

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

SUMMER 2016



Highlights

- Over 100 M&A transactions with combined value in excess of £6 billion
- Private equity invests over £3.5 billion
- Providence, OTTP and TPC among largest investors



Recent Transactions

- Babbington acquired by RJD Partners for £22 million
- Redline acquired by Mobeus
- Brightwave acquired by Capita
- MPW acquired by Kaplan



Sub-sectors to watch

Increased demand for UK education driving growth in the independent and international schools, education staffing and higher education.

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Key observations

The first quarter of 2016 has started strongly for the education sector and Adam Street believes that it will continue to be one of the stand-out sectors for private equity investors and corporate acquirers for the foreseeable future. The average business valuation multiples, where disclosed, now typically hover around the 9.5 times level and often exceed 10 times EBITDA. The attractiveness of the sector is underlined by an increasing interest of both private equity and corporates. This is driven by surging international demand for UK education coupled with limited supply, generally recession proof economics and increasing momentum in e-learning services and technologies.

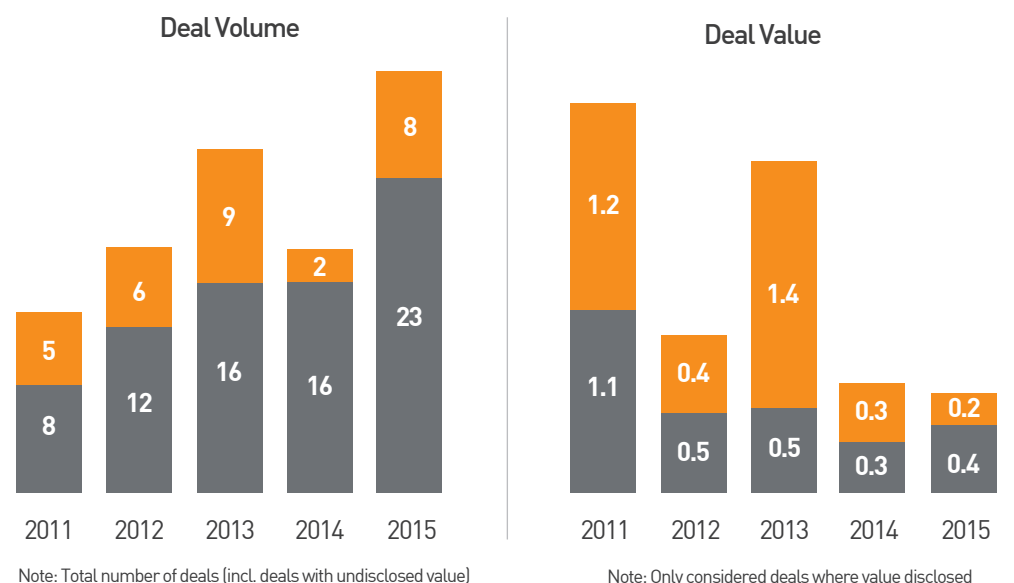
Adam Street has identified over 100 transactions in the sector that are of significant interest that have been completed since 2011. Private equity investors have acquired 30 of these as platforms with corporates acquiring 75. Some corporates, such as RDDB (Bowmark) and Minerva (August Equity) would already be owned by private equity investors.

The total disclosed value of transactions for the same period exceeded £6 billion. The addition of transactions with undisclosed values would substantially increase the total value for the period.

Interestingly, for the period 2011 to 2016 private equity spent more money (£3.5 billion) acquiring assets in the sector than corporates (£2.8 billion).

On the public market, UK publisher Pearson is trading at 9 times EV/EBITDA with its peer on the continent, Wolter Kluwer, trading at 10 times. Pearson seems to be focusing more on education and training and is reducing its stake in other businesses that it owns such as The Economist.

Adam Street expects demand for education to continue, particularly for higher quality businesses and sees strong market dynamics driving valuation and investment activity. As education specialists, Adam Street is approached frequently by both private equity and trade buyers looking for acquisition opportunities.



■ Strategic ■ PE

Areas of opportunity

Schools – There continues to be strong activity within the independent schools, international schools and independent sixth form college market. Sixth form college group, MPW, was recently acquired by Kaplan for a rumored £120 million. Minerva (August Equity), Astrum (Sovereign Capital) and Radnor House (Albion Ventures) have all shown significant year-on-year growth and would be attractive acquisition targets for larger corporate acquirers or buy-out funds.

Further Education – Adam Street predicts that the further education sector will attract significant interest from private equity and corporate acquirers in the foreseeable future. Transactions in the further education sector will be driven by global themes such as heightened security (Mobeus invested in Redline Assured Security), financial regulation (Financial Adviser School acquired by Old Mutual Wealth) and compliance training (Alcumus acquired by Inflexion).

In the UK, further education providers will benefit from an Apprenticeship Levy to be introduced in April 2017 that should raise £3 billion per annum by 2019/2020 to help the government achieve its target of 3 million apprenticeship starts by 2020. The Levy, coupled with the government's commitment to apprenticeship training should drive investment and consolidation activity in the vocational training market. Recently, Babbington sold for a reported £22 million to RJD Partners and Lifetime is also reported to have a number of interested buyers among both private equity and corporate acquirers.



