



Education: 2023 M&A Deal Roundup and Trends to Watch Out for in 2024

April 2024

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Glossary

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

Agenda

- **Global education sector transactions**
- Trends to watch out for in 2024
- Potential assets to watch out for in 2024

Four key themes have underpinned the M&A activity in 2023



Resilience of the education sector amid decreased M&A activity

1

- Global M&A deal value **contracted 25%-30%** to ~\$2.5T in 2023
- Despite the overall downturn, **education remained attractive** for investment, with deal volume rising by 1% compared with 2020
- Experienced a modest <15% decline in capital deployed due to fewer mega deals (**valued at \$19B-\$22B**)



Mid-size transactions surge, investors cautious on mega deals

2

- Anticipating economic uncertainty and a post-COVID-19 capital shortage, investors **opted for numerous smaller and mid-size deals over mega deals**
- Deal **volume of mid-size transactions increased by ~5%-10%** compared with 2022
- Increased investment in smaller transactions (<\$500M) in 2023 has created a **promising sector pipeline of larger M&A transactions in the future**




K-12 continues to be a favored sector among investors

3

- Capturing **~44% of the market share, PreK-12 (and related services)** emerged as the favored sector by investors in 2023
- PreK-12 (and related services) witnessed growth of ~12% since 2022 and ~35% since 2020 in deal value


Bought by EQT
BPEA for ~\$1.3B


Acquired by
HMH


Avenues
joins Nord
Anglia for
~\$500M



Increased M&A activity by corporations amid consolidation

4

- In 2023, more reasonable valuations resulted in higher corporate M&A compared with 2022, resulting in **high corporate share** vs. financial sponsors
- The above trend is expected to **create larger platforms/ targets for financial sponsors** in the future

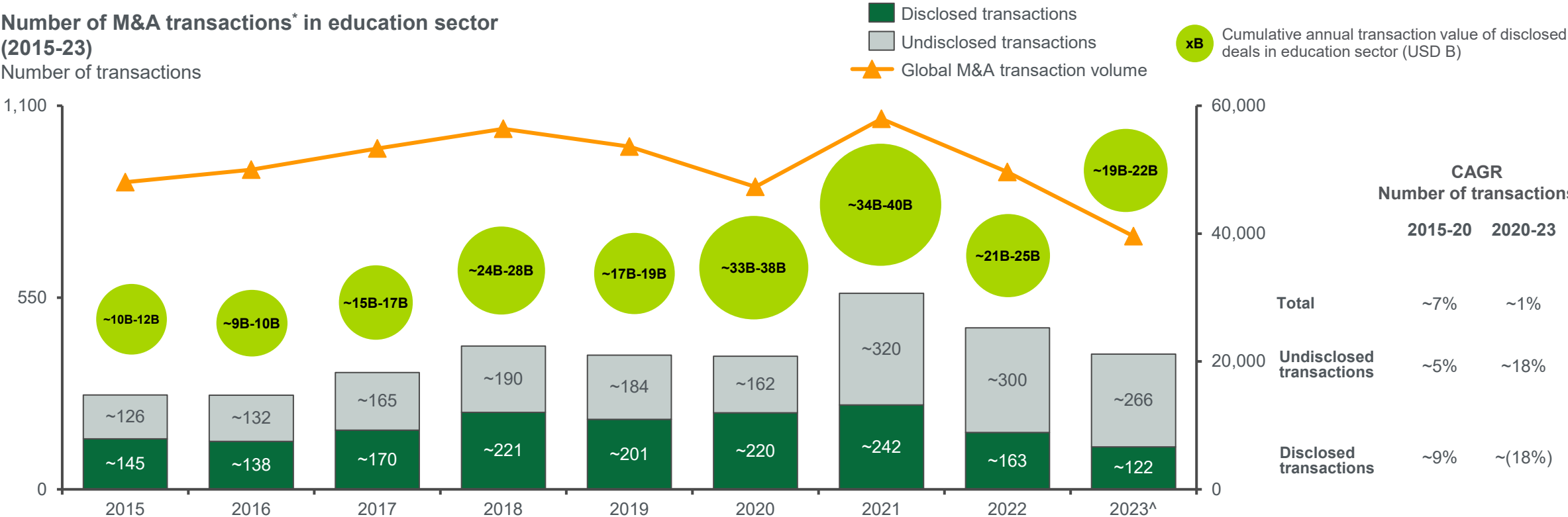
Source: Mergermarket; Capital IQ; Crunchbase; Institute for Mergers; Acquisitions & Alliances; L.E.K. research and analysis

In 2023, the education sector proved resilient, with a ~13% drop in overall deal value compared with 2022, while global M&A activity declined by ~20%-30%

Key themes: 2023 M&A activity 1 Resilience of education sector amid decreased M&A activity

Number of M&A transactions* in education sector (2015-23)

Number of transactions



~72M-85M	~65M-76M	~87M-102M	~109M-128M	~82M-96M	~149M-175M	~141M-166M	~132M-155M	~143M-166M	Average transaction value** (USD)
~4.8T	~3.6T	~3.8T	~3.9T	~3.9T	~3.2T	~5.2T	~3.4T	~2.5T	Global M&A deal value (USD)

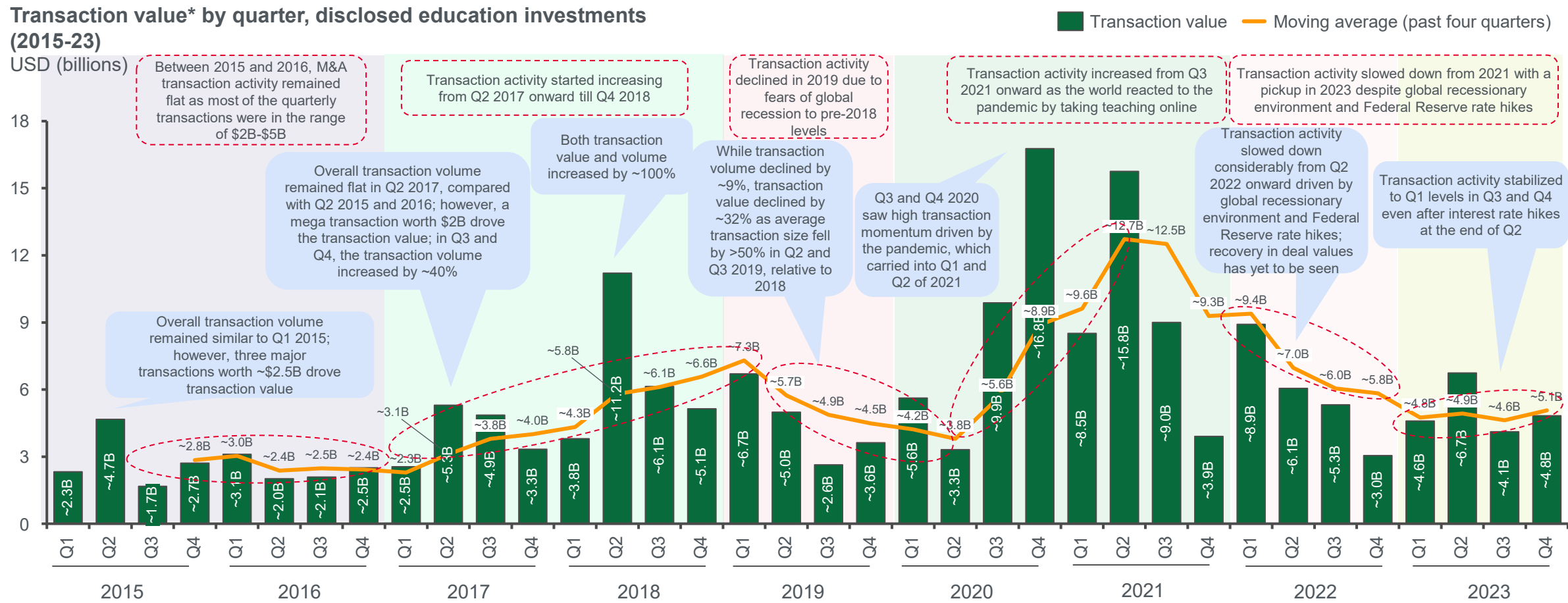
Note: The analysis is done across years and through multiple sources, hence data should be treated as directional as there might be biases in data recording and assumptions; *Both disclosed and undisclosed deals are considered in this analysis, where only disclosed transaction values meeting the "regular inclusion criteria" for Mergermarket were considered (similar criteria applied for Crunchbase and Capital IQ), transaction values of ~\$0.5B-\$1B in 2023 excluded due to low average transaction value; ^Undisclosed transactions are only considered from Mergermarket for 2023 for data consistency; **Only disclosed deals included

