

# Education: 2022 M&A Deal Roundup and Trends to Watch Out for in 2023

April 2023

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## Glossary

Sr. No.	Category	Description
1	Adult and corporate training	Skill training provided to adult learners or professionals
2	Early years	Childcare services and/or preschool education providers
3	Education services	Business-to-business (B2B) services catering to colleges, schools, etc., such as logistics, student management, learning management system (LMS), recruitment, etc.
4	Higher education	Degree-awarding institution providing post-secondary education at the undergraduate/graduate levels
5	K-12	Provision of core education to children typically aged 6-18, in primary and secondary levels
6	Language training	Services that support English or other language acquisition
7	Publishing	Development and distribution of materials and content, both online and offline, that support learning (e.g., textbooks, classroom resources)
8	Test prep and tutoring	Coaching, tutoring or academic supplementary learning for any academic/professional tests or core curriculum in an educational institution
9	Transnational education	Services helping students access programs overseas (outside their home country) through counseling, application support, etc.
10	Vocational education	Employment-oriented post-secondary education, usually nonacademic and related to a specific vocation; includes employability programs, internship providers and placement services for young people
11	Others	Any other segment relevant to education not fitting in above criteria, including services for extracurricular activities or non-academic learning

## Agenda

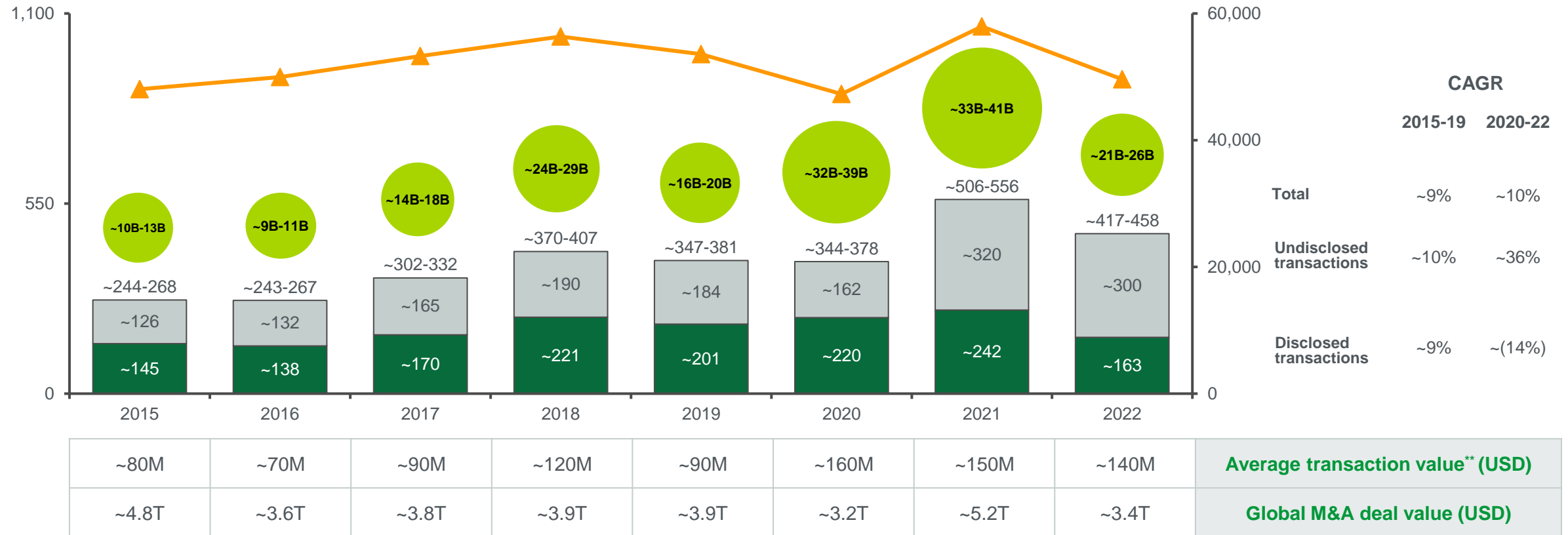
- **Global education sector transactions**
- Trends to watchout for in 2023
- Potential assets to track (edtech)

# Overall M&A volume in the education sector declined by about 15% to 20% in 2022 compared with 2021, though it remained higher prior to Covid-19

## Overall transaction activity

### Number of M&A transactions\* in education sector (2015-22)

Number of transactions



\*Includes transactions with both disclosed and undisclosed values

\*\*Includes only transactions with disclosed values; only includes transactions meeting the Mergermarket "regular inclusion criteria"

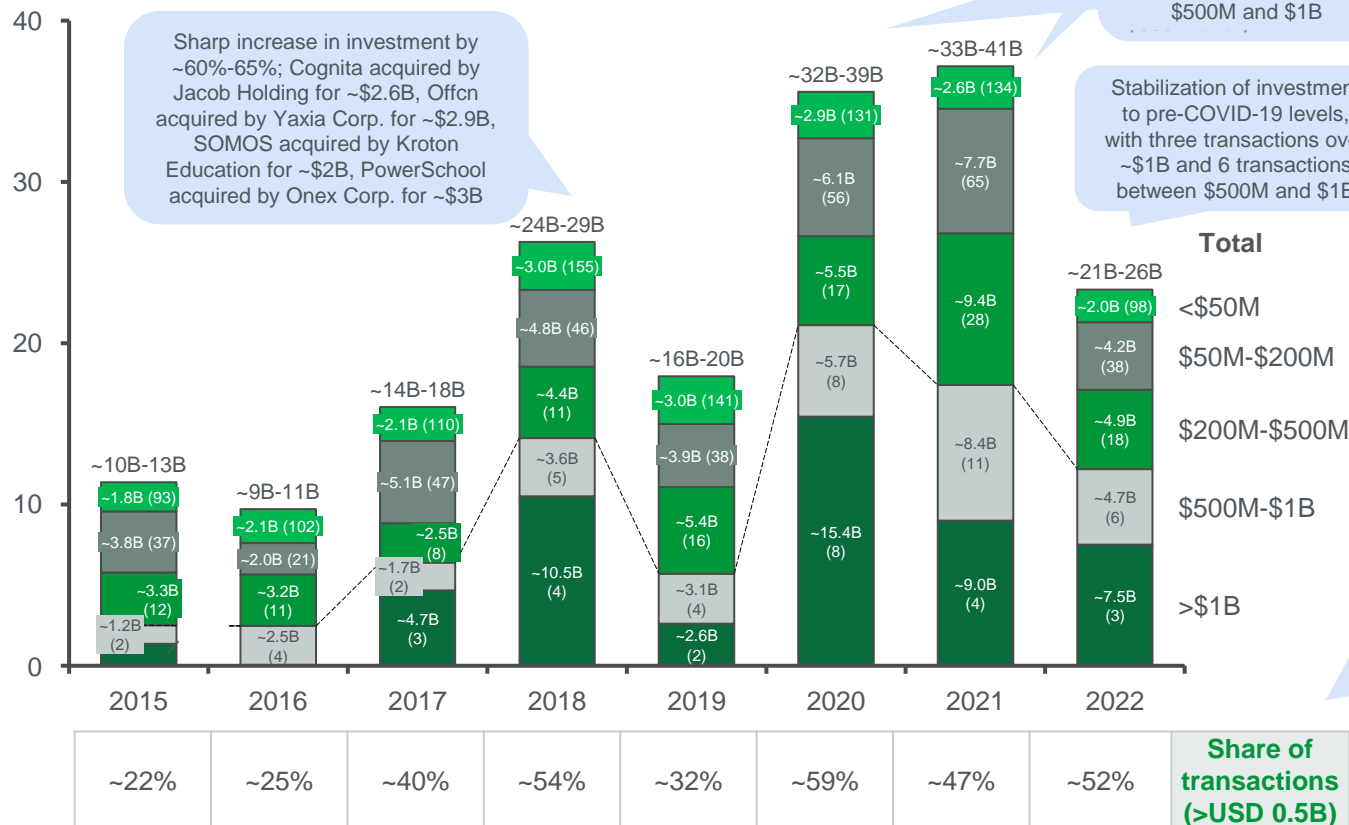
Source: Mergermarket, L.E.K. research and analysis, Institute for Mergers, Acquisitions & Alliances

# Transaction value in 2022 has stabilized to pre-COVID-19 levels after declining by 35% to 40% from 2021; there has been a significant increase in 'mega transactions' (>\$500M) over the past few years

## Overall transaction activity

### Distribution of investment in education sector, by transaction size\* (2015-22)

USD (no. of transactions)



### CAGR

	2015-19	2020-22
<b>Total</b>	~12%	~(19%)
<\$50M	~13%	~(16%)
\$50M-\$200M	~1%	~(17%)
\$200M-\$500M	~13%	~(5%)
\$500M-\$1B	~28%	~(9%)
>\$1B	~18%	~(30%)

### Key trends

#### 2018

~60%-65% boost in investment in education from 2017-18, due to:

- Low interest rates and steady economic growth in the U.S. and Europe, high investor confidence in China due to growth of edtech, as well as a surge in edtech activity in India

#### 2019

Investments in education declined in 2019 across the U.S., China, LatAm, driven by:

- Fears of an impending global recession due to a rise in tensions over the U.S.-China trade war, declining U.S. and global economic growth and turmoil across financial markets globally

#### 2022

Investments in education slowed down in 2022 across all geographies, driven by:

- Signs of a recession across the UK and U.S., with negative GDP growth rate in the U.S.; Y-o-Y inflation reaching a record high of 9.1%
- Significant increase in the target federal funds rate to the highest point in 15 years

\*Only disclosed transaction values have been considered for the analysis; only includes transactions meeting the Mergermarket "regular inclusion criteria"

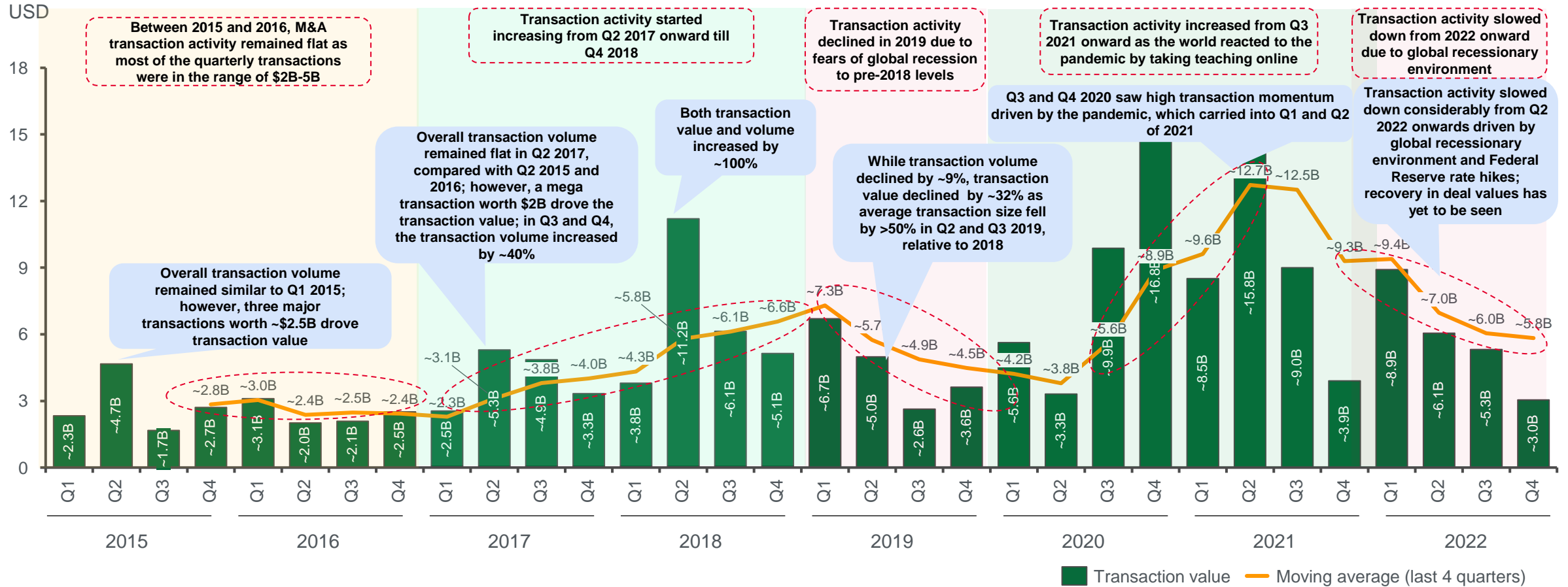
Note: CAGR=compound annual growth rate; EBITDA=earnings before interest, taxes, depreciation and amortization; LatAm=Latin America; GDP=gross domestic product

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

# Four-quarter moving average of total transaction value started declining in Q3 2021 and has continued till Q4 2022 due to the global recessionary environment; deal values have yet to see a recovery

## Overall transaction activity

Transaction value\* by quarter, education investments (2015-22)

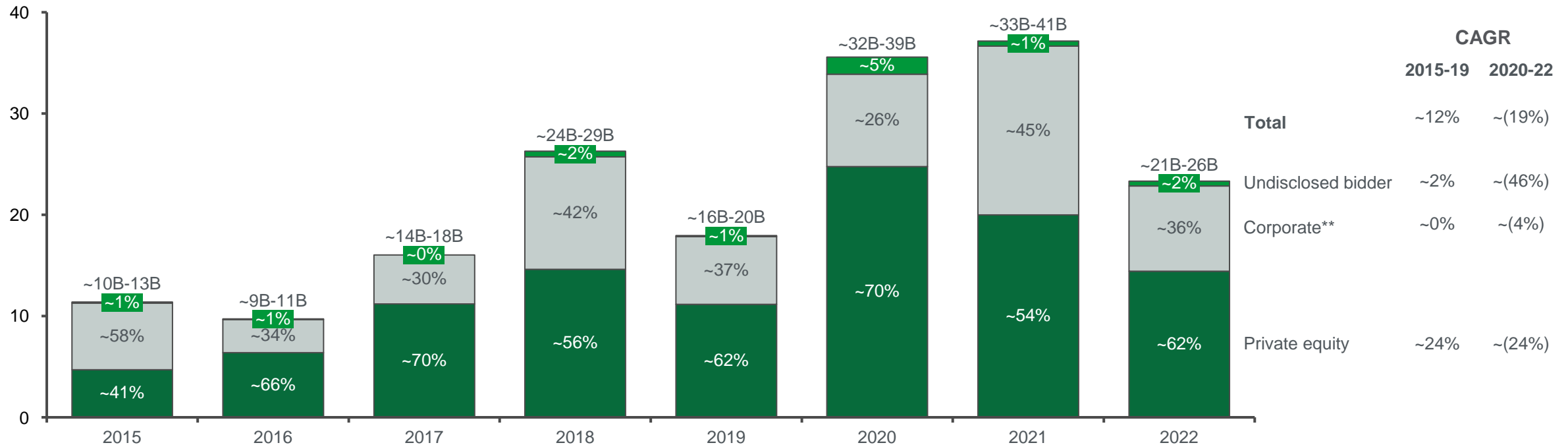


\*Only disclosed transaction values have been considered for the analysis; only includes transactions meeting the Mergermarket "regular inclusion criteria;" transaction data is being recorded on the transaction announcement date and will impact the total transaction value in subsequent quarters  
Source: Mergermarket data, L.E.K. research and analysis

