

M&A SPOTLIGHT ON

EDUCATION



Welcome to the Fall edition of M&A Spotlight on Education. As with many sectors, COVID-generated turmoil in education has simultaneously created hardship and opportunity. At a time when students are, more than ever, opting to take a gap year, **interest in online education remains strong for vocational schools, degree programs and creative diplomas.** The pandemic has also accelerated the global adoption of transformative technology adoption, spurring projected exponential growth in the market for online education over the next five years. We explore the impacts of COVID-19 on education in our news and industry highlights (pages 2-3).

New features in this issue include our “Spotlight on a Rising Star” and “A View from Europe”. Spotlight on a Rising Star (page 6) includes an interview with Candace Fleming, COO of Monti Kids, a unique, subscription-based provider of at-home Montessori programs for children aged 0-3. **Candace discusses the inspiration behind Monti Kids’ success and the drivers behind its growth.**

A View from Europe (page 7) highlights a market that has seen considerable activity in the education sector. Jose Luis Zubizarreta, Director at our Spanish partner, Sabadell Corporate Finance, shares his first hand experience, having recently completed a couple of notable deals in the sector. **One of those deals was the sale of MasterD, a leader in vocational, private and public sector training, to KKR, in a transaction valued at approximately €140 million** (case study on page 8).

The Education Team at Origin continues to work on mandates and close deals in the sector. If you would like to discuss this report, or learn more about our practice please reach out. We would be delighted to discuss further in a conversation.

Jim Meloche
Principal

Jim Osler
Principal

Recent News Highlights

How a COVID Gap Year Will Be Different Than Previous Gap Year Experiences

The idea of taking a gap year between high school and college has been available, albeit a niche idea to many. About 40,000 students out of 2 million first-time college students each year in the United States do some form of gap year.

The COVID-19 pandemic has created a rush of interest in the gap year however, as many campuses have not opened for traditional classes this fall. Suddenly, **website traffic for the Gap Year Association** is seeing a huge spike in people looking into the idea, **with website traffic up approximately 150 percent compared to the same time last year.**

Experts say that gap years are typically done by students who don't know what they want to major in. However, for many students this year it was due to an aversion to paying the full price of residential college as many residential aspects are unavailable, limited, or delayed.

Online forms of education continue to grow however, with Dr. Walter Lee of Yorkville University commenting that ***“interest in online education remains strong for degree programs and for creative diplomas offered through the Toronto Film School.”***

How Schools Will Need to Restart in Fall

Continuity of student learning has varied wildly between schools, compounding disparity between students. Some researchers expect **students will have completed only half their grade-level goals in math and fewer than three-quarters of their goals in reading during COVID**, leading to larger gaps in education.

These gaps have seemingly led to an increase in demand for online education - including the recent \$10 million raise from Lingokids, an early learning skills platform in order to broaden its global offering; as well as the need for alternative education solutions such as Monti Kids, an at-home Montessori subscription-based kit of educational materials for 0-3 year olds which was created in order to address learning at an early age when the majority of a child's brain is formed.



Industry Highlights

The Education Sector is Enormous⁽¹⁾

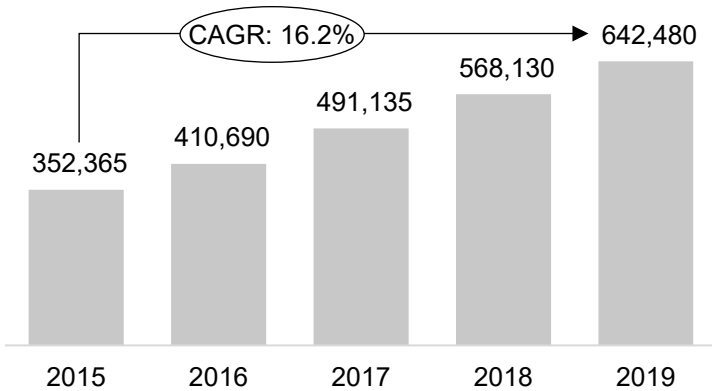
The current size of the U.S. education sector is currently estimated to be approximately \$1,550 billion, and is forecasted to reach approximately \$2,040 billion by 2026, a CAGR of more than 4.5%. High demand for online education, as well as increased demand for video-based content in the U.S. is expected to propel growth.

