

Overview of M&A and Capital Raising in the UK Education Sector

WINTER 2016



Recent Transactions

- Acorn Care and Education acquired by the National Fostering Agency for £400 million.
- Astrum Education acquired by Sailing Capital (Hong Kong).
- Acquisition of Arden University by Global University Systems for £15 million.
- GL Education acquired by Levine Leichtman for £218 million.



Sub-sectors to watch

- Vocational and professional training will be the standout sector driven by the introduction of the Apprenticeship Levy in April 2017.
- UK independent schools remain on the radar for many private equity buyers given their predictable cash flows and demand for a British education from emerging markets.
- The nursery school market is highly fragmented, with several players executing a roll-up strategy.

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Key observations

The education sector is likely to remain one of the key sectors on the radar for investors. Despite the Brexit vote and outcome of the US elections, Adam Street expects merger and acquisition activity in the education sector to show continued growth throughout the rest of 2016 and into 2017.

This growth and consolidation is driven by fundamental investment themes such as the emergence of new education models, rapidly expanding global economies and a shift towards vocational training and qualifications. Private equity investors remain key players in the sector. Corporate acquirers tend to be attracted to smaller assets at lower multiples in their endeavour to scale-up.

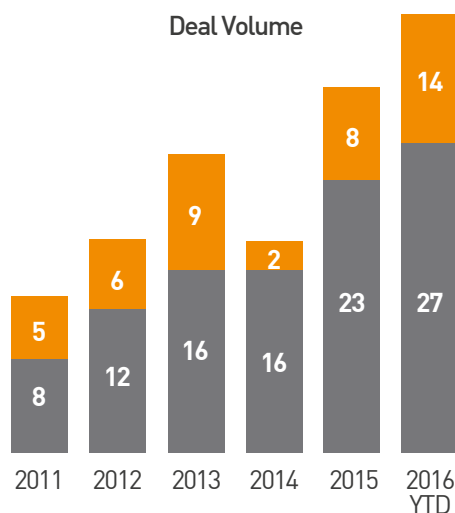
Adam Street has identified 38 transactions in the recent period since April 2016 with year-to-date investments from private equity buyers totalling 14 versus 27 from corporates.

Average transaction multiples for 2016 year-to-date are currently 14.0x EBITDA, which reflects the strong dynamics of the education sector.

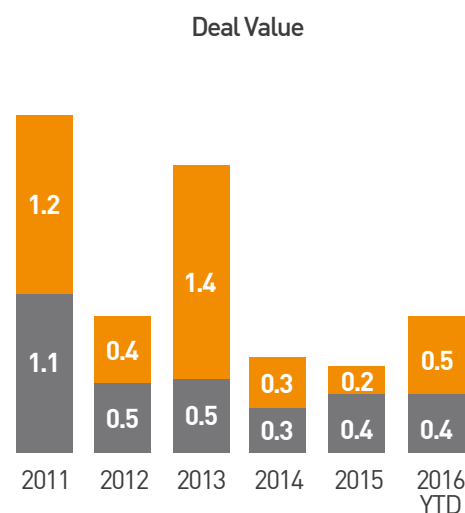
The most recent period saw a lot of activity in the younger children segment (including special education needs). This was illustrated by several active players such as Bright Horizons and Busy Bees rapidly acquiring nursery schools. In the special educational needs segment, we witnessed Acorn Care and Education being acquired by the National Fostering Agency for £400 million (a stunning 20.6x EBITDA). The Schools segment also saw increased activity during the period as further detailed below.

Since the Brexit vote, the UK has, against all expectations, commanded the highest share of European M&A, both in volume and value, according to Mergermarket. Weaker currency, among other factors, lifts UK deal opportunities for overseas buyers with the increase in demand for UK education targets fuelling activity and valuation. However, it remains to be seen whether the appetite of US investors investing overseas will continue, particularly in light of an uncertain US foreign policy since the Elections.

Education specialists, Adam Street Advisers, is ideally positioned to advise both private equity and trade buyers looking for investment or acquisition opportunities in Europe.