# Private equity investors account for about 50%-70% of the overall investments in the education sector

Overall transaction activity

Value of transactions\* in the education sector by bidder type (2015-22)  
USD



~62-76	~63-77	~74-90	~112-136	~102-124	~116-142	~113-139	~90-110	Private equity (# transactions)
~65-79	~59-72	~79-97	~86-105	~77-95	~77-95	~100-122	~54-66	Corporate (# transactions)

\*Only disclosed transaction values have been considered for the analysis; only includes transactions meeting the Mergermarket "regular inclusion criteria;"

\*\*Some corporate entities included in the dataset may be backed by private equity

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



# Three key themes have underpinned the M&A activity in 2022

## Overall transaction activity

1

### Rationalization of edtech valuations and shift in focus to value creation

- Edtech investments currently comprise ~60% of education funding by volume, and have gone through a cycle starting with rapid growth to a pandemic-driven boom and finally stabilization as the sector has cooled down following COVID-19's impetus
- More than 50% of the edtech investments have been concentrated in education services, test prep and tutoring, and adult & corporate training
- About 90% of Edtech investments in education services are in companies leading the digitization of various K-12 and HE modules (courseware, student management and analytics, online delivery)

2

### Continued North American leadership

- M&A activity across the education sector in North America, driven by the U.S., has seen consistently high transaction volumes and value historically; deal value forms approximately 50% of global M&A transaction value in 2022
- North America has seen the least decline of about 20%-25% in 2021-22 relative to most other geographies, which have seen >50% decline in investment value in 2021-22
- Education services (about 50%) and publishing (about 23%) have driven North American transaction value in 2022, due to mega transactions (>\$500M) such as those of Frontline Education (about \$3.7B) and Houghton Mifflin Harcourt Publishing Co. (about \$2.7B). In addition, there were 15 small transactions (<\$50M), 10 mid-sized transactions (\$50M-\$200M), three large transactions (\$200M-\$500M) and four mega transactions (>\$500M)

3

### Varying focus in developing and developed markets

- Test prep and tutoring (about 46%), HE (about 15%) and K-12 (about 11%) have been the dominant sectors of investment in developing markets during 2020-22, driven by continued focus on improving quality of formal education in these markets
- Adult & Corporate training (about 27%), education services (about 15%) and publishing (about 15%) have driven developed market investments during 2020-22, driven by lifelong learning focus and digitization of services (courseware, LMS, student management, etc.) for K-12 and HE
- Test prep and tutoring, K-12, and HE form about 72% of the overall investments in developing markets in 2022, led by an increase in K-12 investment activity doubling to about \$1.9B in 2022 from 2020; test prep and tutoring has declined by about 70% from 2020 due to regulatory clampdown in China, which continues to be a large out-of-school reinforcement and language learning market

Note: HE=higher education; LMS=learning management system  
Source: Mergermarket data, L.E.K. research and analysis

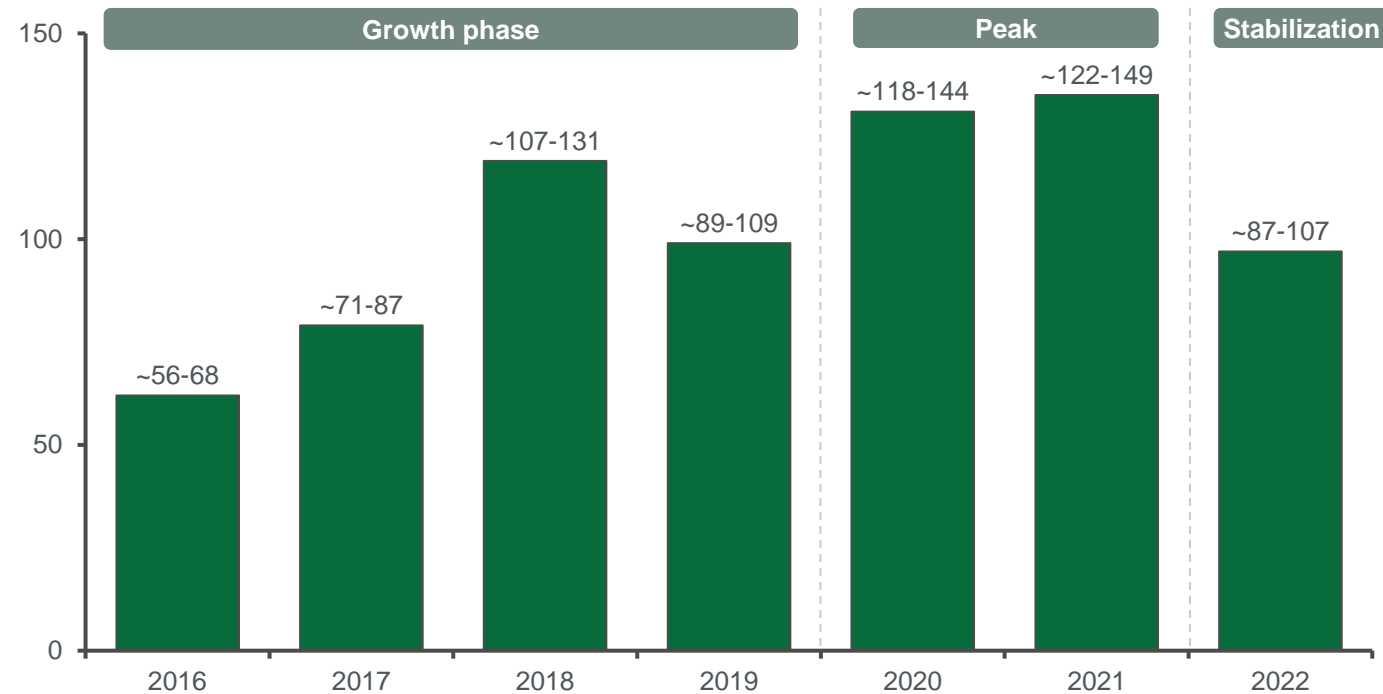
# Edtech investments currently comprise about 60% of funding by volume and have stabilized after the peak in 2020-21

Overall transaction activity

Rationalization of Edtech and shift to value creation

## Global Edtech transactions\* by year (2016-22)

Number of transactions



~138	~170	~221	~201	~220	~242	~163	<b>Total education transactions</b>
~45%	~45%	~53%	~49%	~59%	~55%	~64%	<b>Edtech percentage of total transactions</b>
~4.3B	~8.0B	~12.0B	~6.4B	~23.0B	~17.6B	~16.5B	<b>Edtech transaction value (USD)</b>

Since 2016, Edtech has gone through a cycle spanning rapid growth, a peak and finally a stabilization in transactions

### Growth phase (2016 – 2019)

- The growth phase saw rapid growth in transactions, from about 56-68 in 2016 to approximately 107-131 in 2018 (about 39% CAGR), followed by a slight dip in 2019, due to global recessionary environment
- This was fueled by rising investor interest in the promise of edtech, evolution of offerings, increasing affordability and internet access across regions

### Peak (2020 – 2021)

- With the advent of COVID-19, transaction volumes hit all-time highs in 2021 as most education temporarily shifted online, leading to a boom in the number of Edtech providers and their funding

### Stabilization (2022 onwards)

- Investor enthusiasm rationalized in 2022 and capital deployment reduced, relative to 2021, as the industry cooled down following COVID-19's impetus; this shifted the focus to strategic bilateral M&A
- Valuations of operators are better aligned now with their potential, and this discipline will differentiate high-quality assets from the low-quality ones

\*Only disclosed transaction values have been considered for the analysis; only includes transactions meeting the Mergermarket "regular inclusion criteria"

Note: CAGR=compound annual growth rate

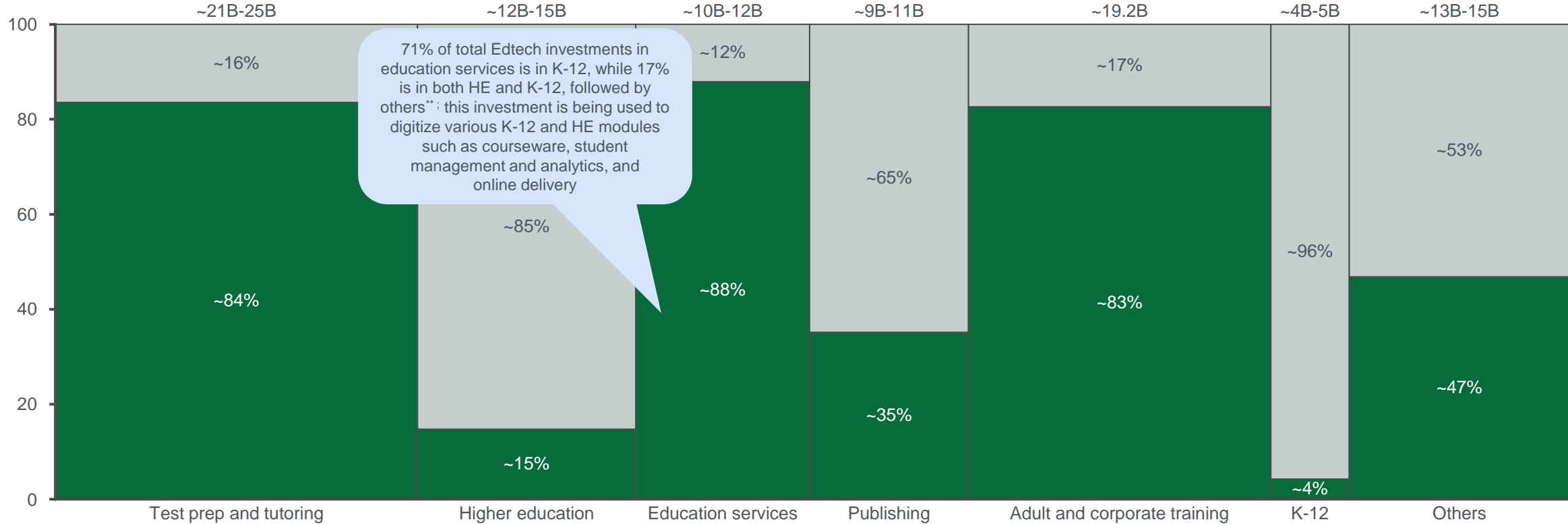
Source: Mergermarket data, L.E.K. research and analysis

# More than 50% of edtech investments has been concentrated in education services, test prep and tutoring, and adult and corporate training; about 90% of the edtech investments in education services are made in companies working to digitize K-12 and HE offerings

Key themes: 2022 M&A activity **1** Rationalization of edtech and shift to value creation

Transaction value\* in the education sector by tech vs. nontech (2020-22)  
USD (billions)

Tech Non-tech



71% of total Edtech investments in education services is in K-12, while 17% is in both HE and K-12, followed by others\*\*: this investment is being used to digitize various K-12 and HE modules such as courseware, student management and analytics, and online delivery

\*Only disclosed transaction values have been considered for the analysis; only includes transactions meeting the Mergermarket "regular inclusion criteria"

\*\*Others includes segments such as corporates, professionals or a combination of these with K-12 and HE

Note: HE= higher education

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

# North American education activity, driven by the U.S., has seen consistently high transaction value, representing about 50% of the global transaction value in 2022

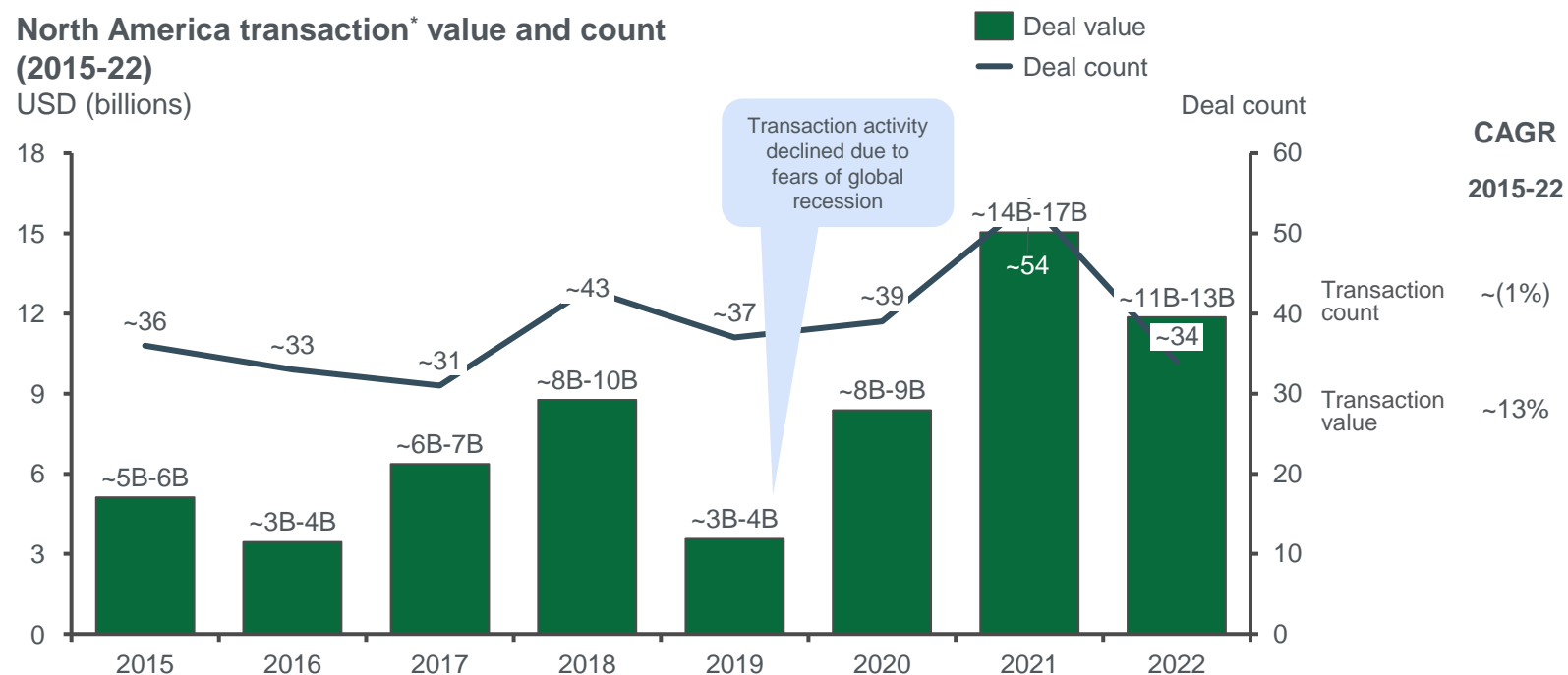
Key themes: 2022 M&A activity

2

Continued North American leadership

## North America transaction\* value and count (2015-22)

USD (billions)



~45%	~36%	~40%	~33%	~20%	~24%	~40%	~51%	North America transaction value as percentage of global
~25%	~24%	~18%	~19%	~18%	~18%	~22%	~21%	North America transaction volume as percentage of global
~142	~105	~205	~204	~96	~215	~279	~349	Avg. transaction value (\$M)

Note: \*Only disclosed transaction values have been considered for the analysis; only includes transactions meeting the Mergermarket 'regular inclusion criteria'; transaction value of ~\$1.5B in 2022 (varying across years) not shown due to low average transaction value

Note: CAGR=compound annual growth rate

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

## Key trends

- 1 North America, driven by U.S. education M&A activity, has remained **>30% of global transactions** by value (except in 2019 due to recessionary fears and in 2020 due to mega transaction activity in Asia) and **about 18%-25% of global transactions by volume** due to **ample fundraising triggered by historically low interest rates** (>50% of capital raised globally was by North America in 2022)
- 2 M&A activity in 2022, though lower than in 2021, **remained high with 34 transactions**, with total investments of about \$11B-13B USD
  - 15 small transactions (<\$50M), 10 midsize transactions (\$50M-200M), 3 large transactions (\$200M-500M) and 6 mega transactions (>\$500M) were observed in 2022

