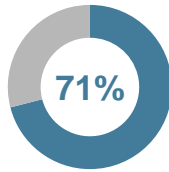
- Phishing
- Nonpayment
- Extortion
- Data Breach
- Identity Theft



Enterprises Have Ramped Up Efforts⁽²⁾



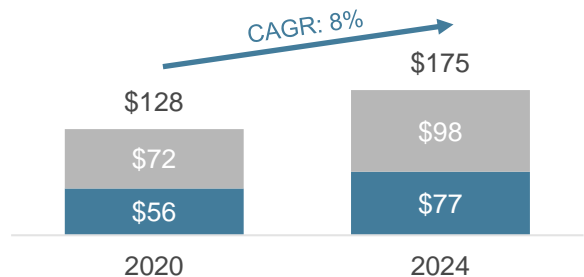
Large-scale enterprises transformed their cybersecurity approaches in the last six months.



Organizations expect their cybersecurity budgets to grow in next three years.

Growing Cybersecurity Market⁽³⁾

(\$ in billions) ■ U.S. ■ Rest of World



Key Trends Supporting the Need for Cybersecurity Training

- Increasing number of installed devices:** The number of installed IoT devices is expected to increase from 12 billion in 2020 to 31 billion by 2025.⁽⁴⁾
- Corporations are playing from behind:** Many organizations across industries have much to do to protect their information assets against threats and attacks.⁽⁵⁾
- Traditionally low-tech segments are a target:** Cyberattacks have rapidly increased over the last year, particularly affecting infrastructure providers and government agencies.⁽⁶⁾
- Universal federal government and enterprise collaboration is still in its nascency:** The new Joint Cyber Defense Collaborative is the first step to combining the efforts of federal agencies, state, and local governments with a large number of private sector organizations to combat cybercrime.⁽⁶⁾














(1) 2020 Internet Crime Report, Federal Bureau of Investigation; (2) Forbes (October 2020); (3) The cybersecurity market includes cloud and IoT security, e-commerce and payments, homeland security, and threat intelligence; (4) Global Industry Snapshot—Cybersecurity Industry, Acquisdata (August 2021); (5) Organizational Cyber Maturity: A Survey of Industries, McKinsey (August 2021); (6) U.S. Government Signs Up Tech Giants for New Cyber Defense Project, Forbes (August 2021)

Professional Learning

Select Transactions

The below reflects select transactions in the professional learning space, which continues to represent a largely fragmented market, with multiple high-growth end markets and verticals.

Well-Capitalized Players Continue to Play a Consolidator Role

Company	Recent M&A		
			
	Jul. 2019 <i>Develops safety management software that helps organizations record, track, and trend safety data.</i>	Feb. 2021 <i>Offers online courses and skills-based learning tools to enable businesses to build diverse teams.</i>	Jul. 2021 <i>Provides training solutions for colleges and universities, focusing on campus safety and student well-being.</i>
			
	Jan. 2015 <i>Operates an online traffic school, with teen driver and traffic safety programs.</i>	Jan. 2021 <i>Provider of online safety, training, and credentialing for career technical schools and the automotive, welding, construction, cosmetology, and culinary industries.</i>	Apr. 2021 <i>Provider of online professional licensure and continuing education for builders, plumbers, real estate agents, architects, and engineers.</i>
			
	Nov. 2019 <i>Provides healthcare continuing education and certification preparation to nurse practitioners.</i>	Feb. 2020 <i>Develops real estate courses, exam prep solutions, and textbooks.</i>	Sept. 2020 <i>Offers online continuing education and training for niche healthcare providers.</i>
			
		Feb. 2021 <i>Serves the real estate industry through appraisal and education services.</i>	






(1) Represents EverFi's Campus Prevention Network and Higher Education Business. Source: Capital IQ.

Professional Learning

Select Transactions (cont.)

The below reflects select transactions in the professional learning space, which continues to represent a largely fragmented market, with multiple high-growth end markets and verticals.