It is anticipated that video-based content will be increasingly adopted as it facilitates faster thinking, improved problem-solving skills, and also reduces training costs and time.

Counter-Cyclical of the Education Sector⁽⁴⁾

The education industry is widely considered a counter-cyclical industry as when the economy is doing poorly and unemployment is rising, more working adults decide to upgrade their education as a means to provide them with a competitive edge when the economy returns. As the economy improves, enrollment levels decline as plenty of jobs become available and a higher education becomes less important in a job search.

Number of Canadian International Students



Current size of the education market in the United States...

\$1,550B

COVID is Accelerating Transformative Technology Adoption^(2,3)

Whether it is language apps, virtual tutoring, video conferencing tools, or online learning software, there has been a significant surge in usage since COVID-19. In a matter of months, video conferencing tool Zoom has seen daily active users jump from 10 million to 200 million – many of which are from schools, universities, and other education providers.

Even before COVID-19, there was already high growth and adoption in education technology, with global edtech investments reaching \$19 billion in 2019. However, with global adoption of transformative technology adoption, the overall market for online education is project to reach \$350 billion by 2025⁽²⁾.

Growth in Global Education⁽⁵⁾

University education is becoming a global phenomenon, with global international students growing from approximately two million students to over five million today.

This comes largely due to the rise in the global middle-class population, with more students looking to pursue education and immigration opportunities overseas.

Canada in particular now ranks the world's third-largest destination of international students, with 642,000 foreign students in 2019, a growth rate of 13% from the year prior.

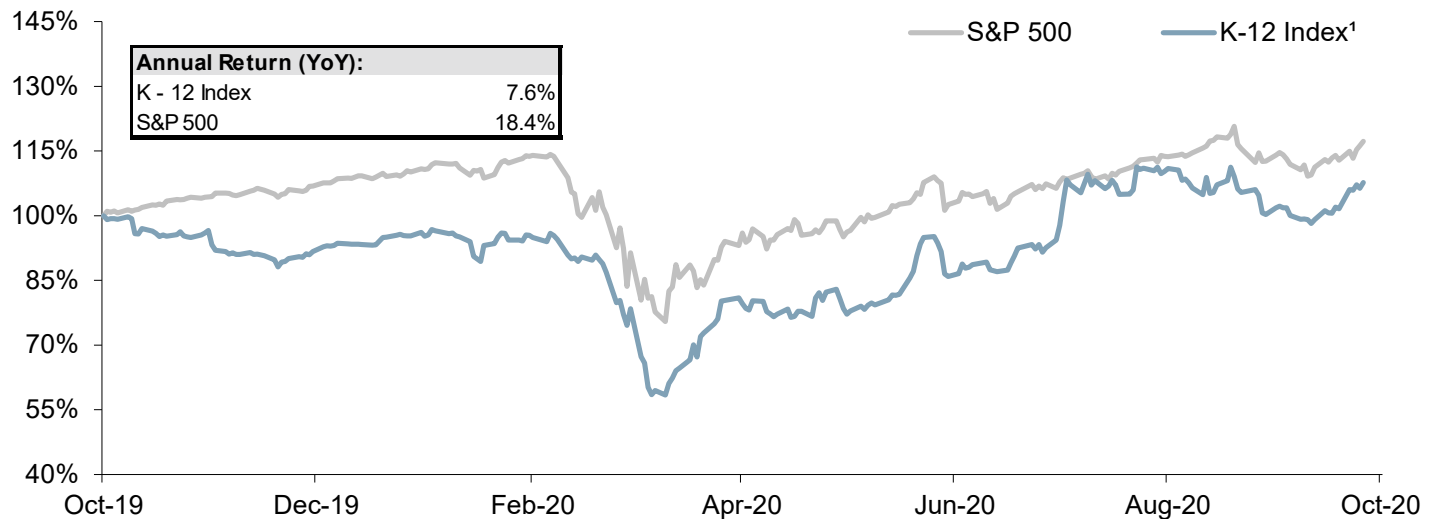
There is a large need for private sector solutions to education as the period of continued public expenditures on education is seemingly ending with an aging population, as resourced are drawn away to healthcare and other priorities.

