

# Education: 2021 Deal Round-up and Trends to Watch Out For in 2022

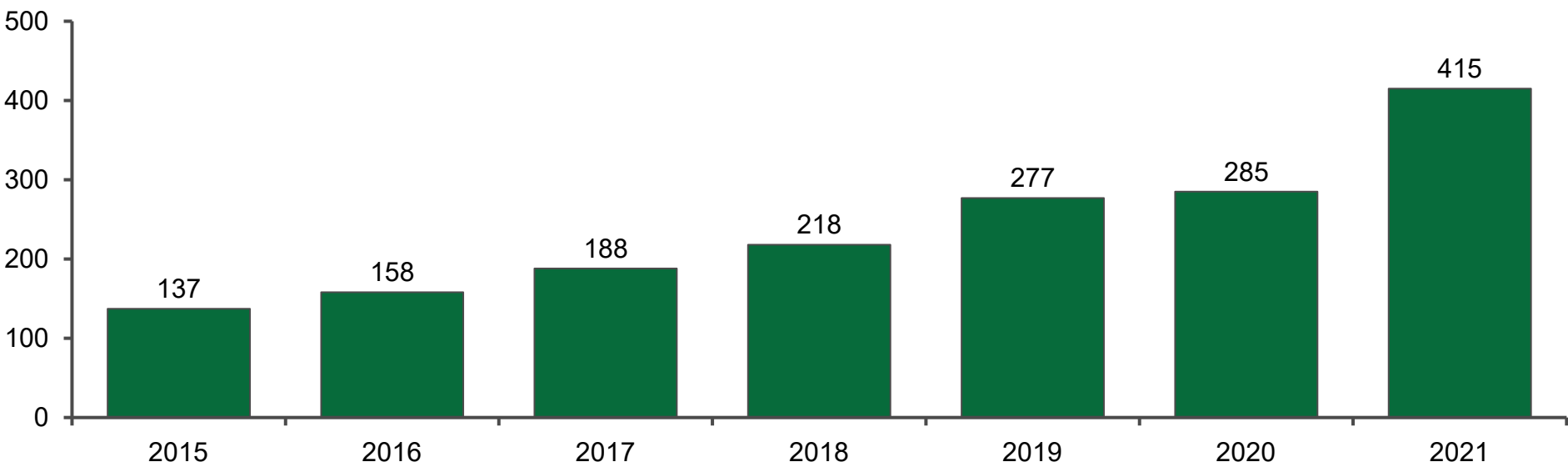
April 2022

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Average deal value has stabilized since 2018, but number of deals has increased sharply

Number of deals<sup>1</sup> in education sector  
(2015-21)



116	127	145	210	155	226	202	Average deal value <sup>2</sup> (in millions USD)
78	85	101	103	94	148	157	Number of deals with disclosed value

<sup>1</sup>Deal includes deals without disclosed deal value  
<sup>2</sup>Only disclosed deal values have been considered for the analysis  
Source: Mergermarket, L.E.K. research and analysis

## Key themes in the education sector

1

### Highly defensible sector

1. Investments into education have continued to grow during 2020-21 despite the impact on incomes, with spending in 2020 alone being more than double that of 2019
2. Number of deals doubled since 2019, indicating a shared sentiment amongst investors about the attractiveness and reliability of education assets

2

### Adoption of digital is transforming the industry

1. An estimated 50% of investments in the education industry has been towards edtech
2. Key sub-segments like tutoring and test prep, and corporate trainings have seen the highest rate of digital adoption in 2020-21

3

### Broad appeal among different investor types

1. As investors take into account the threat of digital disruption and the short-term exposure due to COVID-19, the education sector does still provide attractive investment opportunities in the short-term and the long run

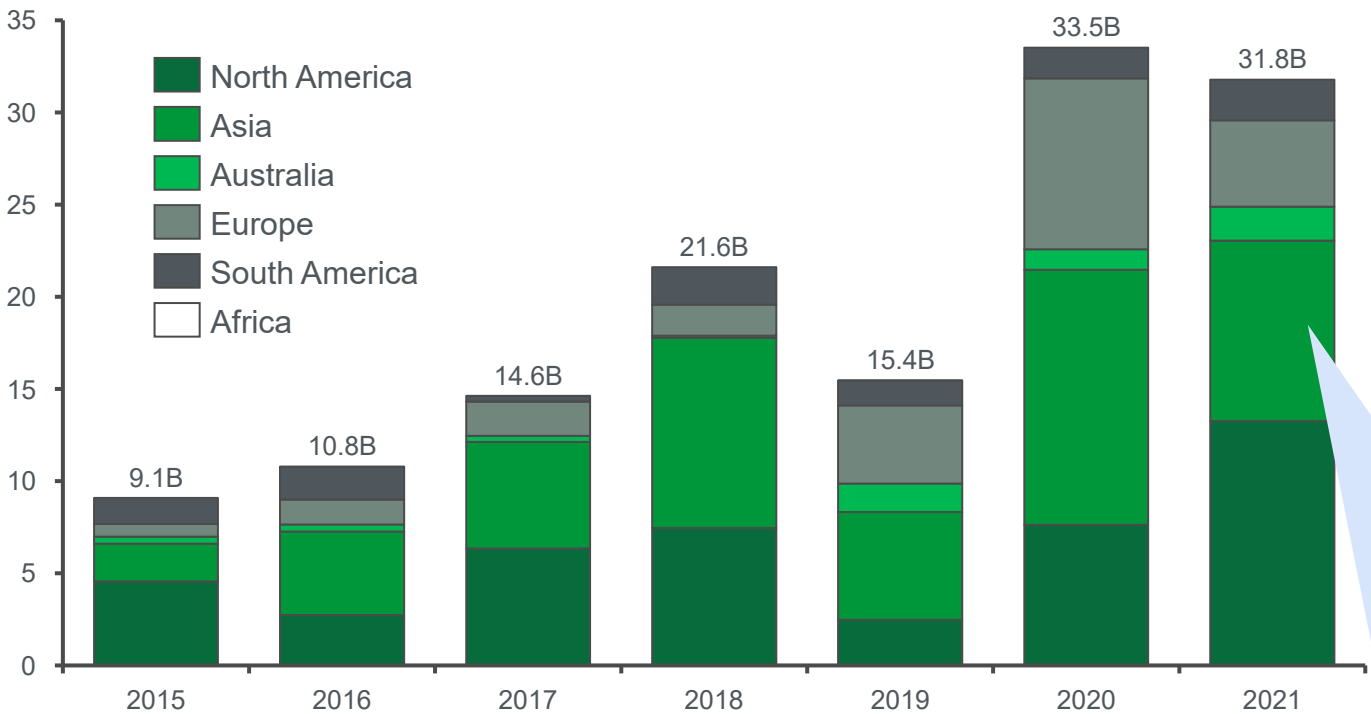
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### Room for consolidation