E-learning technologies – This sector remains massively fragmented and is dominated by a large number of early stage and start-up businesses that compete intensely for capital and resource to grow. Recent activity includes itslearning's acquisition of Fronter from Pearson and Capita's acquisition of Brightwave both for an undisclosed amount.

The AIM listed Learning Technologies has made significant inroads into the e-learning space, acquiring six businesses globally with a combined value of £70 million since October 2013.

Nursery Schools – This sector has also seen an increase in activity driven primarily by US-based Bright Horizons and Busy Bees (OTTP). The sector remains fragmented and presents an ideal opportunity for buy-and-build investors.

Higher Education – One of the most exciting and largest segments for investors. Growing economies and a wealthier middle class in the Middle East, South East Asia, Latin America, as well as parts of Africa, strongly drive the global flow of students into UK higher education. Over 58% of post graduate students are now domiciled outside the UK. Greenwich School of Management (Sovereign Capital) grew its revenues by 65% between 2013 and 2014.

Rumours

- Capella Education Company announced its intention to sell its UK-based subsidiary Arden University, a specialist online distance learning university.
- UK-based roadside assistance provider AA has put up for sale its fleet risk management and driver training subsidiary DriveTech.
- ForSkills, a UK-based e-learning content and diagnostic assessments provider, has appointed unidentified advisors to seek a new owner and is thought to be at the early stages of the process.
- GL Education, owned by Investcorp, is rumoured to be up for sale.

Deal Tracker

Source: MarketIQ, Mergermarket, Adam Street Research

Date	Target	Bidder	EV (£m)	Target Description
May-16	Learning Possibilities	Niveda Group, Impact Ventures	£3.9	E-learning
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	Mobeus 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	£120.0	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)

Date	Target	Bidder	EV (£m)	Target Description
Apr-15	Saville Consulting	Towers Watson	£42.0	Training (Consultancy 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)
Jun-13	Hillcrest Care	Sovereign Capital Partners	£80.0	Special Education Needs
Jun-13	Palatinate Schools	Minerva Education	£7.0	Nursery Schools
May-13	WCL Group	Nord Anglia Education	£153.0	Primary Schools Operator
Apr-13	Kidsunlimited	Bright Horizons	£69.0	Nursery Schools
Apr-13	Cognita Schools	KKR	£162.0	Private Schools Operator
Mar-13	Alpha Schools Holdings	HICL Infrastructure Company	£155.5	Preparatory School Operator
Mar-13	The Fire Service College	Capita	£10.0	Training (Fire Services)
Jan-13	INTO University Partnerships	Leeds Equity Partners	£66.0	Education Support
Jan-13	7City	Fitch Group	£142.0	Training (Financial Services)
Oct-12	IPD Group	MSCI	£75.0	Publishing and Training (Real Estate)
Sep-12	Chelsea Independent , Duff Miller & Lansdowne Colleges	Sovereign Capital	£30.0	Sixth Form Colleges
Aug-12	Explore Learning	Graphite Capital	£30.0	Tutoring
Jul-12	MPW	Levine Leichtman Capital Partners	£83.0	Sixth Form College
Jun-12	The Hesley Group	Bowmark Capital	£75.1	Special Education Needs
Jun-12	Frogtrade	YTL Education	£5.5	E-learning
May-12	Casterbridge Nurseries	Bright Horizons	£72.1	Nursery Schools
May-12	Oxford Aviation Academy	CAE Inc	£213.6	Training (Aviation)
May-12	BEST	Interserve	£18.0	Education Recruitment
Apr-12	Thales Training & Simulation	L-3 Communications	£83.0	Training (Aviation)
Apr-12	College of law	Montagu Private Equity	£200.0	Higher Education
Mar-12	Stagecoach Theatre Arts	Lifeskills Education	£5.2	Performing Art Schools
Jan-12	LJ Create	Infinitas Learning (Netherlands)	£5.4	Training (Multi-sector)
Oct-11	Wealth at Work	Palatine Private Equity	£3.4	Training (Financial Services)
Oct-11	TQ	Pearson	£54.0	Training (Digital)
Oct-11	Learn Direct	Lloyds Development Capital	£40.0	E-learning
Jul-11	Holidaybreak	Cox & Kings India	£437.1	Training (Multi-sector)
Jul-11	The Continuum International Publishing Group	Bloomsbury Publishing	£19.2	Publisher
Jul-11	Resource Development International	Capella University	£13.2	E-learning
Jul-11	Blackboard	Providence Equity Partners	£1,037.9	Training (Multi-sector)
Jun-11	Kisimul Group	Rothschild (Merchant Banking)	£100.0	Special Education Needs
May-11	ITN Mark Education	Core Education & Consulting Solutions	£15.5	Education Recruitment
Mar-11	Moody International	Intertek Group	£450.6	Training (Energy)
Mar-11	EDI	Pearson	£105.0	Training (Multi-sector)
Mar-11	Nautilus	RPS Group	£19.0	Training (Energy)

“Education is the most powerful weapon which you can use to change the world.” NELSON MANDELA

ASA Group client highlights



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