

EDUCATION INDUSTRY

FULL YEAR 2015 :: Mergers and Acquisitions Trend Report

2015 KEY HIGHLIGHTS

- The industry's most active strategic acquirer in 2015, either directly or through an affiliated business, was Bertelsmann SE & Co. KGaA with four transactions.
- Bertelsmann SE & Co. KGaA acquired Redilearning, an online learning company that serves the senior care sector; Academy Medical, a provider of continuing education content for various healthcare providers; YoBoHo, a digital media company that specializes in creating original content for children; and Alliant International University, a network of five California-based professional schools.
- The combined Professional Training Services and Technology segments accounted for nearly one-third of the industry's aggregate transaction volume. In addition, strategic acquirers represented 80 percent of deal flow in the Professional Training segments.

M&A Market Dynamics

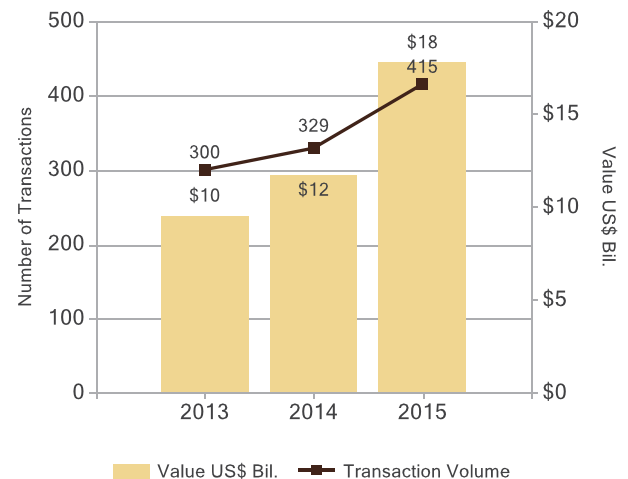


Figure 1. 2013-2015 value and volume comparison.

2015 KEY TRENDS

- Total transaction volume in 2015 increased by 26 percent over 2014, from 329 to 415.
- Total transaction value in 2015 rose by 52 percent over 2014, from \$11.68 billion to \$17.75 billion.
- The median revenue multiple decreased from 2.4x in 2014 to 2.0x in 2015. The median EBITDA multiple declined from 11.5x in 2014 to 9.6x in 2015.
- The segment with the largest rise in volume in 2015 over 2014 was Higher-Ed Media and Tech with a 68 percent gain, from 47 to 79 transactions.

M&A MARKET OVERVIEW

Berkery Noyes tracked 1,044 Education transactions between 2013 and 2015, of which 235 disclosed financial terms, and calculated the aggregate value to be \$28.97 billion. Based on known transaction values, we project values of 809 undisclosed transactions to be \$9.74 billion, totaling \$38.70 billion worth of transactions tracked over the past three years.

Disclosed median enterprise value multiples for all segments combined in this report during the last 36 months were 2.0x revenue and 9.9x EBITDA.

Median Enterprise Value Multiples

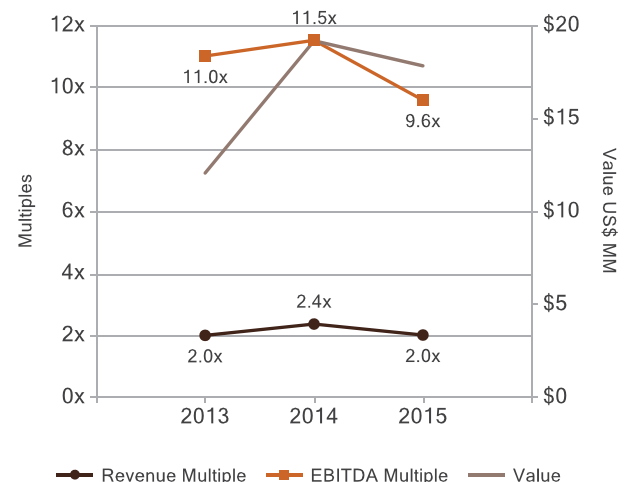


Figure 2. 2013-2015 median revenue and EBITDA comparison.

