



# Capstone Partners

## EDUCATION TECHNOLOGY

Q4 2017

### CONTACTS

**Jacob Voorhees**  
Managing Director  
617-619-3323  
jvoorhees@capstonellc.com

**David Michaels**  
Managing Director  
858-926-5950  
dmichaels@capstonellc.com

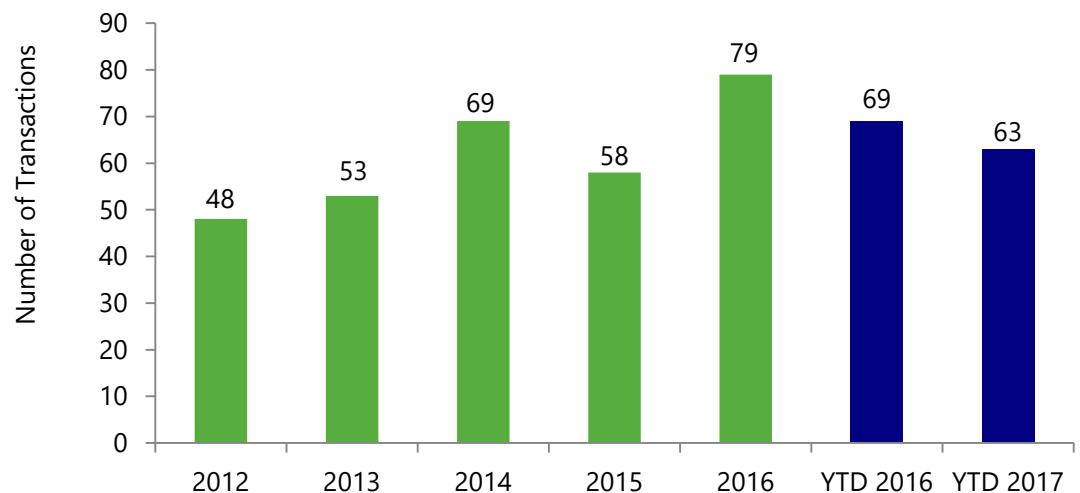
**David DeSimone**  
Director  
617-619-3324  
ddesimone@capstonellc.com

### MERGER & ACQUISITION ACTIVITY

Merger and acquisition (M&A) activity in the Education Technology Industry has been healthy through year-to-date (YTD) 2017, already matching deal volume for 2015 and surpassing YTD volume for every year except the record set in 2016. Activity is being driven by industry fragmentation and the fact that the market supports hundreds of small and medium sized businesses. Moreover, due to increasing cash reserves of corporate buyers and the capital overhang associated with the private equity community, the amount of capital available for transactions is now increasing faster than the number of viable targets. As buyers and investors chase opportunities, valuations have risen exponentially, especially for fast growing targets with profitable business models and high operating leverage. As of October 16, average public company revenue multiples reached a premium 4.4x.

In 2016 the Education Technology industry reached \$43.3 billion in size with an expected annual growth rate of 16.7%, according to *Markets and Markets*. Rapid growth has benefitted industry participants as districts are increasingly adopting technology as a way to enhance learning and efficiently use resources. K-8 programs in particular are set to benefit as they account for over 80% of spending in the total market. In the K-8 segment, childhood literacy has been identified by Capstone as a segment that should see robust growth in the near- and long-term. Literacy is a major cornerstone in education and teachers have been focused on improving literacy at earlier stages of a child's development. State funding is key to improving literacy. Utah's UPSTART program and New York's plan to provide universal preschool to three-year-olds are examples of states taking the lead in expanding early education. As more states follow suit, early childhood literacy providers should expect to see strong interest from buyers.

**Education Technology M&A Transactions**



**BOSTON**  
**CHICAGO**  
**LONDON**  
**LOS ANGELES**  
**NEW YORK**  
**ORANGE COUNTY**  
**PHILADELPHIA**  
**SAN DIEGO**  
**SILICON VALLEY**  
**TAMPA**

YTD ended as of October 1  
Sources: Capital IQ and Capstone Partners LLC Research

## NOTABLE EDUCATION TECHNOLOGY TRANSACTIONS

Several notable transactions have been completed or announced in the Education Technology Industry in 2017. Select transactions are outlined below, followed by a more comprehensive list on the following pages.

