



Education & Training M&A Update – Q1 2024



Education & Training M&A Update

Q1 2024

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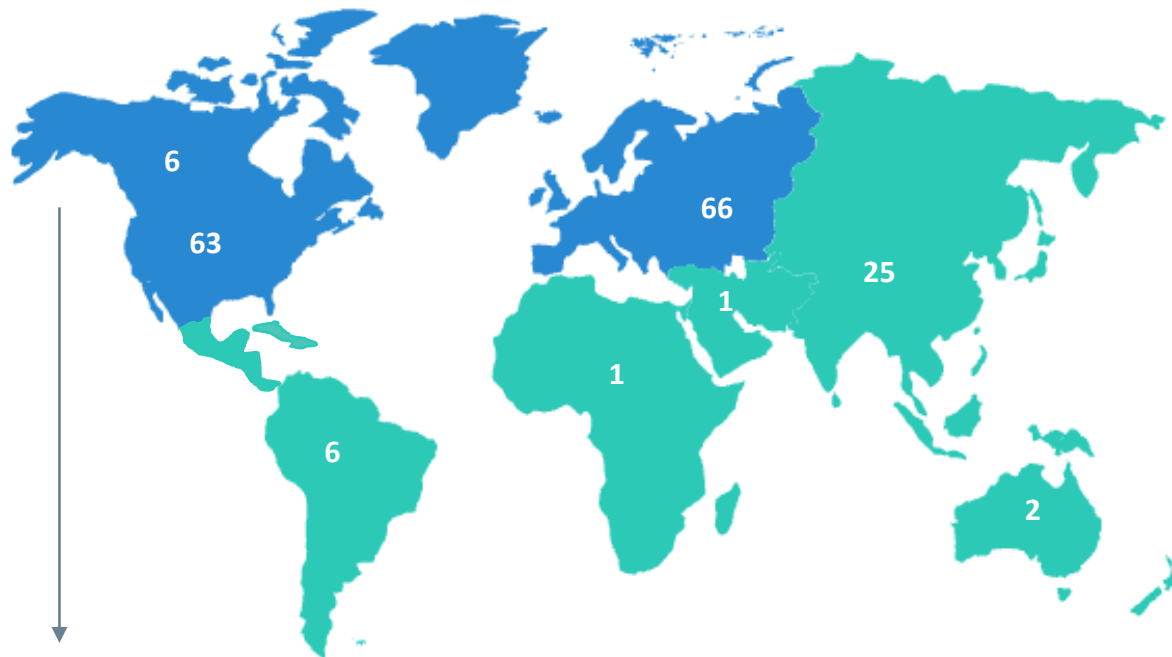
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REPORT HIGHLIGHTS

- In Q1, the Education & Training sector index decreased 2.1% and was outperformed by the S&P 500 index, which increased 10.8% over the same period.
- The median EV/EBITDA multiple for reported strategic deals decreased to 8.8x in Q1 from 9.6x in 2023. There were no reported EV/EBITDA multiples for private equity deals in Q1.
- Deal volume in the Education and Training sector decreased 15.8% in Q1 to 170 deals from 202 deals in Q4 2023, and decreased 40.8% from 287 deals in Q1 of the prior year.
- As a % of total capital invested in M&A transactions in Q1, PE participation decreased to 72.8%, down from 83.1% in the prior year.
- North America was the most active region in Q1 with 69 deals. Most notable in the North American market was Instructure's \$835.0 million buyout of Parchment in February 2024.

Global Deal Analytics

Of the 170 deals in the Education & Training sector in Q1, North America was the most active with 69 followed by Europe with 66. A notable European deal was the acquisition of Kahoot!, a Norwegian game-based learning platform, by a group of investors led by Goldman Sachs Asset Management for \$1.7 billion through a public-to-private LBO in January 2024. All other regions combined had a total of 35 deals.



Canada: 6

0-25 26+

United States Regions: 63

Southeast: 15

Mid Atlantic: 10

West Coast: 10

Mountain: 7

Great Lakes: 7

Other: 14

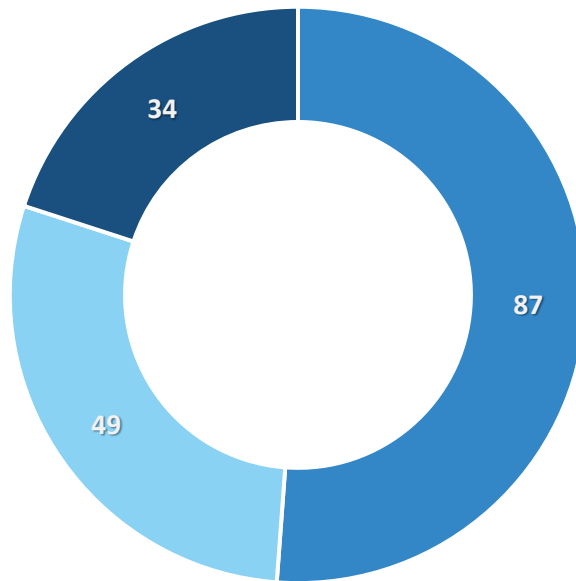
In the North American market, the Southeast region was the most active area with 15 deals, followed by the Mid Atlantic and West Coast which each had 10 closed transactions. A notable deal in the Southeast region was Madison Industries' \$230.8 million LBO of CAE Healthcare, a Florida-based developer of medical simulation and training solutions, for \$230.8 million in February 2024. The Mountain and Great Lakes regions each had 7 closed deals and all other regions combined had 14 completed transactions.

There were 6 transactions closed in Canada in Q1.

Global Deal Analytics

Of the 170 Education & Training deals in Q1, 87 deals were in the Education Training & Services (B2C) segment, making it the most active from an M&A volume standpoint. Education & Training Services (B2B) was the second most active with 49 followed by EdTech with 34 completed transactions.