Landmark Closed Professional Learning Transactions

Company	Transaction Summary and Observations
 PLURALSIGHT  A CLOUD GURU	<ul style="list-style-type: none"> In July 2021, Pluralsight acquired A Cloud Guru, a cloud skill development platform, for ~\$2.0 billion. Through A Cloud Guru, Pluralsight will enhance its offering suite to address core customer challenges around cloud transformation, a fast-growing initiative for many enterprises. The combination deepens Pluralsight's IT training offering, creating a clear IT training leader.
	<ul style="list-style-type: none"> In July 2021, Articulate Global raised \$1.5 billion in a Series A round at a valuation of \$3.75 billion. Articulate Global develops e-learning software tools for designing courses, presentations, quizzes, and surveys for a broad range of end markets.
 skillsoft  Global Knowledge	<ul style="list-style-type: none"> In June 2021, Churchill merged with Skillsoft, valued at \$1.3 billion, and then acquired Global Knowledge for \$230 million; a \$530 million PIPE investment supported the transaction. This created the market's only public, pure-play B2B diversified digital learning player; Skillsoft's learning experience platform (LXP), Percipio, which boasts roughly 100% net revenue retention, championed the long-term growth story.

New Platforms

Company	Transaction Summary
  corporate visions <small>conversations that win™</small>	<ul style="list-style-type: none"> In August 2021, The Riverside Company acquired Corporate Visions, a provider of revenue enablement training and content to global enterprises. Select investment considerations include proprietary IP and content, an impressive customer base comprising leaders across industries, and sector tailwinds, particularly around digital sales and customer success.
 ISSA	<ul style="list-style-type: none"> In March 2021, Tailwind Capital acquired ISSA, a fitness education services provider. Select investment themes include fitness and wellness training market momentum, a growing member base, and an expanding portfolio of courses and content for both fitness professionals and enthusiasts.
LEARNERS EDGE	<ul style="list-style-type: none"> In December 2020, Quad-C acquired Learners Edge, a provider of professional development and continuing education graduate courses for teachers. Investment themes include teacher shortages, predictable revenues, and a growing demand for teacher professional development.

 Indicates Houlihan Lokey transaction.

Source: Capital IQ.

K-12 Education

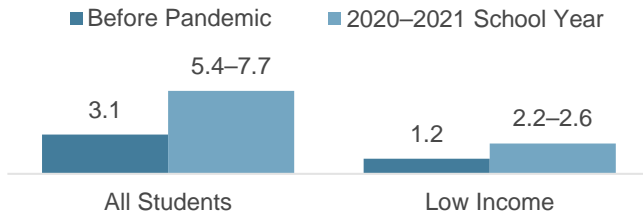
Summarizing Current K-12 Challenges

The learn-from-home environment has posed an unprecedented threat to student development, setting the stage for a challenging back-to-school environment in the fall of 2021.

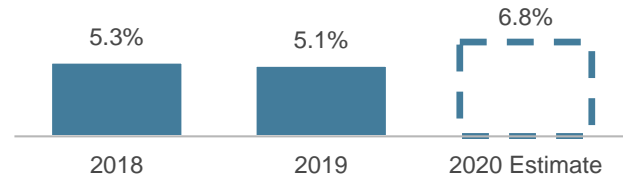
Attendance

Increased chronically absent students⁽¹⁾

(No. in millions)