Note: CAGR=compound annual growth rate; USD=U.S. dollars

Source: Mergermarket; Capital IQ; Crunchbase; Institute for Mergers; Acquisitions & Alliances; L.E.K. research and analysis

After a declining four-quarter moving average since Q3 2021, transaction values have now started to stabilize in 2023, which may imply that investor and seller expectations are approaching a balance

Key themes: 2023 M&A activity **1** Resilience of education sector amid decreased M&A activity



Note: The analysis is done across years and through multiple sources, hence data should be treated as directional as there might be biases in data recording and assumptions *Only disclosed transaction values meeting the "regular inclusion criteria" for Mergermarket were considered (similar criteria applied for Crunchbase and Capital IQ); transaction values of ~\$0.5B-\$1B in 2023 excluded due to low average transaction value; data is being recorded on the transaction announcement date and will impact the total transaction value in subsequent quarters

Source: Mergermarket; Crunchbase; Capital IQ; L.E.K. research and analysis

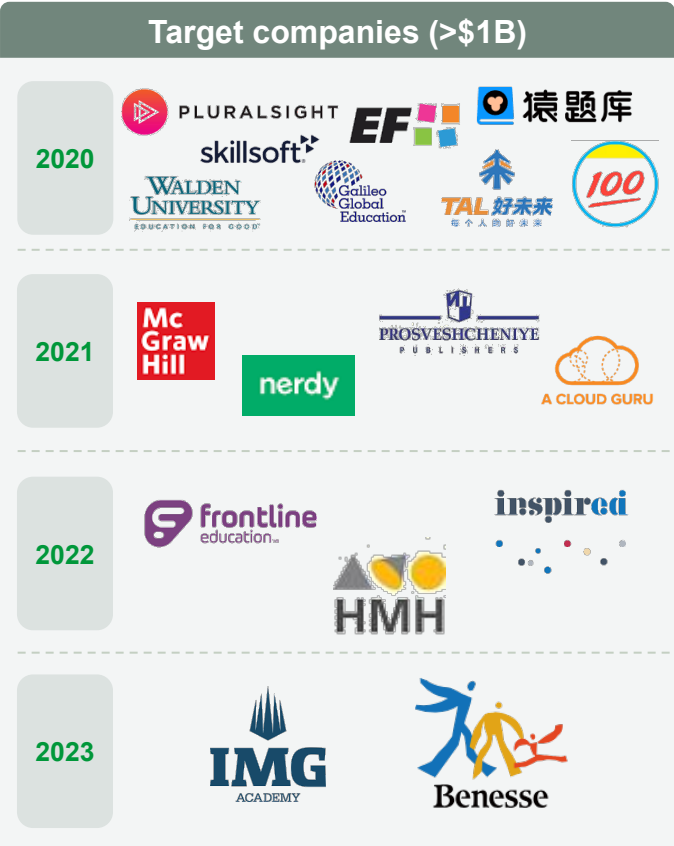
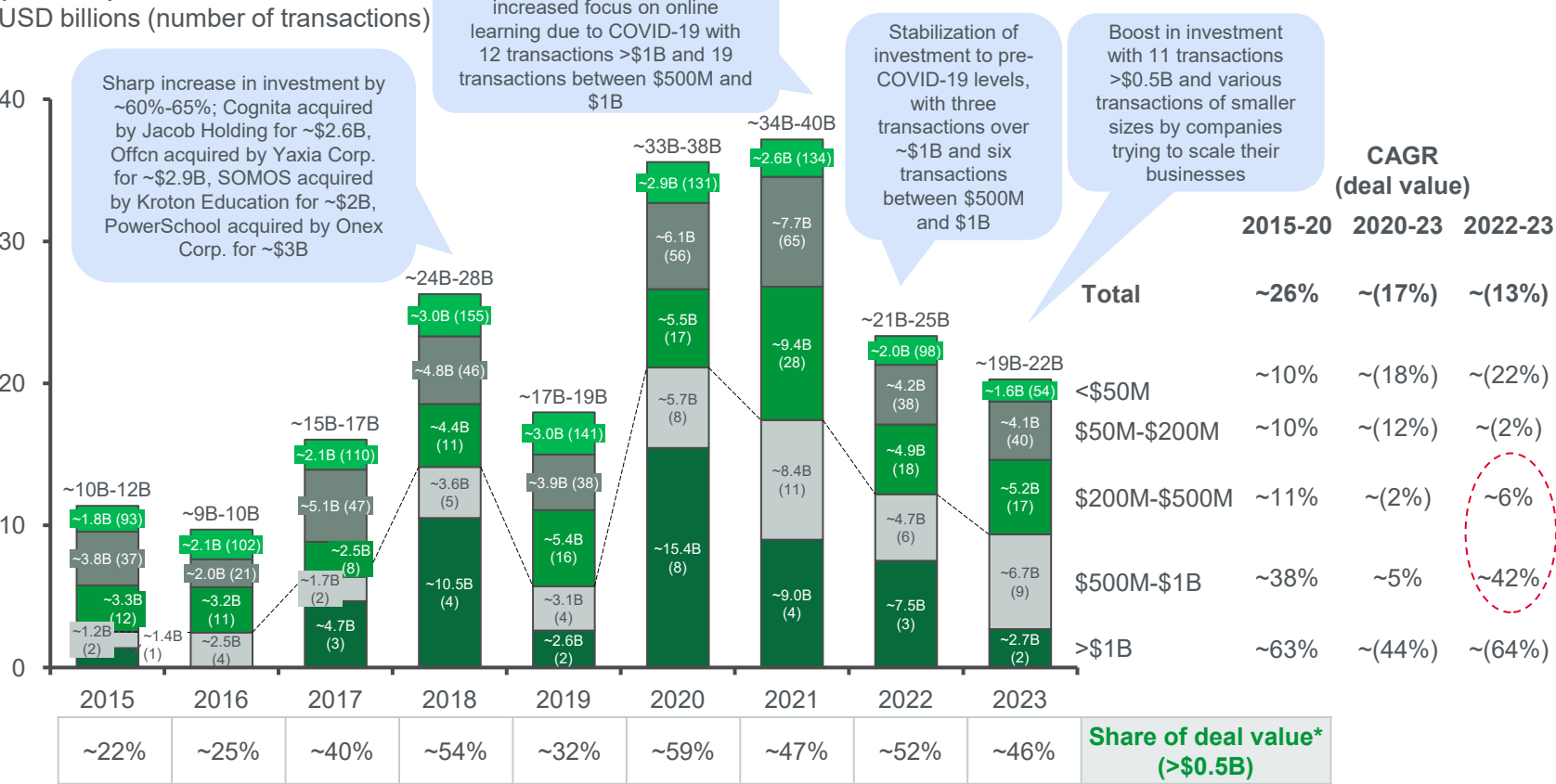
In 2023, there was a surge in mid-size transaction value and a decline in mega transactions (>\$1B) as investors remained cautious; this will lead to a promising pipeline of mega deals for 2024