Note: Total number of deals (incl. deals with undisclosed value)



Note: Only considered deals where value disclosed

■ Strategic ■ PE

Areas of opportunity



Further Education – Adam Street’s prediction that businesses in the further education sector will see significant interest in the near term continues, as a number of investors looking to acquire assets in the space, approach them. Interest in the sector is fuelled by learners’ increasing desire to achieve a practical outcome from their education in the form of employment. Another driver is the Government’s commitment to implementing the Apprenticeship Levy by April 2017, which should generate an additional £3 billion per annum for apprentices resulting in 3 million apprenticeship starts by 2020.

Private equity investors, corporate acquirers and charitable trusts are active in the sector. Vocational Training Charitable Trust (VTCT) has recently acquired ITEC. Silverfleet Capital has acquired Sovereign backed Lifetime Training for a reported £125 million while RJD Partners acquired Babington for £22 million.

Nursery Schools – The Nursery school segment has been very active since April 2016. Bright Horizons Family Solutions (BHFS) and Busy Bees are the key consolidators in the fragmented nursery segment. BHFS has just announced that it has acquired Asquith for £166m. This follows the purchase of Little Unicorn, Phoenix and My Nursery, bringing the total number in the UK and Ireland to over 300. Following these latest acquisitions, BHFS is now the UK’s largest nursery operator, surpassing Busy Bees, who currently own and operate 268 nurseries in the UK.

The month of August also saw nursery chain Complete Childcare acquire Yellow Brick Nursery Group, increasing the privately owned company’s portfolio to 14 nurseries. Kids Planet, a family-owned nursery group with settings across north-west England, announced it had secured £10 million from the Business Growth Fund to continue the roll-out of its day care centres across the region.

Schools – The schools sector remains massively fragmented with private equity investors sometimes acquiring a single school as a platform for growth in the sector. A number of schools groups such as Inspired, International School Partnership and Cognitas are making significant inroads into international markets from their UK bases.

Interest in the segment is illustrated by the following transactions: Sailing Capital Advisors (Hong Kong) acquired Astrum Education. Alongside selling Astrum, Sovereign Capital, acquired a majority stake in Eaton House School. In addition, Acorn Care and Education was acquired by National Fostering Agency, a Sterling Square investment, for £400 million.

E-learning Technologies – The most significant transactions to take place in this sector in the UK is Global University Systems’ £15 million acquisition of online university Arden University and GL Education’s sale to Levine Leichtman for £218m. The sector remains active for growth investors and strategic acquirers but deal values are relatively low by comparison to more mature businesses in other segments. Nesta Investments and Impact Ventures seem to be reasonably active in providing venture funding into the segment. Adam Street predicts that with changing e-learning technologies that this sector will become increasingly attractive to investors over time.

Higher Education – International student mobility will increase significantly in the next decade as the demographic and economic factors influencing them (a large and growing middle class in emerging and specifically Asian markets) remain strongly in place. UK higher education institutions are ideally positioned to gain from this dynamic and as such, this segment is one of the most exciting segments for investors. Transaction volumes are driven by the availability of good quality opportunities rather than investor interest.

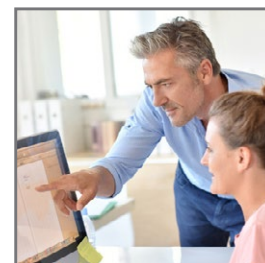
Rumours

- Bright Horizons is stepping up its search for targets in the UK with \$200 million to invest in expansion across Europe.

- Learning Technologies Group has an active acquisition pipeline in both the UK and US, as the company continues its aim to become a £50 million revenue business.

- Increasing interest from the far east as Jinke Holdings and Chinese All Digital Publishing Group seeks targets in in the US or UK.