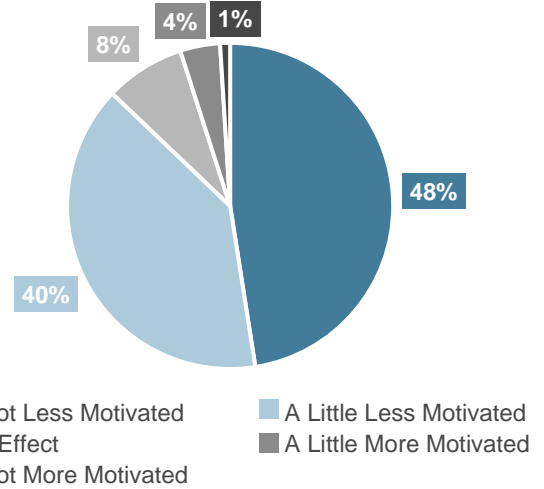


Higher Drop Out Rates⁽²⁾



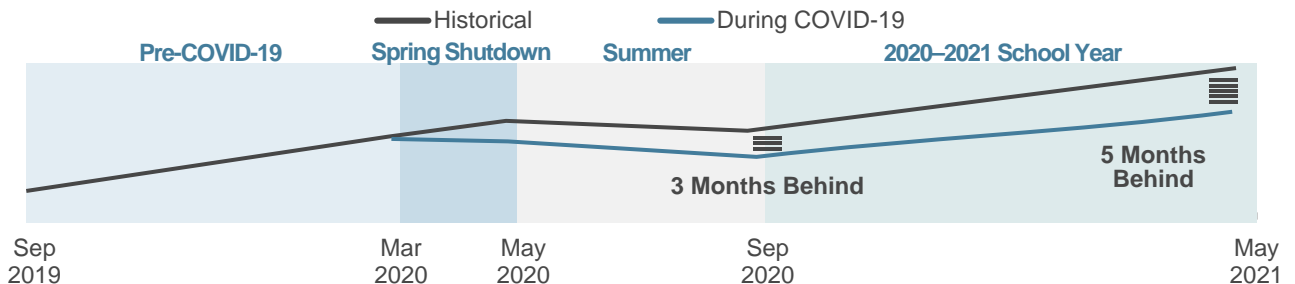
Student Motivation

How the pandemic has affected student levels of motivation⁽³⁾



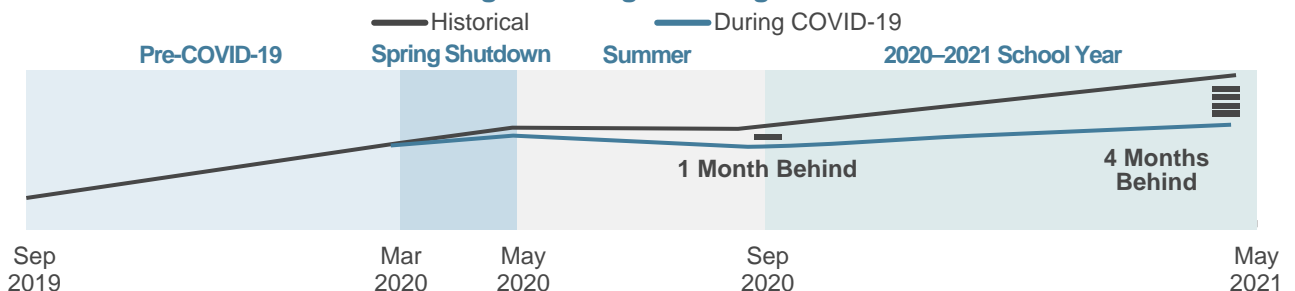
A Deepened Learning Loss

Average Math Learning Loss⁽¹⁾



Students testing in 2021 were about **ten points behind in math and nine points behind in reading**, compared with matched students in previous years.⁽²⁾

Average Reading Learning Loss⁽¹⁾

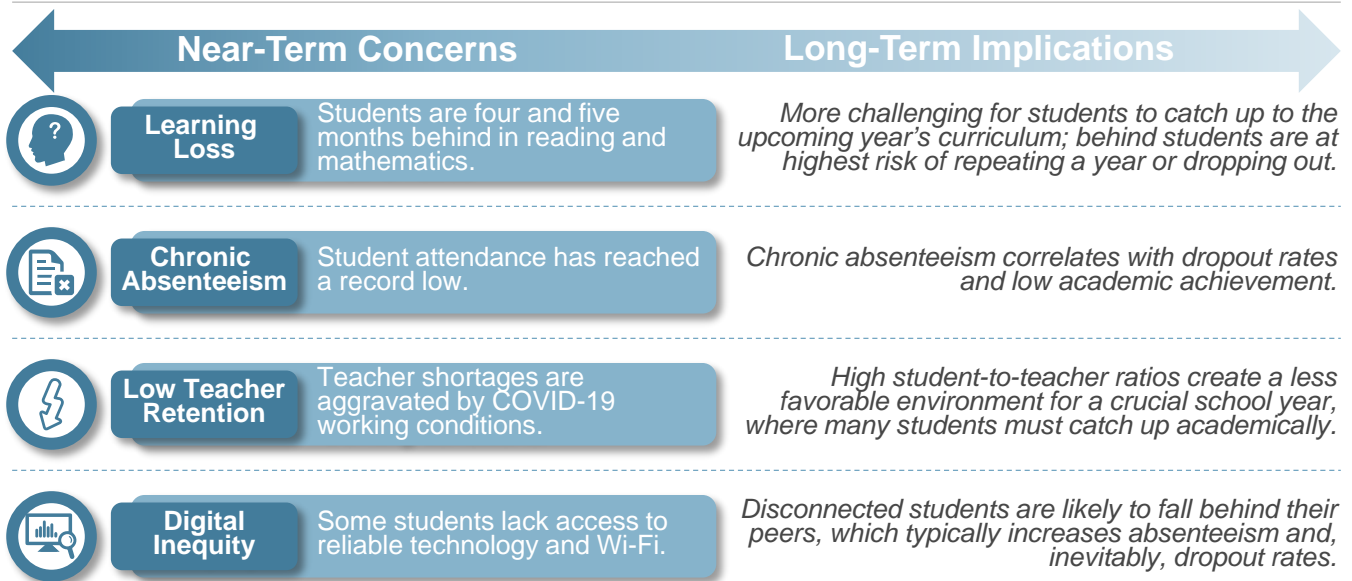


(1) COVID-19 and Education: The Lingering Effects of Unfinished Learning, McKinsey & Company (July 2021); (2) Historical figures provided by NCES; projections provided by McKinsey; assumed total student population will remain flat from 2019 to 2020; (3) Source: How the Pandemic Is Shaping K-12 Education, EdWeek (April 2021).

