

**An Overview of M&A  
in the Education  
Industry**  
White Paper

## Introduction

Pandemic-induced disruptions are having a profound impact on the entire education industry. Students, teachers, and administrators continue to grapple with the abrupt shift from in-person to blended or fully online modes of learning. Technological advances and digital classrooms are transforming the ways in which students learn and collaborate. Digital solutions and online assessment tools long popular in Higher-Ed are becoming increasingly relied upon in K-12. For example, given that many K-12 students are now relying on laptops and tablets for their lessons, there is a need for tools and content that is tailored to their learning needs.

Of heightened interest in both K-12 and Higher-Ed is the use of artificial intelligence (AI) to make concepts more relatable through personalizing the education experience. This is evident from the high demand for adaptive learning solutions. As online proctoring and testing becomes even more widespread, leveraging AI to aid with assessment is likely to accelerate as well.

For their part, colleges and universities are leveraging new technologies and learning management systems to offload time-sensitive academic and administrative tasks, enhance enrollment rates, improve information technology processes, and track student progress. Although some colleges and universities have brought back in-person instruction and testing, the pandemic has pushed colleges to offer more virtual forms of instruction. As a workaround for social distancing restrictions, virtual reality (VR) can help provide immersive digital experiences such as campus tours, open houses, and graduation ceremonies. There is

also an urgent need to reimagine degree programs, courses, and curricula to meet the needs of modern learning while keeping pace with the skillsets required of an evolving workforce.

As integrated learning solutions and personalized learning modules continue to make a meaningful impact, M&A in the K-12 and post-secondary education markets is expected to remain active. Strategic acquirers are seeking complementary products and services that they can build upon and are expanding their reach by acquiring these businesses. At the same time, the education market is highly fragmented, making the space appealing to private equity acquirers who aim to capitalize on the shifting dynamics of the sector.

## Current M&A Market Landscape

Total transaction volume in 2020 declined ten percent over 2019, from 480 to 431. On a half year basis, M&A activity improved six percent in 2nd Half 2020 over 1st Half 2020, from 209 to 222. Meanwhile, total transaction value in 2020 rose 67 percent over 2019, from \$12.35 billion to \$20.63 billion.

### Strategic Buyers

- Strategic volume stayed nearly constant on an annual basis, from 320 to 319 deals. Strategic acquirers accounted for 70 percent of volume and 41 percent of value from 2019 to 2020.

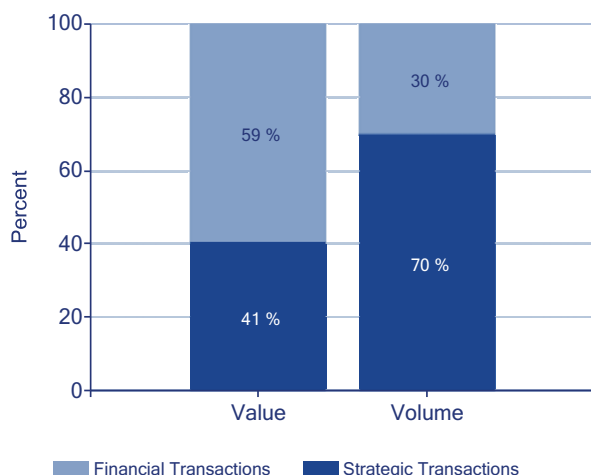
### Financial Sponsors

- Private equity backed volume fell 30 percent over the past year, from 160 to 112 deals. Financial sponsors represented 30 percent of volume and 59 percent of value from 2019 to 2020.
- Two of the overall industry's top three highest value deals in 2020 were completed by financial sponsors.
- The largest Education deal in 2020 was Blackstone Group's announced acquisition of iQ Student Accommodation, a UK-based student housing company that owns and operates 67 student premises in 27 towns and cities, for \$6.02 billion.

### Industry Wide Valuations

Enterprise value multiples over the past 24 months have been strong. The median revenue multiple during this timeframe was 2.6x, while the median EBITDA multiple was 8.1x.

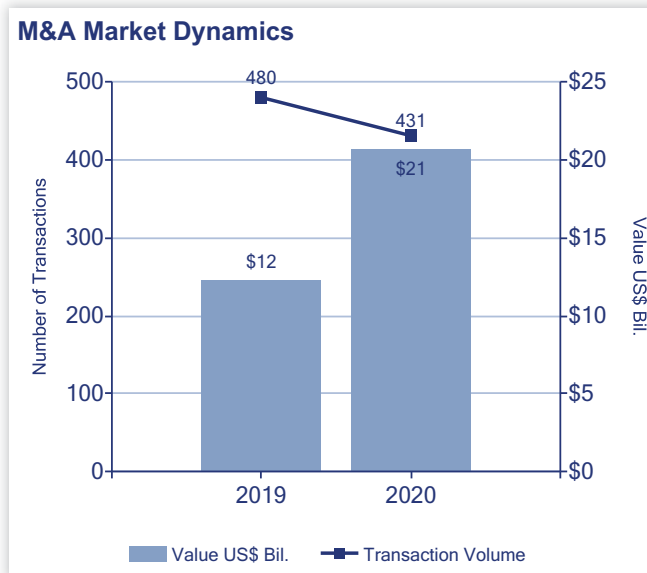
**M&A Dynamics By Transaction Type**



## M&A Analysis of the Past Two Years

Berkery Noyes recorded 911 education industry merger and acquisition (M&A) transactions from the beginning of 2019 through the end of 2020. Note that this covers all segments, including brick-and-mortar institutions. Deals with a tech component accounted for nearly half of aggregate volume. As for specific sectors, Professional Training Services overtook K-12 Media and Tech as the industry's most active market segment in 2020 with 110 transactions.

