

THE RISE OF SOCIAL EMOTIONAL LEARNING IN K-12 EDUCATION

EARLY CHILDHOOD & K-12 EDUCATION SECTOR UPDATE | FEBRUARY 2022



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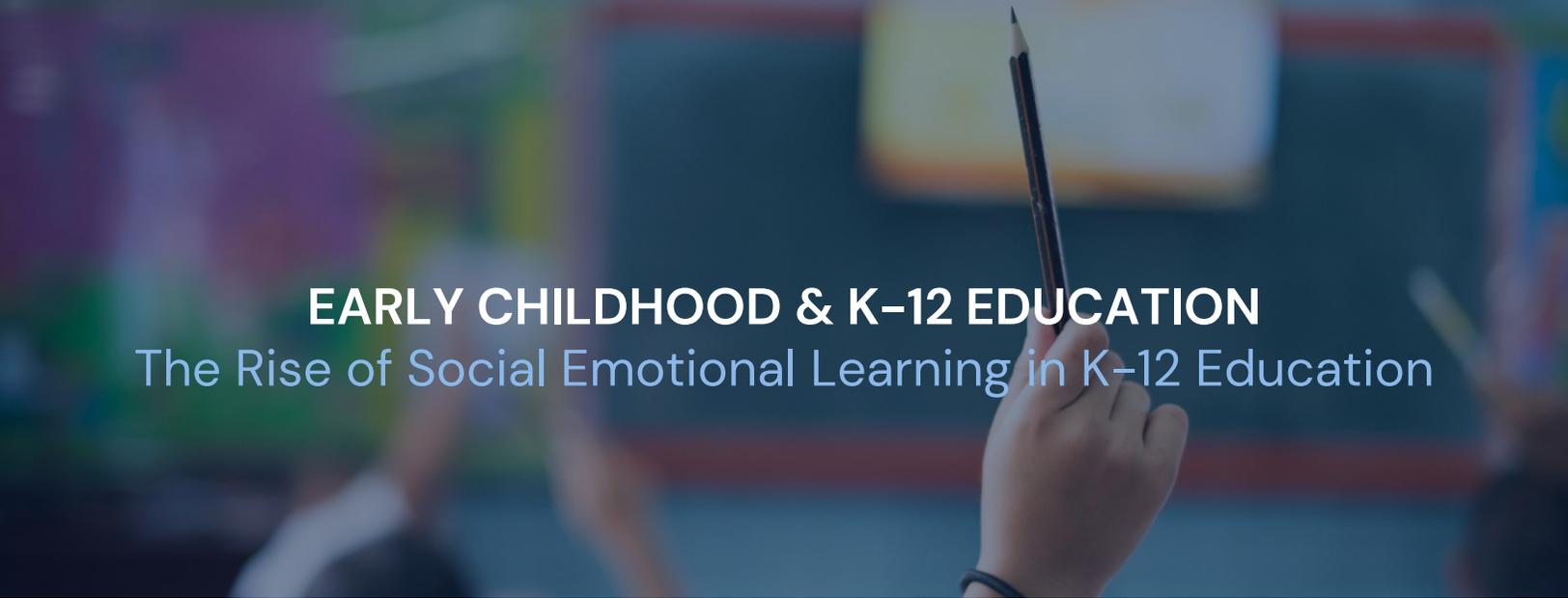
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EARLY CHILDHOOD & K-12 EDUCATION

The Rise of Social Emotional Learning in K-12 Education

KEY SECTOR TAKEAWAYS

Capstone Partner's Education & Training Group is pleased to share its latest Early Childhood & K-12 Education report, providing a spotlight on Social Emotional Learning (SEL). Through our ongoing dialogue with sector players, analysis of major trends in the Education industry, and recent transaction experience, we've identified several key trends below that highlight the future opportunity within SEL.

1. In light of the pandemic, the billions of dollars in new federal funding for education, and the recent U.S. Surgeon General advisory on the Youth Mental Health Crisis, SEL has unique tailwinds that will drive its further implementation into the K-12 Education sector.
2. Soft skills in K-12 schools have been severely under-prioritized, and the majority of educators have exhibited a strong demand for SEL solutions in the classroom.
3. Technology-enabled SEL providers have garnered significant interest from acquirors and venture capital firms seeking to deploy large capital investments.

