



Capstone Partners

Investment Banking Advisors

PreK-12 Education

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MERGER & ACQUISITION TRENDS

The PreK-12 education sector continues to be very active in mergers and acquisitions. Transactions are occurring in virtually every subsector of the industry and they are being completed by both corporate and private equity buyers alike. Advancements in technology, personalized learning and an increasing focus on student outcomes have played a significant role in the surge of M&A activity, along with a favorable macroeconomic and political climate that includes state and local funding programs that are reaching pre-recession levels. Mega deals such as Houghton Mifflin's acquisition of Scholastic Corporation's Education and Technology Services business and Pearson's sale of PowerSchool to Vista Equity Partners are a testament to the favorable industry dynamics. Publicly traded service and technology providers such as Bright Horizons, G8 Education, Cambium Learning and Houghton Mifflin are trading at high multiples (median of 17.7x EBITDA) fueling their desire to consummate accretive acquisitions of privately held businesses.

INDUSTRY OUTLOOK

Much of the market's demand is originating at the user level – parents and students seeking better offerings and improved outcomes. As a result, early childhood and supplemental education demands are prominent, as parents believe they need to take a more active role in their child's education. Two fundamental shifts are occurring, namely a growing concern over the quality of education and increasing competition for college admission. This has driven parents to access supplemental programs and products to better educate and help prepare their children for the college application process. These tools, which range from in-home supplemental aids to outside tutoring, counseling and other services, are being used starting at the pre-K level and extending all the way through high school.

Parents are seeking better educational experiences and outcomes for their children and are often willing to financially contribute to reach these objectives. Female participation in the workforce is now approximately 60% while about 42% of households have two full-time earners, meaning many families are better able to spend on supplemental educational needs. In dual-income households parents also generally lack the time required to address such needs themselves. As a result, they are investing in the products, technology and services that they feel are necessary to allow their children to be competitive.

NOTABLE PreK-12 TRANSACTIONS

Several notable transactions have already been completed or announced in the PreK-12 industry in 2015. Selected transactions are outlined below, followed by a more comprehensive annual list in the following table.

- ▶ **Vista Equity Partners acquires PowerSchool (June 2015)** – Vista Equity Partners (Vista), a private equity firm that specializes in investing in software and technology focused businesses, recently acquired PowerSchool Group (PowerSchool) from Pearson PLC. At \$350 million, the cash transaction represents Vista’s continued focus on education as a significant part of its portfolio. PowerSchool, the leading provider of K-12 student information systems (SIS), serves as an administrative hub for education ecosystems. In 2014, PowerSchool supported 15 million students in 73 countries and was the most widely used SIS in North America. “PowerSchool is helping to shape the future of K-12, integrating diverse education technologies that empower millions of students, parents, administrators and teachers all over the world,” said Robert F. Smith, CEO and Chairman of Vista Equity Partners.
- ▶ **Bright Horizons acquires Hildebrandt child care centers (May 2015)** – Bright Horizons, a provider of child care, early education and other services for employers and families, has acquired Hildebrandt Learning Centers (Hildebrandt) for an undisclosed amount. Hildebrandt currently operates 45 employer-sponsored child care learning programs in Pennsylvania and the Mid-Atlantic region. The acquisition will add to Bright Horizon’s existing network, serving over 900 leading employers worldwide, including more than 140 Fortune 500 companies. “[Hildebrandt] has built an outstanding reputation for quality early care and education in the Mid-Atlantic region, and their like-minded commitment to support employers across a broad array of industries makes this an excellent match for Bright Horizons and a welcome addition to our family,” said Bright Horizons CEO David Lissy.
- ▶ **Investcorp acquires Nobel Learning, a network of 176 U.S. schools (March 2015)** – Investcorp, a private equity company that manages alternative investment products, has recently acquired Nobel Learning Communities (Nobel Learning) from Leeds Equity Partners. Nobel Learning is the only scaled and diversified PreK-12 private education provider in the U.S. Within its network there are a total of 176 schools throughout 18 states, about 5,000 teachers and staff as well as 25,000 students. Joining Investcorp as a co-investor is the Kingdom of Baharin’s sovereign wealth fund, Mumtalakat. The acquisition of Nobel Learning signals a continued interest in PreK-12 Education by both private equity and international investors. Mahmood Hashim Al Kooheji, Chief Executive Officer of Mumtalakat, said, “Nobel Learning has an attractive platform for delivering high quality education and we will work together to support their vision to further expand across the US as well as globally. This acquisition fits in with Mumtalakat’s investment strategy that is focused on investing in commercially viable projects, where we look at long term partnerships to ensure we deliver growth for the benefit of all stakeholders.”