Source: MarketIQ, Mergermarket, Adam Street Research



Deal tracker

Date	Target	Bidder	EV (£m)	Target Description
Nov-16	ITEC	VTCT	NA	Awarding Organisation
Nov-16	Asquith Day Nurseries	Bright Horizons	£166.0	Nursery Schools
Nov-16	Inspiring Learning	Bridgepoint	£100.0	Children’s Activities
Sep-16	Mind Click	Learning Pool	NA	E-learning
Sep-16	Astrum Education	Sailing Capital Advisors (HK)	NA	Sixth Form College
Aug-16	Mtrec	Trust Tech	NA	Training Recruitment
Aug-16	Kids Planet Day Nurseries	Business Growth Fund	NA	Nursery Schools
Aug-16	Yellow Brick Nursery	Complete Childcare	NA	Nursery Schools
Aug-16	Positive Steps Nurseries	Busy Bees	NA	Nursery Schools
Aug-16	Winnovation	PTM Group	£0.5	Vocational training
Aug-16	Arden University	Global University Systems	£15.0	Higher Education
Aug-16	Unicorn Day Nurseries	Bright Horizons	£0.0	Nursery Schools
Aug-16	Acorn Care and Education	The National Fostering Agency	£400.0	Special Education Needs
Jul-16	SWAT Group	Mercia Group	£5.4	Training and Technical Compliance Support
Jul-16	ForSkills	NCFE	NA	E-learning
Jul-16	Caspian Learning	Northstar Ventures	NA	Training
Jul-16	Lean Education and Development	Lead Holdings	NA	Education/Development