Capstone Partners has developed a full suite of corporate finance solutions, including M&A advisory, debt advisory, financial advisory, and equity capital financing to help privately owned businesses and private equity firms through each stage of the company's lifecycle, ranging from growth to an ultimate exit transaction.

To learn more about Capstone's wide range of advisory services and Early Childhood & K-12 Education sector expertise, please contact Capstone Managing Director [Jacob Voorhees](#).

TAILWINDS DRIVING SOCIAL EMOTIONAL LEARNING IMPLEMENTATION

SEL is defined as, “the process through which all young people and adults acquire and apply the knowledge, skills, and attitudes to develop healthy identities, manage emotions and achieve personal and collective goals, feel and show sympathy for others, establish and maintain supportive relationships, and make responsible and caring decisions,” according to The Collaborative for Academic, Social, and Emotional Learning (CASEL).¹

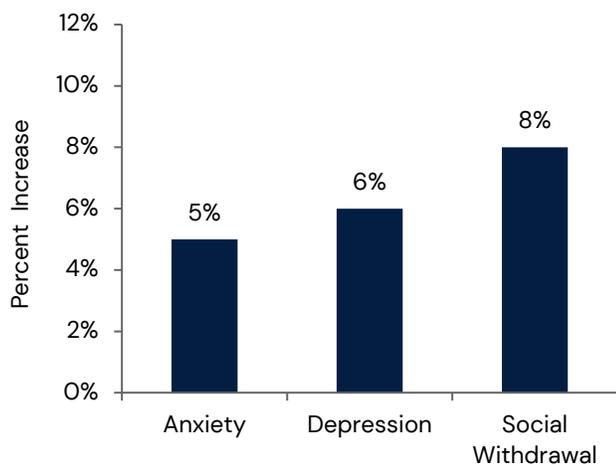
Dating back as early as 1968 with the research of Dr. James Carter at Yale University’s Child Study Center, SEL has focused on supporting the development and education of the “whole child.” Over time, the framework for promoting SEL in schools has developed significantly to build a foundation for utilization across K-12 classrooms. In light of the pandemic, the billions of dollars in new federal funding for education, and the recent U.S. Surgeon General advisory on the Youth Mental Health Crisis, SEL has unique tailwinds that will drive its further implementation.

CRITICAL NEED FOR SOCIAL EMOTIONAL LEARNING POST COVID-19

Since the onset of the pandemic, educators have begun to recognize the attention SEL needs in the classroom for students to develop these critical skills and perspectives. However, a recent study found that 94% of educators believe it is underemphasized in the classroom today, and 84% believe there is a greater need for an integrated SEL curriculum in the wake of COVID-19, according to McGraw Hill.² Although these figures have increased from 83% in 2018, only 34% of educators say a current SEL plan is instituted at their school.

As school districts have scrambled to normalize the student learning experience in a remote setting, in-person delivery of critical SEL skills and development has been reduced, and the benefits of the SEL coursework have been subsequently limited. Although math and reading skills in elementary students have been prioritized, in order to keep students on pace with their previous year counterparts, these equally essential soft skills have been severely under-prioritized. As a result, these students’ mental health has rapidly deteriorated, as evidenced by a recent survey in which 80% of parents reported some level of concern over their child’s mental health or social and emotional health and development since the pandemic began, according to McKinsey.³

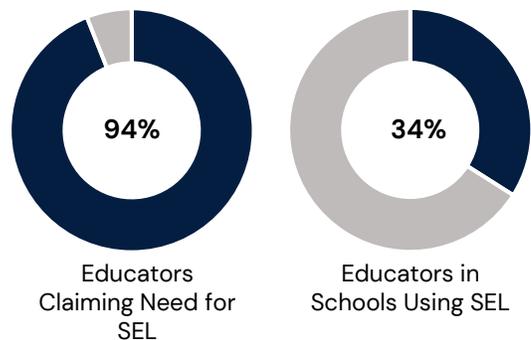
Parents Reporting Increased Rates of Mental Health Conditions In Children



Source: McKinsey

More than Ninety Percent of Educators Believe that SEL is Underemphasized in the Classroom

Pandemic-related classroom disruption has heightened the need for Social Emotional Learning (SEL), yet only a third of educators see implementation in their schools.