PREK-12 EDUCATION: SELECT M&A TRANSACTIONS

Date	Target	Acquiror	Target Business Description	Enterprise	EV / LTM	
				Value (mm)	Revenue	EBITDA
09/22/15	Learning Objects	Cengage Learning	Builds educational tools and offers innovative programs, courses and learning experiences.	-	-	-
08/19/15	HelpHub	Kasel	Operates an online tutoring platform.	-	-	-
08/03/15	Smarty Ants	Achieve3000	Operates an online learning system for pre-readers, pre-K, kindergarten and early readers.	-	-	-
07/31/15	Recorded Books	Shamrock Capital	Publishes unabridged audiobooks and digital content for libraries and schools.	-	-	-
07/30/15	Tutorpedia	ESM	Offers tutoring and test preparation services for K-12 and college students.	-	-	-
07/30/15	ClassOwl	Branch Metrics	Provides an interactive planning application for students, teachers and administrators of schools.	-	-	-
07/27/15	Zeumo	The Advisory Board	A mobile and social platform that allows students to access information to help them stay better connected to their school.	-	-	-
07/22/15	Handsfree Learning	ApprenNet	Provides a Learning Platform that supports experiential learning.	-	-	-
07/17/15	Spinlight Studio	Codagami	Publishes educational games and applications on iOS, Android and Mac platforms for kids.	-	-	-
07/09/15	Knowledge Universe	Partners Group	Offers private early childhood education services.	-	-	-
06/17/15	Powerschool Group	Vista Equity	Provides K-12 web based student information systems (SIS).	\$350.0	-	-
06/03/15	ProctorCam	Pearson VUE	Provides virtual online proctoring services to test takers and organizations that administer tests online.	-	-	-
05/27/15	Recreation Creations	Kidstuff Playsystems	Designs and manufactures commercial playground and fitness equipment for early childhood, preschool and other activities.	-	-	-
05/21/15	Family Education	Sandbox	Operates a parenting website that offers content, resources and shopping for parents, teachers and kids/students.	-	-	-
05/19/15	Hildebrandt Learning	Bright Horizons	Provides early childhood education programs to children and their families in the United States.	-	-	-
05/01/15	My Learning Plan	Frontline	Provides Web-based educator evaluation and professional learning data management solutions for K-12 school districts.	-	-	-
04/24/15	EdTech Branch of Scholastic	Houghton Mifflin Harcourt	Offers digital intervention curriculum, products and services to schools and districts.	\$575.0	2.3x	8.5x
04/20/15	Source4 Solutions	Nautic Partners	Provides substitute staffing services for school districts.	-	-	-
04/15/15	Enrich and Grow Academy	Alphabest Education	Provides after-school enrichment programs to elementary and middle schools in New Jersey.	-	-	-
04/15/15	LearningExpress	EBSCO	Develops eLearning tools that bridge the skills-to-readiness gap for workplace, professional and academic development needs.	-	-	-
04/07/15	BigTeams	Moko Social Media	Develops and builds high school athletic Websites in the United States.	-	-	-
04/01/15	Digedu	Educational Growth	Provides a digital platform for teachers to create interactive and differentiated lessons.	-	-	-
03/30/15	Nobel Learning	Investcorp & Bahrain Mumtalakat	Operates nonsectarian private schools that include preschools, elementary schools, middle schools and specialty high schools.	\$405.0	1.5x	11.6x
03/05/15	Clarity Service	Epic Health Services	Provides behavioral, special education consulting and services for families, school districts and early intervention providers.	-	-	-
02/28/15	ClassLink	Harris School	Comprises a student administration and curriculum management solution.	-	-	-
02/26/15	Hershey Christian	Lancaster Mennonite	Provides elementary, middle and high level education.	-	-	-
02/20/15	Yankee Book Peddler	EBSCO	Provides books in print and electronic formats to academic, research and special libraries.	-	-	-

CAPSTONE PARTNERS: A SAMPLING OF COMPLETED EDUCATION & TRAINING TRANSACTIONS (CONTINUED)