1. The core education sectors (K-12, HE, etc) are highly fragmented, as the top 10 international school groups account for <20% of the total international K-12 market
2. Newer sectors like edtech are equally fragmented, with established incumbents being constantly disrupted by start-ups mushrooming across regions

# Investment in education reached record levels during COVID-19 despite slowdown in investments in Asia (China)

Global education deals<sup>1</sup> by year and region  
(2015-21)  
USD



\$8B-10B

**China regulatory impact**  
Investor sentiment in China decreased dramatically, with 2021 recording \$8B drop in investments

40%

**North America contribution**  
Education investment accelerated in North America during COVID-19 years through tech and non-tech sectors

4X

**India on a tear**  
India accounted for ~17% of total education investment in 2021, a 4X increase over its share of 4% in 2018, indicating diversification of investments

China and India account for the most investments in Asia; investments in India have increased while China has seen a decline

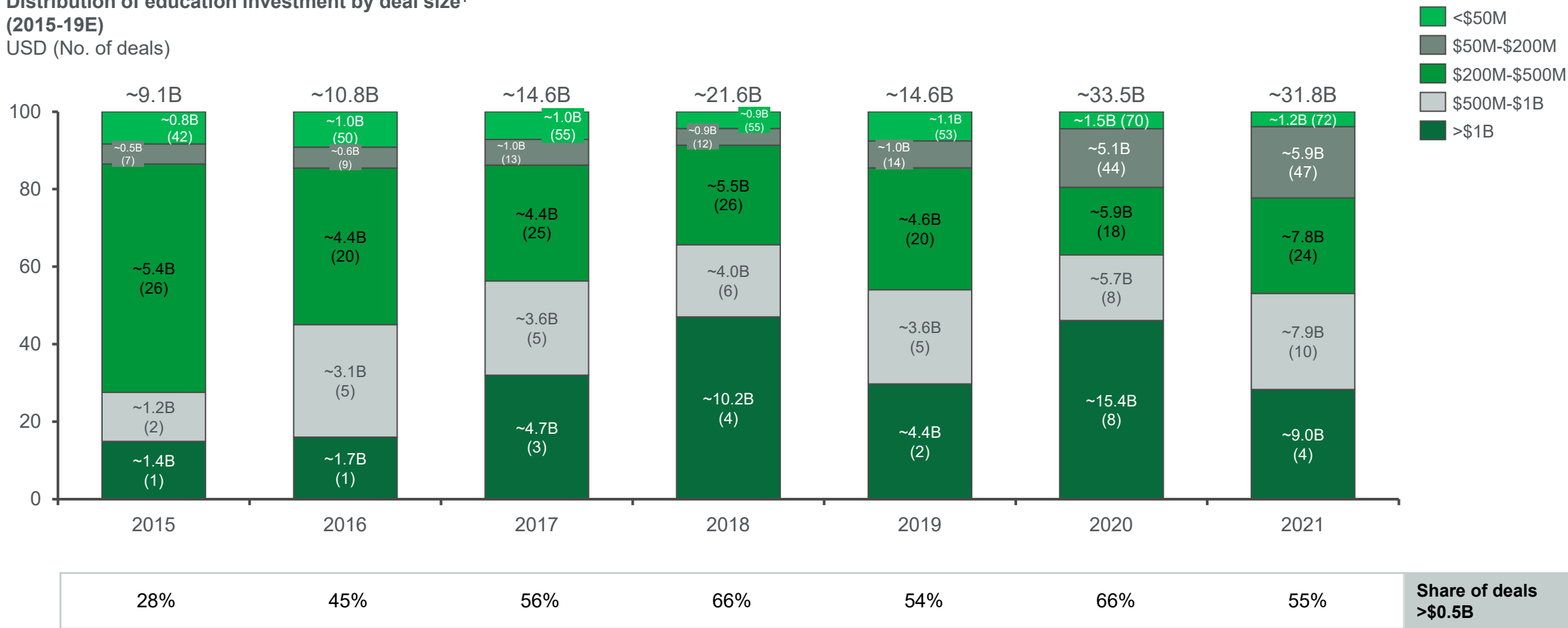
1. India went from \$0.9B in 2018 to \$5.6B in 2021
2. China decreased from \$7.7B in 2018, to \$2.1B in 2021