- ▶ **Silversmith Capital led \$59 million investment in Absorb Software (September 2017)** – Private equity firm Silversmith Capital (Silversmith) announced that it led a \$59 million funding round for Absorb Software (Absorb). Absorb provides cloud-based learning and performance management software for 2.5 million monthly learners across 600 global customers. The investment will be used to further develop Absorb's flagship LMS product, recruit additional talent and expand its geographical footprint.

Jim Quagliaroli, Managing Partner at Silversmith, commented, "Absorb has a rapidly growing customer base of blue chip clients, addressing a diversity of use cases and learner audiences. Absorb has an experienced team, scalable SaaS platform, and relentless customer focus – a combination which we believe sets them up well for continued success."

- ▶ **Thoma Bravo acquires Frontline (August 2017)** – Thoma Bravo, a leading private equity group, acquired Frontline Education (Frontline) in August. Terms of the deal were not disclosed. Frontline develops cloud-based K-12 education software for administrative and HR needs. The deal is expected to accelerate Frontline's organic and inorganic growth strategies.

Holden Spaht, Managing Partner at Thoma Bravo, commented, "We look forward to supporting the company's growth, both organically and through strategic acquisitions, while maintaining the high level of customer service for which Frontline is known."

- ▶ **Excelligence acquires Frog Street (April 2017)** – Excelligence Learning (Excelligence), a provider of educational tools to early childhood and elementary school teachers, acquired Frog Street Press (Frog Street). Terms of the deal were not disclosed. Frog Street publishes early childhood educational resources and teaching strategies for young children including literacy and math products, pre-kinder instructional strategies, learning materials, and speech and language materials. The acquisition represents a continued trend of acquisitions in the childhood literacy segment of the Education Technology Industry.

Frog Street CEO Ron Chase commented, "Joining the Excelligence portfolio of companies provides Frog Street the opportunity to increase its market and customer awareness well beyond its core Texas geography. We believe the existing relationships that Discount School Supply and Really Good Stuff have with our target customers will allow us to reach significantly more of the early childhood programs that combine purchased curriculum with internally developed resources."

**EDUCATION TECHNOLOGY: SELECT M&A TRANSACTIONS**

Ann. Date	Target	Acquirer	Target Business Description	Enterprise	EV / LTM	
				Value (mm)	Revenue	EBITDA
09/19/17	eSchoolData	IO Education	Develops a SaaS student management software solutions.	-	-	-
09/13/17	Globaloria	Carnegie Learning	Operates a K12 learning platform with courses in STEM, computing, game design and coding.	-	-	-
09/12/17	SlideRoom Technologies	Liaison International	Offers an online application tracking system for colleges accepting and evaluating applications online.	-	-	-
09/06/17	Absorb Software	Silversmith Capital	Develops a learning management system.	-	-	-
08/21/17	Triumph Learning	School Specialty	Publishes digital and print K-12 resources, standards-aligned instructional materials and literacy programs.	-	-	-
08/16/17	IAT Interactive	SASC	Provides research-based programs for STEM learning through the Kno platform.	-	-	-
08/11/17	JR3 Education	Harris School Solutions	Offers software that combines a school management system with a student information system.	-	-	-
08/04/17	Frontline Education	Thoma Bravo	Offers cloud-based K-12 education software to school districts.	-	-	-
08/02/17	The Berkeley Electronic Press	Elsevier	Provides Web-based solutions for the academic and scholarly community.	-	-	-
07/26/17	Wisetail	Alchemy Systems	Develops cloud-based learning and communication solutions.	-	-	-
07/12/17	Jhana Education	Franklin Covey	Offers bite-sized, online learning content for leaders and managers.	\$10.7	-	-
07/10/17	iLawVentures	BARBRI	Provides legal education online distance learning courses.	-	-	-
07/04/17	JumpStart Games	NetDragon Websoft	Designs and produces educational mobile and multiplayer online games.	\$25.6	-	-
06/29/17	Authentica Solutions	BrightBytes	Provides cloud-based technology and solutions for higher education and K-12 school districts.	-	-	-
06/27/17	Edusight	Nelson Education	Offers tools to manage classroom data, showcase student learning and share progress with parents.	-	-	-
05/30/17	Thrivist	Tennessee Book Company	Develops various learning technologies for students and educators.	-	-	-
05/10/17	Craftsy	NBCUniversal Entertainment	Operates an online learning environment.	-	-	-
05/04/17	LC Solutions	Epiphany Learning	Operates an online platform to support personalized, interdisciplinary and competency-based learning.	-	-	-
05/03/17	Citelighter	Sylvan Learning	Develops a digital writing solution for classrooms.	-	-	-
05/02/17	Apex Learning	Education Growth and Balance Point	Provides blended and virtual learning solutions to schools.	-	-	-
04/19/17	Frog Street Press	Excelligence Learning	Creates resources that challenge and motivate young learners.	-	-	-
04/14/17	Ascend Learning	Blackstone and CPPIB	Provides technology-based educational, curriculum and assessment solutions.	-	-	-
04/12/17	Ooka Island	Scholastic	Develops a game-based learn to read program that includes educational games and e-books.	-	-	-
04/04/17	Emantras	GP Strategies	Provides digital and mobile education solutions.	-	-	-
04/03/17	AcademicWorks	Blackbaud	Develops cloud-based scholarship management software.	-	-	-

