

Spring 2021



# M&A SPOTLIGHT ON EDUCATION



Welcome to the Spring edition of M&A Spotlight on Education. In many respects, it has been a year of reinvention for educational institutions. Pre-COVID, most K-12 schools, colleges and universities lagged in innovation and adopting new technologies. And then came the pandemic. As Aliza Lakhani, Regional CEO and Dean of Northeastern University (NU) – Toronto puts it, “COVID caused an inflection point” for educational institutions. We see that in the sector news (p. 2) – in IPO, M&A and financing activity – as online platforms and tech innovations play a starring role in the sector’s accelerated transformation.

In addition to our regular features, this Spring issue includes an interview with Aliza Lakhani

(p. 5–6). Aliza shares her experience guiding the NU – Toronto campus through the pandemic, leveraging technology, innovation and a focus on the student experience to drive continued growth, including in international student enrolment. Additionally, she draws on that experience to provide a broader sector perspective and outlook.

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 Education Deal Activity

- On April 29th, **Education Advanced**, a US-based K-12 EdTech SaaS company, received a significant investment from **Serent Capital**, a growth-focused firm that invests in technology and tech-enabled service companies. This investment will accelerate the company's growth plans, including product investments and entry into new geographic markets.
- On April 22nd, **Thinkific**, a cloud-based software company that helps entrepreneurs and businesses launch, grow, and diversify their businesses through online courses and other learning programs, announced the official pricing of its shares on the TSX under the ticker 'THNC,' making 12.3 million shares available at \$13 per share. This listing will raise roughly \$160 million that will be invested into sales and marketing, Thinkific's platform and other unspecified "future opportunities".
- On April 15th, **Edlio**, a US-based K-12 website provider that combines communication tools, online payments and website management for schools, acquired **eChalk**, a provider of hands-on activities, games, animations, and simulations designed for fun learning in K-12, for an undisclosed amount. This partnership brings together two leading providers of accessible school websites to better serve K-12 communities.

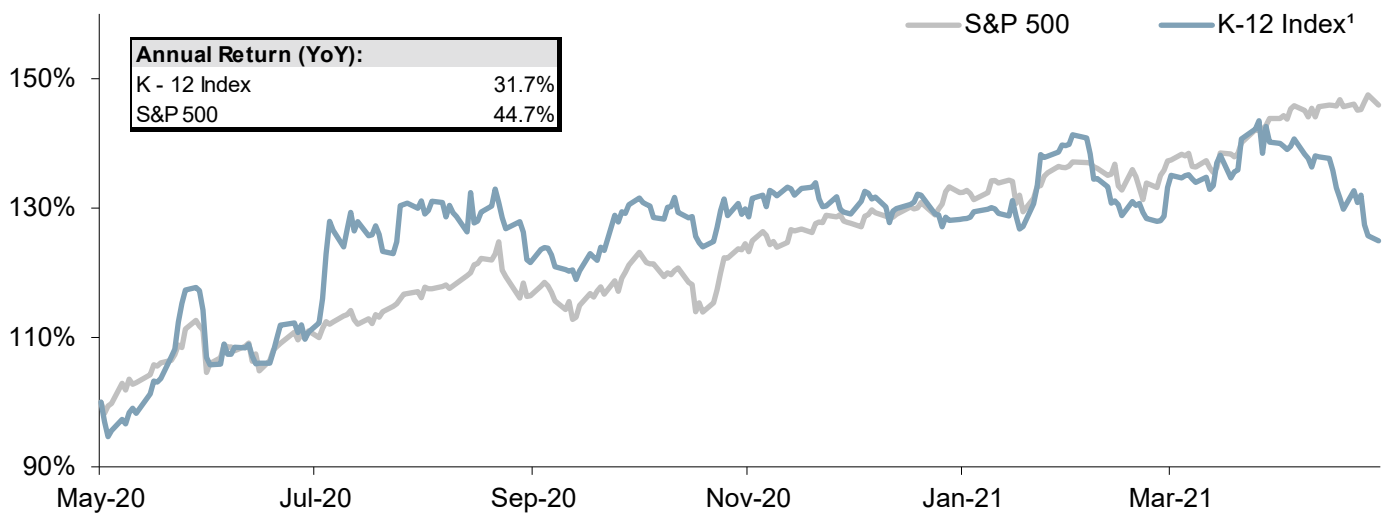


- On March 31st, **Coursera**, a US-based provider of online courses for higher education institutions, businesses and government agencies, made its market debut on **the New York Stock Exchange**. The company raised \$520 million at an implied \$4.3 billion valuation by selling 15.73 million shares at \$33 apiece, for net proceeds of \$447 million to be used to support operations, increase visibility in the marketplace, and fund potential acquisitions. Boosted by the COVID-19 pandemic, Coursera's revenue grew by 59% in 2020 to \$294 million across its three segments: +59% YoY for the Consumer segment, +47% for Enterprise and +97% for Degree.
- In February 2021, **Renaissance Learning**, a US-based provider of K-12 software and assessments, agreed to acquire **Nearpod** for \$650 million. Nearpod offers an edtech platform for K-12 teachers, allowing them to create interactive slides filled with videos, quizzes, questions and other activities. Created in 2012 by three Argentinian entrepreneurs, Nearpod had raised upwards of \$30 million in venture capital since inception.
- In February 2021, **Hobsons**, a US-based provider of software for college and career planning, admissions and enrollment, and student management, announced that it will be broken up and sold for total consideration of \$410 million to two strategic partners, both owned by **Vista Equity Partners**:
  - PowerSchool**, a provider of IT solutions for K-12 schools and districts, acquires Naviance, a college, career, and life readiness platform for students, and Intersect, a recruitment platform for colleges and universities, for \$320 million.
  - EAB**, a provider of advisory services for schools, acquires Starfish, a student engagement and retention platform for higher-ed institutions, for \$90 million.