The overall industry's median revenue multiple over the past year declined from 2.8x to 2.5x. The median EBITDA decreased from 9.6x to 7.5x. Transactions with enterprise values in the \$10-\$40 million range received a median revenue multiple of 2.3x, compared to 3.2x for those in the \$40-\$80 range and 3.8x for those above \$80 million.

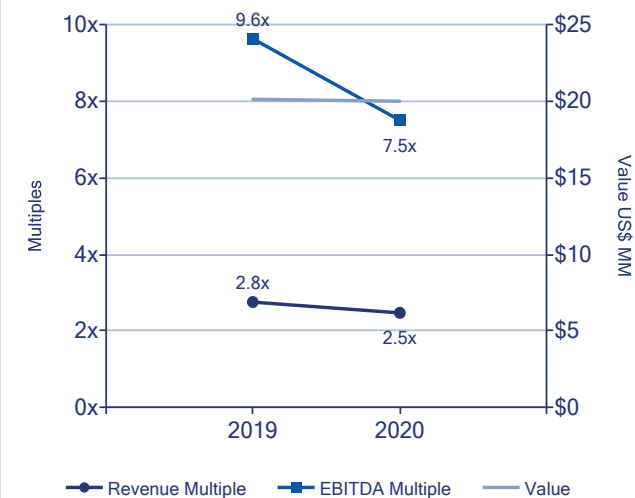


## Key Activity Per Industry Segment

- **Professional Training Technology and Services.** The Professional Training market experienced an upswing in deal activity. The number of technology deals increased 22 percent while services transaction volume rose 11 percent.

Three of the industry's top five highest value transactions during 2020 occurred in the combined Professional Training segments. Along these lines were Vista Equity Partners' announced acquisition of Pluralsight, a technology learning platform for software developers, IT administrators, and creative professionals, for \$3.89 billion; Churchill Capital Corp II's announced merger with Skillsoft, which provides cloud-based

## Median Enterprise Value Multiples



corporate learning content, for \$1.3 billion (following the closing of the merger, the combined company will acquire Global Knowledge for \$233 million); and Cambium Learning Group's announced acquisition of Rosetta Stone, a technology-based learning solutions company best known for its language programs, for \$735 million.

- **K-12 Media and Tech.** The K-12 Media and Tech segment saw volume decline 26 percent over the past year. Notable segment deals in 2020 included IXL Learning's announced acquisition of 3P Learning, which offers a suite of learning products for schools and families covering math, literacy, and science, for \$119 million; Trinity3 Technology's announced merger with FireFly Computers, which supplies technology solutions to the K-12 market, for \$115 million; Chegg's acquisition of Mathway, an automated tutor that helps students understand and solve their math problems, for \$96 million; and ACT's acquisition of ScootPad, an adaptive learning platform.

- **Higher-Ed Media and Tech.** Deal activity in the Higher-Ed Media and Tech segment decreased 24 percent on a yearly basis. Notable segment transactions in 2020 included Veritas Capital's acquisitions of Campus Management, a provider of cloud-based SIS, CRM, and ERP solutions to more than 1,100 colleges and universities, as well as Edcentric, a SaaS platform that offers data-driven solutions around student and alumni engagement, retention, and compliance; and Liason International's acquisition of TargetX, higher education CRM company that provides an enterprise-wide solution to help colleges manage relationships with prospective students, current students, alumni, and potential donors.

- **Childcare Services.** Deal flow in the Childcare Services segment was consistent over the past year. Notable Childcare Services transactions in 2020 included Apax Partners’ (“Apax Funds”) acquisition of Cadence Education and Busy Bees Childcare’s acquisition of EduKids.

- **Higher-Ed Institutions.** M&A volume in the Higher-Ed Institutions segment decreased 11 percent from 2019 to 2020. Notable segment transactions in 2020 included Adtalem’s announced acquisition of Walden University for \$1.48 billion; American Public Education’s announced acquisition of Rasmussen University for \$329 million; and Naxicap Partners’ acquisition of Eureka Education Group for \$296 million.

### Conclusion

The M&A outlook in the education industry remains robust as digital innovation drives growth and new opportunities. The focus on education access, online management solutions, and

outcomes-driven technology and services continues to shape the industry. As the migration to digital formats and delivery progresses, the potential for transformation in the education industry is expected to accelerate M&A activity in the years to come.

### About Berkery Noyes

Founded in 1980, Berkery Noyes is an independent investment bank that provides M&A advisory to middle market companies in the information, software, services, and technology industries.

The firm offers skilled transaction management to publicly traded and privately held businesses and private equity groups in both sell-side and buy-side transactions. Berkery Noyes has managed over 500 transactions, ranging from several million to more than four billion dollars in value.

## SELECTED EDUCATION TRANSACTIONS COMPLETED BY BERKERY NOYES