**PUBLIC COMPANY TRADING & OPERATING DATA**

Company	Price 10/16/17	% 52 Wk High	Market Cap	Enterprise Value	LTM			3-Yr Rev Growth	EV / LTM	
					Revenue	EBITDA	Margin		Revenue	EBITDA
2U, Inc.	\$59.82	98.4%	\$3,109.5	\$3,087.3	\$239.1	NM	NA	35.4%	12.9x	NM
3P Learning Limited	\$1.02	95.6%	\$142.7	\$147.5	\$41.4	\$7.9	19.1%	12.9%	3.6x	18.6x
Blackbaud Inc.	\$90.71	96.7%	\$4,260.0	\$4,630.1	\$757.2	\$131.9	17.4%	12.6%	6.1x	NM
Cambium Learning Group, Inc.	\$6.39	93.0%	\$296.3	\$379.0	\$155.9	\$29.4	18.8%	2.8%	2.4x	12.9x
Chegg, Inc.	\$15.51	97.2%	\$1,662.4	\$1,596.4	\$253.3	NM	NA	(3.0)%	6.3x	NM
Cornerstone OnDemand, Inc.	\$39.00	88.1%	\$2,245.6	\$2,178.8	\$445.0	NM	NA	26.1%	4.9x	NM
Houghton Mifflin Harcourt	\$11.18	80.1%	\$1,378.3	\$2,075.3	\$1,389.8	\$53.9	3.9%	(0.4)%	1.5x	NM
K12, Inc.	\$17.46	82.4%	\$712.8	\$504.5	\$888.5	\$35.9	4.0%	(1.1)%	0.6x	14.0x
Pearson plc	\$8.43	75.7%	\$6,879.6	\$9,265.6	\$6,295.0	\$1,093.3	17.4%	(1.3)%	1.5x	8.5x