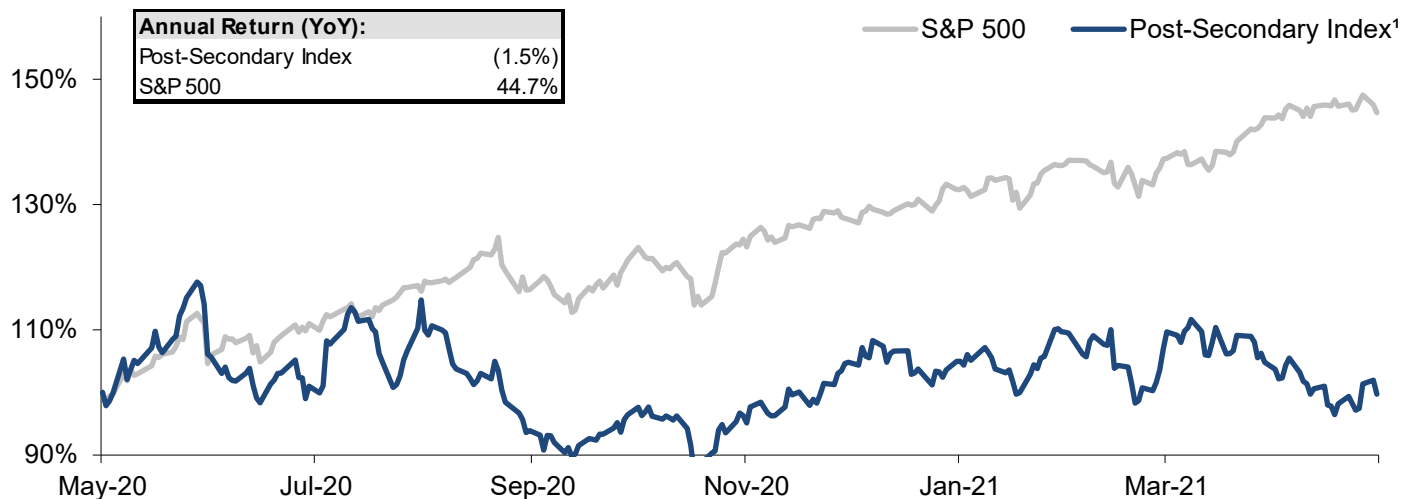


### K-12 Index Performance



(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
			2021E	2022E	2021E	2022E	
<b>K-12 Comps:</b>							
Bright Horizons Family Solutions Inc.	8,159	9,627	33.0x	22.2x	nrf	32.8x	39.0 %
AcadeMedia AB (publ)	1,025	2,148	6.1x	5.7x	11.9x	11.5x	55.4 %
Stride, Inc.	1,087	1,227	5.2x	5.1x	19.8x	15.4x	21.7 %
G8 Education Limited	658	1,176	6.9x	6.1x	17.3x	12.8x	10.7 %
Think Childcare Group	148	339	15.9x	13.4x	14.4x	9.8x	279.1 %
Mayfield Childcare Limited	28	55	10.0x	9.6x	8.2x	7.7x	49.3 %
<b>K-12 Average</b>			<b>12.8x</b>	<b>10.4x</b>	<b>14.3x</b>	<b>15.0x</b>	<b>75.9 %</b>
<b>Post-Secondary Comps:</b>							
Laureate Education, Inc.	2,493	3,255	17.3x	11.8x	neg	31.4x	63.4 %
Adtalem Global Education Inc.	1,826	2,630	10.0x	9.4x	12.1x	10.8x	7.1 %
Strategic Education, Inc.	1,905	1,988	7.6x	6.9x	14.5x	12.5x	(54.2)%
Perdoceo Education Corporation	832	479	2.8x	2.7x	7.3x	6.8x	(16.5)%
American Public Education, Inc.	494	277	4.7x	3.6x	16.0x	13.8x	(7.2)%
Lincoln Educational Services Corporation	196	250	6.9x	6.1x	12.6x	10.9x	152.7 %
Zovio Inc	109	106	6.4x	na	11.1x	na	61.9 %
<b>Post-Secondary Average</b>			<b>8.0x</b>	<b>6.7x</b>	<b>12.2x</b>	<b>14.4x</b>	<b>29.6 %</b>
<b>Total Education Average</b>			<b>10.2x</b>	<b>8.5x</b>	<b>13.2x</b>	<b>14.7x</b>	<b>51.0 %</b>

(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

## ALIZA LAKHANI – Northeastern University



*Founded in Boston in 1898, Northeastern University (NU) is a global research university and leader in experiential learning, with a network of 11 campuses across multiple continents.*



**Aliza Lakhani**  
Regional CEO & Dean,  
Northeastern University – Toronto

**OMP:** What was the thinking behind the Toronto regional campus strategy, and how have things progressed since the launch?