<sup>1</sup>Only disclosed deal values have been considered for the analysis  
Source: Mergermarket data, L.E.K. research and analysis

There has been a significant increase in “mega deals” (>\$500M) over the past few years

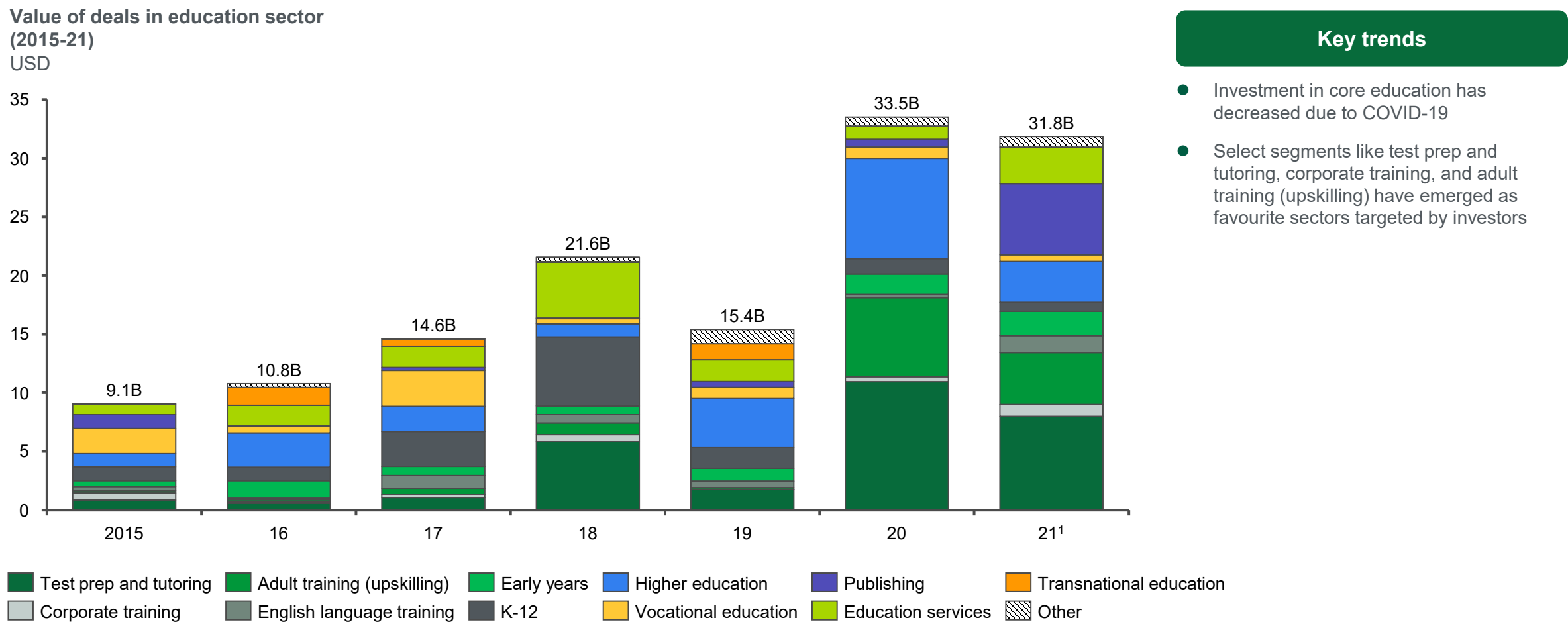
Distribution of education investment by deal size<sup>1</sup>  
(2015-19E)

USD (No. of deals)



<sup>1</sup>Only disclosed deal values have been considered for the analysis  
Source: Mergermarket, L.E.K. research and analysis