# North America has seen a lower decline of about 20-25% in investments relative to most other geographies, which have seen >50% investment value tumble in 2022

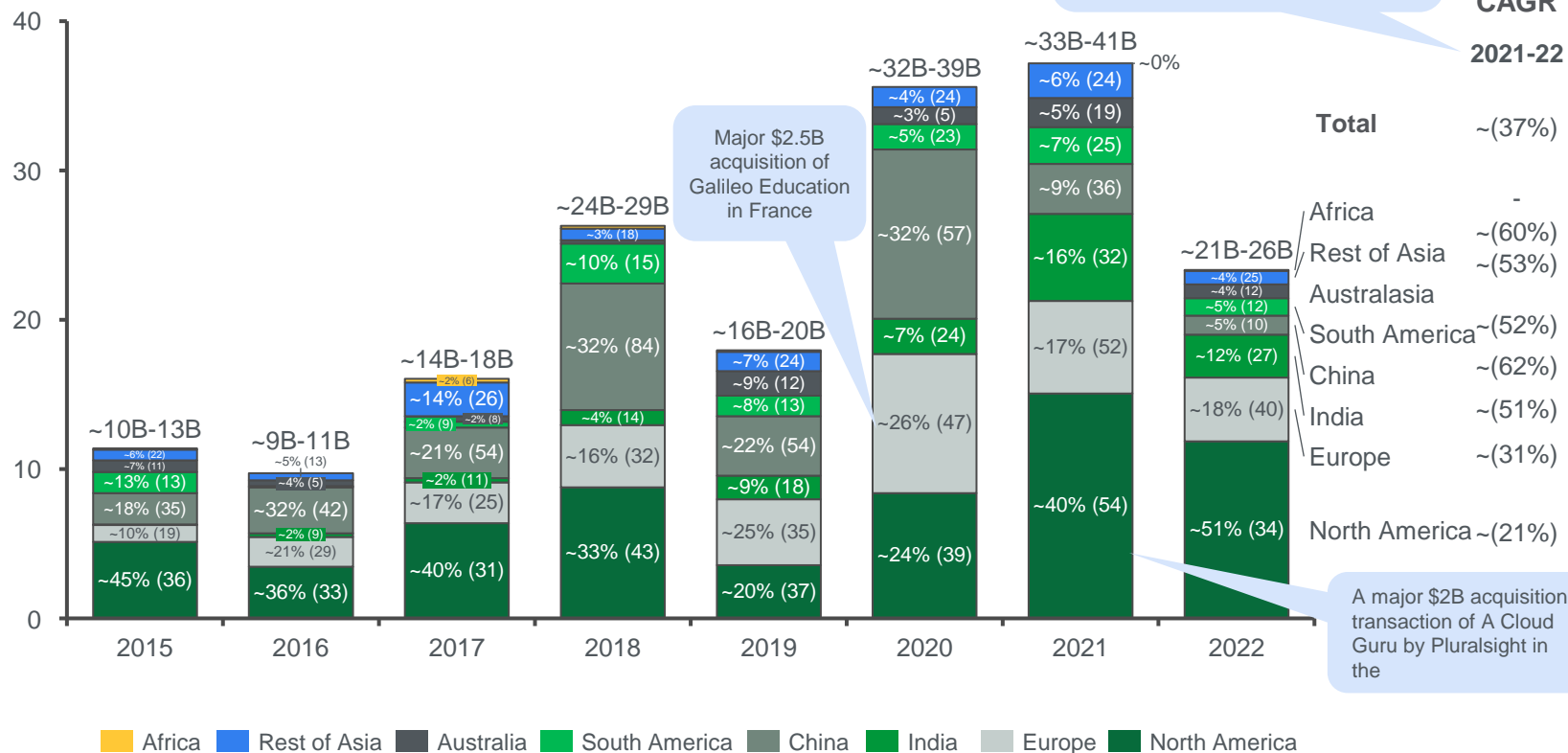
Key themes: 2022 M&A activity

2

Continued North American leadership

## Global education transactions\* by year and region (2015-22)

USD (no. of transactions)



**50%-55%**

**U.S. investment leadership**  
The U.S. topped global investments in 2022 with about 51% of total investment flowing into the country, led by educational services companies

**60%-65%**

**China regulatory impact**  
Investments in China declined in 2022 by 60%-65%, relative to 2021, following the continuing downward trend caused by regulatory clampdown on the sector

**~2.8X**

**Uprising India**  
Investments in India have been increasing steadily from ~\$1B in 2018 to ~\$2.8B in 2022

\*Only disclosed transaction values have been considered for the analysis; only includes transactions meeting the Mergermarket "regular inclusion criteria"

Note: CAGR=compound annual growth rate

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

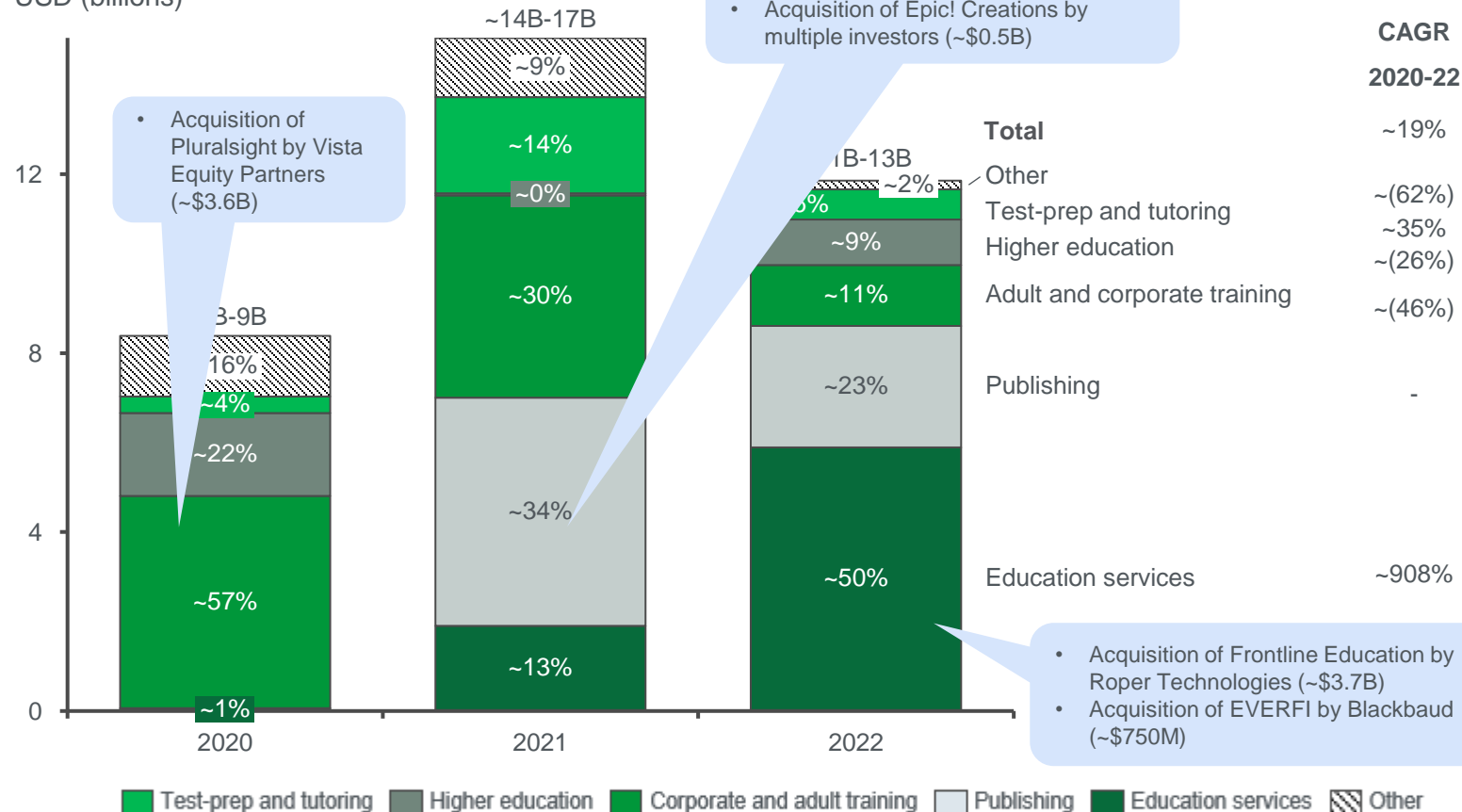
# About 50% of North America M&A transaction activity in 2022 has been driven by education services companies offering supplementary academic learning and software to manage schools

Key themes: 2022 M&A activity

2

Continued North American leadership

North America transaction\* value by segments  
2020-22  
USD (billions)



## Key trends

- Education services forms about 50% of the investments in the U.S. education market in 2022, driven by:
  - Demand for academic modules such as digital content, assessments and supplementary learning tools for schools to enhance child's learning quality (BrainPop's acquisition for about \$875M by KIRKBI A/S in 2022)
  - Software to manage teaching delivery and school operations (Frontline Education's acquisition for about \$3.7B in 2022 by Roper Technologies)
- Publishing industry has accounted for about 23% of the investments in 2022, driven by:
  - Private equity companies buying out publishers (Houghton Mifflin Harcourt Publishing Company's acquisition by Veritas Capital for about \$2.7B in 2022)
  - Higher education segment has rebounded in 2022, after the post-COVID-19 tailwinds in 2021 driven by Adtalem Global Education's (financial services segment) acquisition by Wendel SE and The Colibri Group for about \$1B in 2022

\*Only disclosed transaction values have been considered for the analysis; only includes transactions meeting the Mergermarket "regular inclusion criteria"

Note: CAGR=compound annual growth rate

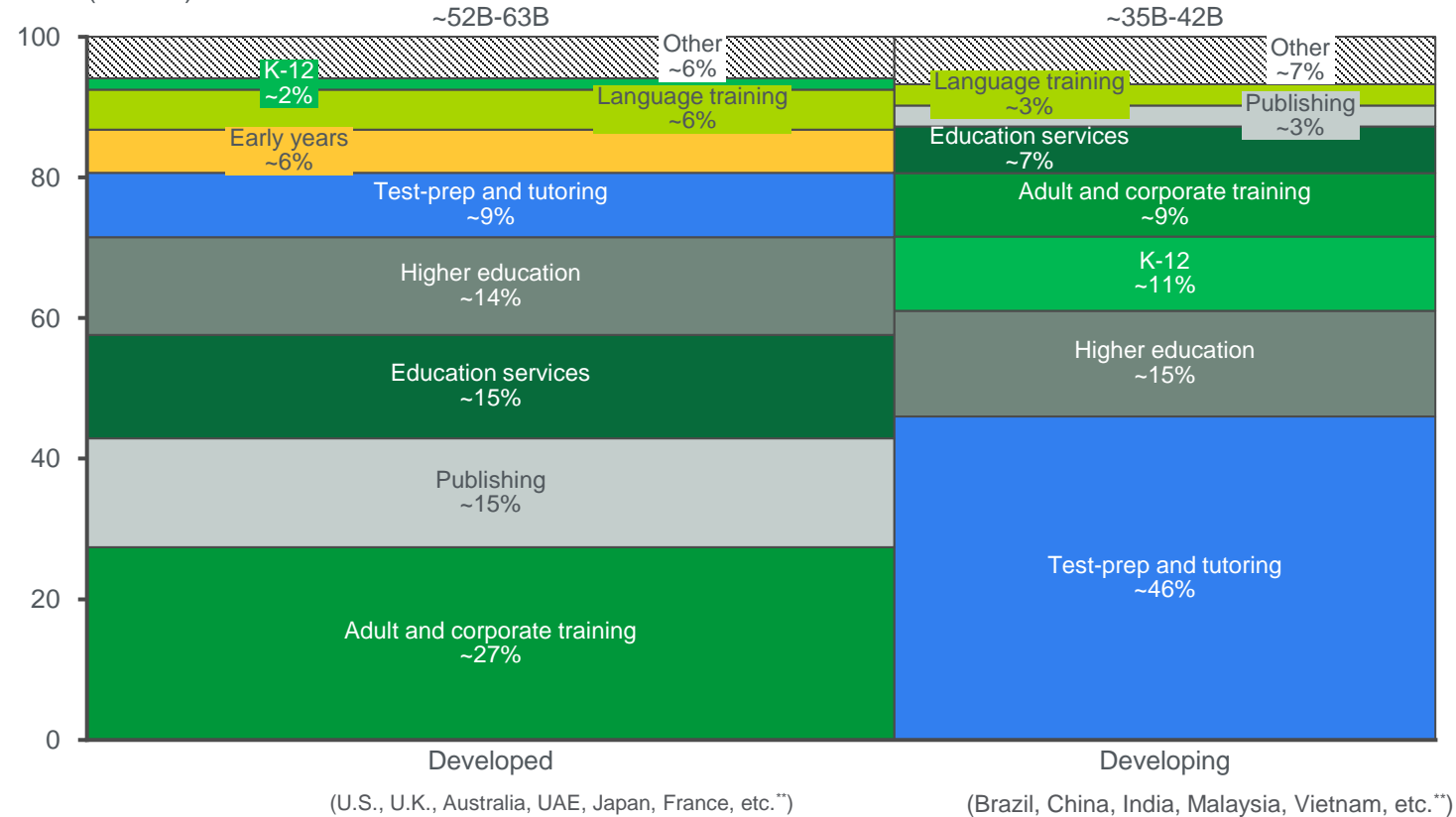
Source: Mergermarket data, L.E.K. research and analysis

# Test prep and tutoring (about 46%), higher education (15%), and K-12 (11%) have driven investments in developing markets, whereas segments like adult and corporate training (27%), publishing (about 15%) and education services (about 15%) have dominated developed markets during 2020-22

Key themes: 2022 M&A activity

3 Varying focus in developing and developed markets

Total transaction value\* for developed and developing markets, by subsectors (2020-22)  
USD (billions)



## Developing countries

Developing countries constantly invest in education from pre-K to higher education and test prep and tutoring due to subpar quality of education institutes for formal education

- K-12 private investments are driven by the lack of quality public provision
- Higher education is big in emerging countries due to the outsized ROI it garners through great career outcomes
- Test prep and tutoring is driven by the subpar quality of traditional education and competitive exam systems

## Developed countries

Education services and increased focus on lifelong learning are driving investments in the developed world

- Adult and corporate training is an important investment sector as adults realize the importance of lifelong learning and the need to upskill to stay relevant
- Publishers in developed countries are seeking investments to digitize their offerings
- Institutes in developed countries are undergoing digital transformation after the pandemic, leading to increased demand for educational services

\*Only disclosed transaction values have been considered for the analysis; only includes transactions meeting the Mergermarket "regular inclusion criteria"; \*\*Not exhaustive; only countries classified as "high income" by the World Bank for Fiscal Year 2023 are considered "developed"