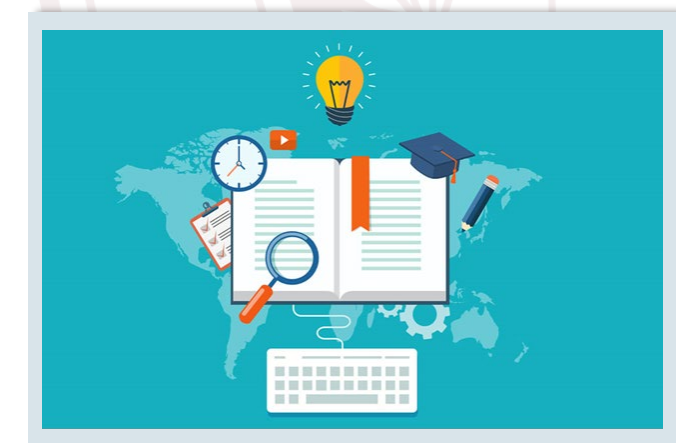
**Aliza Lakhani:** As a proud Torontonians, I think it was a no brainer to launch in Toronto: it's the 4th largest city in North America, with a diverse set of people and industries, and people want to work, live and study here. Toronto was NU's first international campus and we are the first US university to have accreditation status in Ontario. Since opening our doors in 2018, we've rapidly scaled on all fronts and built local partnerships with industry and academia.

**AL:** We deliver a number of graduate programs, all very much aligned with employer demand. In addition, we collaborate with the other campuses around global mobility and global learning programs for our students. And in a separate stream, we are working with a number of employers on training and upskilling their employees through customized offerings.

**OMP:** What did the past year look like for the Toronto campus?

**AL:** It's been a challenging time for all educational institutions, but NU is a very dynamic and agile institution.

Across the Northeastern network, we were quick to adapt our existing technology, and set up a hybrid learning model designed to deal with density restrictions and provide flexibility to faculty and students. This enabled some students to be in the classroom while others learned remotely, supported in real time with an instructional assistant in the classroom. We had students studying together from all over the world. We benefit from having a global classroom and global discussion boards which, if done well, can promote more engagement online compared to a traditional classroom environment. The Toronto campus will reopen for on-ground learning when we're permitted to do so.



**OMP:** What types of programs do you deliver, and how do you differentiate your offerings from Canadian educational institutions?

## Spotlight Company

## ALIZA LAKHANI – Northeastern University


**OMP: How did you do with international student enrolment through COVID?**

**AL:** We have international students studying with us from their home countries all over the world, and they will travel here when it is possible. We have the right programs and support structures in place to serve international students. All our students want to get a great education, but also want to know they will have the support to launch a career at the end of it.

**OMP: How has the pandemic impacted remote learning trends?**

**AL:** Traditionally, the higher education sector has lagged in terms of innovation, and COVID forced an inflection point. It became clear early on that many universities and colleges were behind the curve, and were forced to quickly adapt. The issue of quality came to the forefront: the question of what is good online learning, and how to keep learners engaged for 6 hours in front of a screen. There is a big difference between zoom learning, which is really just video conferencing, and a truly engaging online experience with multiple interaction points during the session. For NU, because of our experiential education focus, we already had much of the online learning infrastructure in place pre-COVID, so it wasn't a huge mindset shift for us or our learners.

**OMP: Will this acceleration in remote learning stick post-pandemic?**

**AL:** Universities are going to have to figure out where online learning makes sense, and where it doesn't. For example, a lecture to 500 students could be done online with resources reallocated to meaningful touchpoints. I think there will always be a place, though, for in-person learning – that face to face interaction is important. Students want to have the option to interact and connect with peers and faculty.



In addition, through the pandemic, we've been shut away in our houses, but we've found a way to become more connected than ever. We've unlocked the potential to bring together students and scholars, regardless of borders and distance. That is really exciting, and I believe it is a connectivity that will continue.

**OMP: Aside from remote learning, are there other notable trends you are seeing in education?**

**AL:** There are two I want to highlight:

**Community:** There are interesting tech platforms that are leveraging the power of community, and bringing together groups of experts on a platform that will make it easy for learners to benefit in a targeted way.

**Microcredentials:** This is an unbundling of credentials, for example, where a learner may not want to do a complete Masters degree, but may want to do certain pieces in their own preferred order, with each piece receiving formal recognition. This could also be competency based where the learner chooses what they want to study, and when. This is also a key opportunity for government, industry and academia to work together at this critical moment to think about the post-COVID recovery, and how to equip people with the skills they need to succeed.

***For more information on our insights into the education sector or to discuss this report further, please contact our Advisory Team.***



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