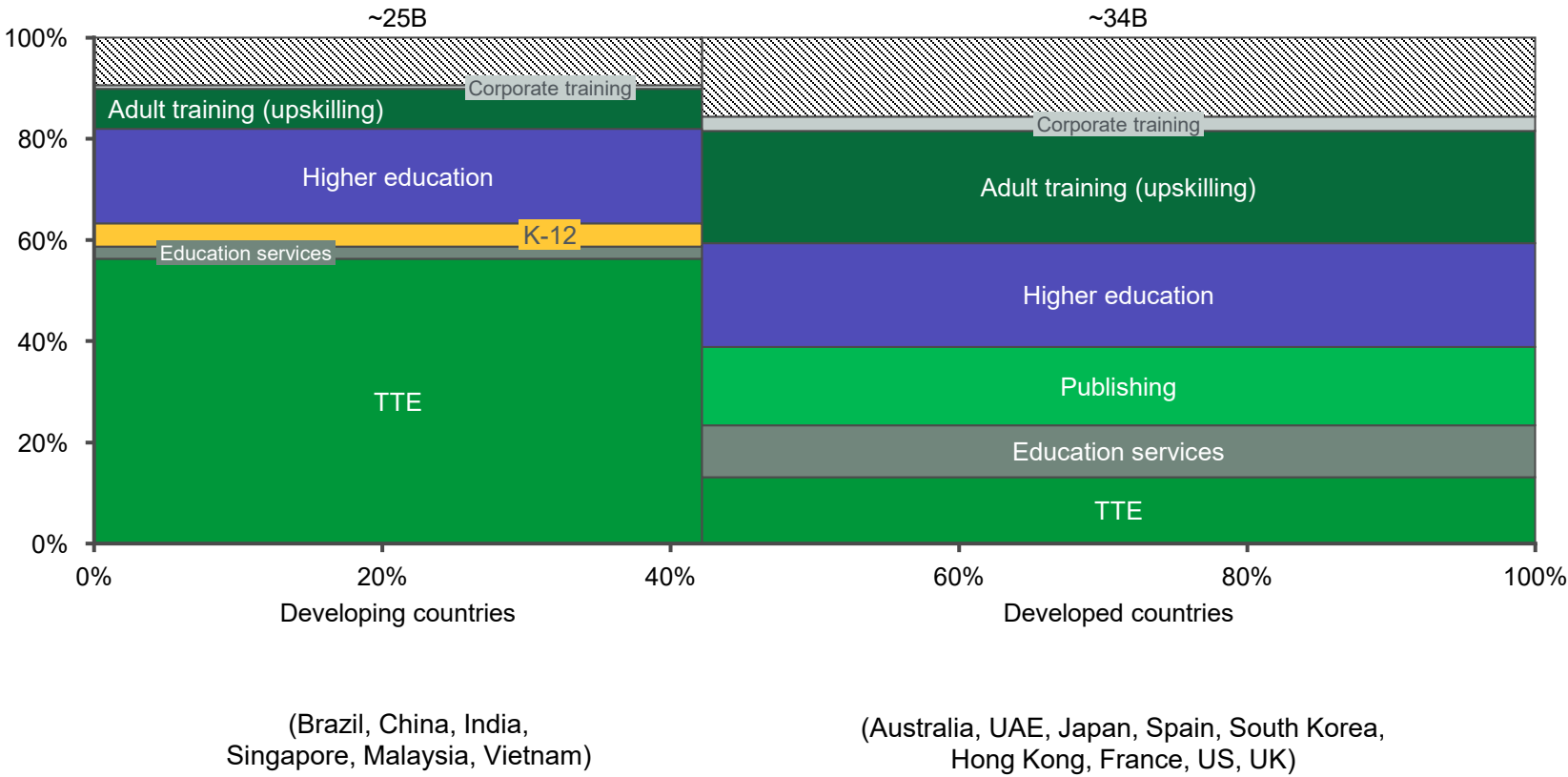
# Number of deals in education services, corporate training, and test prep and tutoring has increased over the past few years



Source: Mergermarket, L.E.K. research and analysis

# Emerging markets have seen large investments in direct to consumer supplementary ed (tutoring, test prep, ELT) besides traditional sectors such as K-12 and HE, for the years 2020 and 2021

Total deal value<sup>1</sup> for developed and emerging markets, by subsectors  
(2020-21)  
USD



## Key trends

- **Higher education**, a traditional education segment, is comparably large in both emerging and developed markets. Investment was largely towards/by platforms (accounting for ~75% investment).
- **Test prep, tutoring and enrichment (TTE)** accounts for more than half of the emerging markets' deal value. The large addressable market is driven by the poor quality of traditional education and competitive exam systems and culture.
- **Adult training (upskilling)** makes up a significant chunk of the total deal value in developed markets, owing to the growing demand for professional upskilling and transferrable skills across industries and increased competition in the domestic job markets.

<sup>1</sup>Only disclosed deal values have been considered for the analysis  
Source: Mergermarket, L.E.K. research and analysis

# 6 key themes we continue to be ‘bullish’ about in the education sector

## Traditional sectors

1

Global emergence of regional K-12 school chains

2

International student enrolment expected to rebound

3

Online higher education as a disruptor of mass education institutions

## Education technology & new-age models

4

Out-of-school reinforcement ready for disruption by online

5

New-skilling, upskilling and reskilling

6

Technology in K-12 and higher education as an enabler of individualized learning and improved outcomes

<sup>1</sup>Deal includes deals without disclosed deal value  
<sup>2</sup>Only disclosed deal values have been considered for the analysis  
Source: Mergermarket, L.E.K. research and analysis



## There are multiple global K-12 platforms that have demonstrated scale and are growing rapidly

### 1 Regional K-12 providers

Name of K-12 institution	Geography focus	Curriculum offered	Price segment
GEMS	MENA	IB, British, American, National	Budget to premium
Nord Anglia	Global	IB, British	Mostly premium+
Cognita	Global	IB, British, American, Australian	Mostly mid-priced to super-premium with some presence in budget
Inspired	Global	IB, British	Budget to premium+
SABIS	Global	Own curriculum	Mostly budget
Spring Education	US	American	Budget to premium
ISP	Global	IB, British, American, Canadian, Vietnamese, Malaysian	Mostly mid-priced
Dulwich College Mgmt. Int'l	Asia and MENA	IB, British and Local (for bilingual schools)	Mostly premium
Eleva	Brazil	Brazilian, IB, Bilingual	Budget to premium
Globeducate	Europe	British	Budget to premium
SEB	Brazil	American, Brazilian	Budget to premium
Beacon House	India	British	Mostly budget
Sri Chaitanya	India	Indian	Budget to mid-priced
Ryan Schools	India	Indian, IB, British, National	Budget to mid-priced
Maple Leaf	China	Chinese, Canadian	Budget to premium
Narayana	India	Indian	Mostly budget