Note: ROI= return on investment

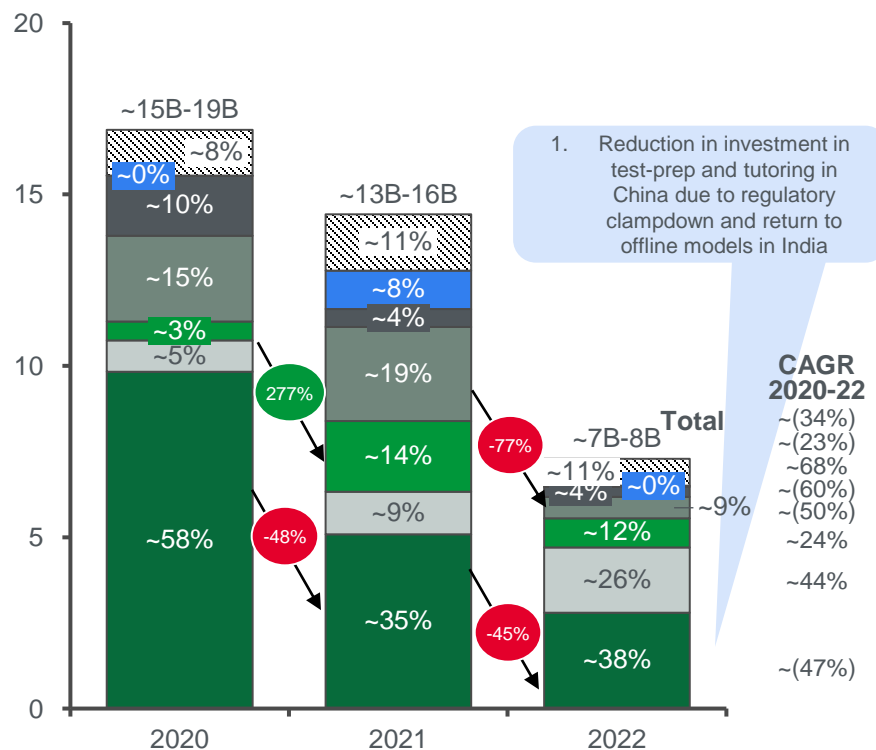
Source: Mergermarket data, L.E.K. research and analysis

# Test prep and tutoring saw about 70% dip in investments in 2022, relative to 2020, due to a regulatory clampdown in China and return to offline models in India; education services forms about 37% of developed markets investment, driven by digitization of K-12 and HE offerings

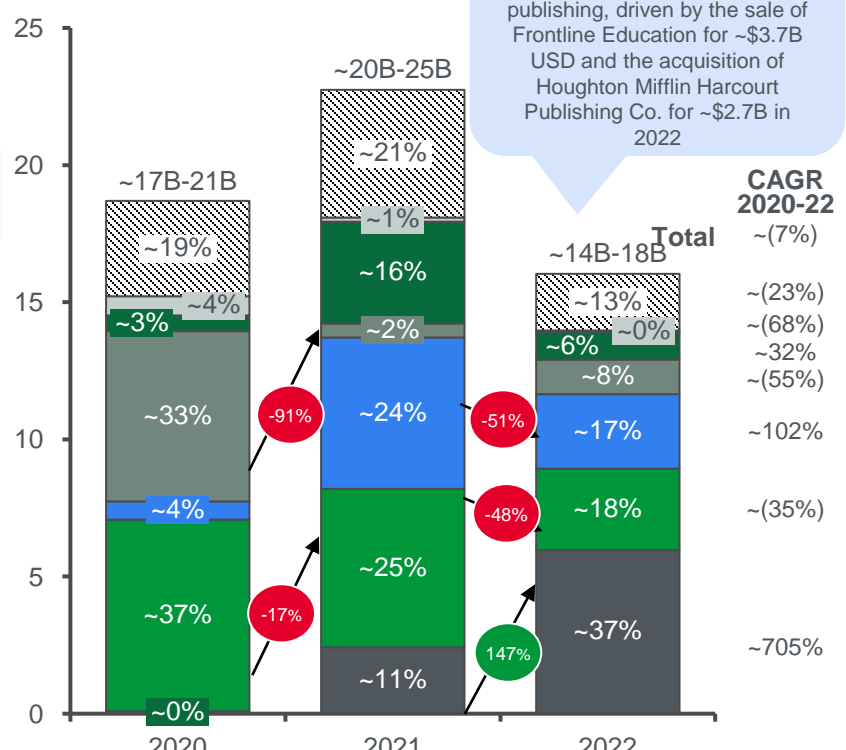
Key themes: 2022 M&A activity

3 Varying focus in developing and developed markets

Transaction value\* in developing countries (2020 – 22)  
USD (billions)



Transaction value\* in developed countries (2020 – 22)  
USD (billions)



## Developing countries

Test prep and tutoring saw an investment of about \$10B in 2020 within developing countries; China accounted for about 80% of this volume which has come down due to regulatory clampdown in the country

## Developed countries

Education services has seen a further rise in share of investments in 2022 in the developed markets (from about 11% share to about 37%), driven by digitization of coursework and other services (LMS, student management, etc.) for K-12 and HE

Publishers in developed countries are seeking investments to digitize their offerings, leading to about 17% of overall deal value in 2022, up from about 4% in 2020

Corporates in the developed countries invested in upskilling their employees during COVID-19 as total transaction value reached approximately \$5.8B in 2021

■ Publishing 
 ■ Education services 
 ■ Higher education 
 ■ Adult and Corporate training 
 ■ K-12 
 ■ Test-prep and tutoring 
  Other

\*Only disclosed transaction values have been considered for the analysis; only includes transactions meeting the Mergermarket "regular inclusion criteria"; \*\*Not exhaustive; only countries classified as "high income" by the World Bank for Fiscal Year 2023 are considered "developed"

Note: CAGR=compound annual growth rate; HE= higher education; LMS = learning management system

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



## Agenda

- Global Education Sector Transactions
- **Trends to watch out for in 2023**
- Potential assets to track (edtech)

# Key themes we are 'bullish' about in the education sector

Key trends for investors in 2023

## Resilience of traditional education sectors



1 Continued incubation of regional K-12 platforms

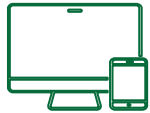


2 Rebound in transaction activity in higher education sector



3 Resurgence of transnational education

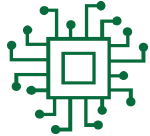
## Edtech disruption to continue



4 Edtech to bridge learning gaps



5 Training talent for jobs



6 Increased role of advanced technology in education delivery

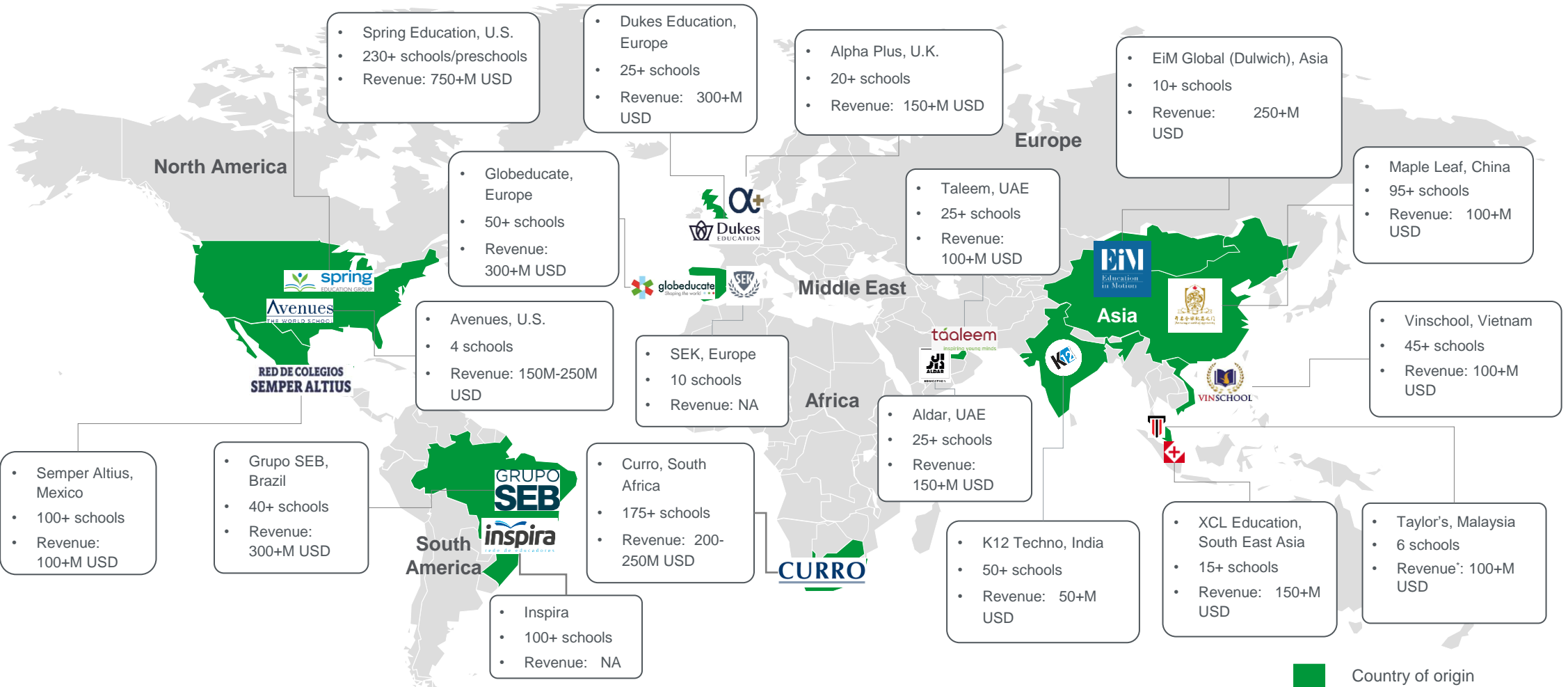
Source: L.E.K. research and analysis

# Regional K-12 platforms are emerging and growing in scale, providing opportunities for consolidation

Key trends for investors in 2023

1 Continued incubation of regional K-12 platforms

Nonexhaustive



\*Taylor's revenue is for its six schools and three universities  
 Source: Mergermarket, EMIS, company website, trade press, L.E.K. research and analysis

# Many assets in higher education sector got transacted prior to COVID-19 and may hit the market again to raise more capital

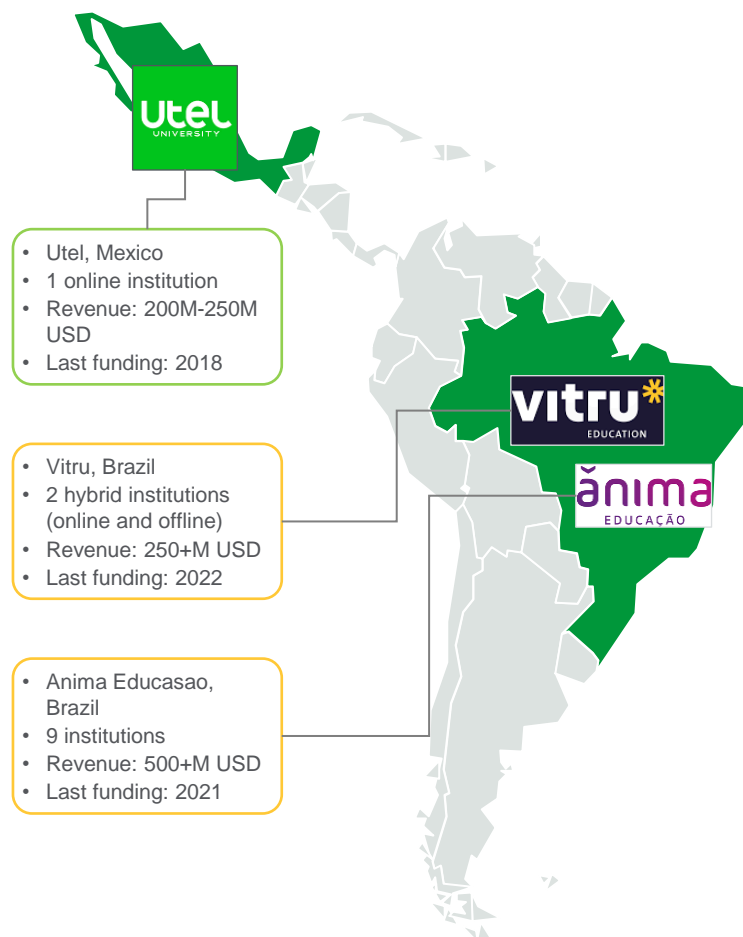
Key trends for investors in 2023

2

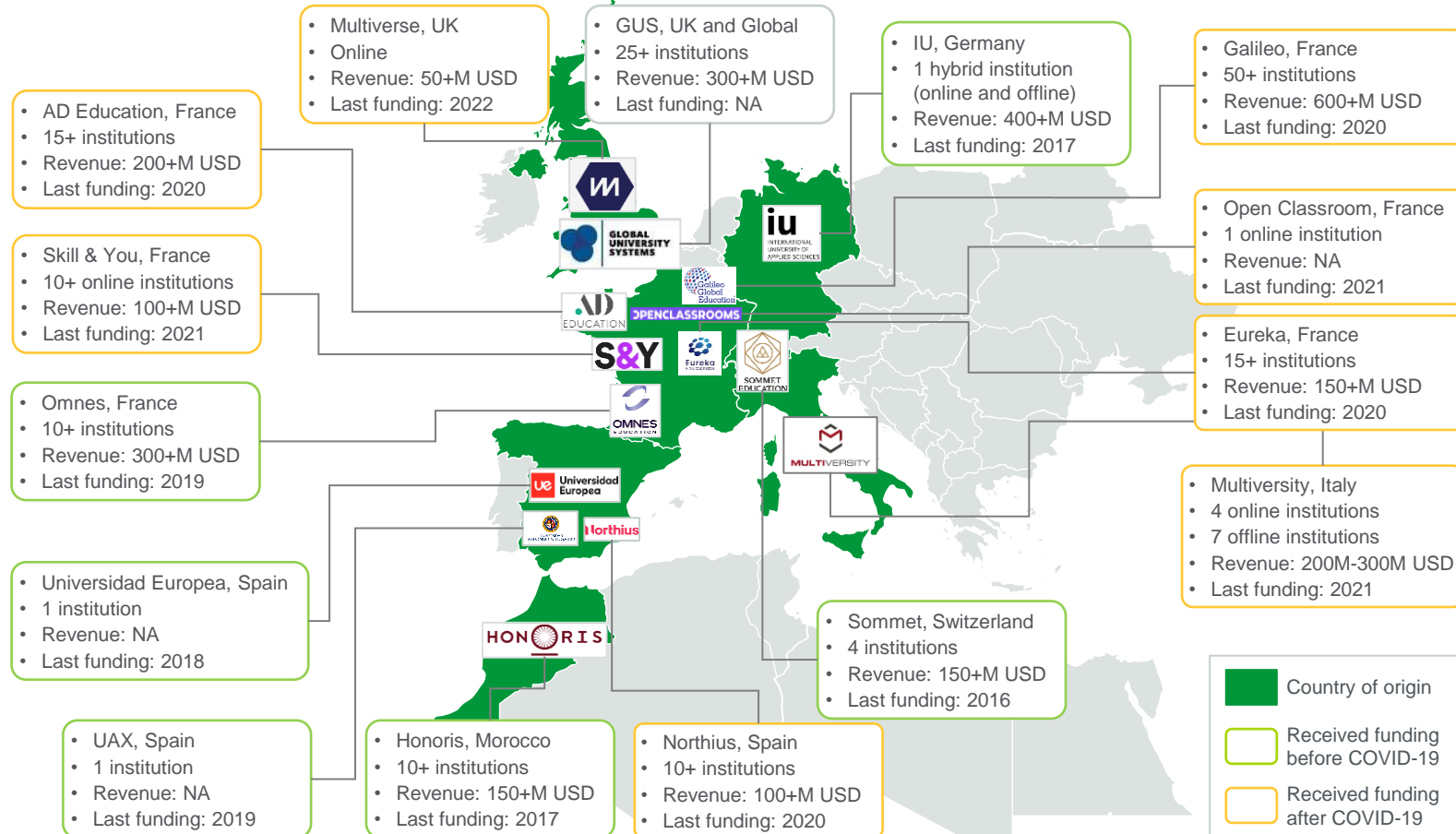
Rebound of transaction activity in HE

Nonexhaustive

## South America



## Europe and North Africa



- Country of origin
- Received funding before COVID-19
- Received funding after COVID-19