Date	Target	Bidder	EV (£m)	Target Description
Jun-16	Eaton House School	Sovereign Capital Partners	NA	Schools Operator
Jun-16	Bilfinger Salamis UK Skills Centre	Advanced Industrial Solutions	NA	Lifecycle Support Services
Jun-16	Cogbrooks	Nesta Impact, DC Thomson, Scottish Investment Bank	£1.3	E-learning
Jun-16	Radiowaves Schools	City & Guilds	NA	Social Media/Education
Jun-16	North East Chamber of Commerce (Training)	Middlesbrough College	NA	Training
Jun-16	Life Time Training	Silverfleet Capital	£125.0	Training (Multi-sector)
Jun-16	Outsource Education Group	Seetec	NA	Training (Multi-sector)
May-16	Learning Pool	Private group led by Carlyle Cardinal Ireland	£4.5	E-learning
May-16	Bushbabies Childrens Nurseries	Busy Bees	NA	Nursery Schools
May-16	Smartstyle Technology Training	Independent Training Services	NA	Training
May-16	The Redland High School for Girls	The Red Maids' School	NA	Private Schools Operator
May-16	Getmyfirstjob	Nesta Impact Investments	NA	Training Recruitment
May-16	Farleigh Group	Wealth at Work	NA	Training (Financial Services)
May-16	GL Education Group	Levine Leichtman Capital Partners	£218.0	Educational Assessment
May-16	University of Stirling	US institutional Investor (Placement)	NA	Higher Education
May-16	Learning Possibilities	Niveda Group, Impact Ventures	£3.9	E-learning
Apr-16	Bromsgrove Nursery	Shooting Stars Nurseries	£0.9	Nursery Schools
Apr-16	Bascule	Dulwich Day Nursery Group	NA	Nursery Schools
Apr-16	Kindercare (Harrogate)	Treetops Nurseries	NA	Nursery Schools
Apr-16	Derby Business College	DBC Academies	NA	Training
Apr-16	Babington College	RJD Partners	£22.0	Training (Multi-sector)
Mar-16	Options Group	Outcomes First Group	NA	Special Education Needs
Mar-16	Redline Aviation Security	Mobius Equity Partners	£3.7	Training (Security)
Jan-16	Brightwave	Capita	NA	E-learning
Dec-15	ROC North West	CareTech	£11.4	Special Education Needs
Dec-15	Smart Education	TES Global	NA	Education Recruitment
Dec-15	MPW	Kaplan	£135.0	Sixth Form Colleges
Nov-15	Trax Care	Care 4 Children	£3.5	Special Education Needs
Oct-15	Alcumus	Inflexion Private Equity	£92.0	Training (Compliance)
Aug-15	Wealth at Work	Equistone Partners	£50.0	Training (Financial Services)
Aug-15	Synarbor	Sovereign Capital	£18.4	Education Recruitment
Aug-15	ABV Training	CPL Training	NA	Training (Hospitality)
Aug-15	Cache awarding body	NCFE	£7.2	Awarding Body
Jul-15	Spark of Genius	CareTech	£7.7	Special Education Needs
Jul-15	Informa	Progressive Digital Media	£25.0	Publishing & Events
Jul-15	Promethean World	Digital Train	£76.6	Education Support
Jul-15	Eukleia Training	Learning Technologies Group	£11.0	Training (Compliance)
Jul-15	Advanced Industrial Solutions	FW Capital	£1.0	Training (Construction)
Jun-15	Regional Training Agency	Forum Media Group	NA	School Staff
Jun-15	Hibernia College UK	TES Global	NA	E-learning
Jun-15	University of Law	Global University Systems	NA	Higher Education
May-15	Big Data Partnership	Beringea	£3.1	Training (IT)
May-15	Epigeum	Oxford University Press	£10.7	E-learning
May-15	CTC Aviation Group	L-3 Communications	£143.0	Training (Aviation)
Apr-15	Saville Consulting	Towers Watson	£42.0	Training (Consentancy Services)
Apr-15	Tipton Training	Weymouth Medical	NA	Training (Dental)
Apr-15	A4E	Staffline	£34.5	Training (Welfare to Work)
Mar-15	Learning Curve Group	MML Capital Partners	NA	Training (Multi-sector)
Feb-15	Radnor House School	Albion Ventures	£9.5	Secondary School Operator
Feb-15	The Oxford Group Consulting & Training	City & Guilds	NA	Training (Management)
Feb-15	Cambridge International School	International School Partnership	NA	Secondary School Operator
Feb-15	Kallidus	FF&P	NA	Training (Multi-sector)
Feb-15	Improve International	Benchmark Holdings	£6.2	Training (Veterinary)
Dec-14	ESG Holdings	Interserve	£25.0	E-learning
Oct-14	Justin Craig Education	MPW	NA	Tutoring
Aug-14	Monarch Education	Capita	£15.2	Education Recruitment
Jul-14	Premier Global	Ascend Learning	£24.0	Training (Health & Fitness)
Jul-14	Videotel Marine International	KVH Industries	£28.7	E-learning
Jul-14	HT Skills	EFactor Group	£6.3	E-learning
Jun-14	Vision for Education	TES Global	NA	Education Recruitment
May-14	Preloaded	Learning Technologies Group	£5.6	Training (Multi-sector)
May-14	Avanta Enterprise	Staffline	£65.5	Training (Welfare to Work)
May-14	Education Personnel	Intermediate Capital Group	£300.0	Education Recruitment
May-14	Olci Construction Training	Engineering Real Results	NA	Training (Construction)
May-14	Happy Child Group	Treetops Nurseries	NA	Nursery Schools
Apr-14	Oxford International School	RDDDB	NA	Sixth Form Colleges
Apr-14	Line Communications Group	Learning Technologies Group	£9.0	E-learning
Apr-14	CrossKnowledge	John Wiley & Sons Inc	£104.0	E-learning
Feb-14	Compass Computer Consultants	Advanced Computer Software Group	£14.5	Education Software
Mar-14	Sky Software	Tribal Group	£11.3	E-learning
Jan-14	Holdfast Training Services	HICL Infrastructure Company	£23.5	Training (Engineering)
Dec-13	Cambridge Education Group	Bridgepoint	£185.0	Secondary School Operator
Oct-13	Epic Group	Learning Technologies Group	£10.1	E-learning
Oct-13	Meadowcroft	Acorn Care and Education	£6.5	Special Education Needs
Oct-13	Busy Bees	OTTP Private Equity	£353.0	Nursery Schools
Aug-13	Oxbridge Applications	Dukes Education Group	NA	Education Support
Jul-13	TSL Education	TPG Capital	£400.0	Publisher
Jul-13	Training Businesses of Informa Plc	Providence Equity	£118.0	Training (Corporate Services)
Jul-13	FBS	Cobham	£112.0	Training (Aviation)

"It is the mark of an educated mind to be able to entertain a thought without accepting it"

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ASA Group client highlights

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Acquirer



Target



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Target



Acquirer



Target



Investor

Private Investors

Target



Investor



Target



Acquirer



Target



Acquirer



* UCFB Wembley and London Preschool were both growth capital transactions.

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