**Regional K-12 platforms are closely following track and well positioned to break into the global playing field**

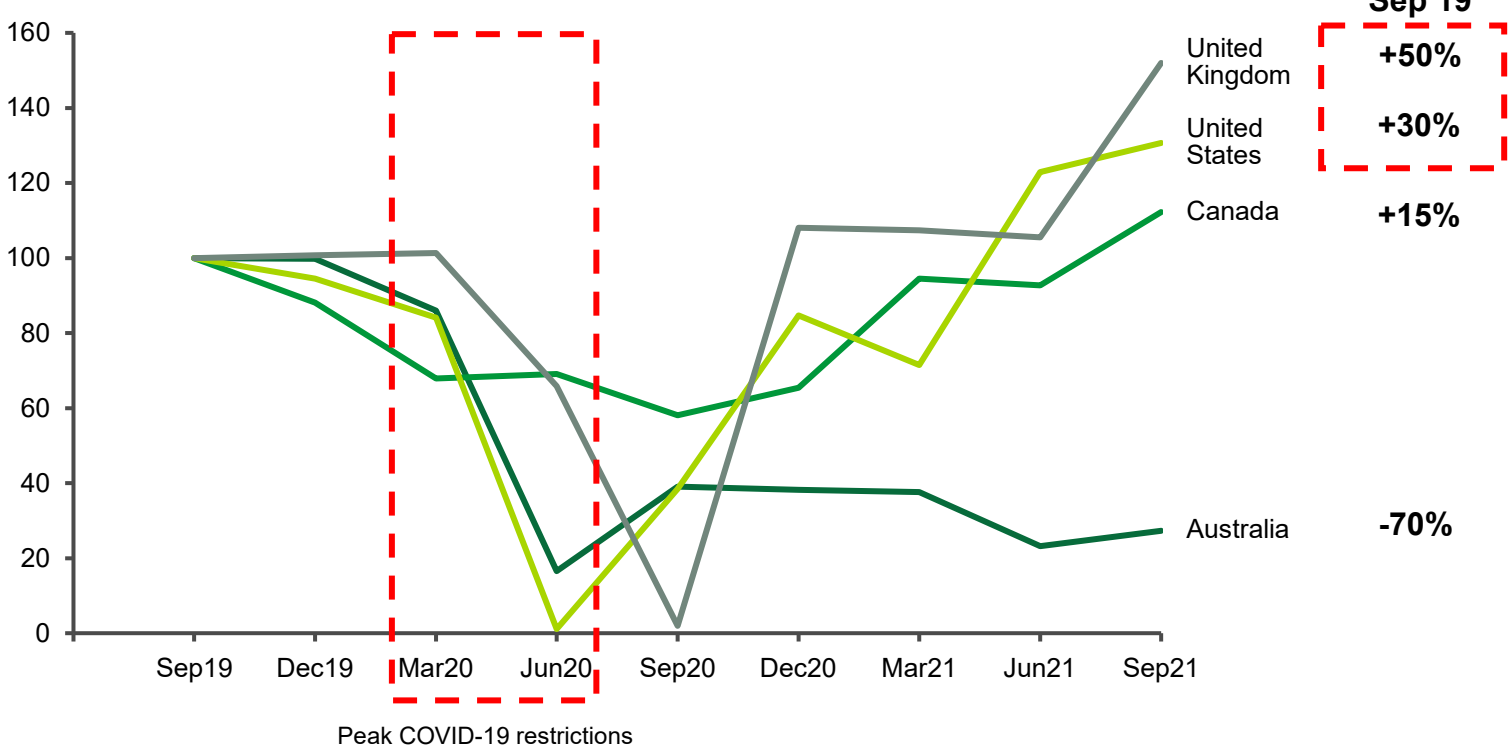
Source: L.E.K. research; annual financial reports; company websites

# Rebound in global mobility indicating pent-up demand is fuelling growth in UK and US; Australia is likely to recover soon

## 2 International student enrolment

### International education rebounded in countries with favourable travel policies

New international student visa approvals by country  
Sep'19-Sep'21  
Indexed to Sep'19 (=100)



### Demand in Australia likely to rebound soon

Visa refund to lure back thousands of international students and backpackers

- The Sydney Morning Herald

No Border Changes in Australia: International Students Allowed to Enter Despite COVID-19 Cases

- Erudera College News


The UK has already met its overseas recruitment target. Time for another

- Times Higher Education  
- (Jan 2022)


Source: Mitchell Institute, "Student, interrupted: International education and the pandemic"