# Online HE picked up pace during the pandemic, driven by its flexibility, personalization and cost-effectiveness, which will also create an opportunity for investment in the space

Key trends for investors in 2023

2

Rebound of transaction activity in HE

Online universities are offering more flexibility to students along with personalized learning at an affordable price point

### Flexibility

- Choose a start date any time of the year
- Select duration of study (36 vs. 48 vs. 72 months)
- Pause and restart the program
- Select and switch between part-time and full-time modes
- Select exam dates and choose between online and offline mode of exams

### Personalized learning

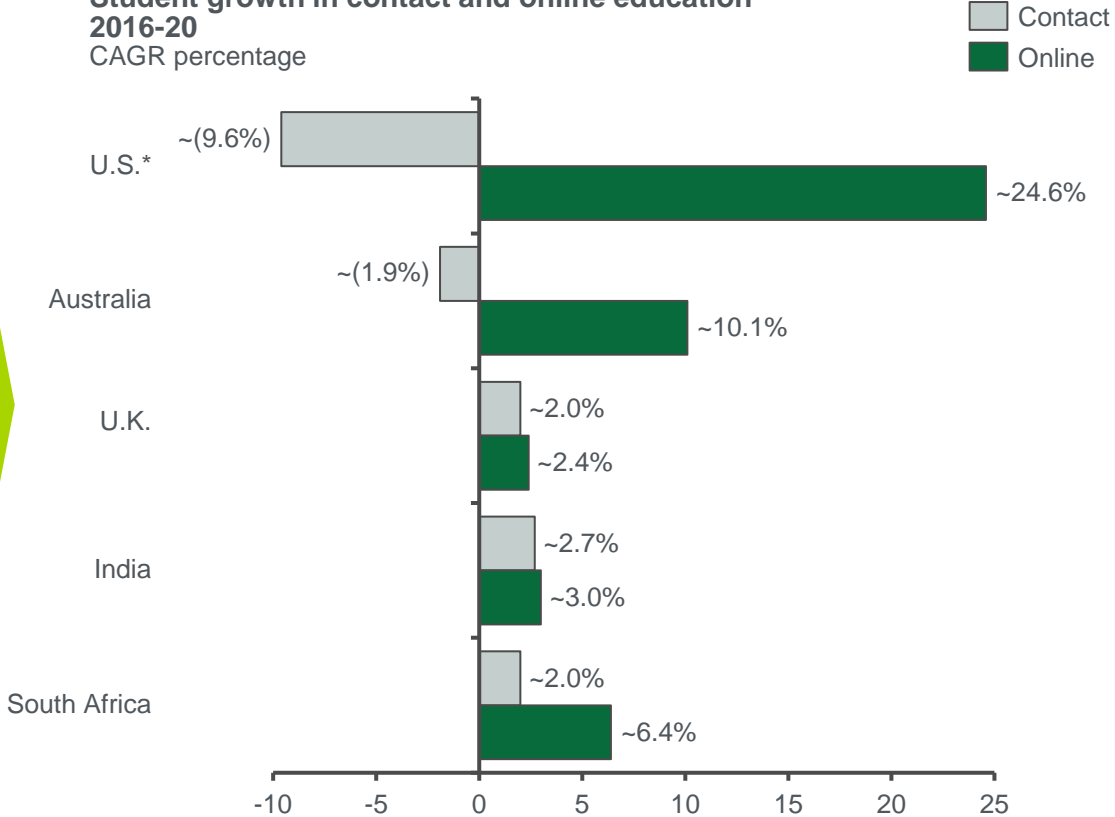
- Ability to decide the construct of program (combination of subjects and courses)
- Customize the sequencing of courses and choose the courses
- Choose and switch between online and offline mode of study
- Choose and switch between synchronous and asynchronous modes of study
- Choose and switch between different content formats such as audio, video, etc.
- Customize peer and teacher interaction

### Cost-effective

- Online courses are generally priced lower as compared to similar offline courses
- Providers are able to reduce faculty labor costs, operational costs and logistics costs in online courses as compared to offline courses

This has led to faster growth in online enrollments as compared to traditional courses in many geographies

Student growth in contact and online education 2016-20  
CAGR percentage



Note: \*CAGR for the period between 2015 and 2020  
Source: L.E.K. research and analysis; provider websites, HESA U.K., DESE Australia, NCES U.S., DHET PSET reports, AISHE data

# Many traditional tertiary education institutes offering online degrees and pure-play digital campuses have emerged on the back of online HE growth and could present opportunities

Key trends for investors in 2023

2

Rebound of transaction activity in HE

Nonexhaustive

Brick-and-mortar HEIs are increasingly going online (directly or in partnership)

Pure play online and skill-based certification providers increasingly preferred by employers

## Traditional HEIs offering online courses

## Emergence of online universities

Since the onset of the pandemic, traditionally reputed higher education institutions have started offering online courses or diversifying their already existing online course portfolio across all sectors and geographies

The past few years have seen the emergence of completely online universities in various developed markets across the globe that offer more personalization and flexibility to the students



France

France

RSA

USA

UK

Germany

USA

France

Italy

India



Global

Spain

Global

Spain

USA

Spain

Spain

Mexico

Brazil

Africa

## Collaboration with OPMs, MOOCs, etc.

## Rise in bootcamps

The recent COVID-19 pandemic has led to reputed higher education institutes collaborating with OPMs, MOOCs to offer certificate courses to a global audience

With increasing demand among students and employers for skill-based learning and shorter courses, new providers have come up across geographies offering coding courses, MBAs etc.



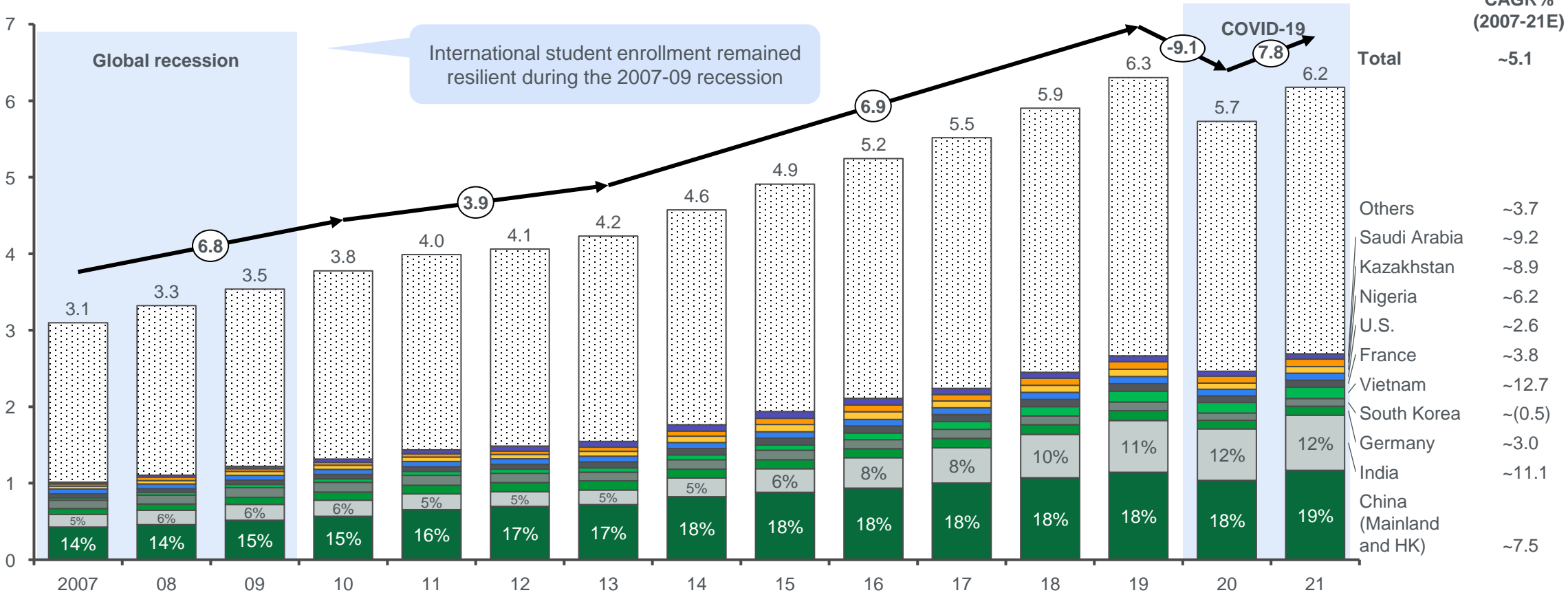
Note: HE=higher education; HEI=higher education institutions; OPM=online program management; MOOC=massive open online course  
Source: L.E.K. research and analysis; provider websites

# Transnational education is a multidecade trend that has demonstrated resilience during recessions; the number of international students enrolled globally had returned to pre-COVID-19 levels by 2021

Key trends for investors in 2023 **3** Resurgence of transnational education

## International higher education students, by source country (2007-21)

Millions of students



Note: CAGR=compound annual growth rate  
 Source: Gov.uk; HESA U.K.; Higher Education Statistics, Australia; Home Affairs, Australia; immigration.ca; L.E.K. research and analysis; Open Doors Data; Statcan, Canada; travel state gov, U.S.; UNESCO UIS

# International students in leading study-abroad destinations are increasing and are projected to grow faster than domestic enrollments; countries have set recruiting targets for international students

Key trends for investors in 2023

3

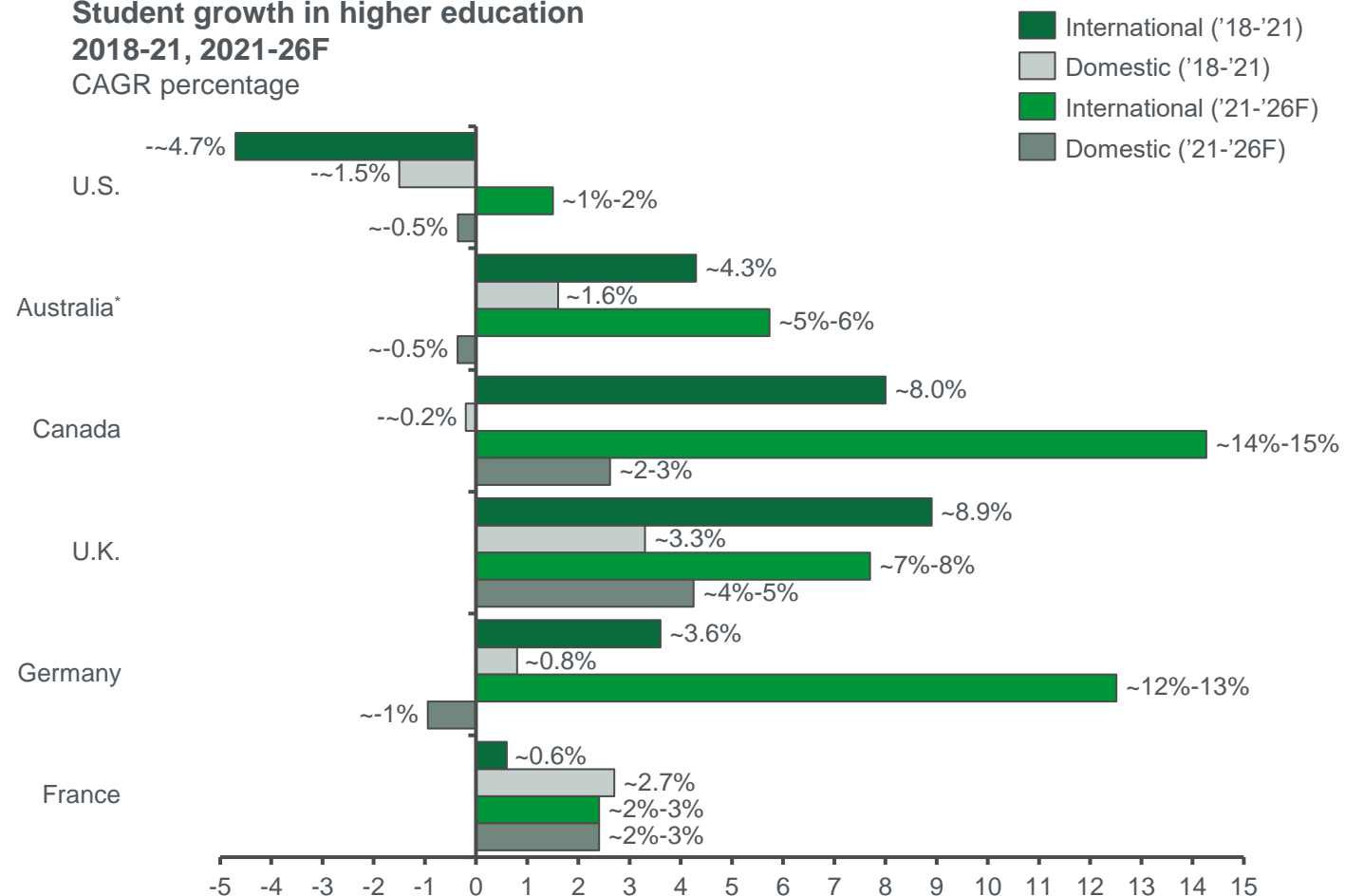
Resurgence of transnational education

Indicative

## Student growth in higher education

2018-21, 2021-26F

CAGR percentage



\*CAGR for Australia relates to the period between 2017 and 2020

Note: CAGR=compound annual growth rate

Source: Country databases, Statista, L.E.K. research and analysis



The U.S. is issuing a record number of student visas for many countries and continues to attract students



Australia targets to have 720k international enrollments by 2025



Canada has set a target to have an additional 450k immigrants by 2023 with a high proportion of higher education students



The U.K. targets to have 600k international enrollments by 2030



Germany plans to counter the domestic skilled labor shortage by targeting international students