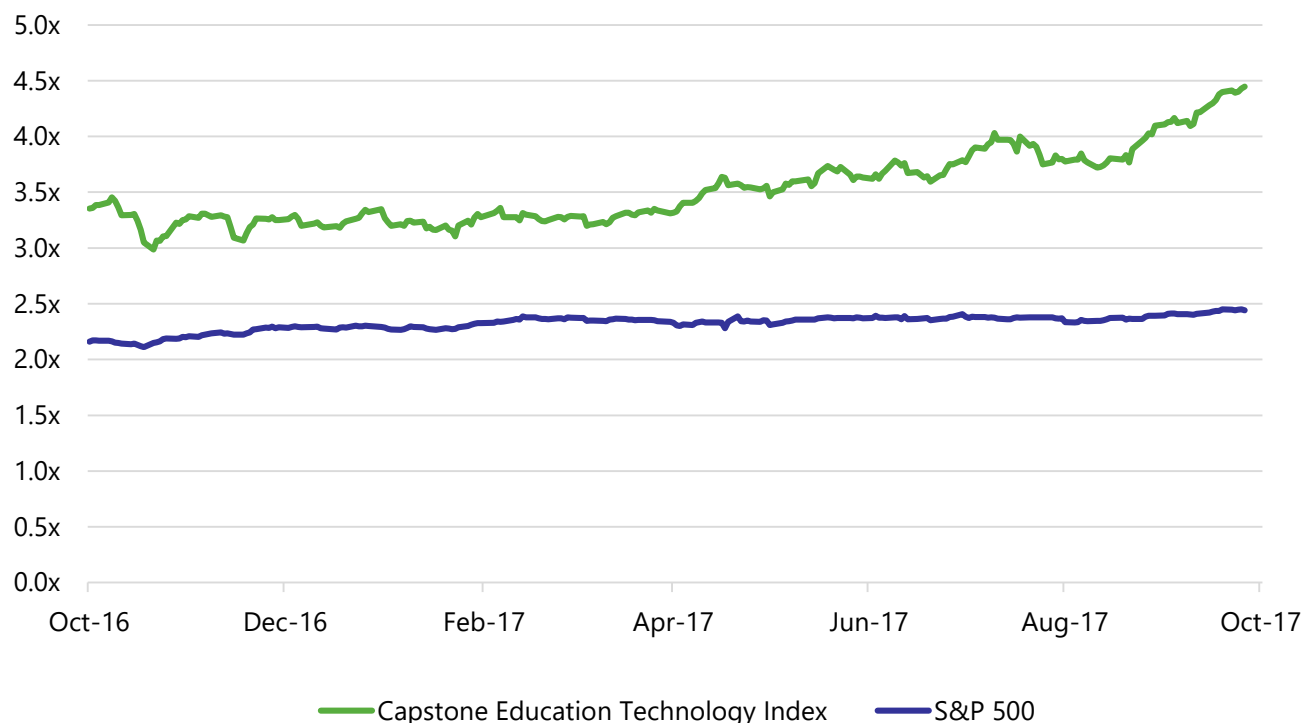
\$ in Millions, except per share data

EV = enterprise value; LTM = last twelve months

NM = not meaningful

<b>Mean</b>	<b>13.4%</b>	<b>9.3%</b>	<b>4.4x</b>	<b>13.5x</b>
<b>Median</b>	<b>17.4%</b>	<b>2.8%</b>	<b>3.6x</b>	<b>13.5x</b>
<b>Harmonic Mean</b>	<b>8.3%</b>	<b>NA</b>	<b>2.0x</b>	<b>14.8x</b>

**Average Public Company Revenue Multiple**



Source: Capital IQ as of October 16, 2017

## CAPSTONE PARTNERS: EDUCATION TECHNOLOGY TRANSACTIONS IN MARKET

### **CONFIDENTIAL, (LOI) Project Sabal:**

The Company is a leading provider of adaptive learning online educational software to explore strategic alternatives, including the possible sale of the Company. The instructional online platform provides algorithmic driven learning content with adaptive artificial intelligence to promote student learning in over 20 English and math courses.

### **CONFIDENTIAL, (In Market/In Process) Project Rockstar:**

The Company is an e-learning platform that offers a complete portfolio of custom e-learning and curriculum building solutions including; employee training, curriculum development, professional development, salesforce enhancement, strategic consulting, and gamification.

### **CONFIDENTIAL, (In Process) Project Tango:**

The Company is a leading provider of online-based computer programming education geared more to the high-end software engineer track with multi-year offerings although the company has revised the curriculum to also begin to cater to beginners.

### **CONFIDENTIAL, (In Process) Project Triangle:**

The Company is a developer of critical and creative thinking methodologies focused on visualization and eight specific thought processes that are integrated into lesson plans and curriculum of K-12 districts.

### **CONFIDENTIAL, (In Process) Project Glengarry:**

The Company develops and markets a unique suite of on-demand sales performance improvement SaaS applications for enterprise clients through a comprehensive web and mobile software suite is built on the Salesforce platform and includes modules for account planning and management, opportunity management, online learning and sales coaching.