Key themes: 2023 M&A activity

2 Mid-size transactions surge, investors cautious on mega deals

Non-exhaustive

Distribution of investment in education sector, by transaction size of disclosed deals* (2015-23)



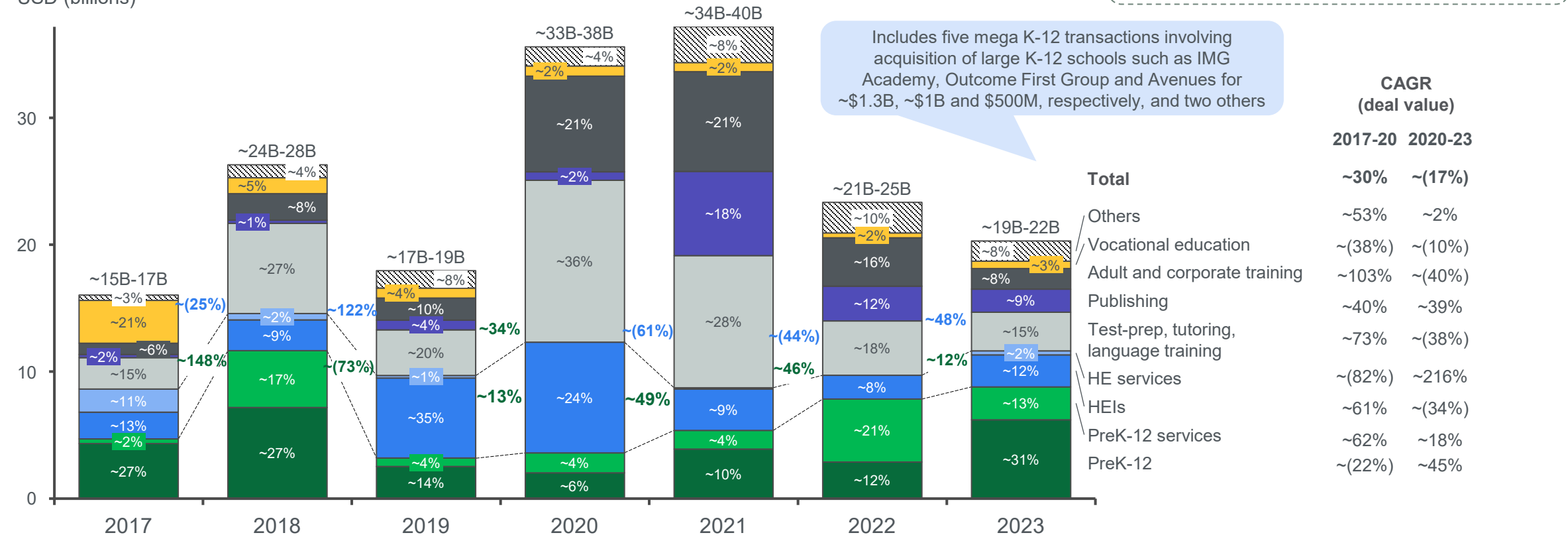
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Source: Mergermarket; Crunchbase; Capital IQ; L.E.K. research and analysis

About 44% of global education M&A activity in 2023 was driven by PreK-12 (and related services), with the sector also witnessing five mega deals, making it a favored sector among investors

Key themes: 2023 M&A activity **3** K-12 continues to be a favored sector

Global education transaction value for disclosed deals,* by segments
2017-23
USD (billions)



Note: The analysis is done across years and through multiple sources, hence data should be treated as directional as there might be biases in data recording and assumptions *Only disclosed transaction values meeting the "regular inclusion criteria" for Mergermarket were considered (similar criteria applied for Crunchbase and Capital IQ); transaction values of ~\$0.5B-\$1B in 2023 excluded due to low average transaction value

Note: CAGR=compound annual growth rate; HE=higher education; HEIs=higher education institutions; YoY=year over year

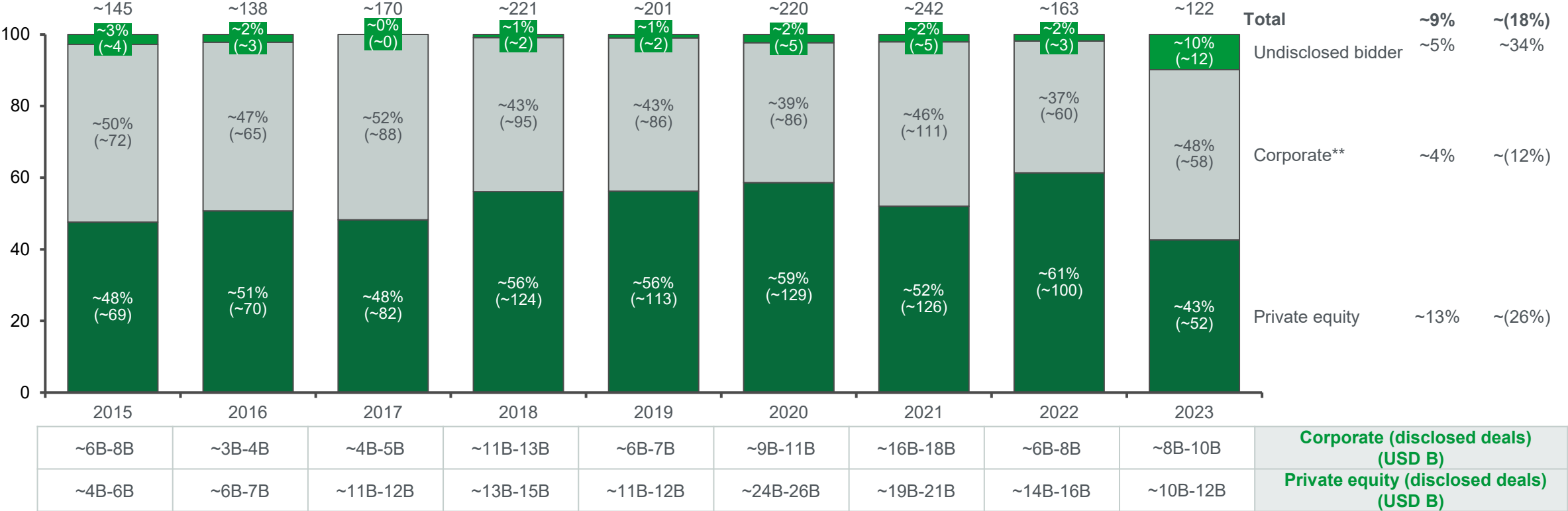
Source: Mergermarket; Capital IQ; Crunchbase; L.E.K. research and analysis

Share of corporations engaging in deals remained higher than private equity, reflecting a trend toward consolidation and potentially influenced by more reasonable valuations in 2023

Key themes: 2023 M&A activity **4 Increased M&A activity by corporations amid consolidation**

Volume of disclosed transactions* in the education sector by bidder type (2015-23)

Percentage (number of transactions)



Note: The analysis is done across years and through multiple sources, hence data should be treated as directional as there might be biases in data recording and assumptions
*Only disclosed transaction values meeting the "regular inclusion criteria" for Mergermarket were considered (similar criteria applied for Crunchbase and Capital IQ); transaction values of ~\$0.5B-\$1B in 2023 excluded due to low average transaction value; **Some corporate entities included in the dataset may be backed by private equity
Note: CAGR=compound annual growth rate