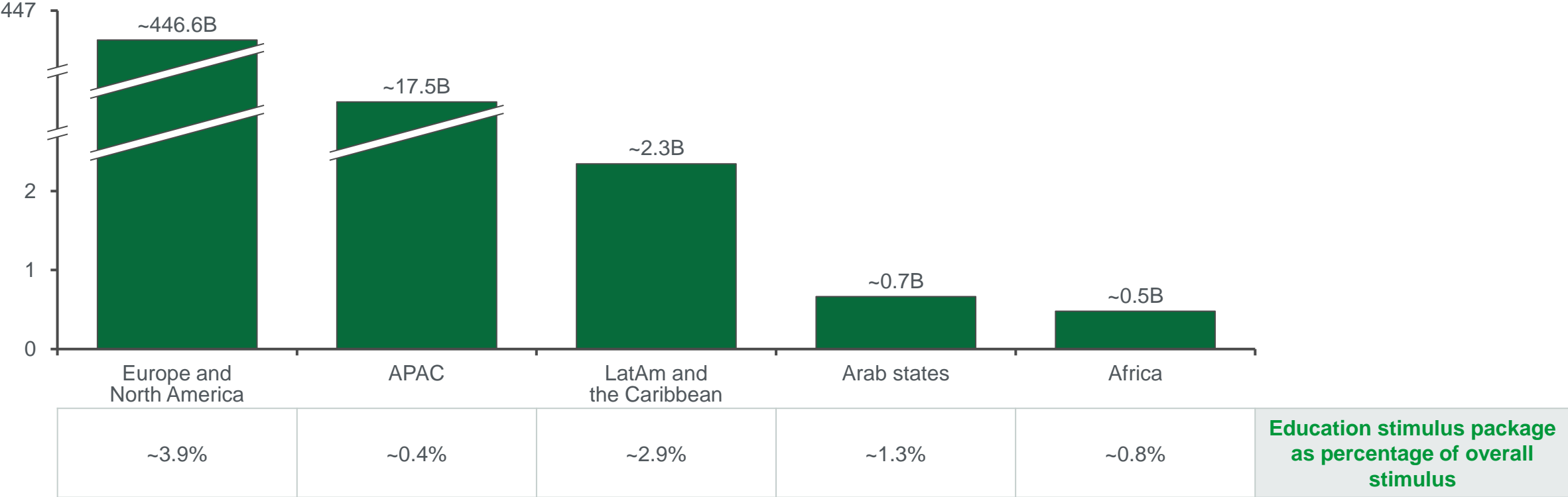
France wants to increase its international student intake by 20% based on current levels



# Various countries announced education stimulus packages to bridge the learning gap created due to COVID-19 pandemic

Globally, various stimulus packages were announced to bridge the learning gap created by COVID-19

Allocation to education in COVID-19 stimulus packages by region  
2022  
USD (billions)



Source: The State of the Global Education Crisis: A Path to Recovery, UNICEF; L.E.K. research and analysis

# However, as evidenced by lower test scores in 2022, there is further room for improvement and bridging the learning gap; this will be a continued focus for educators and policymakers

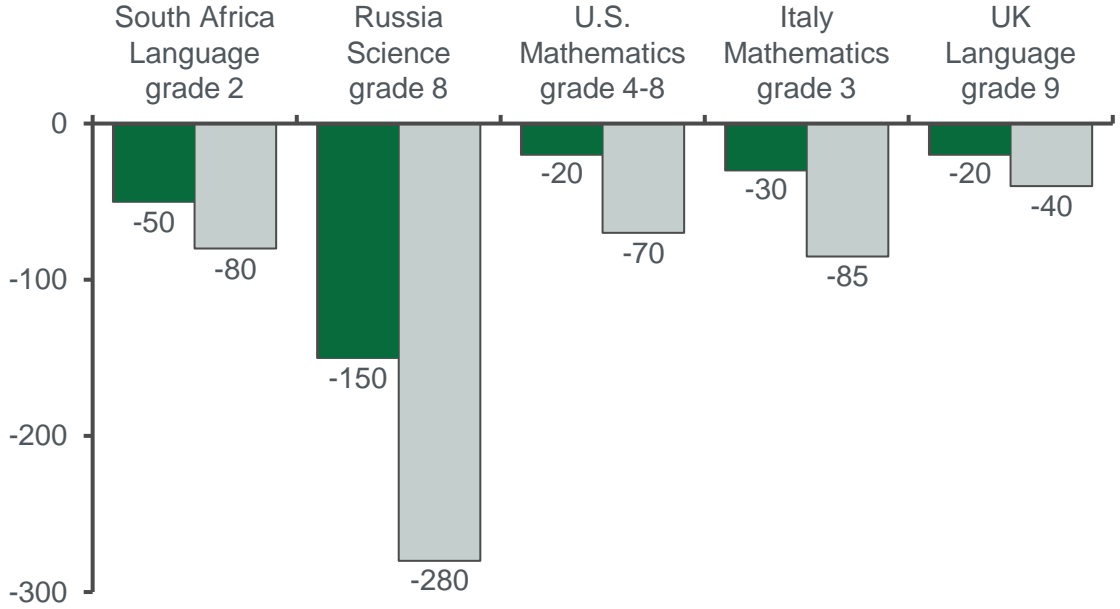
Key trends for investors in 2023

4

Edtech to bridge learning gaps

Case study: USA

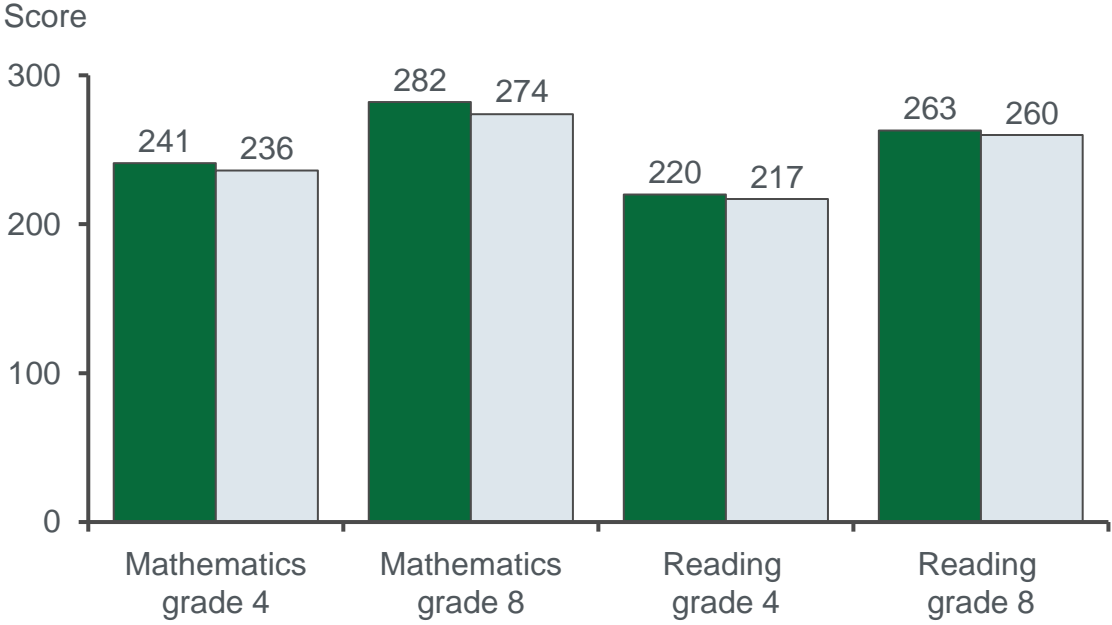
Students across low- to high-income countries experienced learning loss across different subjects, led by school closure due to COVID-19



Share of learning loss expected in one school year  
 Share of learning loss expected in pandemic school year

NAEP test scores for mathematics and reading are lower in 2022 relative to 2019

Average test scores, reading and mathematics, NAEP 2019-2022



Mathematics scores for both grade 4 and 8 saw the highest decline since initial assessments in 1990

Reading scores for both grade 4 and 8 declined relative to 2019 and were similar to scores in initial assessments in 1992

Note: NAEP=National Assessment of Educational Progress  
 Source: The State of the Global Education Crisis: A Path to Recovery, UNICEF; National Center for Education statistics, L.E.K. research and analysis

# Several sectors such as assessments, tutoring, special education services, teacher support, staffing etc., are expected to see sustained demand, driven by the need to bridge the learning gap

Key trends for investors in 2023

5

Training talent for jobs

Funding is expected to go towards assessment & tutoring, special education and teacher staffing solutions to remediate learning gap

## Assessments and Tutoring



Assessment tools to **identify learning gaps** and offering **high-dosage tutoring** and **targeted tutoring for struggling students** will help in bridging learning loss

## Special education services



Special education children were **disproportionately affected** by the pandemic since digital tools were not configured to their learning needs, hence funding will be used here to **remediate** their learning loss and **develop digital add-ons** for their unique needs

## Teacher training and staffing



Teacher staffing issues were **exacerbated during COVID-19**, driven by shortages of teaching aides, substitute teachers and their training; funding will go in this segment to **bridge staffing gaps** and **train teachers** to identify unique learning needs of the student and teach them online

Nonexhaustive



# Key trends in adult learning

Key trends for investors in 2023

5

Training talent for jobs

Nonexhaustive

1



**Shift toward online/hybrid delivery**  
(through direct or enabled models)

2



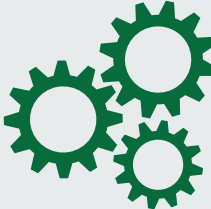
**Shift toward soft and new age digital skills**  
(critical thinking, creativity, communication, collaboration, digital marketing, coding, AI, etc.)

3



**Learning experience**  
(shift away from learning for the job to customized learning depending on learner needs)

4



**Self-certification programs**  
(adoption of MOOCS)

Note: AI=artificial intelligence; MOOC=massive open online course  
Source: L.E.K. research and analysis

# Upskilling models such as collaboration with industry partners and source-train-deploy system of hiring will be prevalent in 2023

Key trends for investors in 2023

5

Training talent for jobs

Nonexhaustive



Industry collaboration

Training providers **collaborating** with HE institutes and corporate partners to enable **practical learning** and **placement support** will be able to **differentiate themselves**

**multiverse**

Multiverse offers professional apprenticeships in data and business courses in collaboration with industry partners

**upGrad**

Upgrad has 15+ university partners offering undergraduate and postgraduate degrees in business, management and tech, etc.



Masterschool offers tech courses developed by the industry, offering a strong value proposition of no tuition payment until hired by an employer



Source-train-hire solutions

Source-train-hire solution have the **potential to disrupt** the traditional hire-train-deploy model as companies **can focus on their core business competency** and outsource training to specialized providers, **adopting a workforce that is productive on Day 1**

**NIIT**

NIIT offers source-train-hire solutions that encompass all aspects involved in onboarding employees, such as recruiting, hiring, orientation, training and long-term integration for entry-level jobs in the retail, business process outsourcing, telecom, and banking, financial services and insurance industries



Revature hires college graduates from tech and non-tech backgrounds, trains them in programming, and places them in partner organizations

Note: HE=higher education  
Source: L.E.K. research and analysis

# The following investment themes should be interesting in the short to mid term within the sector

Key trends for investors in 2023

5

Training talent for jobs

Nonexhaustive

## Niche providers focusing on key industries



## Upskilling providers helping bridge learning gaps



## Compliance-related training providers



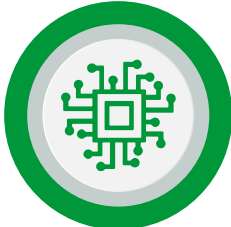
# Advanced technology solutions such as AR/VR, AI and robotics enhance student experience and curriculum delivery

Key trends for investors in 2023 **6** Increased role of advanced technology



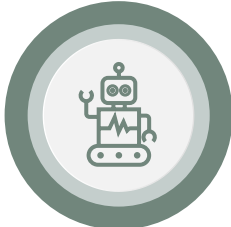
**01**  
**Artificial/virtual reality**

AR/VR presents an opportunity to make learning immersive and experiential, improving student engagement and outcomes



**02**  
**Artificial intelligence**

AI in education is used in a variety of ways to deliver personalized learning modules to students and to help educators deliver course content effectively



**03**  
**Robotics**

Robotics enable better STEM learning via humanlike tutoring environment, with self-paced 24/7 interactive modules

Note: AR=augmented reality; VR=virtual reality; AI=artificial intelligence; STEM=science, technology, engineering and mathematics  
Source: L.E.K. research and analysis

# Operators emerging in this space will drive edtech delivery models in the medium to long term

Key trends for investors in 2023 **6** Increased role of advanced technology

## Artificial intelligence

**AI-assisted language systems**  
Assist users by giving real-time feedback on their foreign language proficiency, comparing with native speakers and tracking their mistakes to personalize their language lessons



**Adaptive learning software**  
Adaptive learning technology gathers information on the student's preferred mode of learning, abilities, experience and knowledge to tailor training programs



**Education assessment software**  
Educators can save a lot of time and labor by automating grading of student papers based on a data set of how students have been graded before and even identify points for improvement



## AR/VR

**AR-assisted educational products**  
AR provides text, sound effects, graphics and multimedia, which makes static learning content more engaging



**VR-assisted educational products**  
VR enables a virtual augmented-reality representation of classroom content, allowing students to visualize course curriculum better in real time



## Robotics

**Robotic learning products**  
ROYBI and KinderLab Robotics provide robotic products that teach students language and STEM courses via conversational robots that are trained on a library of educational content



Note: AR=augmented reality; VR=virtual reality; AI=artificial intelligence; STEM=science, technology, engineering and mathematics  
Source: L.E.K. research and analysis

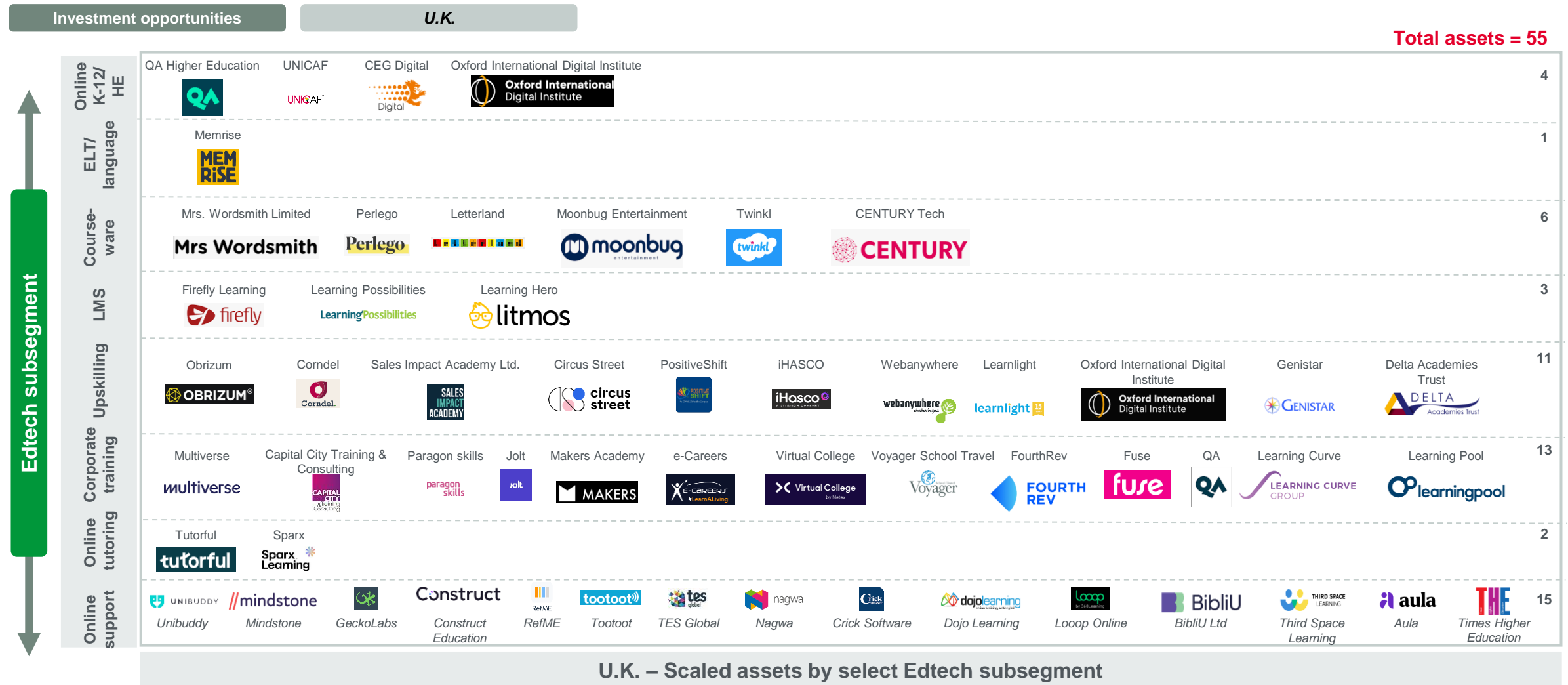


## Agenda

- Global education sector transactions
- Trends to watch out for in 2023
- **Potential assets to track (edtech)**