### **CONFIDENTIAL, (In Process) Project Usul:**

The Company is the largest regionally accredited university providing computer science degrees and corporate training focused on high-end software/network engineer instruction and cybersecurity.

### **CONFIDENTIAL, (In Process) Project Martin:**

The Company is an online provider of certifications in the healthcare and business fields, primarily providing services to active military personnel and their families.

*If there is interest in learning more about these opportunities, please contact Jacob Voorhees at:  
[jvoorhees@capstonellc.com](mailto:jvoorhees@capstonellc.com) or 617-619-3323*

**CAPSTONE PARTNERS: A SAMPLING OF COMPLETED EDUCATION & TRAINING TRANSACTIONS**

Capstone Partners maintains the most active education & training practice in the middle market, having represented clients across various specialties. This market presence allows Capstone to provide education companies with real-time transaction feedback and immediate access to key decision makers among the industry's most active acquirers and investors.

<p><b>CONFIDENTIAL</b></p> <p>corporate sale (LOI)</p> <p><b>Math Adaptive Learning Software</b></p>	<p><b>CONFIDENTIAL</b></p> <p>corporate sale (IN MARKET)</p> <p><b>Custom Elearning Solutions</b></p>	<p><b>CONFIDENTIAL</b></p> <p>corporate sale (IN PROCESS)</p> <p><b>Cognitive Thinking Tools</b></p>	<p><b>CONFIDENTIAL</b></p> <p>corporate sale (IN PROCESS)</p> <p><b>Online Computer Bootcamp</b></p>
<p><b>CONFIDENTIAL</b></p> <p>corporate sale (IN PROCESS)</p> <p><b>SaaS Sales Training Provider</b></p>	<p><b>CONFIDENTIAL</b></p> <p>corporate sale (IN PROCESS)</p> <p><b>Online Military Training</b></p>	<p><b>CONFIDENTIAL</b></p> <p>corporate sale (IN PROCESS)</p> <p><b>Computer Science Degrees</b></p>	<p> NEUMONT UNIVERSITY</p> <p>has been acquired by</p> <p> Caltius Equity Partners</p>
<p> CYBERGRANTS</p> <p>has recapitalized with</p> <p> Waud Capital</p>	<p> BrightStar EDUCATION GROUP</p> <p>has been acquired by</p> <p> GREYBULL STEWARDSHIP</p>	<p> Tricore® Educate. Influence. Motivate.</p> <p>has been acquired by</p> <p> highroad CAPITAL PARTNERS</p>	<p> PENNFOSTER</p> <p>has recapitalized with</p> <p> VISTRIA</p>
<p> OXBRIDGE ACADEMIC PROGRAMS</p> <p>has been acquired by</p> <p> WORLD STRIDES® BROOKER YOUR WORLD a portfolio company of THE CARLYLE GROUP</p>	<p> TRIUMPH HIGHER EDUCATION GROUP</p> <p>has received growth capital from</p> <p> CAMDEN PARTNERS</p>	<p> e expression college</p> <p>has been acquired by</p> <p> navitas</p>	<p> Edvisors® Go Higher.</p> <p>has been acquired by</p> <p> College Loan Corporation</p>
<p> McKissock Your education solution.</p> <p>has been acquired by</p> <p> ALPINE</p>	<p> NTT Workforce Development Institute</p> <p>has been acquired by</p> <p> ecpi UNIVERSITY</p>	<p> TrainingPro</p> <p>has recapitalized with</p> <p> Riverside</p>	<p> media source incorporated</p> <p>has been acquired by</p> <p> Riverside</p>

THE EDUCATION TECHNOLOGY TEAM



**Jacob Voorhees, Managing Director, Head of Education Practice**  
jvoorhees@capstonellc.com • 617-619-3323

Jacob is a founding member of Capstone Partners. He focuses on asset positioning, strategy articulation, due diligence and negotiations coordination. Formerly, Jacob was with Andersen Corporate Finance LLC, where he focused his efforts on the software and direct marketing industries. He started his career in New York City with Rabobank International, a multi-national Dutch investment bank headquartered in Utrecht, the Netherlands. While at Rabobank International, Jacob worked in the mergers and acquisitions group focusing on cross-border transactions in the consumer products, food and beverage industries.