Source: McGraw Hill

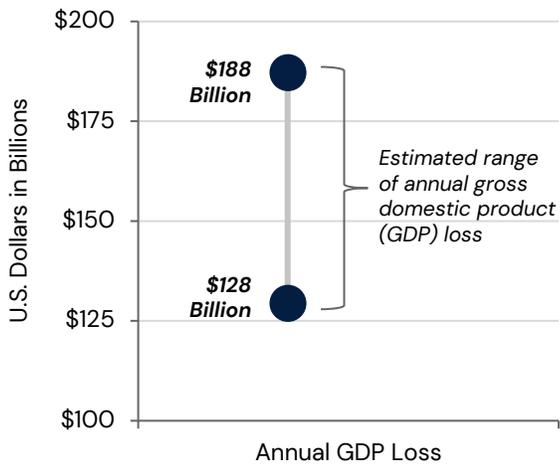
WHAT SCHOOLS CAN DO TO IMPROVE

A call to action to support this generation of learners has steadily increased as more data has been captured measuring the magnitude of the financial burden on those impacted. A recent report estimated pandemic-related unfinished learning may result in a \$49,000 to \$61,000 reduction in students' lifetime earnings, amounting to a potential annual gross domestic product (GDP) loss of \$128 to \$188 billion, according to McKinsey.

As this new normal in the classroom continues to evolve, the Federal government has responded by committing more than \$200 billion to K-12 education over the next three years, with 90% of these funds being distributed to the Elementary and Secondary Schools Emergency Relief Fund (ESSER).

Although the onus will undoubtedly be on school districts and administrators to properly allocate, utilize, and distribute these funds, it brings to the forefront the need to address this group that was severely impacted by the COVID-19 pandemic and to prioritize getting schools back on track.

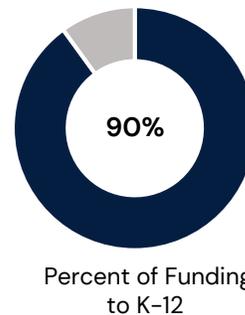
Potential Annual GDP Loss of Billions Due to COVID-Related Learning Disruption



Source: McKinsey

Ninety Percent of the Government's \$200 Billion+ K-12 Funding Distributed to Elementary and Secondary Schools

The Elementary and Secondary Schools Emergency Relief Fund (ESSER) aims to address the impact of COVID-19 on K-12 schools with an emphasis on Social Emotional Learning (SEL).



Source: McGraw Hill



CAPSTONE CASE STUDY

Transaction Overview

Capstone Partners was pleased to represent Conscious Discipline as the sole financial advisor in its recapitalization to Prairie Capital in December 2021.

Capstone ran a targeted process focused on firms that understood the high level of diligence required. Recent turnover, including the Founder stepping away from day-to-day operations, resulted in the Company lacking tenured C-level professionals. Capstone brought in their Financial Advisory Services (FAS) Group to serve as due diligence point and temporary Chief Financial Officer (CFO) to facilitate the transaction process.

Capstone provided a well-developed thesis on how Conscious Discipline was poised to capitalize on the high-growth SEL market. COVID-19 has exacerbated the need for SEL among school-age children and provided awareness to the critical condition for districts to better serve students with behavioral health issues, autism, and special needs.

Company Description

Conscious Discipline is a leading provider of SEL blended learning programs that utilize a combination of brain research, child development information, and developmentally appropriate practices to provide best-in-class results. Delivering to schools, districts, state education agencies, and individuals, the Company has developed highly effective solutions proven to increase self-regulation, sense of safety, connection, empathy, and intrinsic motivation in both children and adults. Conscious Discipline's evidence-based, research-backed methodology is highly effective in reducing student behavioral issues, suspensions and enhancing educational outcomes.