# Online education powered by technology (vs distance) is a true disrupter of mass traditional higher education


## 3 Online higher education



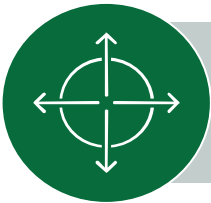
**Student convenience**



**Lower cost**



**Individualised learning**



**Better outcomes**



Online education growing at 5%-6% vs face-to-face declining at 2%-3% annual CAGR



Online education growing at 10+% vs face-to-face at 3%-5% annual CAGR



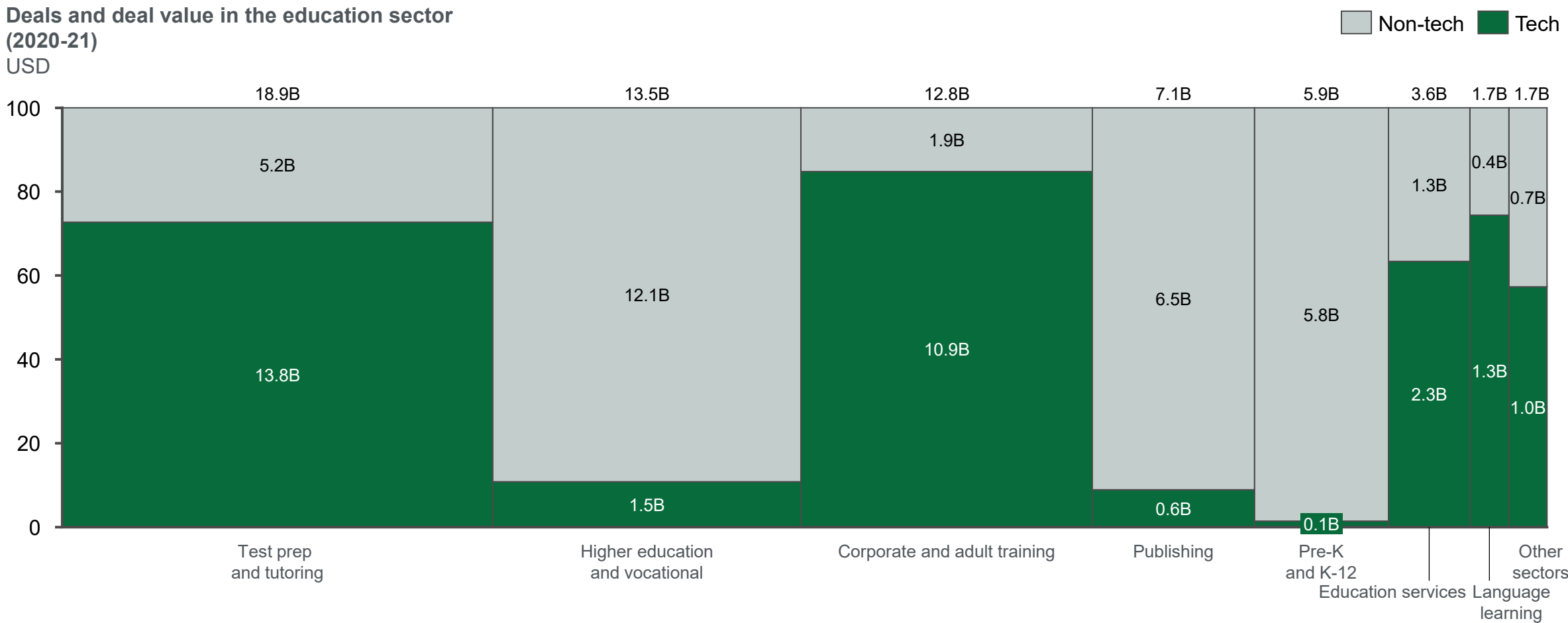
Online education growing at 50%+ vs face-to-face at under 10% annual CAGR

Note: Actual revenue numbers may be affected by shift in exchange rates  
Source: L.E.K. research; annual financial reports; company Websites

There is an edtech frenzy in the non-traditional education segments, with ~50% of the total investment in 2020 and 2021 being centred around technology

