

EDUCATION INDUSTRY

1ST HALF 2017 :: Mergers and Acquisitions Trend Report

1ST HALF 2017 KEY HIGHLIGHTS

- Each of the industry's five largest deals in 1st Half 2017 were completed by financial sponsors. These five transactions, with a combined value of \$5.58 billion, represented 72 percent of aggregate value during the half year period.
- Two of the industry's top three highest value acquisitions year-to-date occurred in the Professional Training Services segment. Along these lines were Blackstone and Canada Pension Plan Investment Board's announced acquisition of Ascend Learning, which offers educational content and online tools for students, educational institutions and employers, with a particular focus on healthcare and other licensure-driven occupations, for \$2 billion; and CVC Capital Partners with the announced acquisition of QA, an IT education and skills business, for \$886 million.

1ST HALF 2017 KEY TRENDS

- Total transaction volume in 1st Half 2017 decreased by eight percent over 2nd Half 2016, from 195 to 179.
- Total transaction value in 1st Half 2017 increased about fivefold over 2nd Half 2016, from \$1.54 billion to \$7.74 billion.
- Of note, there was only one deal with a disclosed value above \$100 million in 2nd Half 2016, compared to 11 such deals in 1st Half 2017. There were also two transactions that reached the \$2 billion threshold in first half 2017, as opposed to none for all of 2016.
- The median revenue multiple moved slightly from 1.2x in 2nd Half 2016 to 1.4x in 1st Half 2017. The median EBITDA multiple declined from 11.0x in 2nd Half 2016 to 10.3x in 1st Half 2017.

M&A MARKET OVERVIEW

Berkery Noyes tracked 997 Education transactions between 2015 and 1st Half 2017, of which 199 disclosed financial terms, and calculated the aggregate transaction value to be \$24.64 billion. Based on known transaction values, we project the values of 798 undisclosed transactions to be \$6.73 billion, totaling \$31.37 billion worth of transactions tracked over the past two and a half years.

Disclosed median enterprise value multiples for all segments combined in this report during the last 30 months were 1.6x revenue and 8.7x EBITDA.

M&A Market Dynamics By Half Year

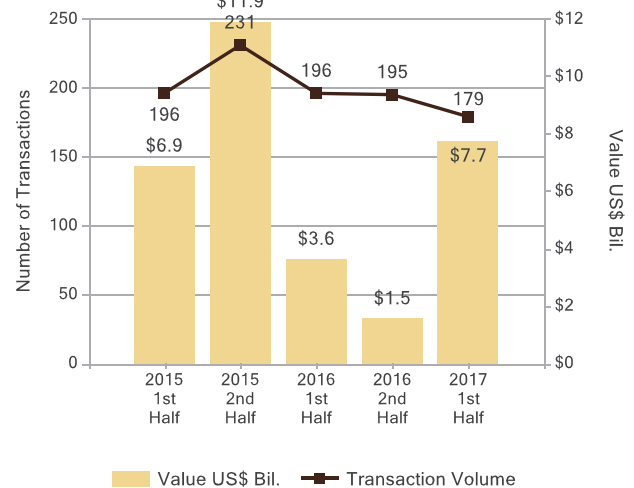


Figure 1. 2015-2017 value and volume comparison.

Median Enterprise Value Multiples By Half Year

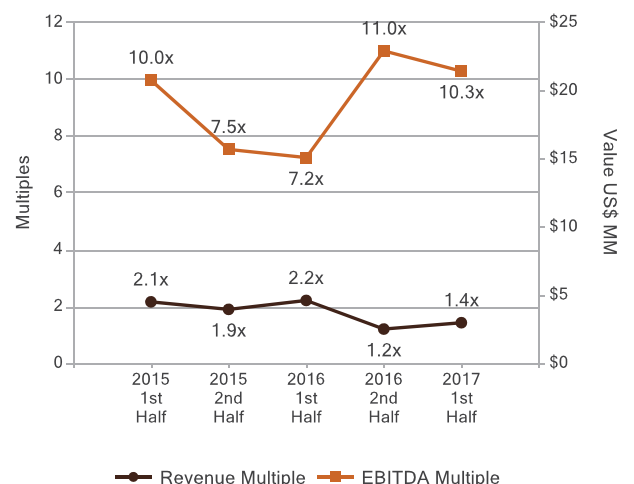


Figure 2. 2015-2017 median: revenue and EBITDA comparison.