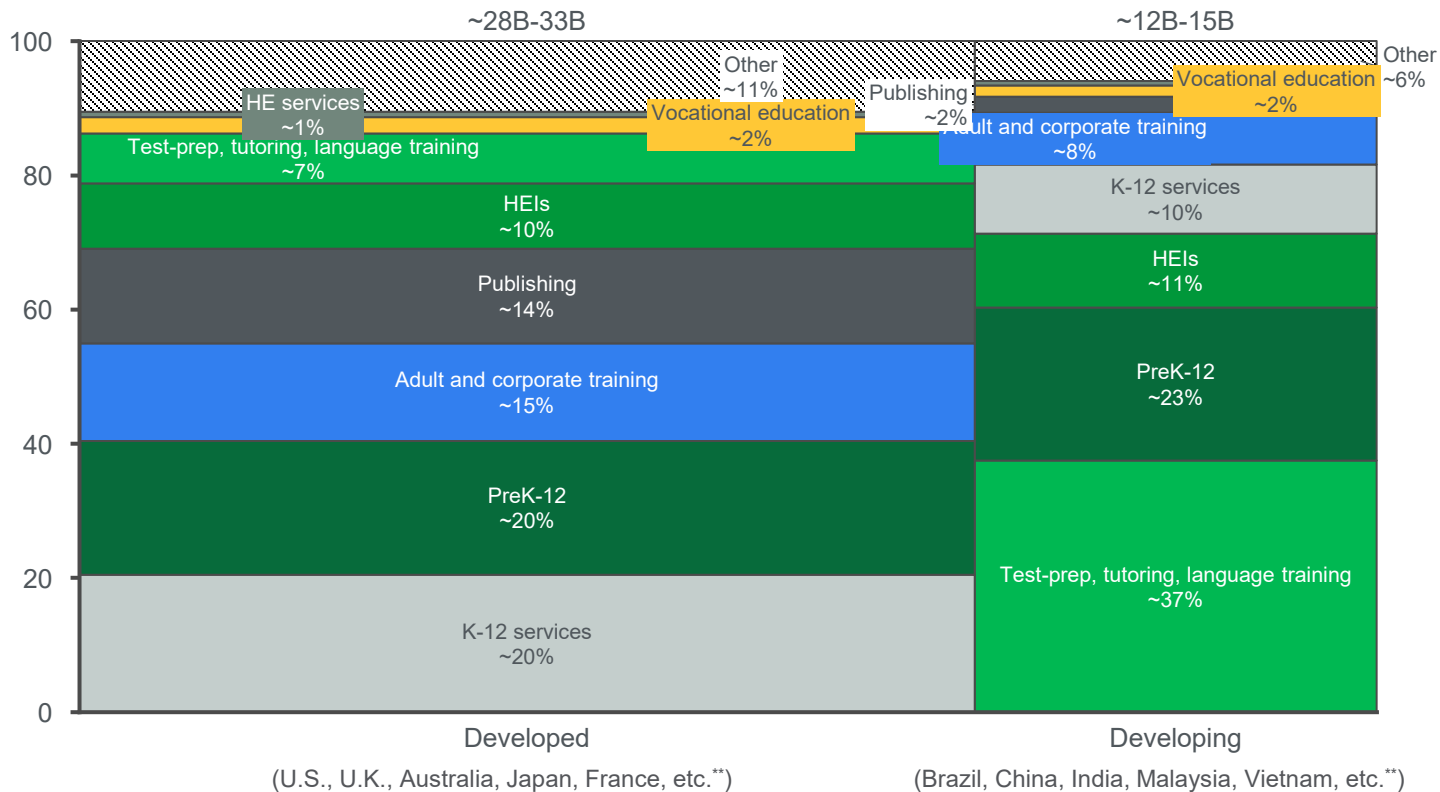
Source: Mergermarket; Capital IQ; Crunchbase; L.E.K. research and analysis

In 2022-2023, developed markets saw ~40% investment in PreK-12 and related services; developing markets were led by test-prep, tutoring and PreK-12, comprising ~60% of the total share

Key themes: 2023 M&A activity Focus on North America, zooming in on trends in the US

Total transaction value* for developed and developing markets, by subsectors (2022-23)

Percentage of USD (billions)



Developed countries

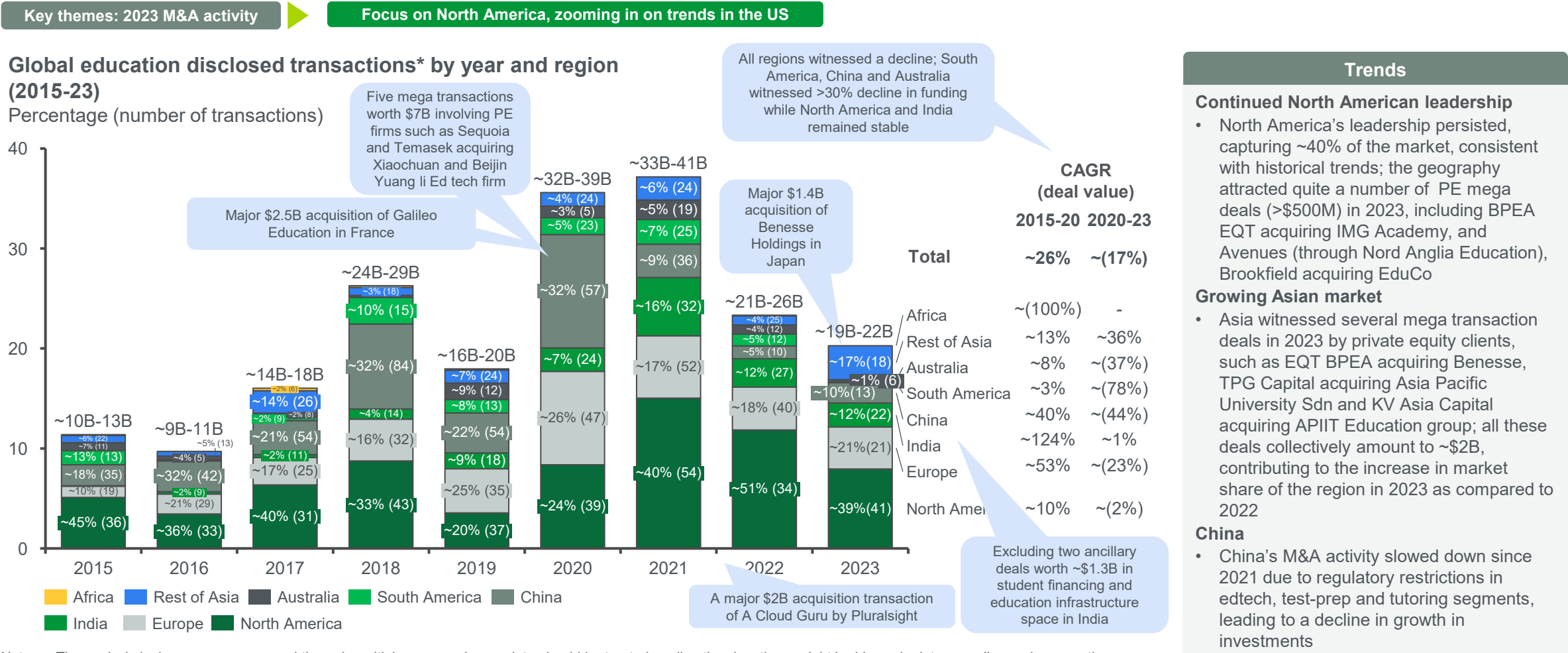
- Increased focus on PreK-12 and K-12 services are driving investments in the developed world
- PreK-12 and K-12 services combined witnessed a ~12% YoY growth in deal value in 2023
 - K-12 providers in developed countries are undergoing digital transformation after the pandemic, leading to increased demand for educational services
 - As schools navigated the student learning path in the post-COVID-19 era, they focused on strengthening both physical and digital infrastructure

Developing countries

- Developing countries consistently invest in bolstering formal education, spanning from test-prep and tutoring to PreK-12 and higher education
- Test-prep and tutoring assist in readiness for both traditional education and competitive exams
 - Quality public provision drives private investments in K-12 education
 - Higher education thrives in emerging nations, offering substantial ROI and promising career outcomes