Transaction Analysis :: January 1, 2015 – December 31, 2015

Bell Curve - Histogram

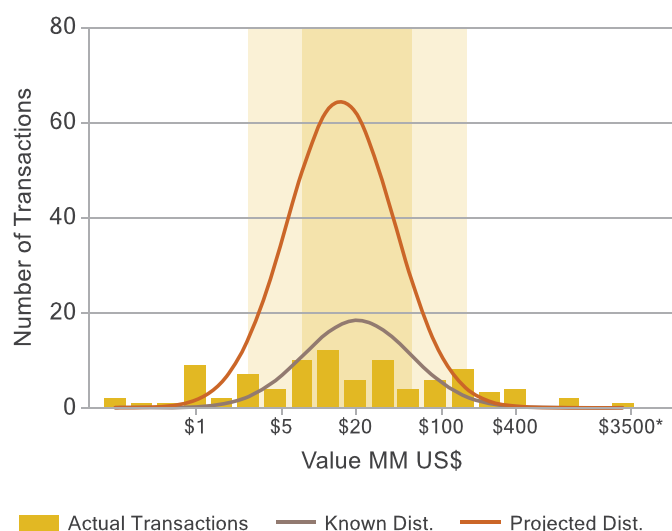


Figure 3. Shows distribution of transactions among the Education Industry transactions based on publicly available information and Berkery Noyes estimates. Using a logarithmic scale, we determined that nearly one-third of companies purchased had transaction values of \$7.4 million to \$33.1 million. Based on this data, we estimate the total transaction value of deals done in 2015 at \$17.8 billion.

* Indicates largest transaction in the industry from Jan. 1, 2015 to Dec. 31, 2015.

Distribution Table

| Value in MM US\$ | Known Number | Projected Number | Total Number | % | Cumulative % |
|------------------------|--------------|---------------------------|--------------|------|--------------|
| \$0.2 | 2 | 0 | 2 | 2 % | 2 % |
| \$0.4 | 1 | 0 | 1 | 1 % | 3 % |
| \$0.6 | 1 | 0 | 1 | 1 % | 4 % |
| \$1.0 | 9 | 2 | 10 | 10 % | 14 % |
| \$1.6 | 2 | 5 | 7 | 2 % | 16 % |
| \$2.7 | 7 | 15 | 21 | 8 % | 24 % |
| \$4.5 | 4 | 30 | 34 | 4 % | 28 % |
| \$7.4 | 10 | 50 | 59 | 11 % | 39 % |
| \$12.2 | 12 | 63 | 74 | 13 % | 52 % |
| \$20.1 | 6 | 62 | 68 | 7 % | 59 % |
| \$33.1 | 10 | 48 | 57 | 11 % | 70 % |
| \$54.6 | 4 | 29 | 32 | 4 % | 74 % |
| \$90.0 | 6 | 13 | 19 | 7 % | 80 % |
| \$148.4 | 8 | 5 | 12 | 9 % | 89 % |
| \$244.7 | 3 | 1 | 4 | 3 % | 92 % |
| \$403.4 | 4 | 0 | 4 | 4 % | 97 % |
| \$665.1 | 0 | 0 | 0 | 0 % | 97 % |
| \$1,096.6 | 2 | 0 | 2 | 2 % | 99 % |
| \$1,808.0 | 0 | 0 | 0 | 0 % | 99 % |
| \$2,981.0 | 1 | 0 | 1 | 1 % | 100 % |
| Total # | 92 | 323 | 415 | | |
| Total \$ Value | \$12,826 | \$4,927 | \$17,753 | | |
| 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 :: January 1, 2013 – December 31, 2015