Source: (1) GlobeNewswire (2) Weforum (3) GlobalNewsWire (4) Forbes (5) Immigration, Refugees and Citizenship Canada (IRCC) data

Recent Education M&A Activity

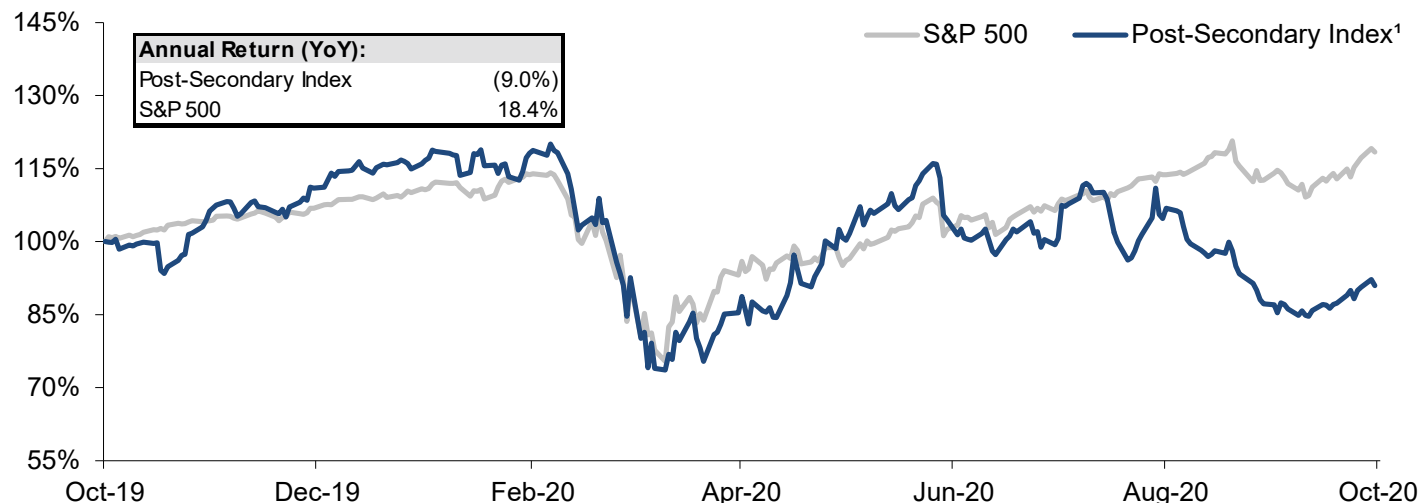
- In September 2020, **Carnegie Learning**, a Pittsburgh-based provider of curricula, textbooks and math learning software for grades 6-12 acquired **Scientific Learning Corp**, a developer of neuroscience-based software and educational products for K-12, in an all-cash deal worth \$15 million. Following the acquisition, the two companies will work together to redefine and accelerate the role technology plays in K-12 education.
- In September 2020, **Adtalem**, a workforce education services provider agreed to acquire **Walden University**, a provider of online health education, in an all-cash transaction. Adtalem will pay \$1.5 billion, or 8.4x pre-synergy adjusted EBITDA, and expects to generate \$60 million in incremental free cash flow the year following the acquisition. The acquisition will expand Adtalem's workforce solutions offerings and help it to become a leading healthcare educator.
- In August 2020, **IXL Learning**, a California-based provider of digital instructional and assessment tools for K-12 agreed to acquire **3P Learning**, an Australian education technology company, in an all-cash deal worth A\$190 million. 3P Learning offers a diverse portfolio of digital math, literacy and science content that has reached an estimated 5 million students and 17,000 schools around the world, which will help IXL expand its footprint in Australia. This acquisition marks the company's fourth acquisition in 3 years, furthering its highly acquisitive strategy to drive growth.
- In July 2020, **Coursera**, a provider of online courses for higher education institutions, businesses and government agencies, raised \$130 million in a Series F round at a \$2.5 billion valuation. The investment was led by **NEA** and included participation from other prior investors including **Kleiner Perkins**, **SEEK Group**, **Learn Capital**, **SuRo Capital Corp**, and **G Squared** whom have helped the company raise \$464 million to date.