Deal by Subsector



■ Education Training & Services (B2C)

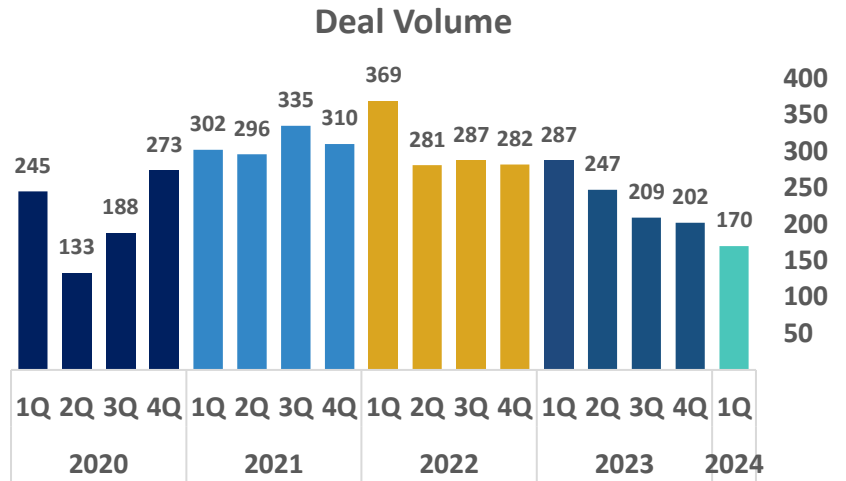
■ Education Training & Services (B2B)

■ EdTech

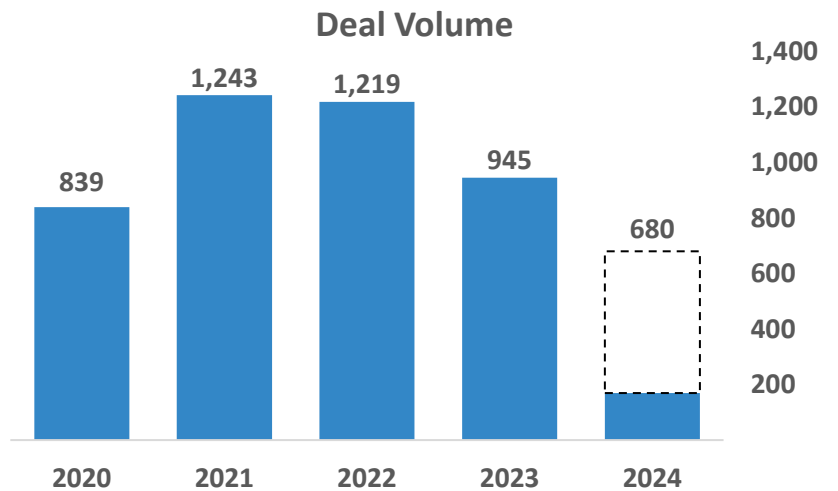


Global Deal Analytics

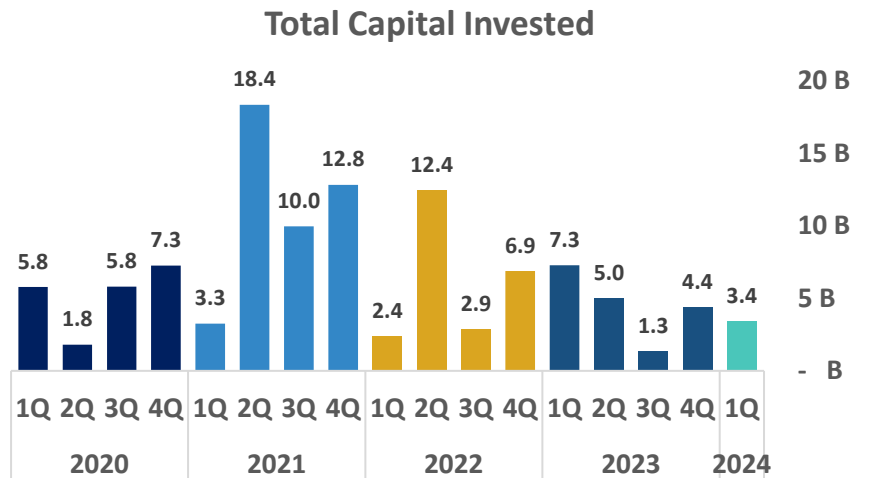
Deal volume in the Education & Training sector decreased 15.8% in Q1 to 170 deals from 202 deals in Q4 2023, and decreased 40.8% from 287 deals in Q1 of the prior year. This decline continues the general downward trend since deal volume peaked in Q1 2022 at 369 completed transactions.



Annual deal volume is projected to decrease 28.0% to 680 deals in 2024 from 945 in the prior year. We attribute this decline to continuing challenges in the capital markets from a dealmaking perspective, including elevated interest rates/cost of capital and tightened underwriting standards from lenders.



Following the trend in quarterly deal volume, total capital invested in M&A deals in the Education & Training sector decreased 22.7% in Q1 to \$3.4B from \$4.4B in Q4, and decreased 53.4% from \$7.3B in the same period of the prior year.



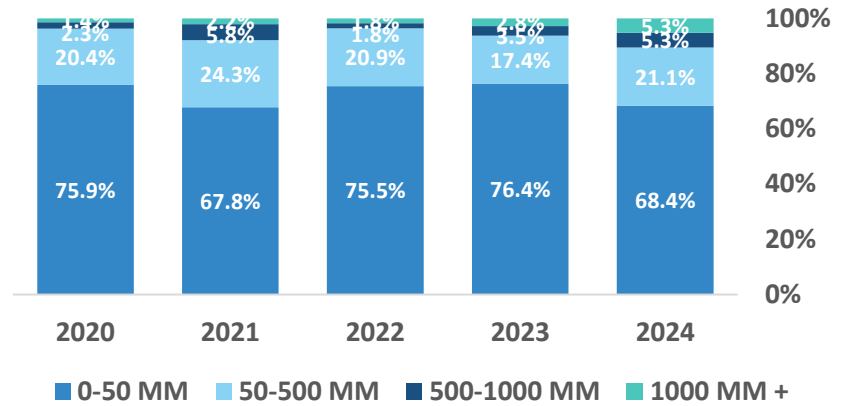
Global Deal Analytics

In Q1, we saw a significant shift away from smaller-sized deals with the lower middle (\$0-\$50 MM) market decreasing to 68.4% from 76.4% in the prior year while the middle market (\$50 - \$500 MM) increased to 21.1% from 17.4% in 2023. Deal volume in the large-cap (\$1000 MM+) and upper middle (\$500 - \$1000 MM) tranches both saw increases to 5.3% in Q1 from 2.8% and 3.5% in 2023, respectively.