K–12 Education

Observations Heading Into the 2021–2022 School Year

Summarizing Top Concerns Heading Into Academic Year 2022



Select Near-Term Initiatives

Summer School



The Boulder Valley School District experienced a record summer school turnout in summer 2021, as parents hoped to combat the learning loss.⁽¹⁾

Free Tutoring



The Los Angeles Unified School District will provide students with access to free one-on-one tutoring.⁽²⁾

Broadband Access



South Dakota's K–12 Connect program will allow students to apply for free internet service.⁽³⁾

Government Support

CARES ACT



Passed: Mar. 2020
Deployed by: Sept. 2022

Allowable uses include activities aligned with existing federal programs, COVID-19 response, and remote learning and staff resources.

CRRSAA



Passed: Dec. 2020
Deployed by: Sept. 2023

Funding is used for the same activities as the CARES Act and to address learning loss among disadvantaged students, repair school facilities, and improve air quality in schools.

AMERICAN RESCUE PLAN



Passed: Mar. 2021
Deployed by: Sept. 2024

Within 30 days of receiving funding, school districts must publish a plan to reopen; a minimum of 20% of funds must be used to address the learning loss.















(1) Boulder, Cherry Creek Schools See Record Summer School Turnout Following Pandemic Learning Loss, CBS Denver (July 2021); (2) L.A. Unified experiments with new tutoring program during pandemic, EdSource (January 2021); (3) South Dakota Program Offers K–12 Families Free Internet, Government Source (October 2020).

K–12 Education

Select Transactions

Deal activity in the K–12 space has accelerated in 2021, with capital providers supporting K–12 tech-enabled services and content providers seeking to address material challenges caused by COVID-19.

Well-Capitalized Players Continue to Play a Consolidator Role







Company	Recent M&A		
			
	Nov. 20 <i>Special education software provider that helps educators track compliance.</i>	Jan. 21 <i>Develops forecasting software and analytic technology for the public sector.</i>	Jun. 21 <i>Offers integrated asset and inventory management as well as help desk solutions to schools.</i>
			
	Nov. 20 <i>Develops software solutions and teaching tools (based on learning science) to improve performance and classroom culture.</i>	Jun. 21 <i>Next-generation online assessment platform for K–12 teachers and administrators.</i>	
			
	Jan. 21 <i>Teacher observation and instructional coaching platform that streamlines feedback.</i>	Mar. 21 <i>K–12 enrollment and marketing consulting firm that provides strategies to increase enrollment.</i>	Jun. 21 <i>Offers a comprehensive student data system to teachers and schools.</i>
			
	Mar. 21 <i>Designs and develops K–12 admissions and enrollment management software.</i>	Jul. 21 <i>Provides access to content publishing applications for school districts.</i>	

K–12 Education







Select Transactions (cont.)

Deal activity in the K–12 space has accelerated in 2021, with capital providers supporting K–12 tech-enabled services and content providers seeking to address material challenges caused by COVID-19.

Landmark Closed K–12 M&A Transactions

Company	Transaction Summary
 	<ul style="list-style-type: none"> In July 2021, Edmentum acquired Apex Learning, a standards-based, supplemental, digital learning content and solutions provider. Apex Learning offers an immediate solution to address the learning slide, with supplemental curriculum geared to help at-risk students get back on track. The combination adds significant scale to Edmentum's leading position as a K–12 supplemental content provider.
 	<ul style="list-style-type: none"> In May 2021, Kahoot! acquired Clever, a K–12 digital learning leader, for \$500 million.⁽¹⁾ The transaction paves international runway for Clever and deepens Kahoot!'s presence in the center of the U.S. K–12 classroom learning environment. The transaction came on the heels of Kahoot!'s \$215 million capital raise from Softbank, which closed in October 2020.
 	<ul style="list-style-type: none"> In February 2021, Renaissance acquired Nearpod, a teacher-facilitated instructional delivery platform, for \$650 million. The acquisition of Nearpod deepens Renaissance's footprint in the learning process, offering interactive learning experiences through videos, games, and activities.