K-12 Index Performance



(1) K-12 Index is composed of equally weighted market prices for the mid-large cap companies (>\$250MM market cap) for those seen on the list of K-12 comparable companies

Post-Secondary Education Index Performance



Key Education Comparables

(All figures in \$US millions, unless otherwise indicated)

	Market Cap	Enterprise (TEV)	TEV / EBITDA		Price / Earnings		1 Year Return
			2020E	2021E	2020E	2021E	
K-12 Comps:							
Bright Horizons Family Solutions Inc.	9,232	10,821	nmf	30.5x	nmf	48.3x	0.2 %
AcadeMedia AB (publ)	913	1,936	7.6x	8.6x	16.6x	13.7x	67.4 %
K12 Inc.	1,230	1,253	7.9x	6.8x	32.7x	24.5x	21.2 %
G8 Education Limited	639	1,172	8.6x	7.4x	20.0x	18.9x	(58.4)%
Think Childcare Group	43	198	17.1x	11.6x	11.7x	4.6x	(23.8)%
Mayfield Childcare Limited	16	43	14.0x	10.4x	9.3x	6.4x	(27.8)%
K-12 Average			11.1x	12.6x	18.1x	19.4x	(3.5)%
Post-Secondary Comps:							
Laureate Education, Inc.	2,827	4,579	8.1x	7.8x	nmf	17.8x	(12.9)%
Strategic Education, Inc.	2,320	1,929	7.2x	7.2x	14.1x	14.8x	(29.5)%
Adtalem Global Education Inc.	1,372	1,391	6.4x	5.7x	10.9x	9.4x	(26.2)%
Perdoceo Education Corporation	845	564	3.6x	3.3x	8.0x	7.1x	(17.8)%
American Public Education, Inc.	461	257	7.2x	6.2x	28.6x	22.3x	41.2 %
Lincoln Educational Services Corporation	139	194	11.7x	7.9x	22.2x	13.1x	138.6 %
Zovio Inc	157	118	7.1x	5.9x	30.5x	11.6x	221.1 %
Post-Secondary Average			7.3x	6.3x	19.1x	13.7x	44.9 %
Total Education Average			8.9x	9.2x	18.6x	16.3x	22.6 %

(1) Post-Secondary Index is composed of equally weighted market prices for the mid-large cap companies (>\$250MM market cap) for those seen on the list of Post-Secondary comparable companies

Spotlight Company

INTERVIEW WITH CANDACE FLEMING



Monti Kids Inc. is the only provider of at-home Montessori programs for children aged 0-3. Monti Kids gives parents access to these programs, designed by certified Montessori educators, through 8 unique subscription-based kits. Each kit guides parents through how to promote language, motor, cognitive, and social emotional skills for their babies and toddlers, using Monti Kids toys and materials.



Candace Fleming
COO, Monti Kids

OMP: What was the inspiration for Monti-Kids?

Candace Fleming: Our founder, Zahra Kassam, is a certified Montessori teacher, and taught very young children in the Montessori classroom for years. Because of her training, she was well aware that the earliest years are a critical time for brain formation – 85% of the brain is formed between ages 0 and 3. When Zahra had her first child, she was determined to provide a rich Montessori environment for him in their own home. But even with her knowledge and access to materials, she still had trouble finding out how and where to get what she needed. In conversations with other parents she discovered they were facing a similar struggle. This was where Monti Kids was born: to support parents in supporting their kids during this critical time.