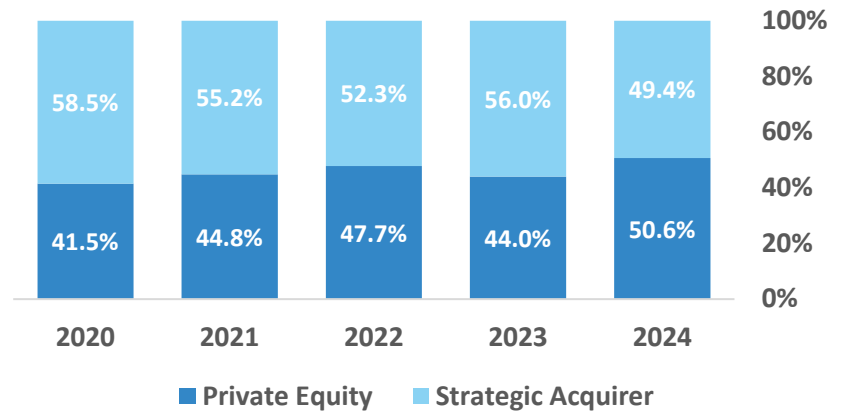
As a % of total deal volume, PE buyers trended significantly higher in Q1 relative to strategic buyers, representing 50.6% of deal volume in the sector. 2024 marks the highest percentage of PE deal volume over the last 5 years.

Contrary to the trend in deal volume, PE share of total capital invested in M&A deals decreased in Q1 2024 to 72.8%, down from 83.1% in the prior year. In Q1, 9 strategic deals were reported, amounting to \$919.2 million of total capital invested. In contrast, 11 private equity deals were reported during the same period, with a total capital investment of \$2.5 billion.

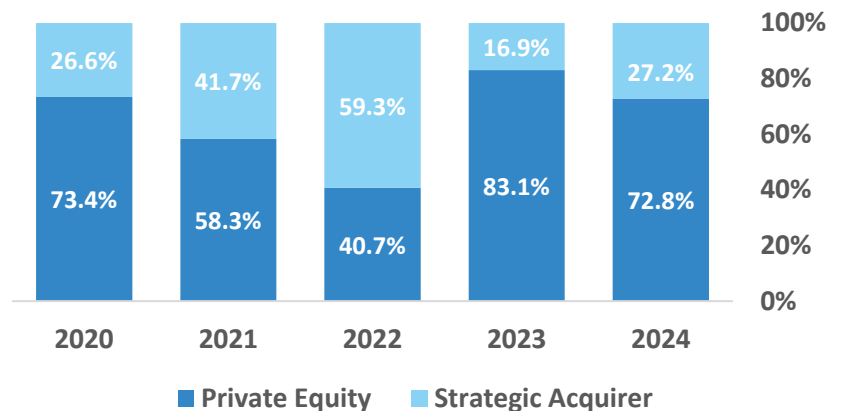
Deal Volume by Deal Size



Deal Volume by Acquirer

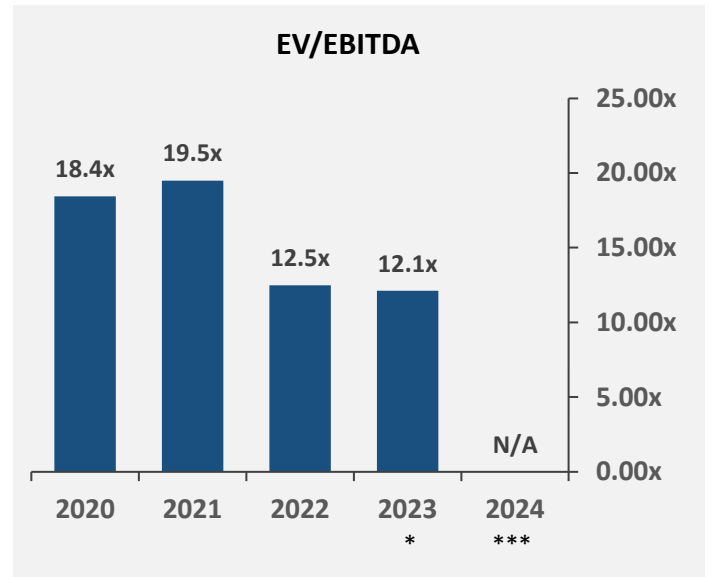
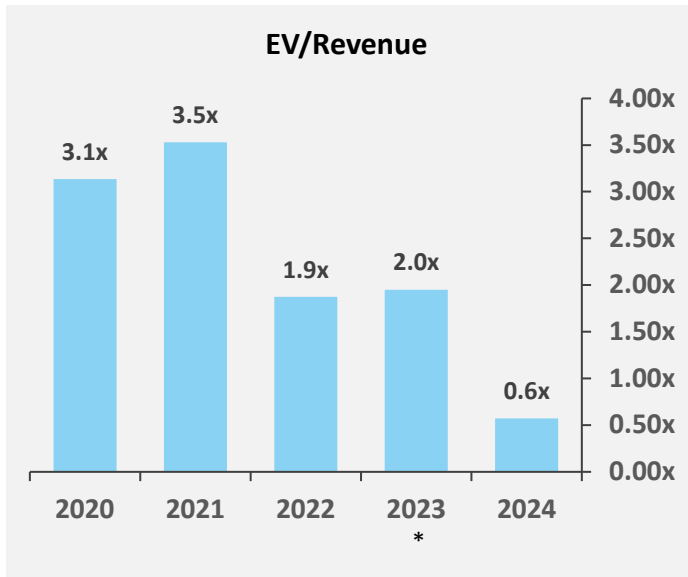


Total Capital Invested by Acquirer

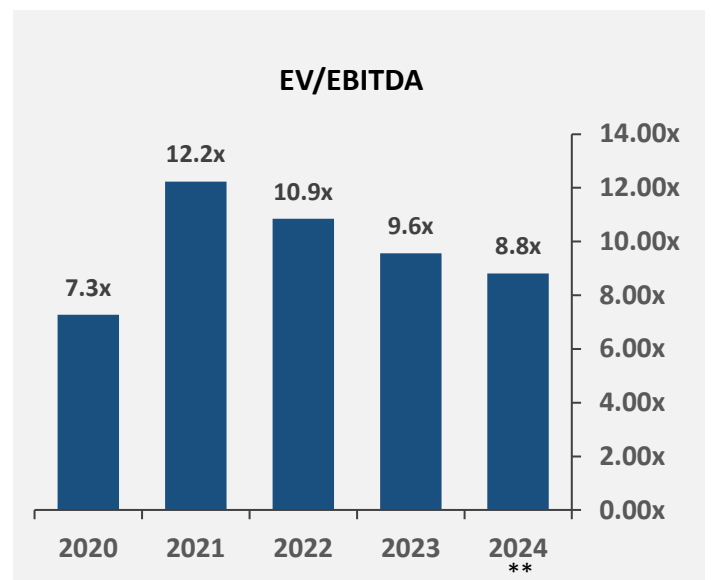
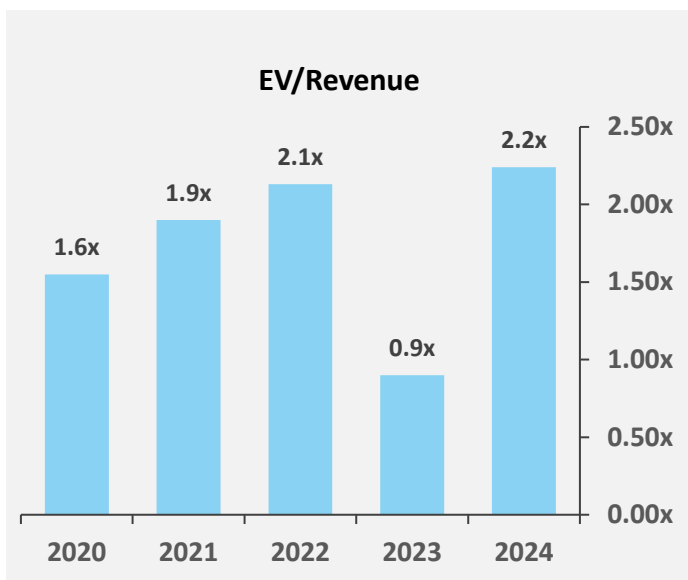