Transaction Analysis :: January 1, 2017 – June 30, 2017

Bell Curve - Histogram - 1st Half

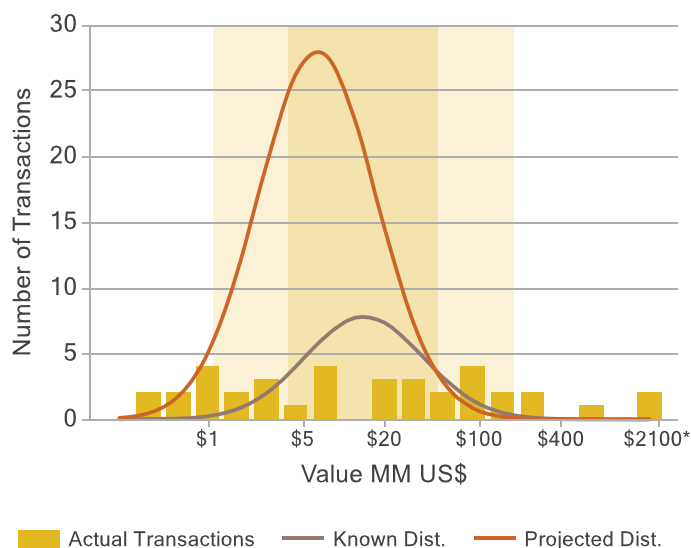


Figure 3. Shows the distribution of Education transactions based on publicly available information and Berkery Noyes estimates. Using a logarithmic scale, we determined that nearly one-third of companies purchased had transaction values of \$4.5 to \$90.0 million. Based on this data, we estimate the total transaction value of deals done in 1st Half 2017 at \$7.7 billion.

* Indicates largest industry transaction from Jan. 1, 2017 to June 30, 2017.

Distribution Table

Value in MM US\$	Known Number	Projected Number	Total Number	%	Cumulative %
\$0.2	0	0	0	0 %	0 %
\$0.4	2	0	2	5 %	5 %
\$0.6	2	2	3	5 %	10 %
\$1.0	4	5	8	10 %	21 %
\$1.6	2	11	13	5 %	26 %
\$2.7	3	19	22	8 %	33 %
\$4.5	1	26	27	3 %	36 %
\$7.4	4	28	31	10 %	46 %
\$12.2	0	23	22	0 %	46 %
\$20.1	3	15	17	8 %	54 %
\$33.1	3	7	10	8 %	62 %
\$54.6	2	3	4	5 %	67 %
\$90.0	4	1	4	10 %	77 %
\$148.4	2	0	2	5 %	82 %
\$244.7	2	0	2	5 %	87 %
\$403.4	0	0	0	0 %	87 %
\$665.1	1	0	1	3 %	90 %
\$1,096.6	0	0	0	0 %	90 %
\$1,808.0	2	0	2	5 %	95 %
Total #	39	140	179		
Total \$ Value	\$6,841	\$897	\$7,739		
Middle 3rd of Industry		Middle 2/3rds of Industry			

Figure 4. Presents the data depicted in the bell curve histogram.

Note: The projected number column is rounded and may produce insignificant errors in the total sum.

Strategic vs. Financial Comparison

M&A Dynamics By Transaction Type - 1st Half

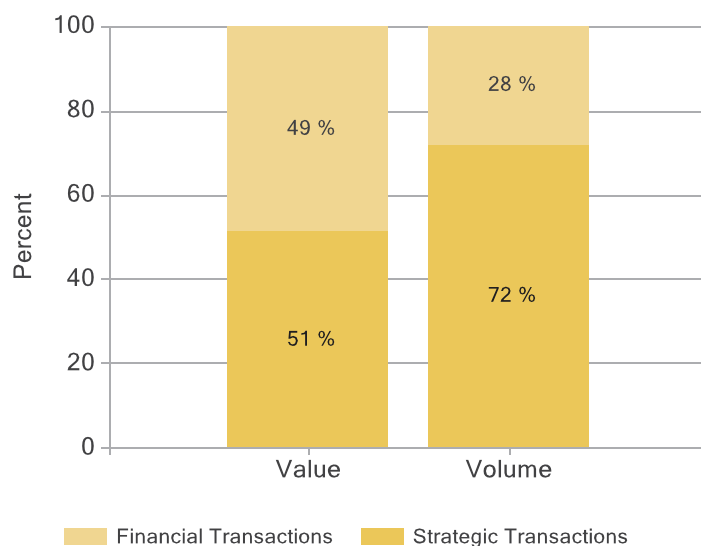


Figure 4. 2015-2017 value and volume comparison by transaction type.