OMP: Since your launch in 2017, you've had fantastic parent response to your product. What do you attribute that to?

CF: There are several reasons, but authenticity and quality lead the way. Monti Kids is authentic Montessori. While there are many organizations that have bits of Montessori in their philosophies, we are the only commercially available infant/toddler program that thoroughly embraces the Montessori curriculum. Parents recognize the value in this. We are also the only safety-approved set of Montessori materials in the world, a status that is exceedingly difficult to achieve for wooden toys in the 0-3 age range.

Ultimately, we provide an easy solution for parents, while teaching kids to be independent learners from a very young age. And we've seen tangible appreciation for our approach, as the broader mom community has

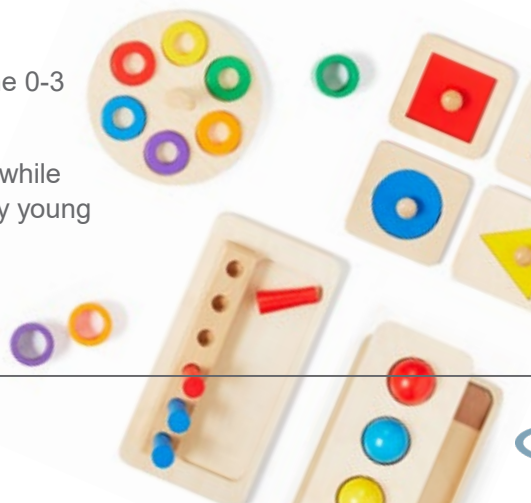
OMP: Has the pandemic had an impact on the business?

CF: There have been positive and negative impacts. School closures and working from home created new needs for families. Parents were faced with months of needing to occupy a toddler at home, so we had a big increase in customers. We also had a record low number of subscription cancellations.

On the flip side, some of our existing customers struggled with difficult financial situations through the shutdown. We worked with those parents, offering flexible terms on renewals and extensions when they were needed.

OMP: What's next for Monti Kids?

CF: We want to be the #1 global education brand for babies and toddlers. Nobody owns this education space, and we believe we can make a huge impact around the world. Until recently, we only shipped within the US, and we've done no international marketing yet. In spite of that, approximately 30% of our inbound customer service inquiries are from outside the US, from parents who want access to Monti Kids. Montessori is even more popular and well known in Asia and Europe than it is in the US, and we're excited to address that international opportunity.



A View From Europe

INTERVIEW WITH JOSÉ LUIS ZUBIZARRETA

Director, Sabadell Corporate Finance

Sabadell Corporate Finance is a Spanish investment bank, and one of Origin's international partners. The firm has advised on a number of high profile education sector deals, including the sale of **Master.D** to **KKR** (case study follows). Sabadell has extensive domestic and international transaction experience, and is a division of **Banco Sabadell**, one of the largest banking groups in Spain.

B Sabadell

OMP: Can you give us a high level view of M&A activity in the education sector in Spain?

Jose Luis: We are seeing plenty of M&A activity driven primarily by financial buyers, even through the pandemic. And the activity spans different segments across the sector. There has been investor interest in schools for many years, but we are now seeing more transactions in the university space, including the sale of Laureate Education Iberia to global private equity firm, Permira, for €770 million, and the sale of Universidad Alfonso X El Sabio (UAX) to CVC Capital for approximately €1.1 billion (according to market sources). In addition, activity has increased in the vocational education space. Until recently we were not seeing financial buyers investing in this type of education. Since last year, however, we have seen a spate of deals in the space involving financial buyers, including the sale of Master.D to KKR, a transaction that our firm advised on.

OMP: What accounts for this recent, heightened activity?