Nonexhaustive, based on reported data; does not capture transactability of asset

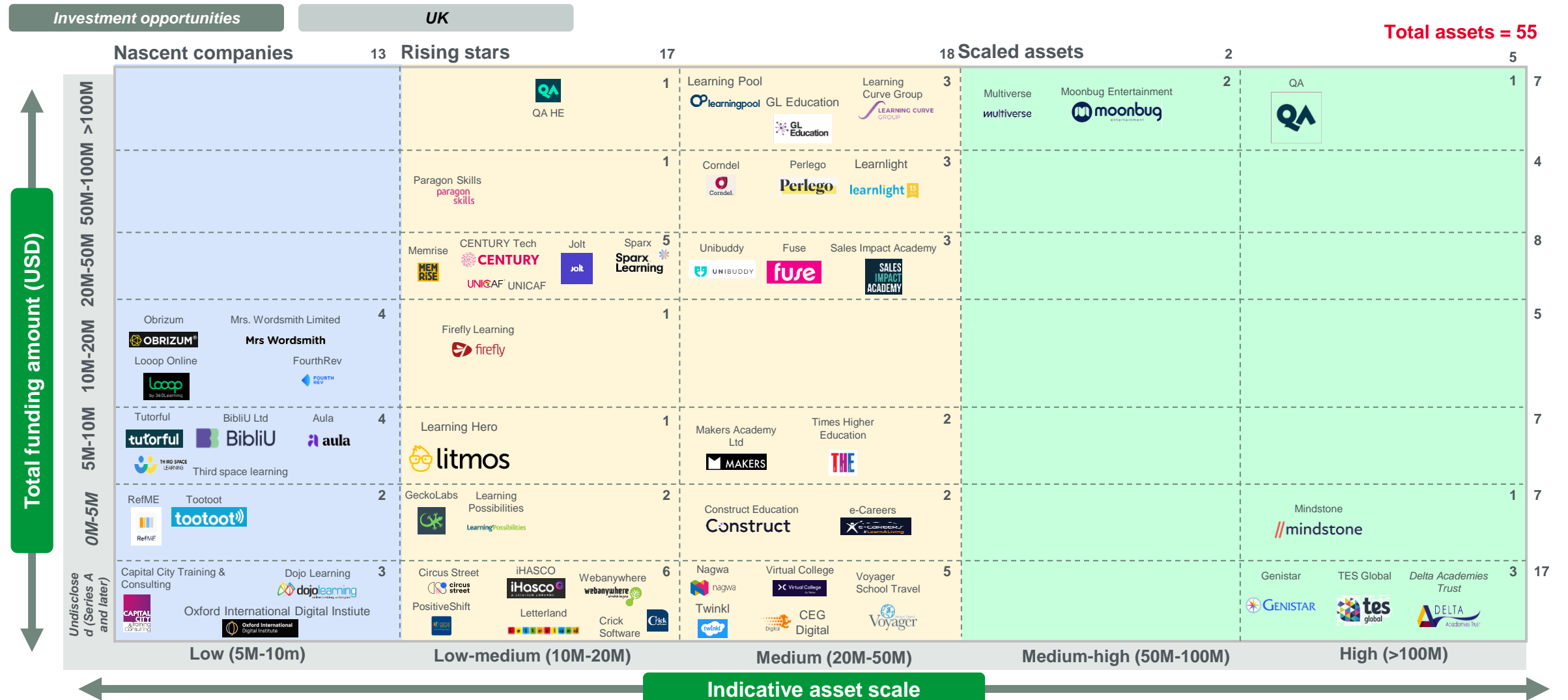
# Online support services for higher education institutes/schools, corporate training and upskilling have highest number of scale edtech assets in the UK



Note: LMS=learning management system; ELT=English language teaching; HE=higher education  
 Source: Mergermarket, Crunchbase, various news articles and press releases, company websites, L.E.K research and analysis

Nonexhaustive, based on reported data; does not capture transactability of asset

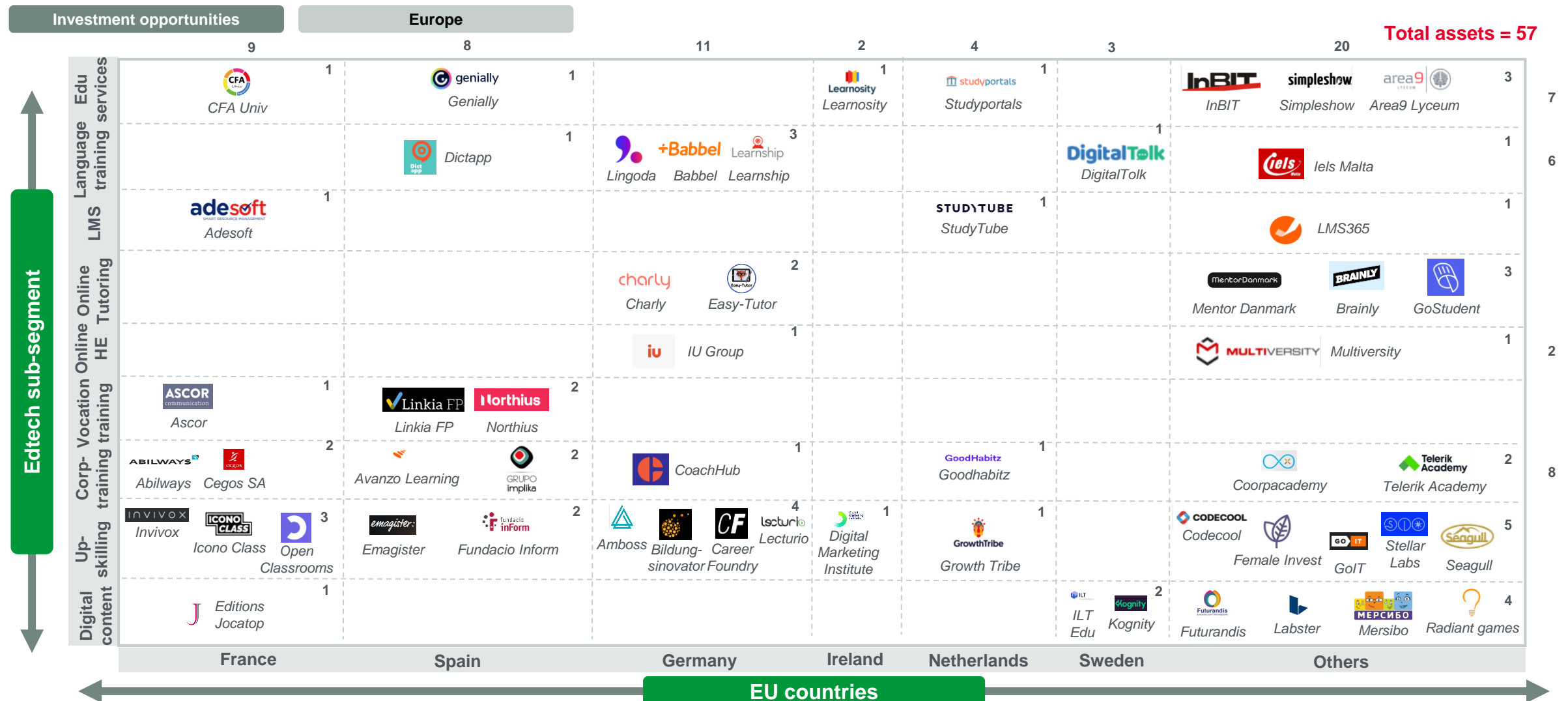
# Assets with demonstrated scale and fundraising track record can be prioritized from the identified list as nascent companies, rising stars and scaled assets



Source: Mergermarket, Crunchbase, various news articles and press releases, company websites, L.E.K research and analysis

Nonexhaustive, based on reported data; does not capture transactability of asset

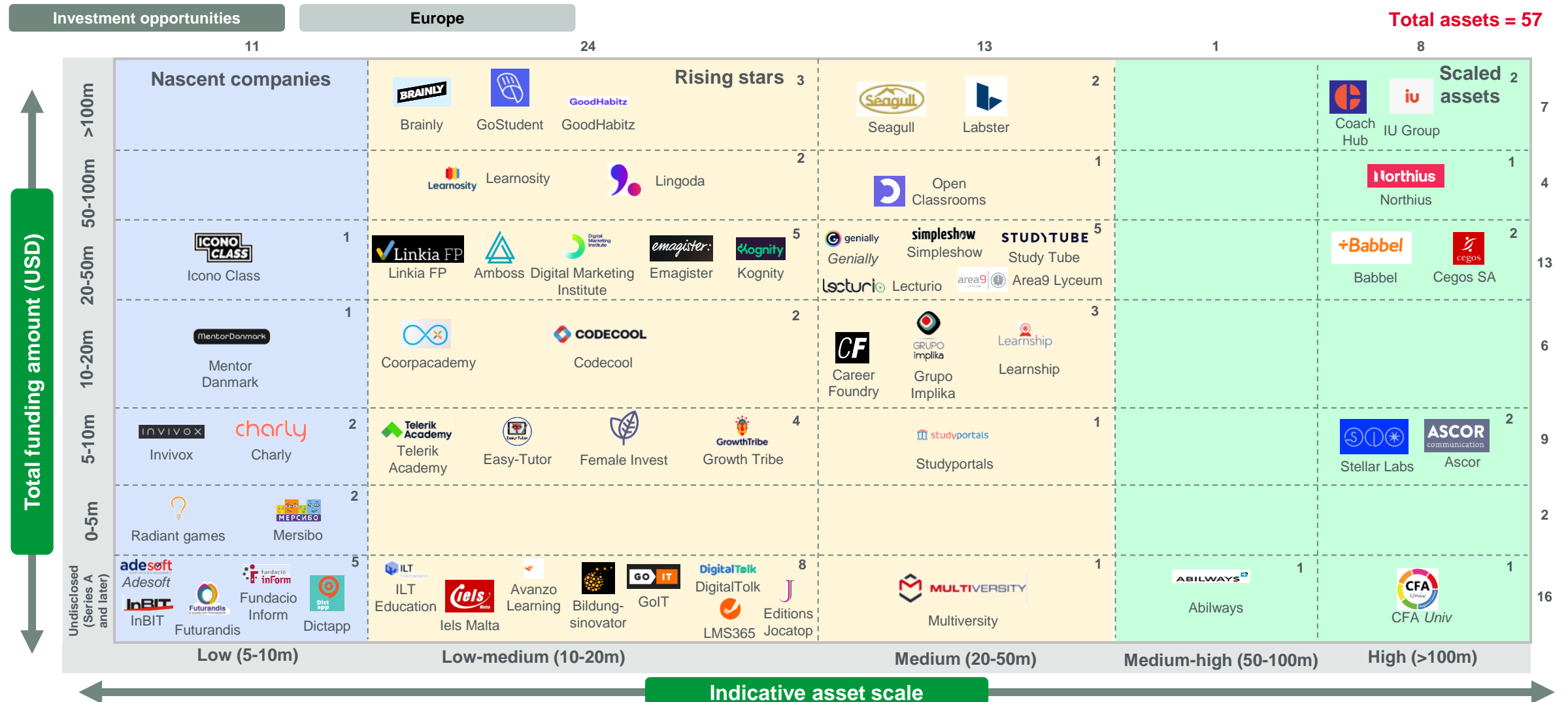
# Upskilling, digital courseware and education support services in Europe have the highest number of scaled assets, coming from different parts of Europe such as France, Germany, Sweden, etc.



Note: LMS=learning management system; HE=higher education  
 Source: Mergermarket, Crunchbase, various news articles and press releases, company websites, L.E.K research and analysis

Nonexhaustive, based on reported data; does not capture transactability of asset

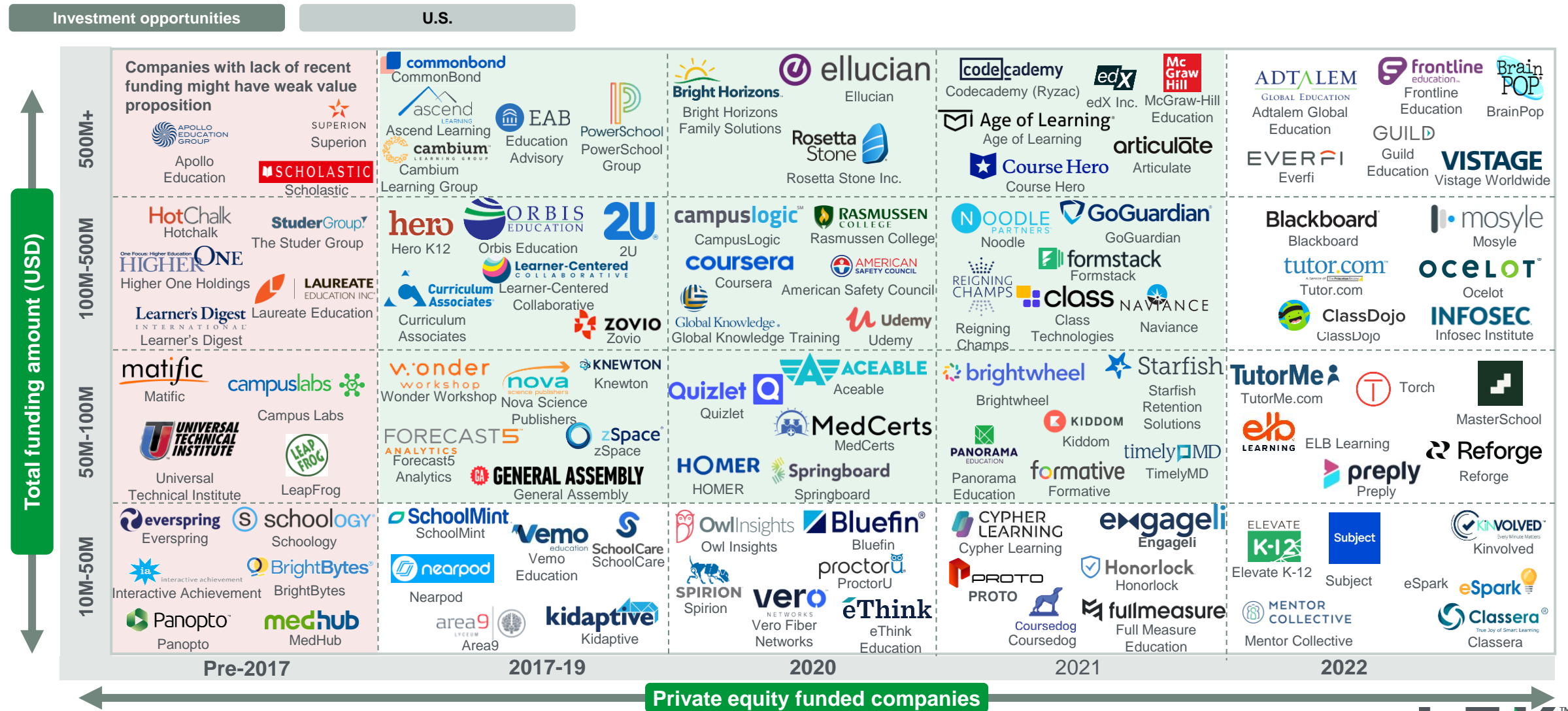
# Assets with demonstrated scale and fundraising track record can be prioritized from the identified list as nascent companies, rising stars and scaled assets