Valuation Multiples

Private Equity Multiples



Strategic Multiples



* Private Equity Revenue/EBITDA & EV/EBITDA multiples exclude outliers
 ** Strategic EV/EBITDA multiple excludes outliers
 *** No Private Equity EV/EBITDA multiples were reported in Q1 2024

Largest Deals (Completed)

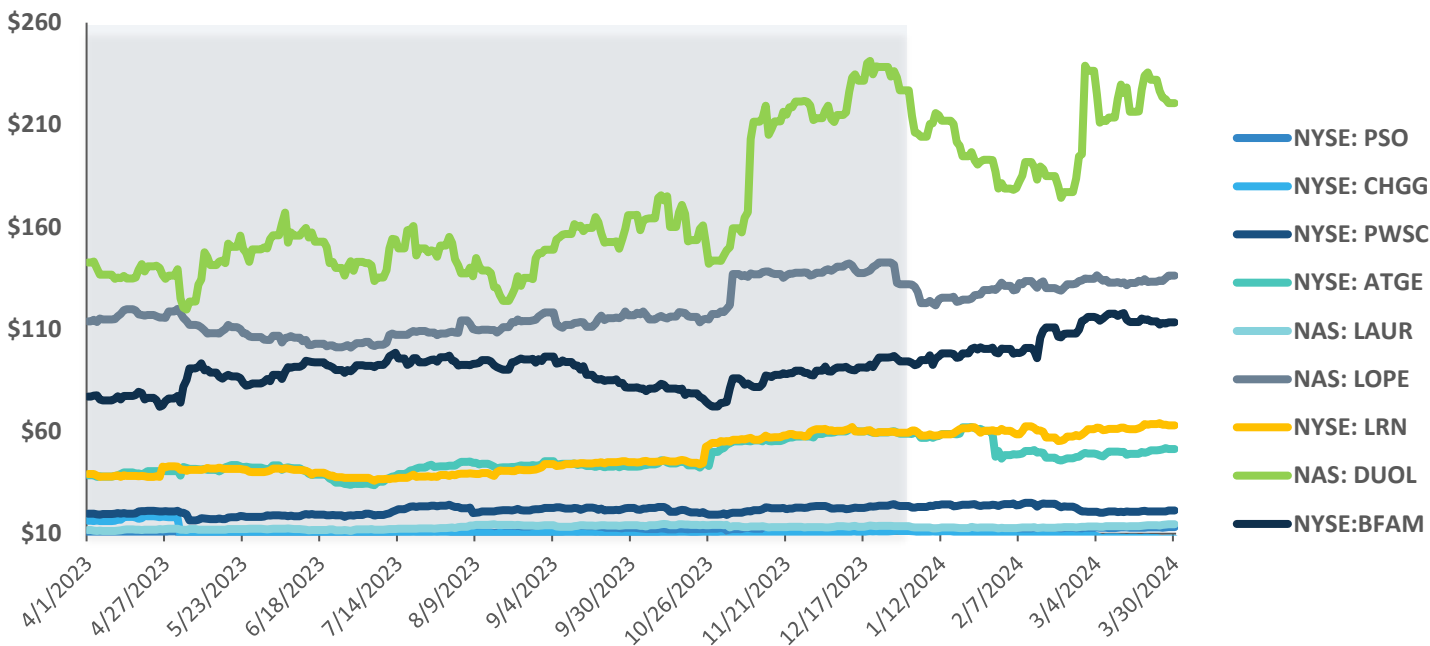
Deal Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
18-Mar-2024	Inspira Rede de Educadores	Advent International	PE Growth/Expansion	\$ 201.4			Operator of a network of over 100 learning centers.
14-Mar-2024	LifeSpeak	Beedie Capital	PIPE	3.6			Provider of a SaaS platform for mental health and total wellbeing education.
04-Mar-2024	Benesse Holdings	BPEA EQT	Buyout/LBO	11.9			Operator of a Japanese holding company that operates educational facilities, nursing homes, and child care services.
04-Mar-2024	Amelio Early Education	Tanas Capital	PE Growth/Expansion	7.5			Operator of a daycare and preschool chain based in Chennai, India.
01-Mar-2024	Touhula Leikki	AcadeMedia	Merger/Acquisition	44.8	0.26x	8.81x	Operator of children's daycare centers.
01-Mar-2024	KMK Optometry	Alpine Investors	Buyout/LBO	31.0			The operator of an online learning platform intended to cater to American NBEO optometry board exams and the Canadian OEBC exam.
28-Feb-2024	Mundo Abacus	Mooney Edu	Merger/Acquisition	17.0			Operator of an educational platform intended to provide learning through gamified educational content.
16-Feb-2024	CAE Healthcare	Madison Industries	Buyout/LBO	230.8	1.48x		Developer of simulation-based education technologies intended for healthcare, aviation, defense and security sectors.
12-Feb-2024	Harley Academy	Rockpool Investments	PE Growth/Expansion	10.1			Operator of a higher education in aesthetic medicine intended to serve students in the medical sector.
01-Feb-2024	Parchment	Instructure	Buyout/LBO	835.0			Operator of an online educational record management platform designed to simplify the process of sharing academic credentials online.
01-Feb-2024	Findon Company	PHYZ Holdings	Merger/Acquisition	1.2	0.41x		Provider of sports education and training services connecting children with professional athletes.
23-Jan-2024	Kahoot!	Goldman Sachs Asset Management	Buyout/LBO	1,664.4			Developer of a game-based learning platform designed to create and play customizable learning games.
18-Jan-2024	Vegemin	Co-operative Tradeka	Corporate	0.6			Developer a mobile app intended to teach children about nutrition.
12-Jan-2024	AXL Tech	Prodamus	Merger/Acquisition	5.3	4.06x		Operator of a global IT platform intended for online educational course creators based in Lewes, Delaware.
10-Jan-2024	Pflegecampus21	Verdane	Buyout/LBO	98.7			Developer of an online platform designed to offer e-learning services in nursing works.
08-Jan-2024	EpicQuest Education Group International		PIPE	0.8			Provider of comprehensive education solutions for domestic and international students.
04-Jan-2024	Stardust Solar Technologies	Bold Capital Enterprises	Merger/Acquisition	15.2	5.08x	117.19x	Provider of solar photovoltaic systems installation and training services intended to reduce carbon emissions.
02-Jan-2024	Wiley University Services	Academic Partnerships	Buyout/LBO	200.0			Provider of educational services based in Maitland, Florida.
Mean				187.7	2.26x	63.00x	
Median				16.1	1.48x	63.00x	
High				1,664.4	5.08x	117.19x	
Low				0.6	0.26x	8.81x	