José Luis: The surge of interest reflects an increased demand for vocational education, seen by many as a path to improved employment prospects. In Spain, university education has historically captured a larger market share than vocational training and unregulated professional courses, but this is shifting. Financial buyers have taken note, and are betting on this type of education.

OMP: Are there other notable opportunities or trends you can highlight?

Jose Luis: There is significant opportunity for consolidation in the education sector, as it is very fragmented. In vocational training and at the university level, education groups, often backed by private equity, are targeting acquisitions to drive growth and consolidate the market. These groups also seek acquisitions to enhance their offerings: for example, universities acquiring specialty educators in finance, IT or the arts, or even expanding through acquisition into the vocational education market; We're also seeing considerable international expansion driven by private equity ownership; with digitalization and online trends, it has become easier for university groups to expand. And while historically, Spanish companies tended focus their sights on Latin America, now we're seeing expansion into other European countries like Italy, France, and into the US, where the opportunity mirrors a growing Spanish speaking population.

To learn more about Sabadell please contact Jose Luis at jzubizar@bancsabadell.com and to learn more about Origin's international reach please contact Karen Fishman at karen.fisman@originmerchant.com

Transaction Spotlight



KKR Acquisition of MasterD

About the Deal

On July 31st 2020, KKR closed the acquisition of MasterD, a leader in vocational, private and public sector training with over 50,000 active students in a transaction valued at approximately €140 million.

MasterD will become part of KKR's Global Impact strategy – investing in ESG companies that contribute to positive changes in society in sectors such as education, environmental, and other related fields. KKR's Global Impact strategy is focused on generating risk-adjusted returns by investing in companies that contribute toward the United Nations Sustainable Development Goals (“SDGs”).

Overview of

master.D

Founded in 1994 and headquartered in Spain, MasterD has a portfolio of more than 230 proprietary courses aimed at providing vocational training and professional certifications for the private sector, as well as providing preparation services for examinations through a range of departments. The company teaches in both online and blended formats through its own digital platform and its network of 36 centers in Spain and Portugal.

With approximately 50,000 active students and 30,000 courses sold annually, MasterD is the leader in its sector in Spain and Portugal.

MasterD – By the Numbers

Number of Courses Sold Annually	• 30,000
Number of Active Students	• 50,000
Number of Courses Offered	• 500
MasterD Total Website Views	• 10+ million

About KKR

KKR

KKR & Co. Inc. is a private equity firm specializing in direct and fund of fund investments across all industries.

With over \$220 billion in assets under management, KKR has over 100 portfolio companies, \$180+ billion in annual revenues in their private equity funds, and over 75,000 people employed worldwide.

Transaction Spotlight



Lingokids Raises \$10 Million in Funding

About the Financing

On October 8th 2020, **Lingokids**, a Madrid-based early learning skills platform seeking to standardize the early learning landscape, announced it has raised \$10 million in a Series B funding round led by **Ravensburger Group**, with participation from existing investors **HV Holtzbrinck Ventures**, **JME Ventures**, **All Iron Ventures**, **500 Startups**, **Athos Capital** and **Sharpetown**.

Lingokids plans to use the proceeds to broaden its global product offering and introduce new subscription levels, with the goal of mitigating COVID-19's impact on education.



Overview

Lingokids is an app that teaches kids essential skills with a games-based approach. Founded in 2015, the company currently serves 20+ million users globally.

The company offers over 600 learning activities in the form of games, songs, and videos, spanning 60 foundational topics that reinforce in-school learning and introduce necessary modern-day skills.

Lingokids targets children in the 2-8 age range and recently launched a Play Together series allowing families to learn with their children, alongside a Lingokids Community helping to connect parents around the world.

By the Numbers

Amount Raised	• US\$10 million
Total Funding To-Date	• US\$23 million
Number of Users	• 20+ million
Geographical Reach	• 190 countries

Lingokids Investor Base

Ravensburger



Ravensburger Group is a German-based international toy company and games publisher, specializing in educational games for children.



For More Information *on our insights into the education sector or to discuss this report further,*
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