**OxBRIDGE
ACADEMIC
PROGRAMS**

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acquired by*

WORLD STRIDES®
DISCOVER YOUR WORLD
a portfolio company of
THE CARLYLE GROUP

Capstone Partners recently received 3 finalist nominations split between both the M&A Advisor Awards as well as the M&A Atlas Awards for advising Oxbridge Academic Resources (“Oxbridge”) on its acquisition by WorldStrides, a portfolio company of The Carlyle Group. Oxbridge operates premier study abroad programs for middle and high school students at Oxford, Cambridge, Columbia and other notable educational centers. Oxbridge’s focus on engaging and intensive experiential learning has made it the market leader of university based study programs for students. Oxbridge joins WorldStrides’ lineup of educational travel programs, which serves 300,000 students annually to destinations in 90 countries. Jim Hall, President and CEO of WorldStrides said, “Oxbridge is the clear leader in terms of university-based summer programs for high school students and is highly regarded for its comprehensive curriculum; outstanding faculty; prestigious academic venues; and tenured staff of directors. Needless to say, we couldn’t be more pleased that Oxbridge is joining the WorldStrides family.”

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of Early Education
& Childcare Services**

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FAMILY SOLUTIONS®

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**A NON-PROFIT
EDUCATION
CORPORATION**

THE PreK-12 EDUCATION TEAM

**Eric Williams, Managing Director**

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Eric serves as Managing Director and Head of the Eastern Region for Capstone, based out of Philadelphia. Prior to Capstone, Eric was responsible for managing the Eastern region for Morgan Stanley Smith Barney's Capital Strategies Group and its predecessor, Citi Capital Strategies. Eric has 20 years of experience managing strategic sale assignments and leveraged recapitalizations for owners of privately held companies. Eric has successfully completed over 100 transactions in industries including education and training and health care services. In 2013, he received the "M&A Deal of the Year" M&A Advisor award for his work on the acquisition and majority recapitalization of Invo HealthCare Associates, Inc., a provider of outsourced special education services to schools, school districts and early intervention agencies throughout the U.S. He has also executed complex cross-border transactions with foreign buyers based in London, Germany, Sweden and Switzerland and has structured deals with leading private equity groups and strategic corporate buyers. He graduated cum laude from the University of California and is a Series 7 and 63 Registered Securities Representative as well as a Series 24 Registered Securities Principal.

**Mark Surowiak, Director**

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Mark is a Director in the Philadelphia office, supporting the management of the Eastern Region. Previously, Mark served over 10 years as a senior investment banking professional in Morgan Stanley Smith Barney's Capital Strategies Group. Over his career, Mark has focused on developing deep credentials and expertise in the sale and recapitalization of privately held businesses. Mr. Surowiak's experience spans a broad range of industries, including the education, government and defense contracting, manufacturing and outsourced business services sectors. Prior to investment banking, Mark enjoyed a career in the social services field. Mark is a graduate of Illinois State University with a BS in Business Administration. He is a Series 7 and 63 Registered Securities Representative.

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Dan oversees Capstone's national business development and industry coverage activities, working closely with current and prospective clients of the firm on matters related to corporate sales, recapitalizations, mergers & acquisitions and growth financings. In his role, Dan is able to deliver specific market intelligence to clients regarding M&A, financing, strategic, industry and competitive trends. Prior to spearheading the firm's business development and market initiatives, he was a Vice President in Capstone's M&A group, managing numerous successful transactions across a variety of industries. Dan also gained hands-on transaction experience as an investment banker at Headwaters MB. He started his career with Ernst & Young's National Professional AABS practice and later worked in Assurance and Advisory Business Services in the Denver office. Dan received a BE in Biomedical Engineering with a Business Minor from Vanderbilt University. He earned an MBA and a Master of Accountancy from the Daniels College of Business at the University of Denver.

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ABOUT CAPSTONE PARTNERS

Capstone Partners LLC is a premier investment banking firm dedicated to serving the corporate finance needs of middle market business owners, investors and creditors. The firm provides M&A, corporate restructuring, private placement and financial advisory services. Headquartered in Boston, Capstone has offices in Chicago, London, Los Angeles, Philadelphia, San Diego, Silicon Valley and Tampa with an international presence that spans 450+ professionals in close to 40 countries.

**For more information
about our expertise,
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