Notable Capital Inflows

Company	Transaction Summary
 	<ul style="list-style-type: none"> In August 2021, Susquehanna Growth Equity invested \$50 million in NoRedInk, a provider of engaging digital writing curriculum for K–12 classrooms. Investment themes include school footprint expansion and digital learning tools to improve student engagement and outcomes, helping counter the outsized learning slide.
 	<ul style="list-style-type: none"> In August 2021, Tiger Global invested \$200 million in GoGuardian, a K–12 software provider focused on classroom management and device management. Select investment themes include international expansion, further M&A, and product expansion and enhancements.
	<ul style="list-style-type: none"> In July 2021, PowerSchool launched the IPO of its Class A common stock, raising \$711 million. IPO proceeds will allow PowerSchool to continue to grow via technology initiatives and capitalize on cross-sell runway associated with its substantial solution suite.
	<ul style="list-style-type: none"> In July 2021, Instructure launched the IPO of its common stock, raising \$250 million. Instructure plans to grow through the replacement of legacy systems, cross-sell and upsell to existing customers, and platform expansion via new features and offerings.

(1) Kahoot! will acquire Clever for \$435 million to \$ 500 million, with \$435 million in guaranteed payments consisting of ~\$355 million in cash and \$80 million in stock; the remaining \$65 million is based on EV performance. Source: Capital IQ.

Public Comparables Detail

Education Technology

(\$ in millions)

Company	Stock Price	52-Week High	% of 52-Wk High	Cash & ST Inv	Equity Mkt Cap	Enterprise Value	EV/Revenue			EV/EBITDA		
							LTM	2021	2022	LTM	2021	2022
Tyler Technologies	\$477.28	\$498.98	95.7%	\$268	\$19,494	\$20,807	16.4x	13.4x	11.3x	NM	NM	42.5x
Chegg	83.16	115.21	72.2%	2,062	12,031	11,661	15.4x	14.4x	11.7x	NM	39.2x	31.1x
Coursera	38.21	62.53	61.1%	801	5,158	4,380	12.3x	12.0x	10.0x	NM	NM	NM
PowerSchool	34.95	35.68	98.0%	30	5,562	7,101	15.7x	13.2x	11.9x	NM	48.4x	41.7x
Blackbaud	69.49	80.00	86.9%	28	3,308	3,850	4.2x	4.2x	4.1x	46.2x	16.6x	15.9x
Instructure	24.03	25.58	93.9%	70	3,328	4,068	11.4x	10.2x	9.2x	NM	31.0x	26.7x
2U	36.68	59.74	61.4%	953	2,737	2,626	3.0x	2.8x	2.4x	NM	42.6x	28.8x
Stride	34.50	39.14	88.1%	403	1,386	1,426	0.9x	0.9x	0.9x	8.9x	6.0x	5.7x
Mean			82.2%	\$577	\$6,626	\$6,990	9.9x	8.9x	7.7x	27.5x	30.6x	27.5x
Median			87.5%	336	4,243	4,224	11.8x	11.1x	9.6x	27.5x	35.1x	28.8x

Training Technology

(\$ in millions)

Company	Stock Price	52-Week High	% of 52-Wk High	Cash & ST Inv	Equity Mkt Cap	Enterprise Value	EV/Revenue			EV/EBITDA		
							LTM	2021	2022	LTM	2021	2022
Cornerstone OnDemand	\$56.98	\$57.02	99.9%	\$147	\$3,804	\$4,799	5.8x	5.6x	5.2x	27.6x	14.3x	12.4x
Learning Technologies Group	3.17	3.18	99.7%	121	2,493	2,411	13.3x	10.0x	9.4x	NM	29.8x	26.1x
Skillsoft	9.44	11.75	80.3%	105	1,419	1,794	NA	2.8x	2.6x	NA	10.2x	9.2x
Docebo	84.10	84.31	99.8%	216	2,752	2,543	30.9x	24.8x	18.0x	NM	NM	NM
HealthStream	29.81	31.11	95.8%	55	941	912	3.6x	3.6x	3.3x	24.5x	18.5x	18.1x
Mean			95.1%	\$129	\$2,282	\$2,492	13.4x	9.3x	7.7x	26.0x	18.2x	16.4x
Median			99.7%	121	2,493	2,411	9.6x	5.6x	5.2x	26.0x	16.4x	15.2x