Leading M&A Deals (Completed)

Deals	Deal Synopsis	Driver
 	<p>Kahoot!, a Norwegian game-based learning platform, was acquired by a group of investors led by Goldman Sachs Asset Management (“GSAM”) for \$1.7B through a public-to-private LBO in January 2024. The partnership will facilitate Kahoot!’s expansion into new international markets, broadening the reach of its product suite designed to enhance learning and interaction through engaging and enjoyable experiences.</p>	<p>LBO</p>
 	<p>Parchment, an Arizona-based operator of an online educational record management platform, was acquired by Instructure (NYS: INST), the owner of Canvas, through an \$835.0 million LBO in February 2024. Through the acquisition, INST broadens its customer base in K-12 and secondary education while expanding its product offerings to include a tool for skill mastery, credit transfer, and prior learning validation.</p>	<p>LBO</p>
 	<p>In February 2024, Madison Industries, via its financial sponsors Sequoia Heritage and Barings, acquired a subsidiary of CAE, CAE Healthcare, a Florida-based developer of medical simulation and training solutions, for \$230.8 million. Through this acquisition, Madison Industries further expands its portfolio of medical companies which includes Madison Medical, Drucker Diagnostics, Streck, and National Biological.</p>	<p>Merger/ Acquisition</p>
  	<p>Inspira Rede de Educadores (“Inspira”), a Brazil-based network of over 100 learning centers, received \$201.4 million of development capital from Advent International and CPP Investments in March 2024. The capitalization aims to accelerate Inspira’s organic and inorganic expansion, particularly through acquisitions across Brazil.</p>	<p>PE Growth/ Expansion</p>