Note: The analysis is done across years and through multiple sources, hence data should be treated as directional as there might be biases in data recording and assumptions
*Only disclosed transaction values meeting the “regular inclusion criteria” for Mergermarket were considered (similar criteria applied for Crunchbase and Capital IQ); transaction values of ~\$0.5B-\$1B in 2023 excluded due to low average transaction value **Not exhaustive; only countries classified as “high income” by the World Bank for fiscal year 2023 are considered “developed”
Note: ROI=return on investment; YoY=year over year; HE=higher education; HEIs=higher education institutions
Source: Mergermarket; Capital IQ; Crunchbase; L.E.K. research and analysis

North America has maintained its leadership with ~40% of market share by deal value, similar to 2021 levels relative to most other geographies, which have seen >20% investment value tumble in 2023



Note: The analysis is done across years and through multiple sources, hence data should be treated as directional as there might be biases in data recording and assumptions

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Note: CAGR=compound annual growth rate; PE=private equity

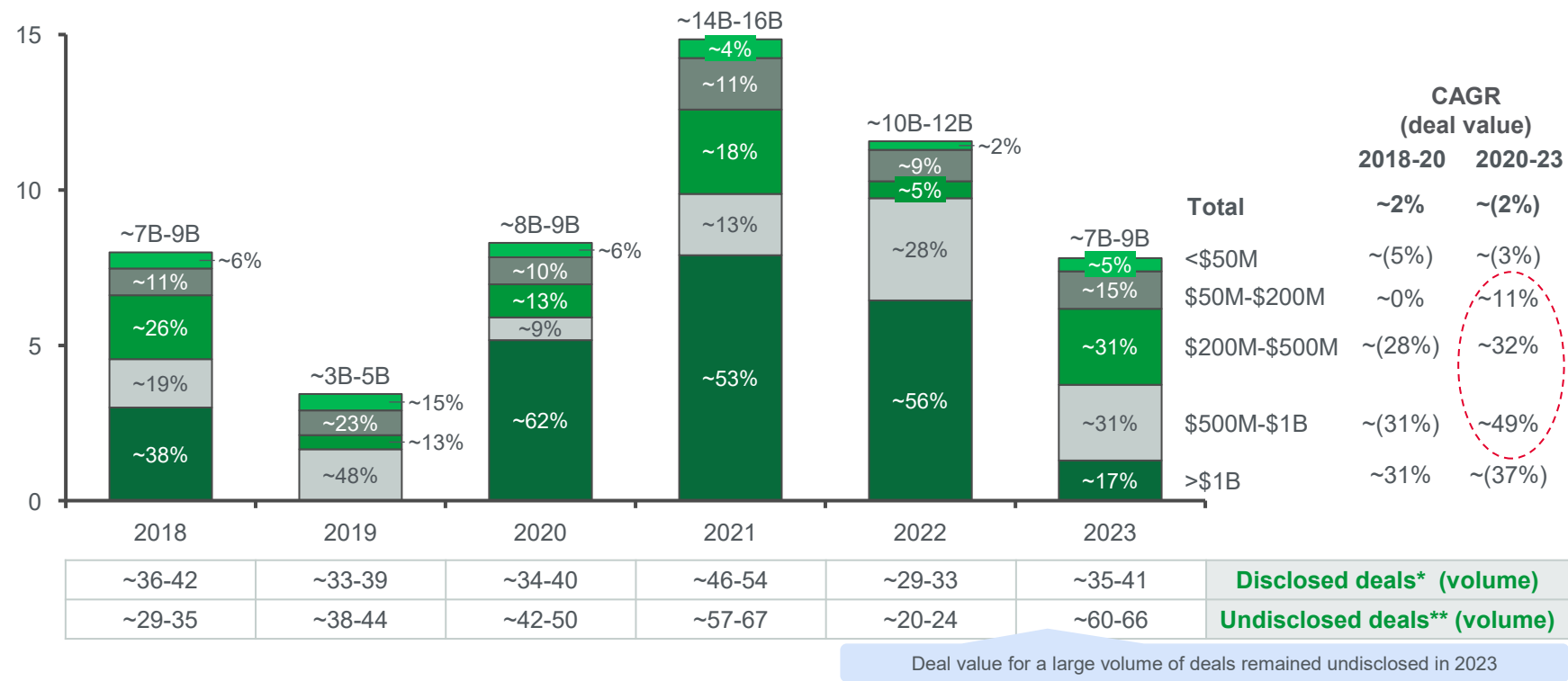
Source: Mergermarket; Capital IQ; Crunchbase; L.E.K. research and analysis

Investment in education in the US remained strong, and mid-size transactions increased compared to 2020; the drop in capital deployment can be explained by lack of mega deals

Key themes: 2023 M&A activity

Focus on North America, zooming in on trends in the US

Distribution of investment in education sector in US, by transaction size*
(2018-23)
USD billions



Large deals transacted

2021

Mc Graw Hill

- Platinum Equity bought McGraw Hill Education for ~\$4.5B

nerdy

- TPG Pace Tech Opportunities acquired Nerdy, a B2C learning platform, for ~\$1.4B

2022

frontline education

- Roper Technologies acquired Frontline Education, a K-12 services firm, for ~\$3.7B

HMH

- Houghton Mifflin Harcourt Publishing Co. was acquired by Veritas Capital for ~\$2.8B

2023

IMG ACADEMY

- BPEA EQT bought IMG Academy for ~\$1.3B

EduCo

- EduCo acquired by Brookfield Asset Management for ~\$700M

Note:

The analysis is done across years and through multiple sources, hence data should be treated as directional as there might be biases in data recording and assumptions

*Only disclosed transaction values meeting the "regular inclusion criteria" for Mergermarket were considered (similar criteria applied for Crunchbase and Capital IQ); transaction values of ~\$0.3B-\$0.5B in 2023 excluded due to low average transaction value; **Transaction value of relevant deals not disclosed to the general public

Note: CAGR=compound annual growth rate; B2C=business-to-consumer

Source: Mergermarket; Capital IQ; Crunchbase; L.E.K. research and analysis

LEX

TM

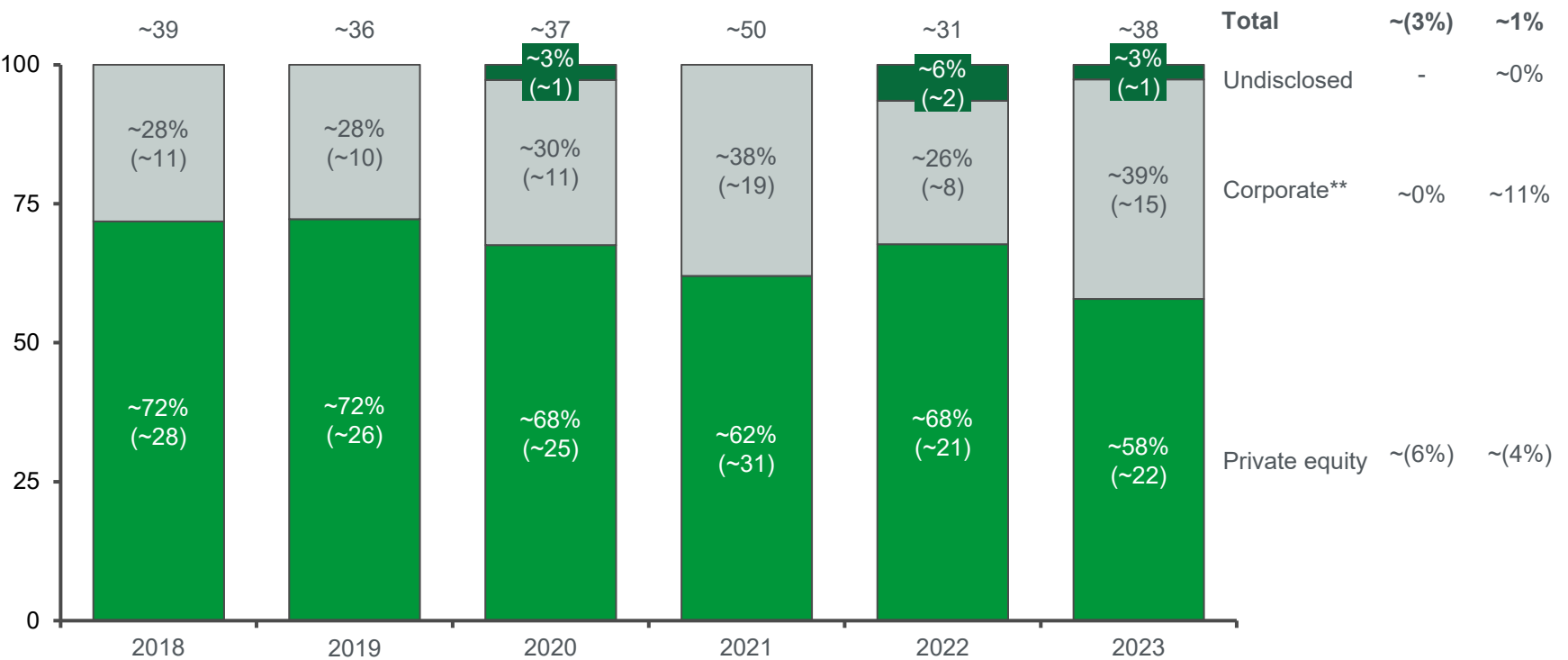
Share of corporate deal volume reached an all-time high of total deal volume in the US in 2023, indicating a trend toward consolidation, influenced by favorable valuations