Education Publishing

(\$ in millions)

Company	Stock Price	52-Week High	% of 52-Wk High	Cash & ST Inv	Equity Mkt Cap	Enterprise Value	EV/Revenue			EV/EBITDA		
							LTM	2021	2022	LTM	2021	2022
Lagardere	\$28.06	\$33.61	83.5%	\$1,029	\$3,929	\$8,480	1.6x	1.4x	1.2x	NM	23.8x	13.9x
Pearson	10.55	12.50	84.4%	895	7,941	9,062	1.9x	1.9x	1.8x	13.8x	10.7x	9.8x
John Wiley	58.25	66.04	88.2%	94	3,252	4,148	2.1x	2.0x	2.0x	12.6x	9.6x	9.3x
Sanoma	18.81	20.20	93.1%	86	3,071	3,998	2.9x	2.7x	2.6x	16.0x	10.0x	9.4x
Graham Holdings	614.98	685.00	89.8%	881	3,076	3,249	1.1x	1.0x	0.9x	8.6x	11.2x	8.7x
Houghton Mifflin	13.36	14.21	94.0%	147	1,706	2,020	1.8x	2.1x	2.0x	27.4x	11.5x	9.9x
Scholastic	33.17	40.47	82.0%	367	1,141	1,070	0.8x	NA	NA	18.9x	NA	NA
Mean			87.9%	\$500	\$3,445	\$4,575	1.7x	1.9x	1.8x	16.2x	12.8x	10.2x
Median			88.2%	367	3,076	3,998	1.8x	2.0x	1.9x	14.9x	11.0x	9.6x

Traditional Training

(\$ in millions)

Company	Stock Price	52-Week High	% of 52-Wk High	Cash & ST Inv	Equity Mkt Cap	Enterprise Value	EV/Revenue			EV/EBITDA		
							LTM	2021	2022	LTM	2021	2022
Informa	\$7.34	\$9.06	81.0%	\$570	\$11,017	\$14,066	6.6x	5.5x	4.4x	44.8x	20.5x	13.6x
CAE	28.45	31.54	90.2%	557	9,012	10,392	4.0x	3.8x	3.2x	24.0x	18.2x	13.5x
Franklin Covey	43.02	43.26	99.5%	36	609	608	3.0x	2.7x	2.5x	28.7x	21.4x	17.1x
GP Strategies	20.73	20.87	99.3%	15	364	377	0.8x	0.8x	0.7x	10.8x	9.2x	8.1x
Wilmington	3.04	3.08	98.7%	11	265	313	2.1x	2.0x	NA	14.6x	10.4x	NA
Mean			93.8%	\$238	\$4,253	\$5,151	3.3x	2.9x	2.7x	24.6x	15.9x	13.1x
Median			98.7%	36	609	608	3.0x	2.7x	2.8x	24.0x	18.2x	13.5x

Source: S&P Capital IQ; comps as of August 30, 2021.

Notes: "NA" indicates estimates were not available; multiples higher than 50.0x are reflected as "NM." Revenue and EBITDA reflect calendar year. Trading multiples are based on share price, other market data, and broker consensus future earnings estimates from S&P Capital IQ as of August 30, 2021.

About Houlihan Lokey

Houlihan Lokey (NYSE:HLI) is a global investment bank with expertise in [mergers and acquisitions](#), [capital markets](#), [financial restructuring](#), and [valuation](#). The firm serves corporations, institutions, and governments worldwide with offices in the United States, Europe, the Middle East, and the Asia-Pacific region. Independent advice and intellectual rigor are hallmarks of the firm’s commitment to client success across its advisory services. Houlihan Lokey is the No. 1 M&A advisor for the past six consecutive years in the U.S., the No. 1 global restructuring advisor for the past seven consecutive years, and the No. 1 global M&A fairness opinion advisor over the past 20 years, all based on number of transactions and according to data provided by Refinitiv.

Locations



Industry Expertise

Product Expertise	Dedicated Industry Groups	Financial Sponsors
Mergers and Acquisitions	Business Services	Active Dialogue
Capital Markets	Consumer, Food, and Retail	With a Diverse Group of 1,000+ Sponsors
Financial Restructuring	Data and Analytics	Private Equity Firms
Financial and Valuation Advisory	Energy	Hedge Funds
	Financial Institutions	Capital Alliances
	Healthcare	
	Industrials	
	Real Estate, Lodging, and Leisure	
	Technology, Media, and Telecom	

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