Public Comps

Stock Price

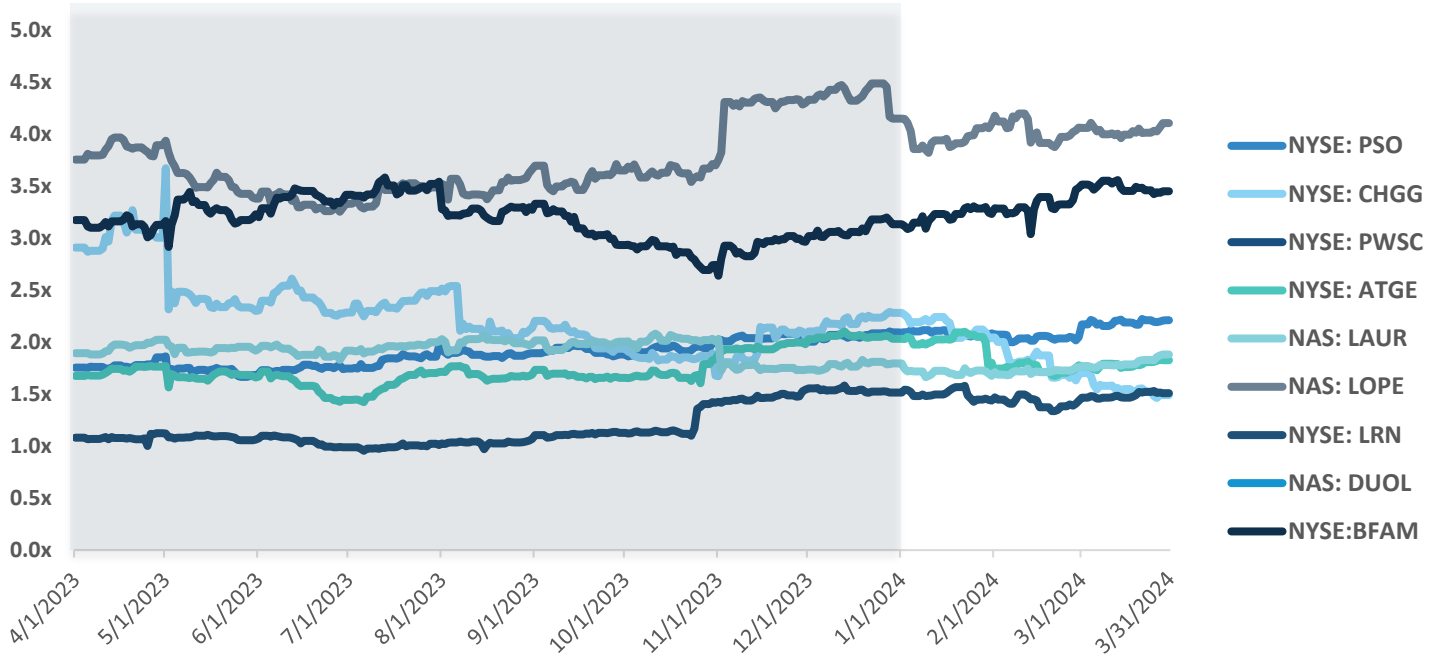


Financial & Valuation

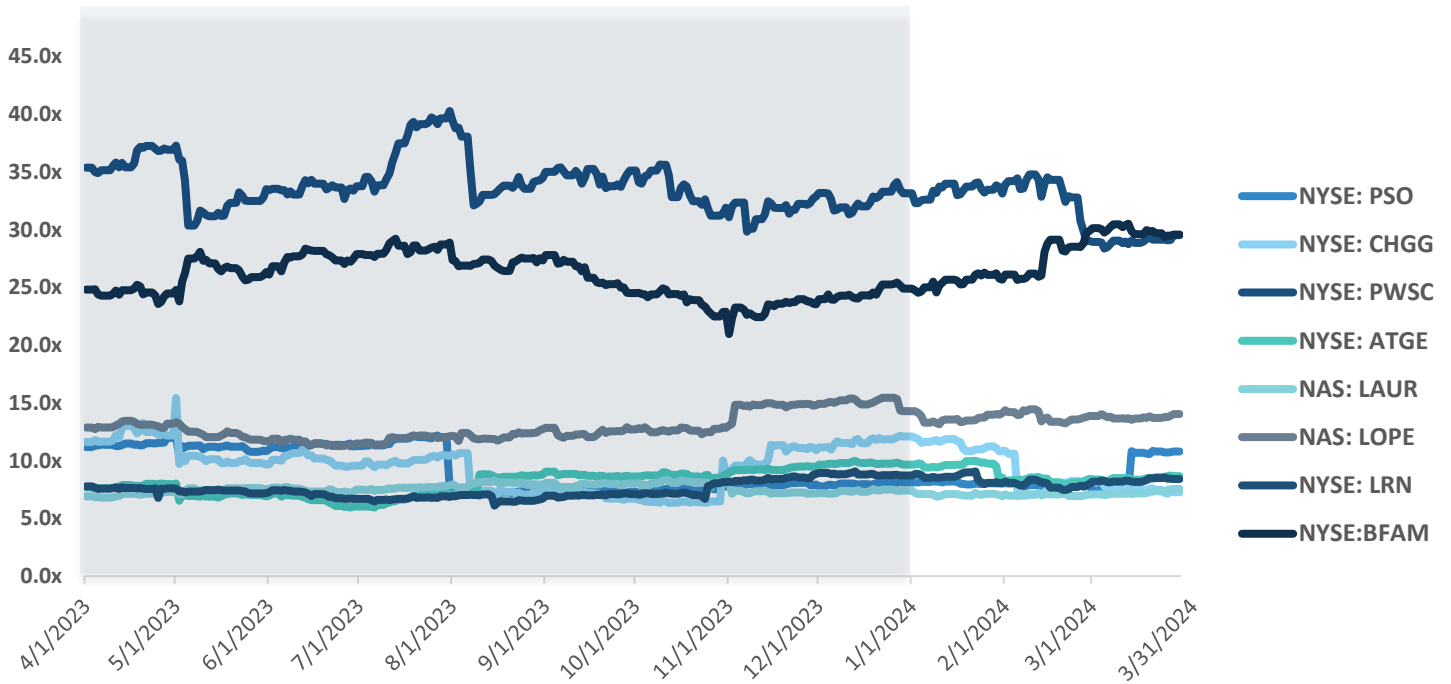
\$MM	Company	Ticker	Stock Price	Market Cap	Total Debt	EV/Revenue			EV/EBITDA			Revenue Growth			EBITDA Margin		
						21A	22A	23F	21A	22A	23F	21A	22A	23F	21A	22A	23F
	Pearson	NYSE:PSO	13	8,930	1,479	1.6x	1.9x	2.0x	7.6x	8.3x	9.8x	-1%	3%	3%	33%	20%	23%
	Chegg	NYSE:CHGG	8	780	618	5.7x	4.5x	4.2x	42.1x	15.8x	12.6x	37%	-1%	-4%	15%	27%	28%
	PowerSchool Group	NYSE:PWSC	21	3,444	838	7.1x	7.8x	6.9x	33.3x	42.7x	21.9x	N/A	16%	13%	21%	18%	34%
	Adtalem Global Education	NYSE:ATGE	52	2,030	897	2.5x	1.5x	1.6x	13.7x	7.2x	6.4x	10%	50%	9%	15%	22%	23%
	Laureate Education	NAS:LAUR	15	2,285	583	0.9x	1.4x	1.3x	58.9x	6.2x	4.6x	-1%	11%	5%	2%	23%	28%
	Grand Canyon Education	NAS:LOPE	135	4,050	99	4.0x	3.6x	3.4x	11.4x	11.6x	11.1x	8%	2%	7%	35%	31%	32%
	Stride (Herndon)	NYSE:LRN	63	2,746	542	1.1x	1.0x	1.0x	9.5x	7.3x	6.5x	36%	9%	11%	12%	14%	18%
	Duolingo	NAS:DUOL	223	9,542	25	15.2x	6.8x	5.0x	N/A	N/A	103.0x	N/A	50%	37%	-22%	-17%	23%
	Bright Horizons Family Solutions	NYSE:BFAM	113	6,540	1,860	5.4x	2.9x	2.5x	42.3x	22.5x	15.2x	1%	17%	10%	13%	13%	15%
	Mean					4.8x	3.5x	3.1x	27.3x	15.2x	21.2x	12.8%	17.6%	10.1%	13.7%	16.7%	24.8%
	Median					4.0x	2.9x	2.5x	23.5x	10.0x	11.1x	7.9%	10.9%	9.3%	14.8%	19.7%	22.8%