Key themes: 2023 M&A activity

Focus on North America, zooming in on trends in the US

Distribution of investments* in the education sector by bidder type, in US (2018-23)

Percentage (number of transactions)



Note: The analysis is done across years and through multiple sources, hence data should be treated as directional as there might be biases in data recording and assumptions
 *Only disclosed transaction values meeting the “regular inclusion criteria” for Mergermarket were considered (similar criteria applied for Crunchbase and Capital IQ); transaction values of ~\$0.3B-\$0.5B in 2023 excluded due to low average transaction value; **Some corporate entities included in the dataset may be PE-backed
 Note: CAGR=compound annual growth rate; PE=private equity
 Source: Mergermarket; Capital IQ; Crunchbase; L.E.K. research and analysis

Non-exhaustive

2023 bidder companies

Corporate

APOLLO

LEGACYHEALTH

INSTRUCTURE

PERDOCEO

Financial sponsors

Brookfield

BPEA

GOLUB CAPITAL

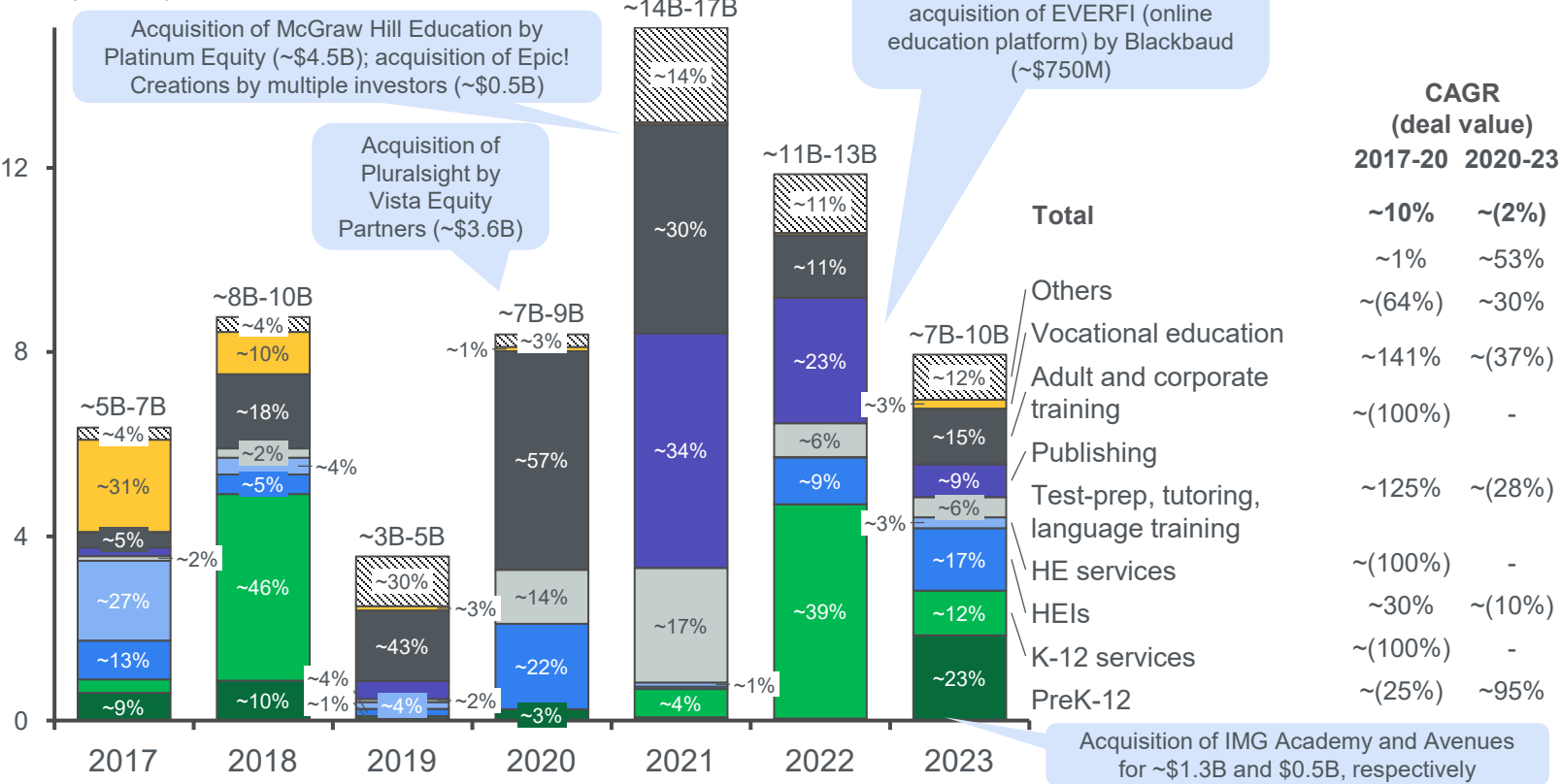
VERITAS CAPITAL

PrimaVera

About 35% of North America’s M&A activity in 2023 has been driven by PreK-12 and relevant services

Key themes: 2023 M&A activity Focus on North America, zooming in on trends in the US

North America transaction* value by segments
2017-23
USD (billions)



Key trends

~35% accounted for **PreK-12** (and related services) investments in the North America in 2023

- BPEA EQT acquired IMG Academy, a sports-focused K-12 boarding school, for ~\$1.3B
- Nord Anglia acquired Avenues, a K-12 school chain, for ~\$0.5B

~20% investments in North America driven by **higher education** (including services) in 2023