4 Online after-school reinforcement

Deals and deal value in the education sector (2020-21)  
USD

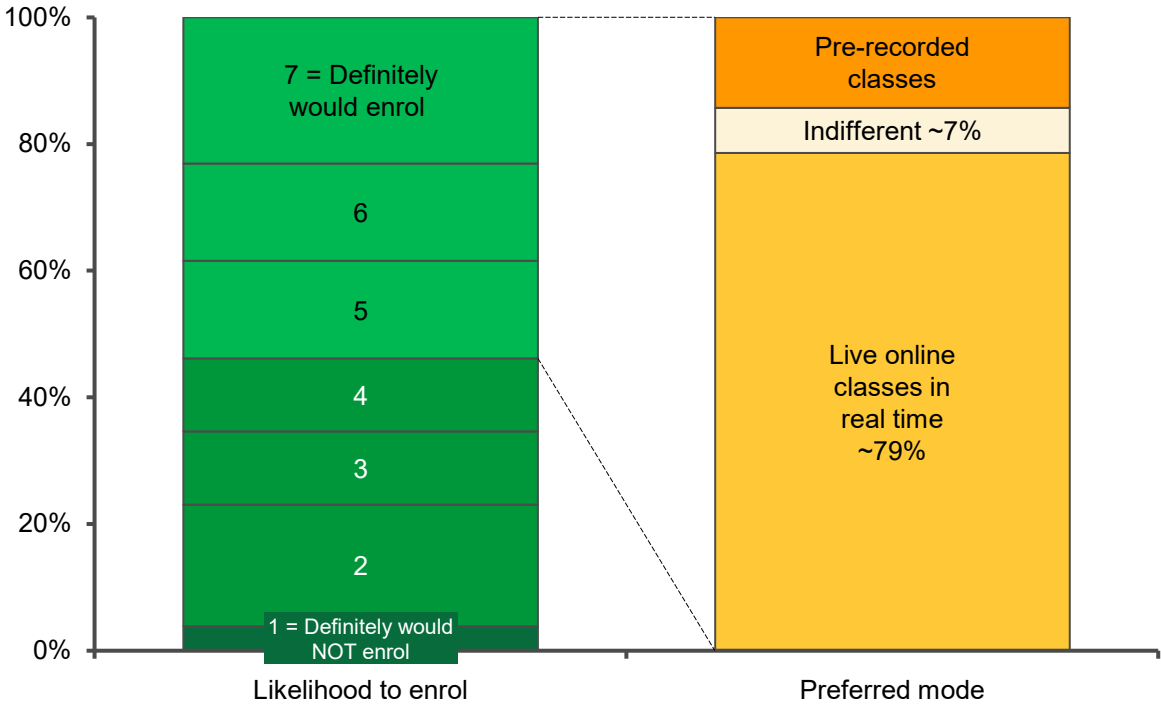


Source: Mergermarket, L.E.K. research and analysis

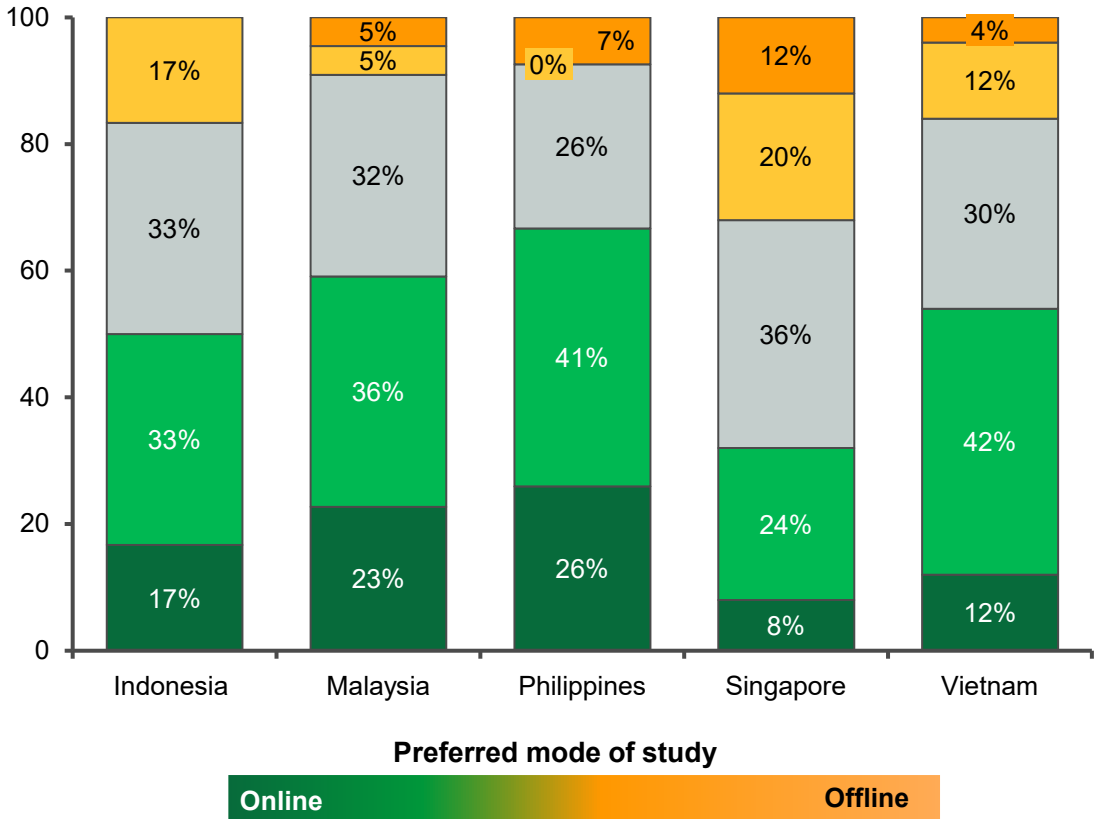
# Online test prep and tutoring's adoption in developing markets has been increasing, driven by increasing parents' acceptance; high preference for blended

## 4 Online after-school reinforcement

Parents' willingness to enrol, preferred mode – those enrolled in offline after school tutoring  
Percentage



Demand for online/blended after-school learning across SEA countries  
Percentage




Source: L.E.K./Lucid consumer survey in SEA, 26-30 May 2020 (N=3165); L.E.K. research and analysis


# Huge demand for upskilling globally fuelled by growth in use of technology across sectors

5 New skilling, upskilling, reskilling


Unique confluence of outdated skills and new-age skills



Demand in digital skills set to expand 5-fold over the next 5 years



50% of skills of the workforce today set to become outdated in the next 5 years



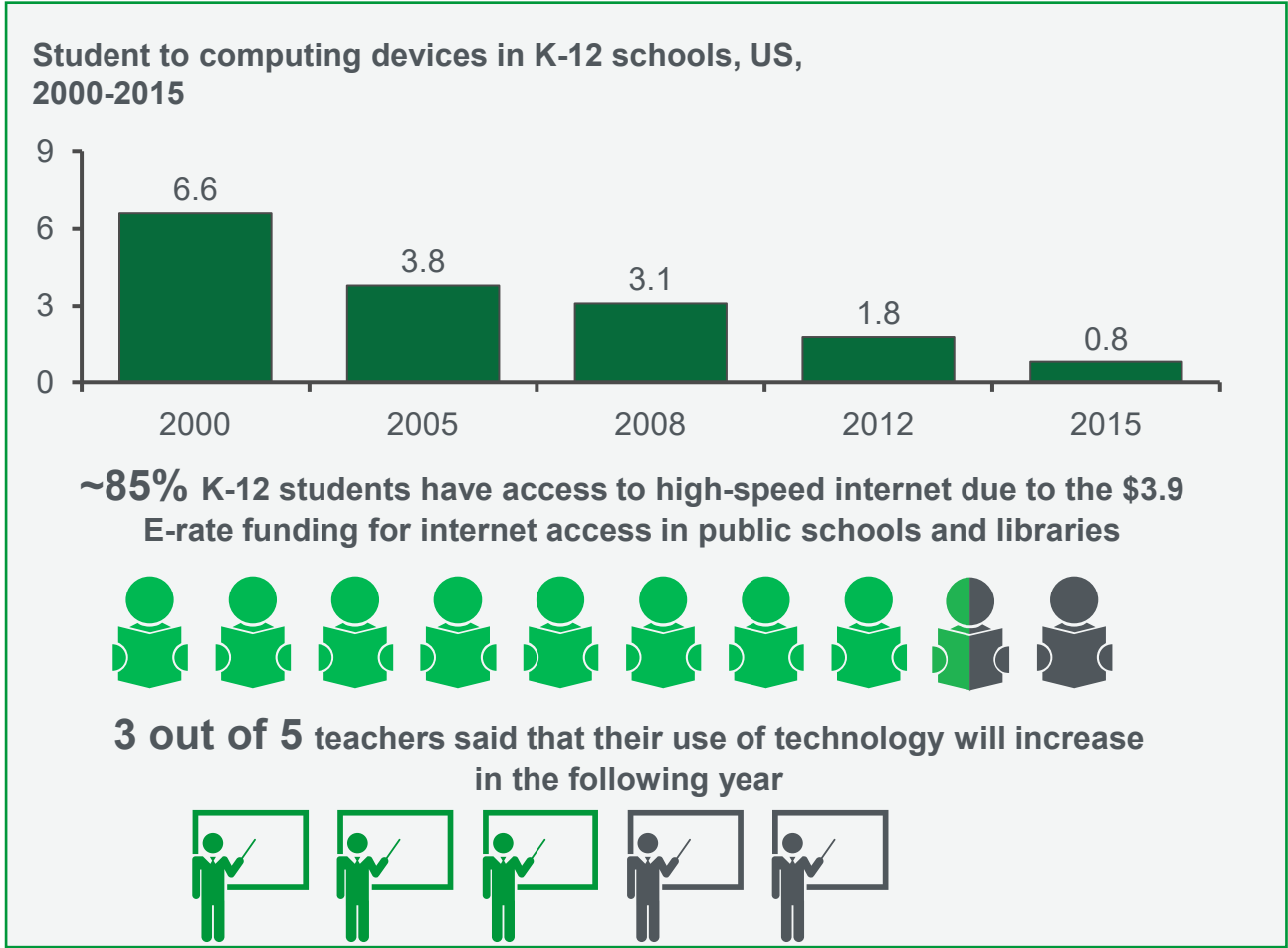
Traditional higher education grappling to keep pace with changing skill needs while being effective for students