“Capstone was the best choice I could have made. They made a difficult process work seamlessly. The team held my hand carefully and assertively guided the process for my best outcome.”

Becky Bailey
Owner, Conscious Discipline



Jacob Voorhees, Head of Education & Training Practice

“The SEL market is experiencing rapid growth, and Conscious Discipline offers a proven approach for educators, parents, and pre-school teachers to make a difference for children struggling with behavioral and mental health issues. Not only did The Company win the 2020 Teachers’ Choice Award for Professional Development by Learning Magazine, but teachers utilizing Conscious Discipline also received numerous accolades including National Teacher of the Year, Delaware Teacher of the Year, and Missouri Principal of the Year.”

NOTABLE TRANSACTIONS



Houghton Mifflin Harcourt Company (HMH), a leading K-12 learning technology company, announced in February 2022 it is being acquired by Veritas Capital for an implied equity value of ~\$2.8 billion. With decades of experience creating core curriculum for K-12, HMH has developed a comprehensive SEL offering, which it believes will be a defining catalyst for long-term success by enabling development of life skills such as relationship building, emotion control, and decision-making. In addition to integrating SEL into its programs and curriculum, HMH takes the initiative to instruct educators and professionals on the fundamentals of SEL through one-on-one online sessions, community events, and on-demand resources. This transaction will allow HMH to significantly expand resources for its global footprint of over 50 million students.

learning platform including over 370 unique lessons in both English and Spanish, that are rooted in a mindset-oriented approach for SEL. The company’s research-backed methodology has yielded significant outcomes for students and educators. As terms of the deal, Gauge Capital will provide growth capital and recapitalization to 7 Mindsets, according to a press release.⁴



Panorama, a Software-as-a-Service (SaaS) business that surveys students, parents, and teachers to collect actionable data, raised \$60 million in a Series C round of funding led by General Atlantic in September 2021. The company collects insights on the social and emotional needs of students which are then easily accessible to educators on a group and individual basis.



In January 2022, Gauge Capital, a middle market private equity firm, made an investment in Atlanta-based 7 Mindsets, a leading provider of SEL curriculum and professional development to K-12 schools. 7 Mindsets provides a cloud-based

More than 1,500 school districts utilize Panorama and benefit through measurable data on SEL and well-being, which facilitates plans for development and overall environmental understanding, according to a press release.⁵ This funding highlights the rising awareness around students’ mental health amidst the pandemic.



Whitt Larkin, Director

“The recent K-12 education deals involving SEL providers demonstrates the growing demand for SEL-related products and services, which we believe will only continue to grow coming out of the pandemic.”



EARLY CHILDHOOD & K-12 EDUCATION REPORT CONTRIBUTORS



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Jacob brings over 20 years of experience to the Capstone Partners investment banking team. As one of the founding members of the firm, he helped build Capstone's brand over the past two decades. Today, Jacob serves as the Head of Mergers & Acquisitions and the Head of the Education & Training practice. Jacob has proved himself to be a talented deal maker with an unyielding commitment to his clients and has established himself and our firm as a leader in various industries. He is a highly accomplished leader and serves as a strong mentor and role model to our developing professionals. 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 in Utrecht, the Netherlands. While at Rabobank International, Jacob worked in the mergers and acquisitions group focusing on cross-border transactions in South and Latin America in the consumer products, food & beverage industries.



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Shawn is a Managing Director in Capstone Partners' Education & Training investment banking practice. He is active in mergers & acquisitions, private placements and other financial advisory assignments. Formerly, Shawn was with Raymond James investment banking, where he focused on deal execution and client development for both public and private companies. He has over 15 years of investment banking experience and has led execution efforts on over 60 transactions resulting in over \$3 billion of proceeds for clients. Shawn's previous experience includes serving as an officer in the United States Navy where he served as a destroyer navigator and communications officer, student naval aviator, and fleet Tomahawk cruise missile officer.