- Legacy Health System insurance acquired Oregon Health & Science University for ~\$1B, representing **~53% of the deal value in the HE segment**

nwea Prominent K-12 companies engaged in M&A in 2023, though the specific **deal values remain undisclosed**

n2y

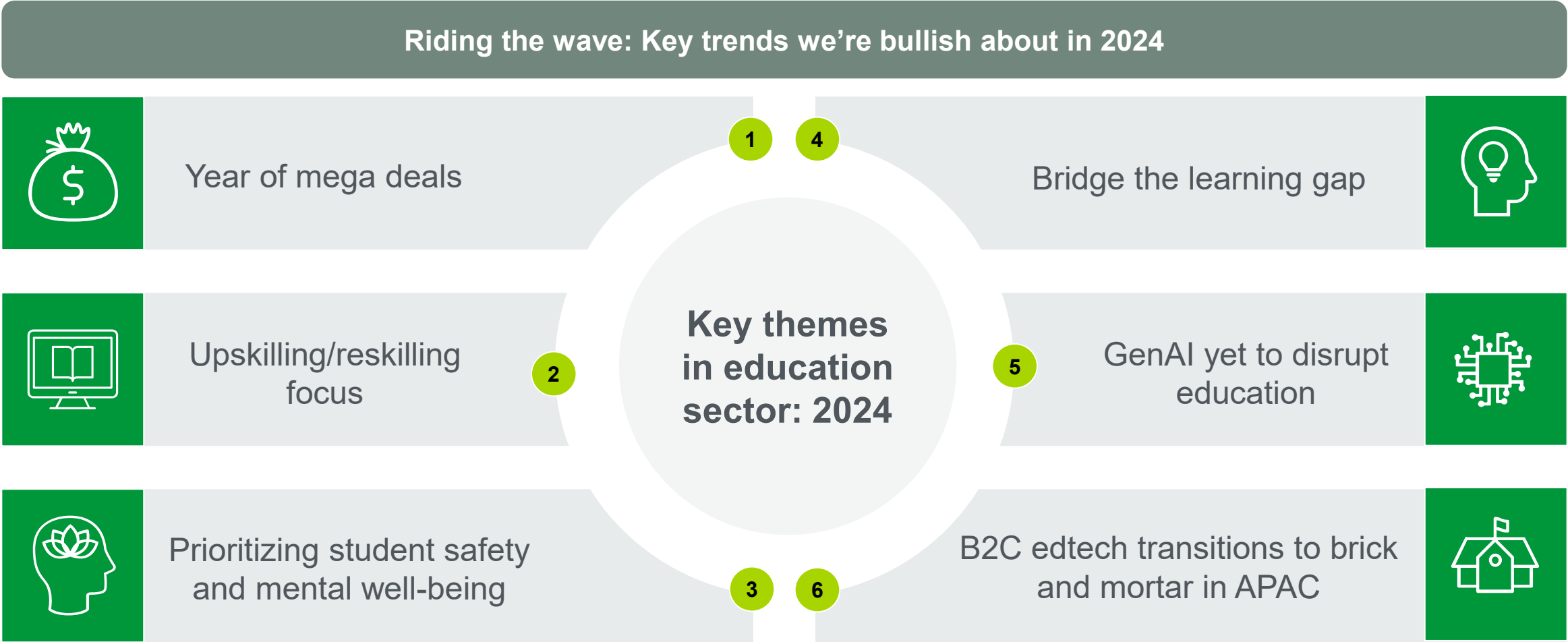
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Note: CAGR=compound annual growth rate; HE=higher education; HEIs=higher education institutions
Source: Mergermarket; Capital IQ; Crunchbase; L.E.K. research and analysis

Agenda

- Global education sector transactions
- **Trends to watch out for in 2024**
- Potential assets to watch out for in 2024

Ahead of the curve: Bullish themes and exciting trends for 2024

Key trends for investors in 2024



Note: GenAI=generative artificial intelligence; B2C=business-to-consumer; APAC=Asia-Pacific
Source: L.E.K. research and analysis