Note: Financial transactions are those financed by private equity, venture capital, and other investment firms. This includes acquisitions by portfolio companies of the investment firms.

Transaction Type By Half Year

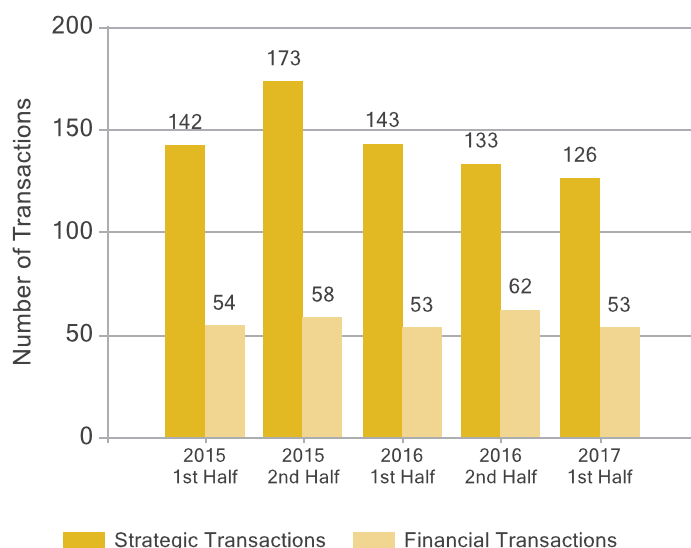


Figure 5. 2015-2017 acquirer type comparison by half year.

Purchaser Analysis

Top Ten Notable Transactions - 1st Half 2017

Deal Date	Target Name	Buyer	Value MM US\$
04/26/17	Nord Anglia Education, Inc.	CPP Investment Board, Baring Private Equity Asia	\$2,051
04/12/17	Ascend Learning	Blackstone Group LP, CPP Investment Board	\$2,000
06/19/17	QA Ltd.	CVC Capital Partners	\$886
02/23/17	NACE Schools	Providence Equity Partners Inc.	\$371
01/24/17	Performance Assessment Network	PSI Services LLC	\$271
03/20/17	Lianyi Technology	Thunisoft	\$215
02/28/17	MBS Textbook Exchange, Inc.	Barnes & Noble Education, Inc.	\$174
05/05/17	Marsara Institute of Digital Arts Co., Ltd.	Baiyang Investment Group, Inc.	\$136
01/27/17	Questar Assessment, Inc.	Educational Testing Service, Inc.	\$128
05/24/17	Bright Path Early Learning	Busy Bees Childcare Ltd.	\$106
2017 Aggregate Transaction Value			\$7,739
Top 10 Aggregate Transaction Value			\$6,338
Top 10 Aggregate Value as a Percentage of All Transactions			82 %

Figure 7. Lists the top ten transactions for 1st Half 2017 and calculates their aggregate transaction value as a percentage of the total aggregate transaction value as shown in Figures 1 & 4.

Note: Transaction data based on **announced date**.