The demand for upskilling will be fulfilled by various types of courses

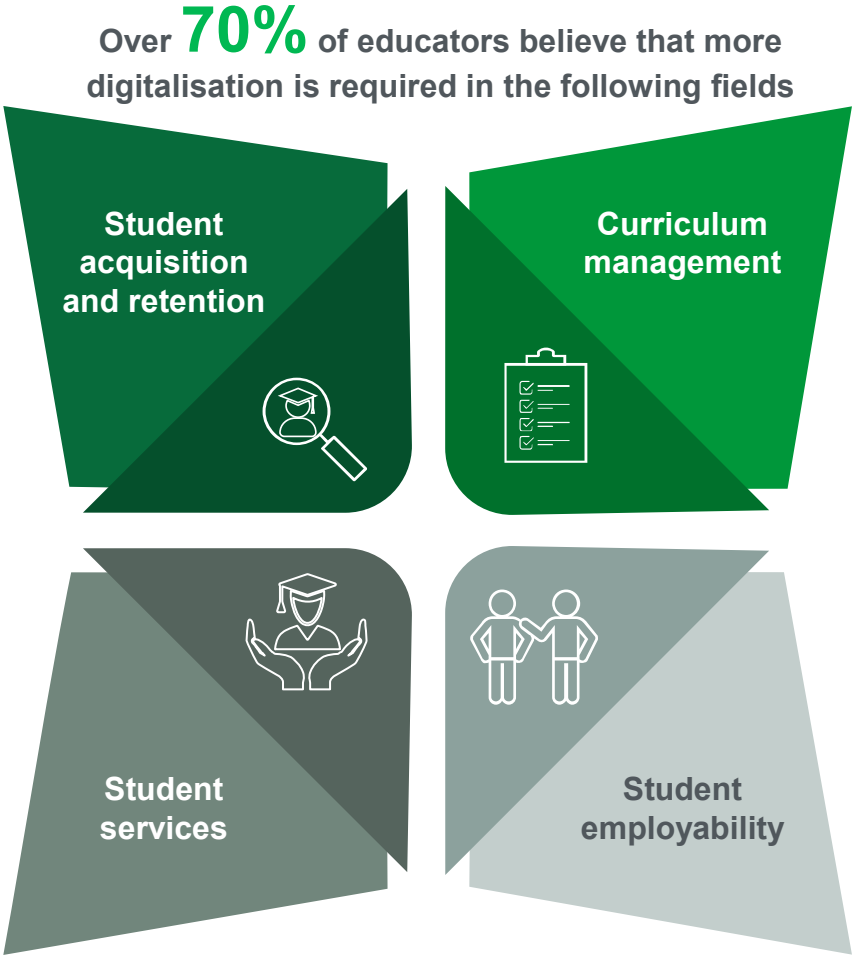
	Micro-credentials	Short-courses	Bootcamps
Developed markets	<ul style="list-style-type: none"><li>Udacity</li><li>FutureLearn</li></ul>	<ul style="list-style-type: none"><li>Skillshare</li><li>Udemy</li><li>edX</li><li>Coursera</li></ul>	<ul style="list-style-type: none"><li>General Assembly</li><li>Codesmith</li></ul>
Developing markets	<ul style="list-style-type: none"><li>UpGrad</li><li>Great Learning</li><li>Topica Uni</li><li>HarukaEDU</li></ul>	<ul style="list-style-type: none"><li>Simplilearn</li><li>Conicle</li><li>Binar Academy</li><li>Indorse</li></ul>	<ul style="list-style-type: none"><li>ArcLab</li><li>FutureLab</li><li>CoderSchool</li><li>Hacktiv8</li></ul>

Source: WEF, “Why digital upskilling is a crucial part of sustainability”, L.E.K. research and analysis

# Education services continues to grow rapidly in developed nations



Source: L.E.K. research and analysis



# Connect with us

Reach out to us to access a list of scaled edtech assets categorised by latest round of funding and key geographies



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