M&A Dynamics By Transaction Type

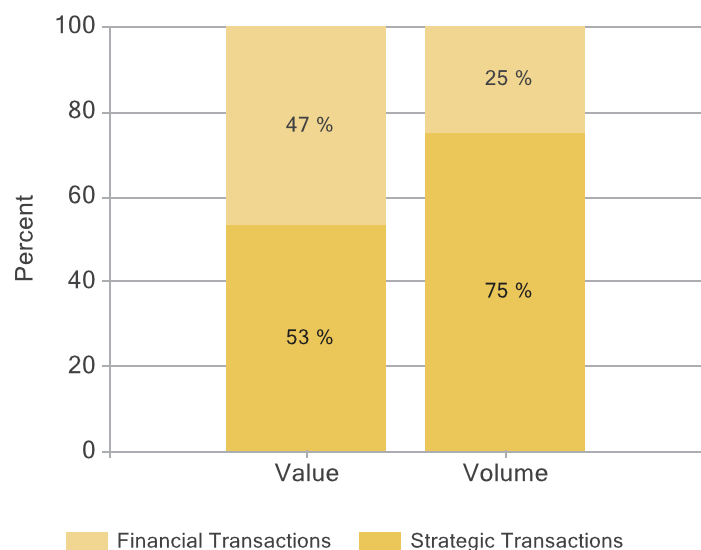


Figure 5. 2013-2015 value and volume comparison by acquirer type.

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

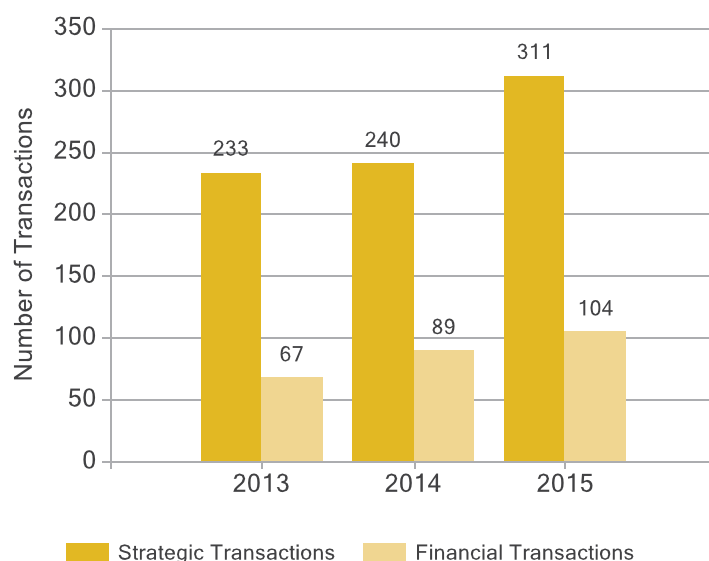


Figure 6. 2013-2015 acquirer type comparison by year.

Purchaser Analysis

Top Ten Notable Transactions 2015

| Deal Date | Target Name | Buyer | Value MM US\$ |
|--|--|---|---------------|
| 08/14/15 | Ellucian | TPG Capital, Leonard Green & Partners, L.P. | \$3,500 |
| 04/09/15 | Lynda.com | LinkedIn Corporation | \$1,500 |
| 10/14/15 | Jostens, Inc. | Jarden Corporation | \$1,500 |
| 04/24/15 | Scholastic Educational Technology and Services | Houghton Mifflin Harcourt | \$575 |
| 06/25/15 | Six Schools from Meritas LLC | Nord Anglia Education, Inc. | \$559 |
| 01/27/15 | Studer Group | Huron Consulting Group Inc. | \$421 |
| 03/19/15 | OverDrive Inc. | Rakuten Inc. | \$410 |
| 08/04/15 | CECity.com, Inc. | Premier, Inc. | \$400 |
| 06/17/15 | PowerSchool Inc. | Vista Equity Partners | \$350 |
| 11/04/15 | Beijing Combank Technology Co., Ltd. | Beijing Lanxum Technology Co., Ltd. | \$278 |
| 2015 Aggregate Transaction Value | | | \$17,753 |
| Top 10 Aggregate Transaction Value | | | \$9,493 |
| Top 10 Aggregate Value as a Percentage of All Transactions | | | 53 % |

Figure 7. Lists the top ten transactions for 2015 and calculates their aggregate transaction value as a percentage of the 2015 total aggregate transaction value as shown on Figure 1 & 4.

Note: Transaction data based on **announced date**. Deal value represents total consideration paid by the acquirer.