**David Michaels, Managing Director, Head of Technology & Telecom Practice**  
dmichaels@capstonellc.com • 858-926-5950

David Michaels is a Managing Director of Capstone where he is responsible for managing the firm's Technology & Telecom Group (TTG). David founded SagePoint Advisors in 2008, a boutique investment banking firm focused on providing M&A advisory services to technology and telecom companies. Prior to founding SagePoint, David was a Co-Founder, Partner and Managing Director at Montgomery & Co., a leading investment bank focused on serving emerging-growth technology companies. David co-founded Montgomery's investment banking business in 1996 and played an instrumental role in building the business to over \$50 million in revenues and 80 employees. Mr. Michaels also ran the firm's Communications and Digital Media Technology practice areas prior to his departure.



**David DeSimone, Director**  
ddesimone@capstonellc.com • 617-619-3384

David DeSimone rejoined the Boston office of Capstone Partners in 2015 as a Director in the Technology & Telecom Group. David brings more than 15 years of investment banking experience to Capstone and will help expand the firm's technology sector coverage in the Northeast. David has worked on equity, debt and M&A transactions collectively valued at more than \$4 billion. Previously, David was a member of the Capstone team for nearly seven years where he led efforts in the Technology Solutions vertical as a Vice President and Director. Prior to rejoining Capstone, David served as a Principal at Bowen Advisors, an M&A and strategic advisory firm focused on technology companies including communications and healthcare IT. David has also worked as a Vice President at Boenning & Scattergood, a Philadelphia-based middle market investment bank, where he worked with clients across a variety of industries and developed the firm's technology practice. He spent his early career working at Needham & Company, RobertsonStephens and J.P. Morgan.





## CAPSTONE'S OFFICE LOCATIONS

### BOSTON

176 Federal Street  
3rd Floor  
Boston, MA 02110  
(617) 619-3300

### CHICAGO

200 South Wacker Drive  
Suite 3100  
Chicago, IL 60606  
(312) 674-4531

### LONDON

42 Brook Street  
London W1K 5DB  
United Kingdom  
+44 (0) 203 427 5068

### LOS ANGELES

401 Wilshire  
Suite 1200  
Santa Monica, CA 90401  
(858) 926-5950

### NEW YORK

340 Madison Avenue  
10<sup>th</sup> Floor  
New York, NY 10173  
(212) 634-0855

### ORANGE COUNTY

23046 Avenida de la Carlota  
Suite 600  
Laguna Hills, CA 92653  
(949) 460-6431

### PHILADELPHIA

1515 Market Street  
12th Floor  
Philadelphia, PA 19102  
(215) 854-4063

### SAN DIEGO

12707 High Bluff Drive  
Suite 200  
San Diego, CA 92130  
(858) 926-5950

### SILICON VALLEY

228 Hamilton Avenue  
3rd Floor  
Palo Alto, CA 94301  
(650) 319-7370

### TAMPA

1550 W Cleveland Street  
Suite 10  
Tampa, FL 33679  
(813) 251-7285

## ABOUT CAPSTONE PARTNERS

**Capstone Partners LLC** is an award-winning investment banking firm dedicated to serving the corporate finance needs of middle market business owners, investors and creditors. Over the past 15 years, Capstone has earned a reputation as one of the most innovative firms in the industry, offering corporate sale & divestiture, merger & acquisition, private placement, corporate restructuring, valuation and financial advisory services. The firm maintains seven industry practices, including: Business Services, Consumer Products, Education & Training, Government Services, Health & Medical, Manufacturing & Industrial, and Technology & Telecom. Headquartered in Boston, Capstone has offices in Chicago, London, Los Angeles, New York, Orange County, Philadelphia, San Diego, Silicon Valley and Tampa with an international presence that spans 450+ professionals in 70 offices across 31 countries.

**For more information  
about our expertise,  
please visit  
[www.capstonellc.com](http://www.capstonellc.com)**



# Capstone Partners

World Class Wall Street Expertise. Built for the Middle Market