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Whitt is a Director in Capstone Partners' Education & Training Group based out of its Richmond, VA office. He has several years of M&A, operating, and finance experience across Consumer, Healthcare, Business Services, and Energy industries. He was previously an Investment Banking Associate at Harris Williams where he was a member of the Consumer Group and advised clients in Consumer, Healthcare, and Business Services sectors. He began his career as an Analyst in the Office of the CFO at the U.S. Department of Energy.



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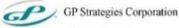

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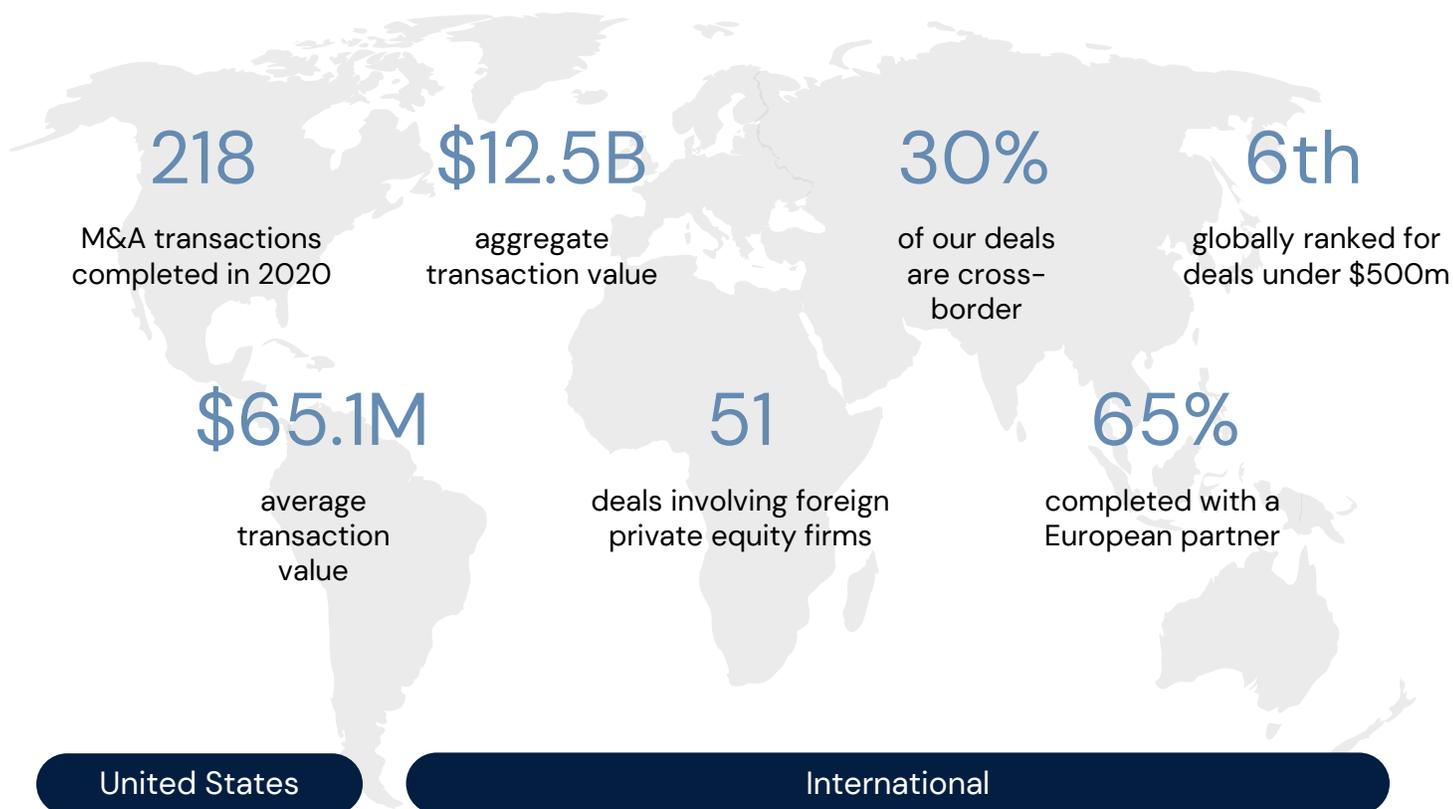
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