Median EV/Revenue Multiples By Size

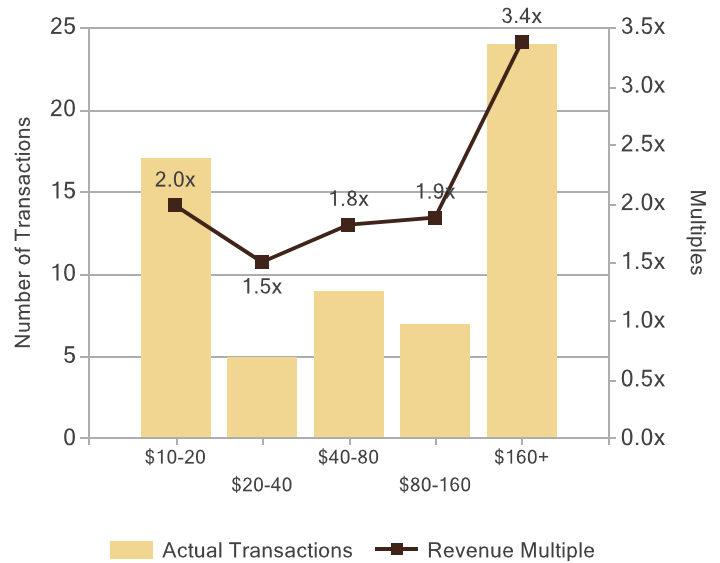


Figure 8. Presents the median enterprise value/revenue multiples paid for companies in the Education Industry from Jan. 1, 2013 to Dec. 31, 2015 based on publicly available sales price and revenue data.

Transaction Volume by Segment :: January 1, 2013– December 31, 2015

Transactions By Market Segment

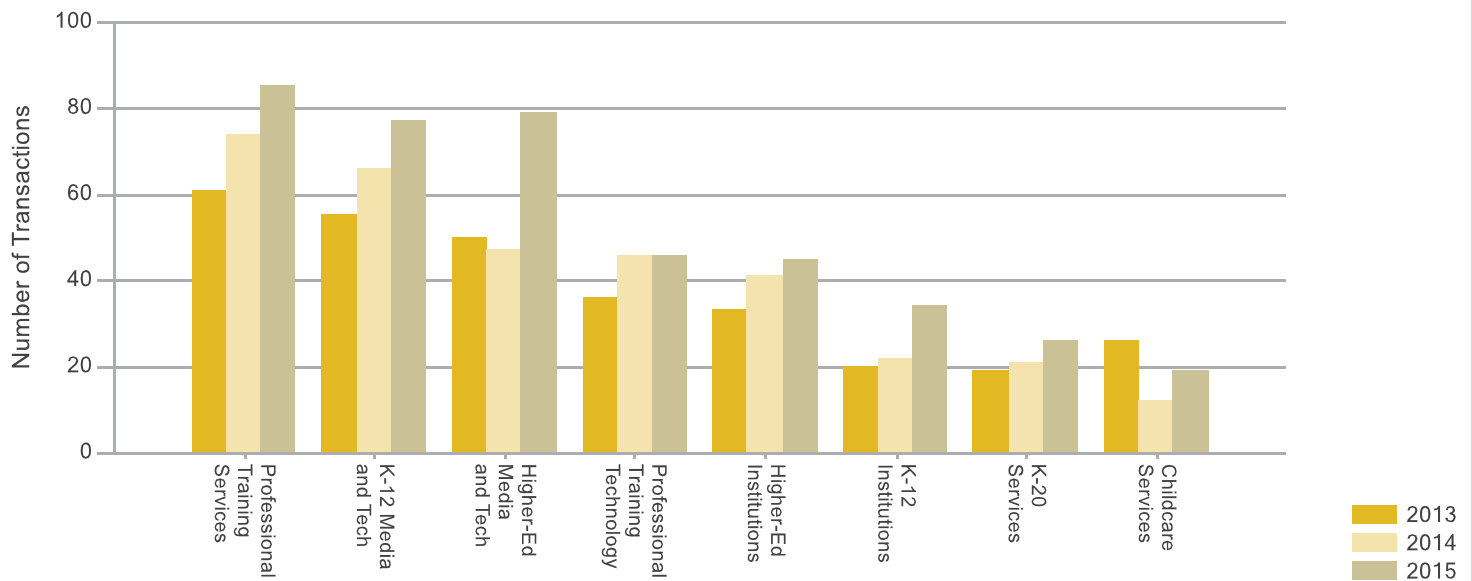


Figure 9. Presents transaction volume by market segment within the Education Industry from Jan. 1, 2013 through Dec. 31, 2015.

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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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