Source: Mergermarket, Crunchbase, HolonIQ, various news articles and press releases, company website, L.E.K research and analysis

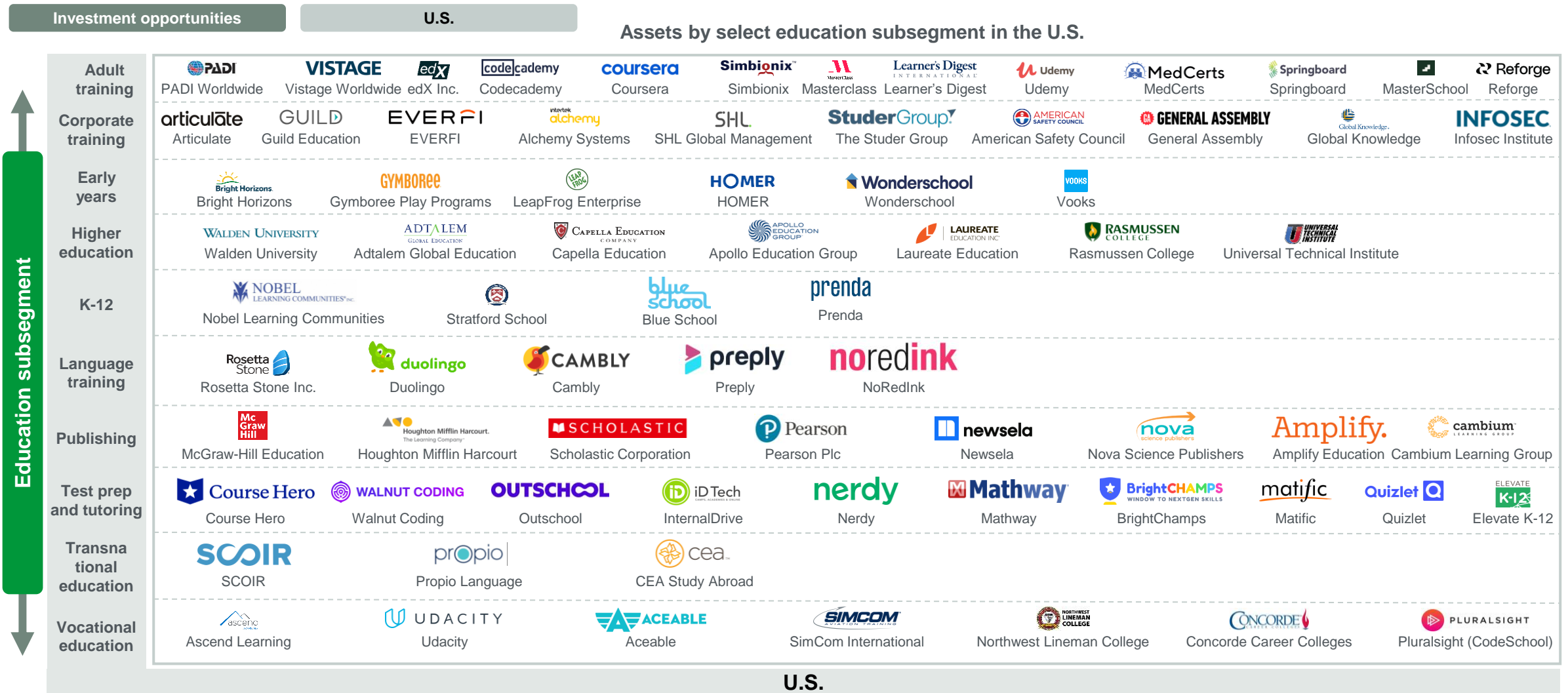
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# Companies that have received the last round of funding between 2017 and 2021 are listed here; these are potential companies to look out for the next round of funding



Source: L.E.K. research and analysis

## These can be classified by segment of focus



Note: \*Includes scaled assets providing multiple education services  
Source: L.E.K. research and analysis

## Within education services, the follow received funding in the past 5 years



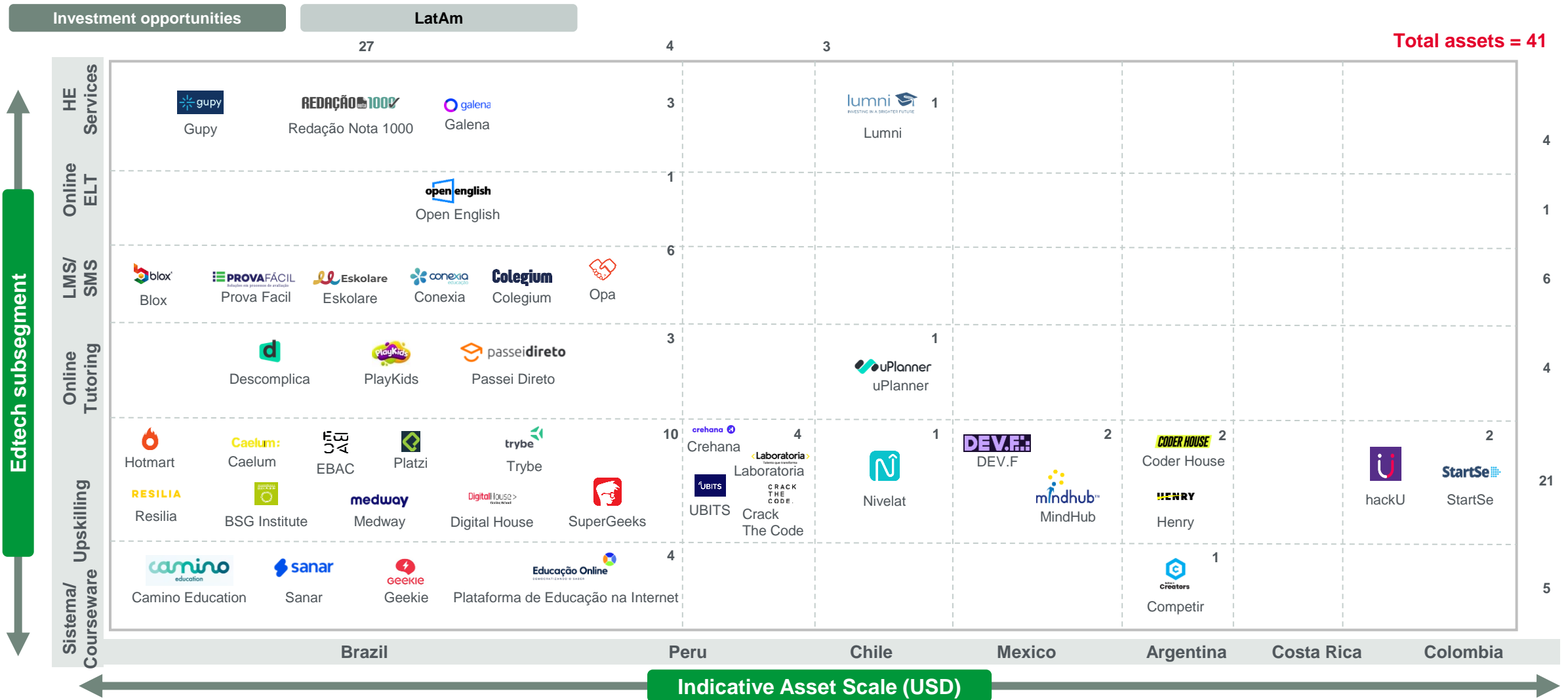
Note: \*Includes scaled assets providing multiple education services

Source: L.E.K. Research & Analysis



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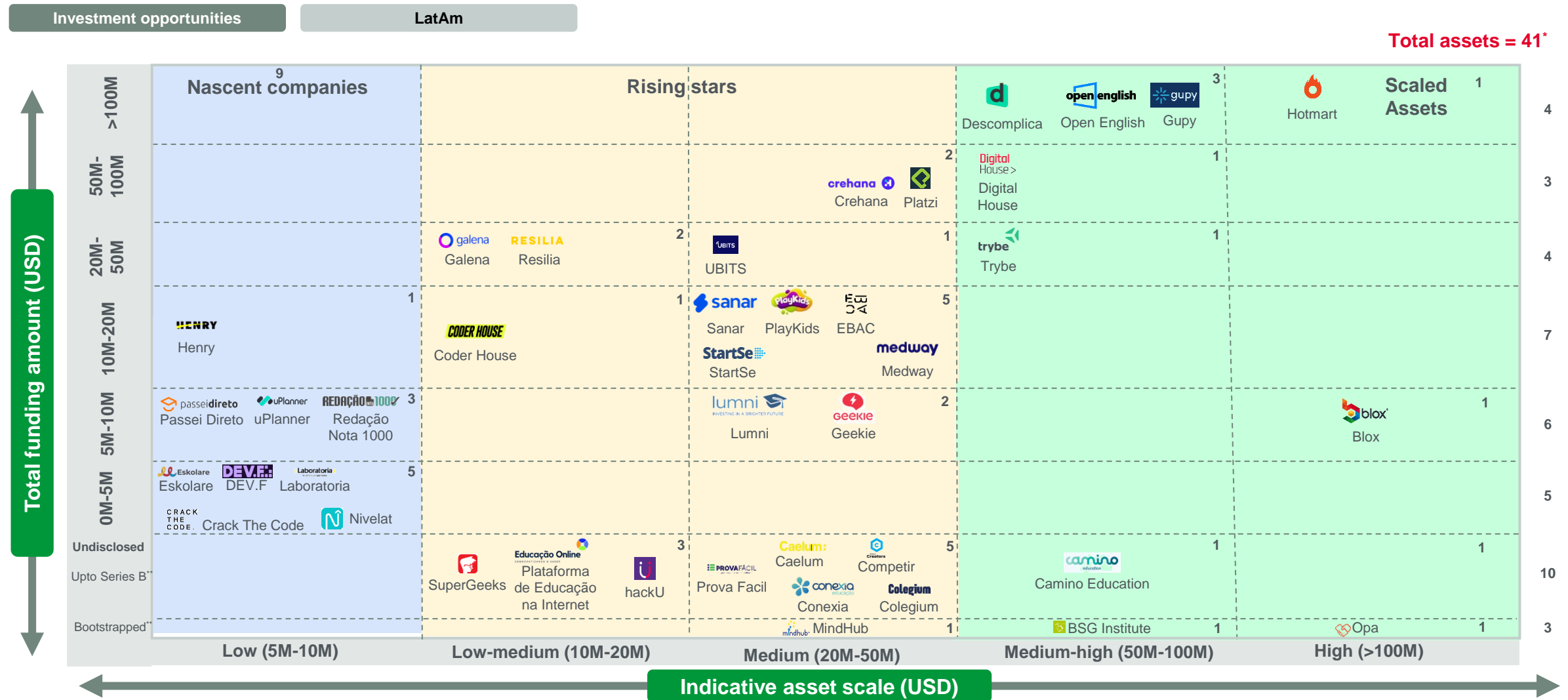
# Upskilling, LMS and digital courseware in Brazil have the highest number of scaled assets, while the major subsegment in other Latin American countries is upskilling



Note: \*Excluded Arco Educacao and SAS Educacao as these are already trading in public equity market. 2Indicative stage of funding based on secondary research  
 Source: Mergermarket, Crunchbase, HolonIQ, various news articles and press releases, L.E.K research and analysis

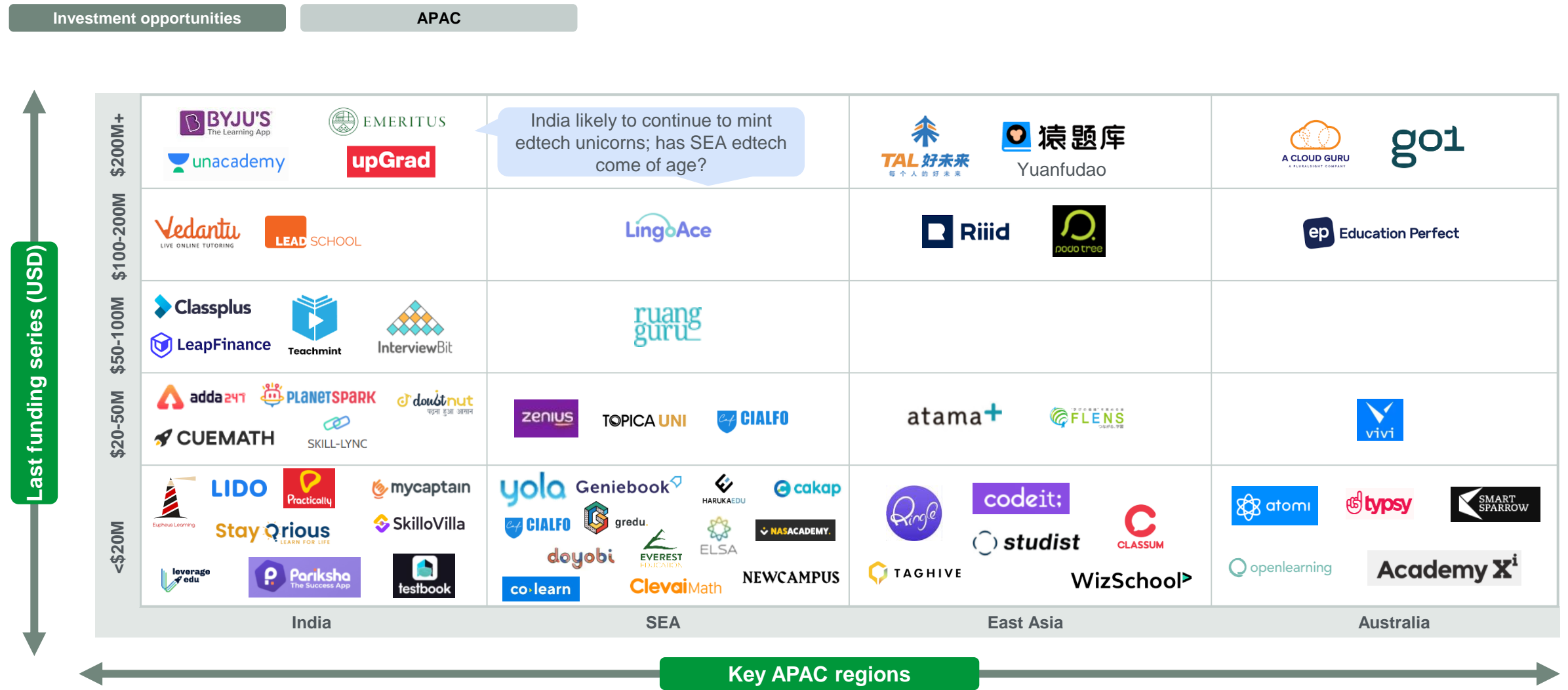
Nonexhaustive, based on reported data;  
does not capture transactability of asset

# Assets with demonstrated scale and fundraising track record can be prioritized from the identified list as nascent companies, rising stars and scaled assets



Note: \*Excluded Arco Educacao and SAS Educacao as these are already trading in public equity market; \*\*Indicative stage of funding based on secondary research  
Source: Mergermarket, Crunchbase, HolonIQ, various news articles and press releases, L.E.K research and analysis

# Asia APAC asset scan



Note: APAC = Asia-Pacific; SEA = Southeast Asia  
Source: Crunchbase, L.E.K. research & analysis

# Connect with us

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



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