Public Comps

EV/Revenue



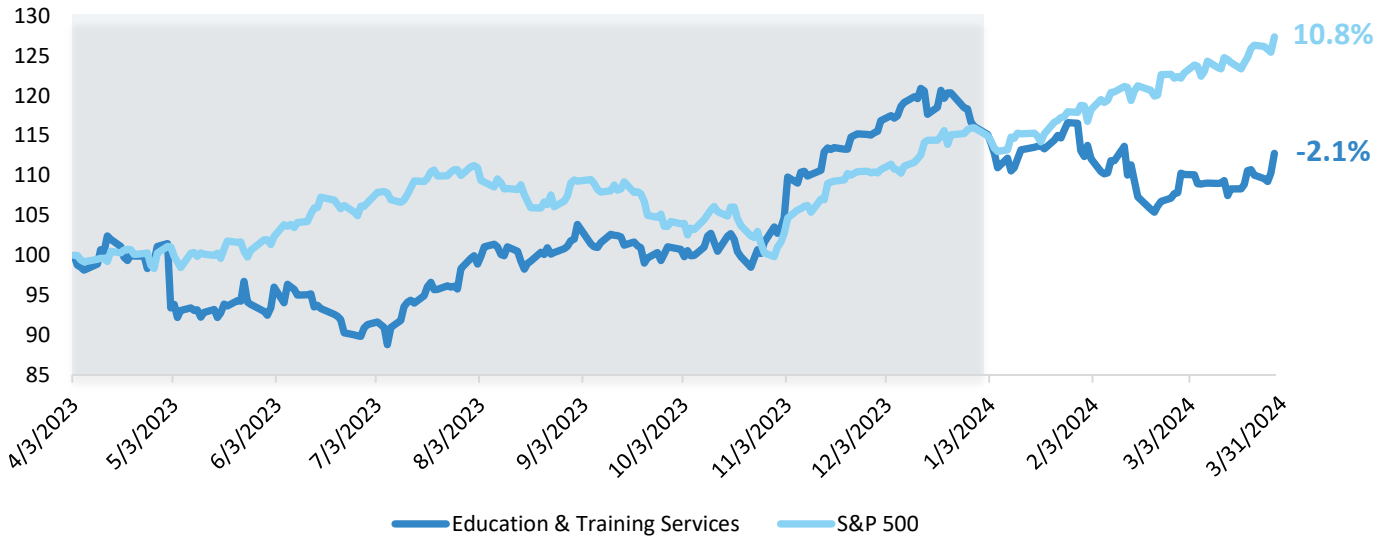
EV/EBITDA



Public Markets

Index Performance

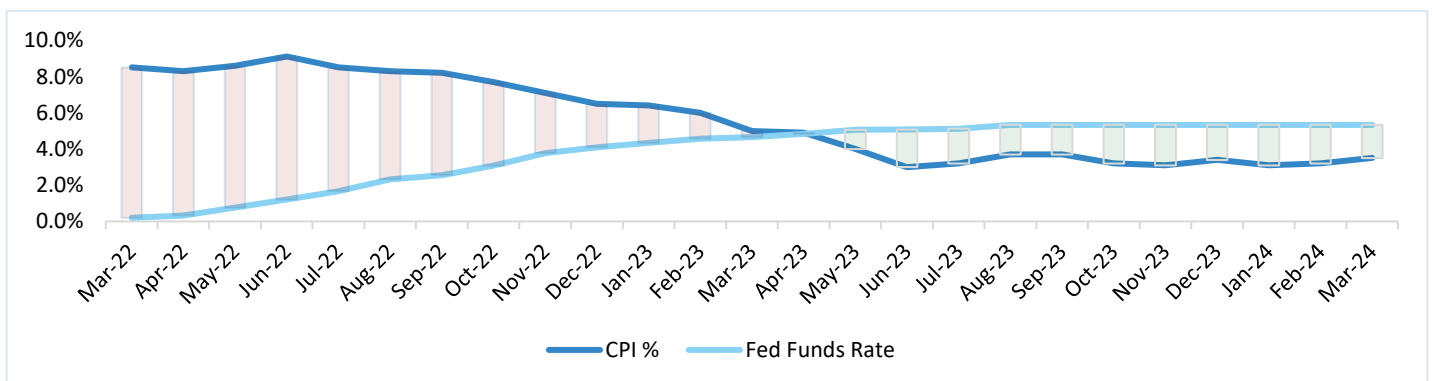
In Q1, the Education & Training sector index decreased 2.1% and was outperformed by the S&P 500 index, which increased 10.8% over the same period.



Key External Drivers

Overall, the Education & Training industry tends to be less volatile in the broader economy than other industries because of its inherent stability due to consistent demand for educational services regardless of economic fluctuations.

The Federal Reserve is anticipated to initiate a series of rate cuts in 2H 2024, with policymakers considering three cuts starting in June, aiming to reduce the Fed funds rate from 5.25%-5.5% to 4.5%-4.75%. This outlook, coupled with the latest above-expectations performance by the Magnificent Seven Stocks, has fueled public equity activity in Q1, 2024. The S&P 500 surged to 17 new record highs and has experienced a significant YoY increase of 28.36% since March 2023. The anticipated rate cuts are poised to increase M&A activity in the Education & Training sector by lowering the cost of capital required to finance acquisitions. Lower borrowing costs may narrow the gap between the price sellers are willing to accept and the proposed purchase price offered by buyers. Although we anticipate elevated M&A activity relative to 2023, we do not foresee M&A activity returning to the record-high levels seen in 2021.



Industry Trends

Online Learning

Growing Preference for Online Learning Services

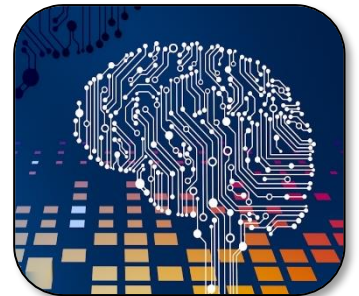
The proliferation of high-speed internet, coupled with the COVID-19 pandemic, has accelerated the adoption of online learning platforms across all education levels. Institutions and individuals alike are increasingly turning to online courses, webinars, and virtual classrooms for their convenience, flexibility, and ability to reach wider audiences. This trend is reshaping traditional education models, prompting institutions to invest in digital infrastructure and content development to meet the evolving needs of learners.



EdTech Innovation

Next-Generation Learning Solutions

The EdTech sector is witnessing a surge in innovation, driven by the convergence of artificial intelligence, machine learning, and big data analytics. These technologies are revolutionizing learning experiences by personalizing content delivery, providing real-time feedback, and facilitating adaptive learning pathways. Startups are developing cutting-edge solutions, such as AI-powered tutors and gamified learning platforms, to enhance student engagement and outcomes.



Remote Work

Industry Changes to Accommodate Remote Work

Remote work has transformed workplace training, with organizations increasingly relying on digital platforms to deliver on-demand training that accommodates remote teams and fosters collaboration. This shift is also prompting investment in immersive VR and AR simulations, providing employees with realistic, hands-on learning experiences regardless of their location.



Virtual & Augmented Reality

VR & AR Simulations for Workplace Training

VR and AR simulations are increasingly used for immersive workplace training. These technologies offer realistic scenarios for employees to practice skills in a safe environment. From technical to soft skills training, VR and AR enhance learning engagement and effectiveness, driven by accessibility and advancements in software development.



Our Service Offerings



Sell-Side Advisory: Sell your business

Sell your business for the highest price and for the best terms. At R.L. Hulett, communicating the value of your business to targeted buyers and finding the best fit for your team is our forte. We strive to maintain your company's culture and heritage even as you transition out of your business.



Buy-Side Advisory: Buy a business

Searching for acquisition targets can be a challenging and time-consuming task when trying to run your own business at the same time. Navigating the risks and pitfalls in negotiating valuation and deal structure can also be a daunting task for many business owners. Let our team help you minimize your risk and reduce time wasting efforts with our decades of experience in advising in both buy and sell-side M&A transactions. We utilize industry-leading M&A databases to scout for opportunities and pre-screen for "real" actionable targets so you can stay focused on what matters.



Capital Raise: Gain financial support

With nearly 40 years of experience in middle-market M&A advisory, we know how to package up your deal and put you in front of the right kind of investors who have the capital and the industry expertise you need to grow your business. Our team will develop a go-to-market strategy and advise on deal structure, valuation, due diligence and transition issues. Whether you are seeking capital for growth or trying to buy out other shareholders, we have the tools, expertise, and experience to execute a strategic process and find the optimal outcome to meet your objectives.