Median EV/Revenue Multiples By Size

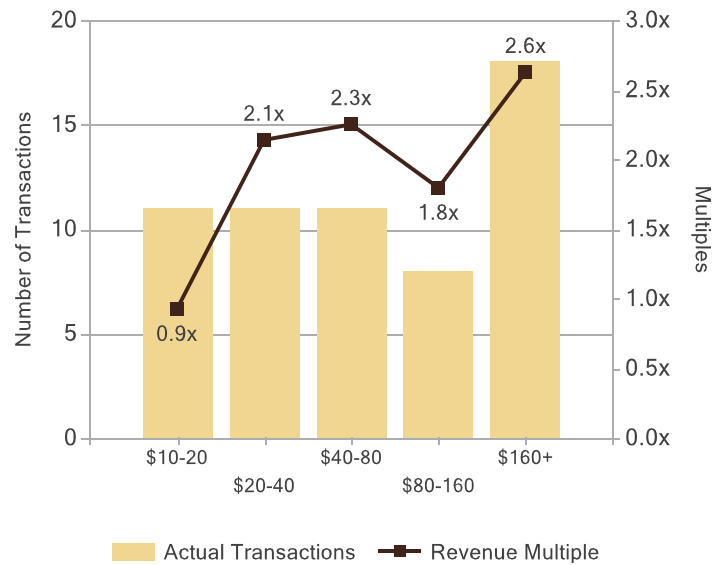


Figure 8. Presents the median enterprise value/revenue multiples paid for companies in the Education Industry from January 1, 2015 to June 30, 2017 based on publicly available data.

Transaction Volume by Segment :: January 1, 2015 – June 30, 2017

Transactions By Market Segment By Half Year

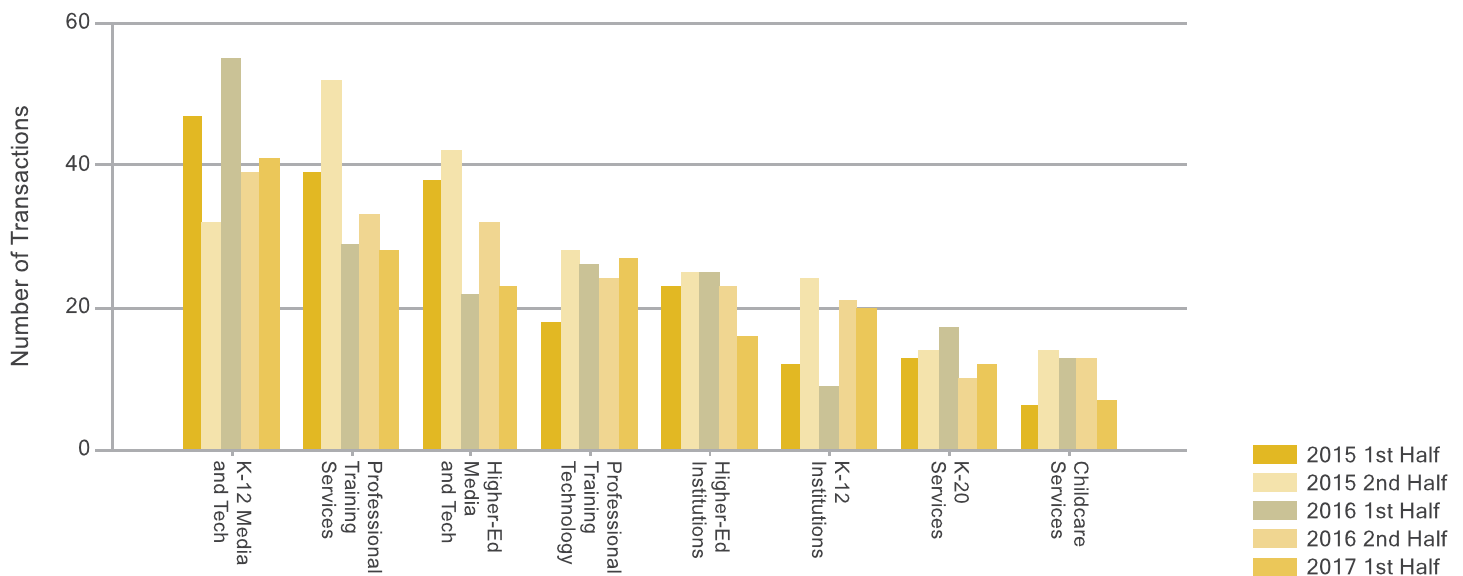


Figure 9. Presents transaction volume by market segment within the Education Industry from January 1, 2015 through June 30, 2017.

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All charts in this report are based on data gathered by Berkery Noyes' research department. All time period statistics are based on the transaction announcement date. The information contained herein is of a general nature and is not intended to address the circumstances of any particular company, individual, or entity. There can be no guarantee that such information is accurate.

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