Restructuring: reorganization of your business

In today's uncertain economic times, more and more companies are finding themselves in unfamiliar, and unwanted, positions. Many business owners are hoping recovery is just around the corner; however, proactive measures are often required to maximize the remaining value of the business. Our team can aid banking institutions with workout situations by implementing internal controls over cash management and performing on-going cash flow modeling for their clients. We can also help business owners avoid having trouble making payments on their debts and avoid the cumbersome and low-value asset liquidation process.

Selected Transactions

Over the years, R.L. Hulett has completed hundreds of transactions in a wide variety of industries. Below are several relevant transactions in the Education & Training sector. Please note that this list is not comprehensive.

BYL

has acquired



 R. L. Hulett



has been acquired by



 R. L. Hulett



has sold substantially all of its assets to



 R. L. Hulett

Companies Served



Investors



Cottonwood Acquisitions



Our M&A Deal Leaders



R. Trevor Hulett, CPA
Managing Director
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Mr. Hulett has led M&A transactions in a variety of industries including manufacturing/industrial, software development/IT, business services and value-added distribution for over 15 years. Prior to joining the firm, he held senior level accounting and financial management positions in both public accounting and large corporations. Mr. Hulett began his career as a Certified Public Accountant with MPP&W, a St. Louis-based public accounting firm specializing in middle market companies. He then held various management positions in internal audit and corporate accounting with a Fortune 1000 industrial manufacturing company and also spent nine years with Enterprise Rent-A-Car Company as a department manager in the Corporate Accounting group. Mr. Hulett holds his Series 62, 63 and 79 securities registration. Mr. Hulett earned a Bachelor's Degree in Accounting from the University of Missouri, Columbia.



Robert L. Hulett
Chairman Emeritus
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Mr. Hulett founded the firm in 1981 and has negotiated and completed more than 200 transactions throughout his career. He began his career as a Certified Public Accountant and practiced with Peat, Marwick, Mitchell & Co. in St. Louis as an Audit Manager and in New York as the Director of Training for Private Business. Mr. Hulett has also served as Chief Executive & Board Member for various middle market companies. As an educator, he was an adjunct professor at New York University and a tenured faculty member at Lindenwood University in St. Louis. He conducted training sessions for middle market CPA firms throughout the country for more than ten years. Mr. Hulett earned his BS/BA Cum Laude in Accounting from the University of Missouri-Columbia, and an MBA from Lindenwood University.

Our M&A Deal Leaders



Ron Litton
Director
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Mr. Litton has been advising business owners in mergers and acquisitions since 2013. His primary industry focus areas have included Education & Training, paper and packaging, distribution, energy, promotional products and direct to consumer e-commerce. Prior to 2013, Mr. Litton held a variety of C-level roles with several companies in the paper and packaging industry including Unisource, Maverick Paper, Universal Graphics and Sabin Robbins. He has bought and sold a number of businesses, advised in the sale of family/founder owned businesses, and advised in start-ups and turnaround situations for banks, owners, and private equity firms. He enjoys working with owners that want to sell or transition out of their businesses. Ron covers the Kansas City and surrounding markets for the firm. He graduated from Central Missouri State University with a BS in Graphic Arts Technology and Management.



David T. Vass
Director
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Mr. Vass has over 30 years of business management experience including more than 10 years as President of a highly successful consumer products manufacturing company with revenues exceeding \$25 million. During this time, he not only reversed a declining sales and earnings trend, but increased both sales and operating income over 100%. In addition, he has spent over 20 years at the executive level of Vice President of Sales and Business Development. Mr. Vass also has experience in a number of other industry niches including consumer products, commercial furniture and fixtures and metal recycling. He holds a Bachelor's Degree in Economics from DePauw University and an MBA from the University of Michigan.

Our M&A Deal Leaders



Ryan Hartman
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Ryan provides analytical support for senior-level deal managers and, as a senior analyst, supervises the preparation of confidential memorandums, financial models and industry research reports. Ryan graduated with a Bachelor of Science degree in Finance from The Freeman School of Business, Tulane University. Prior to joining the firm, Ryan worked as an equity analyst for Burkenroad reports, an equity research program that produces widely circulated financial reports on small- to medium-sized companies. During his time at Tulane University, Ryan was elected as Vice President of Administration for Tulane's community government, took extensive courses in Investment Banking M&A transactions, and volunteered as a data analyst for American Red Cross.



Charlie Meier
Analyst
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Charlie provides transaction support for senior-level deal managers including financial modeling, valuations, industry research, offering memorandums and a variety of presentations. He graduated with a Bachelor of Science in Business Administration Degree with a major in finance and banking from the Trulaske College of Business, University of Missouri. Prior to joining the firm, Charlie worked as an investment analyst for the University of Missouri's Investment Fund Management Program. During his time at University of Missouri, Charlie was elected as Recruitment Chairman for the Phi Delta Theta Fraternity and took extensive courses in Banking.



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Lynda Hulett leads the firm's marketing, administrative and communication efforts. She maintains the firm's proprietary CRM database, manages outbound firm communications and provides administrative support to senior deal managers. Prior to joining R.L. Hulett, Lynda spent the previous ten years in various marketing and administrative functions. Most recently, she worked as a client liaison providing administrative support for a CPA firm. Prior to that, she was employed by Moneta Group, a financial services advisory firm, where she provided marketing and administrative support to the client managers. Lynda graduated from the University of Missouri – Columbia, receiving her business degree with an emphasis in Marketing.

About R.L. Hulett

R.L. Hulett is a middle-market investment bank based in St. Louis, Missouri, providing M&A and financial advisory services to middle-market companies. Since its founding in 1981, the firm has advised in over 275 transactions in a variety of industries including Education & Training, food & beverage, packaging, business services, transportation & logistics, healthcare and software/tech-enabled services. The firm has an experienced team of M&A advisors consisting of former business owners, seasoned corporate executives, professional service firm partners, CPAs and MBAs. Our ability to deliver customized solutions to meet or exceed our clients' expectations is what sets us apart from our competitors.

Industry Sectors Covered:



Education & Training



Food & Beverage



Transportation & Logistics



Business Services



Tech-enabled Services



Healthcare

Disclaimer

The data in this document has been derived from PitchBook Data and has been compiled by R.L. Hulett. This document is strictly for illustrative purposes only. The data presented in this document is not comprehensive and should not be used for benchmarking, valuation, or for any other decision making. R.L. Hulett accepts no responsibility for loss or damage caused by dependence on the information in this document.



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Tenacious Advocates.

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