Investors and news agencies are tracking several opportunities in 2024

Key trends for investors in 2024

1

Year of mega deals

Non-exhaustive

Global providers



NORD ANGLIA
EDUCATION

COGNITA



globeducate
Shaping the world



GLOBAL
UNIVERSITY
SYSTEMS

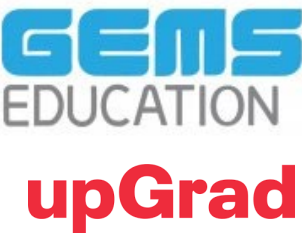
North American education providers



cambium
LEARNING GROUP

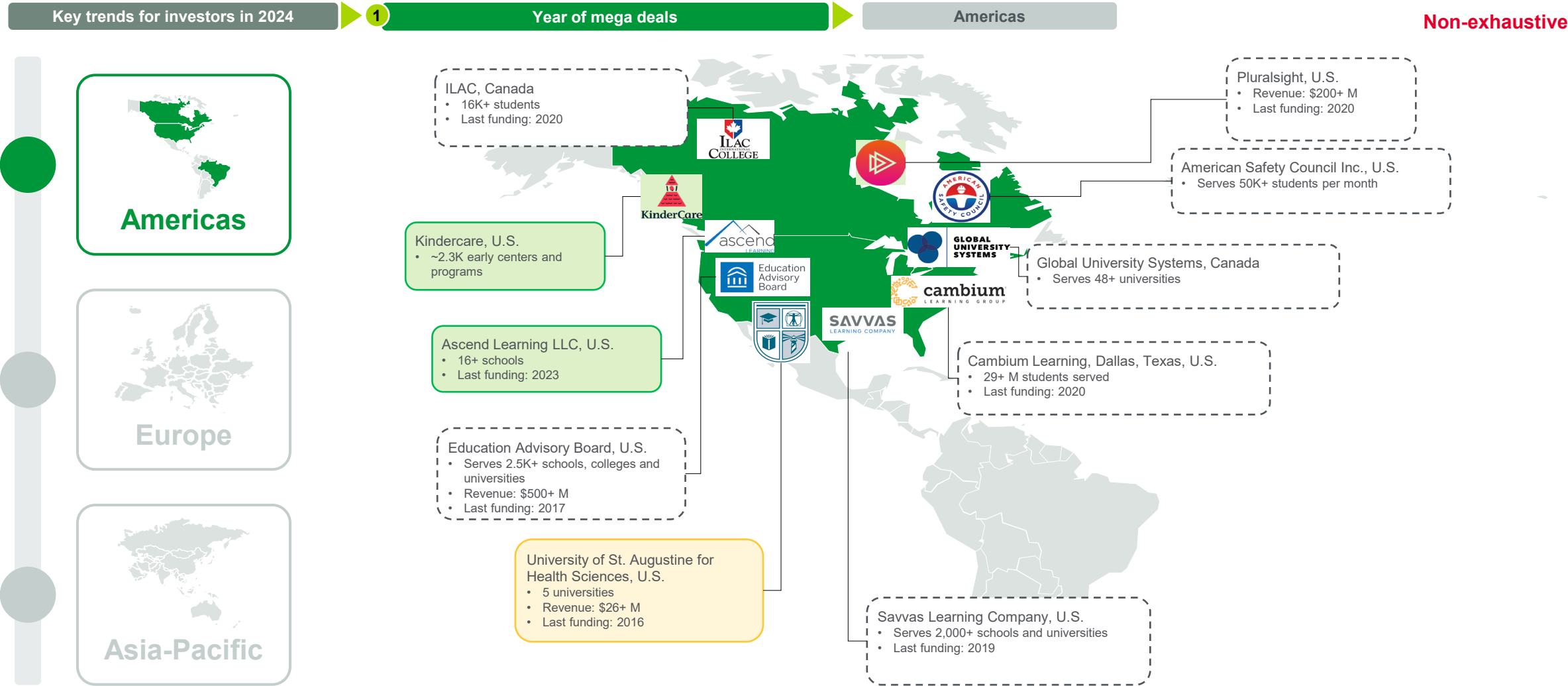
SAVVAS
LEARNING COMPANY

Rest of the world



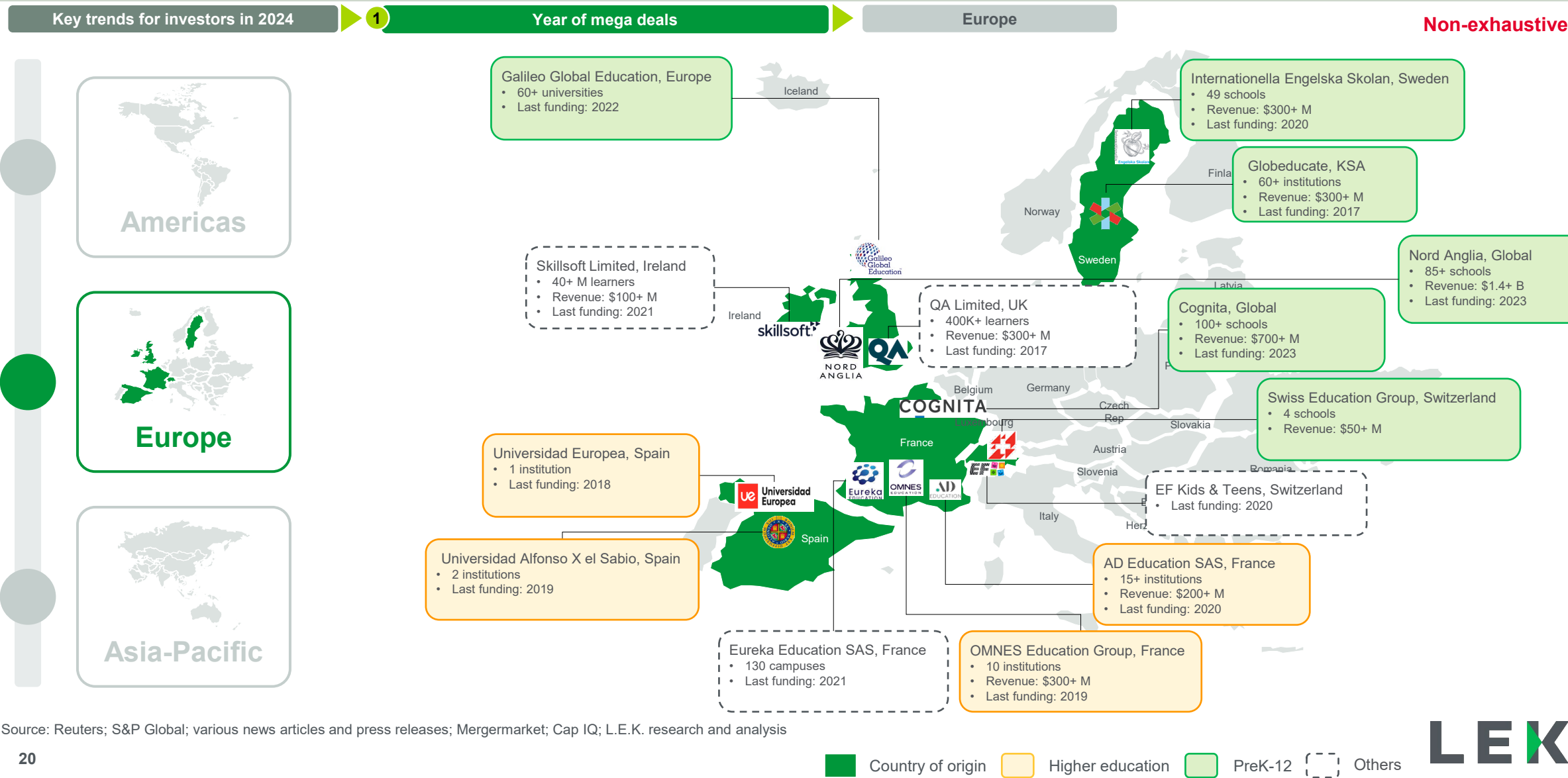
Source: Reuters; S&P Global; various news articles and press releases; L.E.K. research and analysis

Many assets in the education sector that had transactions prior to 2021 may hit the market again to raise more capital (1/3)



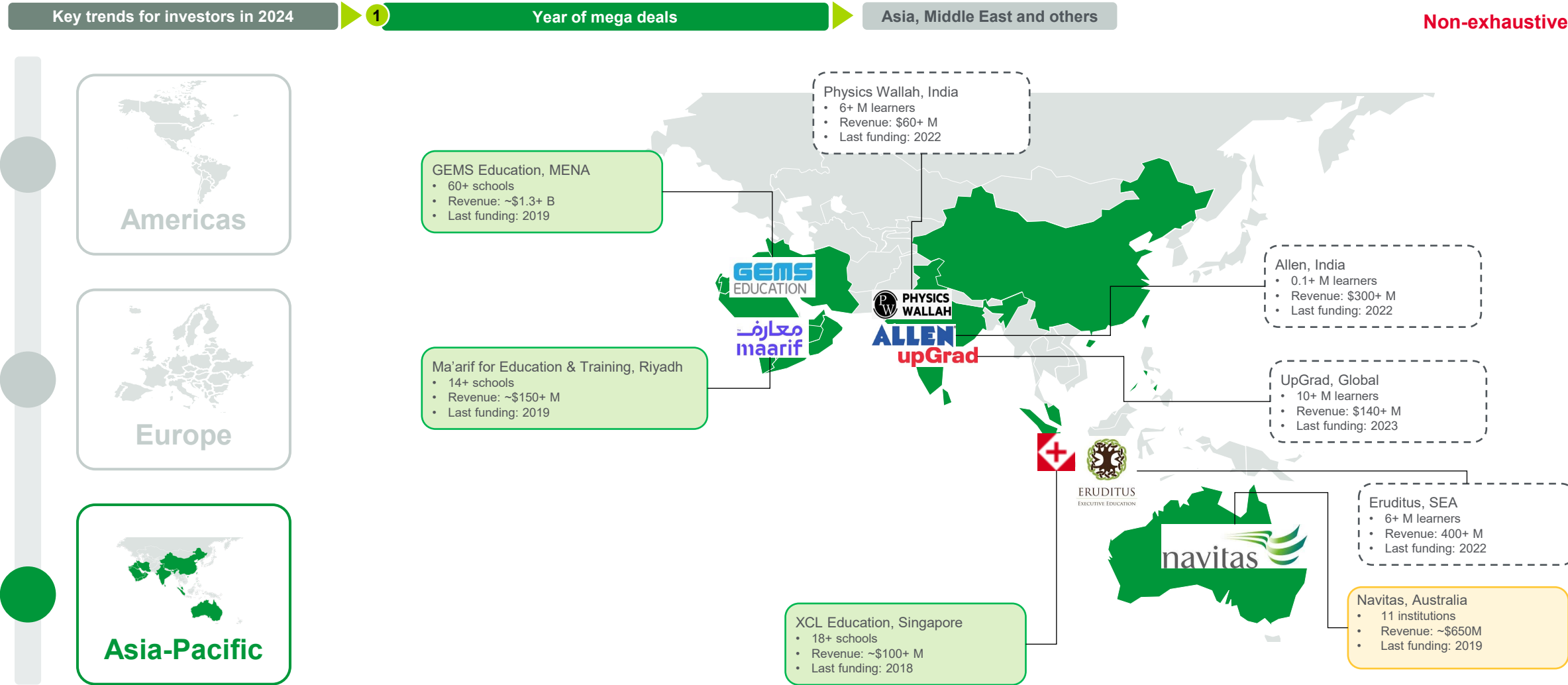
Source: Reuters; S&P Global; various news articles and press releases; Mergermarket; Cap IQ; L.E.K. research and analysis

Many assets in the education sector that had transactions prior to 2021 may hit the market again to raise more capital (2/3)



Source: Reuters; S&P Global; various news articles and press releases; Mergermarket; Cap IQ; L.E.K. research and analysis

Many assets in the education sector that had transactions prior to 2021 may hit the market again to raise more capital (3/3)



Note: MENA=Middle East and North Africa; SEA=Southeast Asia
Source: Reuters; S&P Global; various news articles and press releases; Mergermarket; Cap IQ; L.E.K. research and analysis

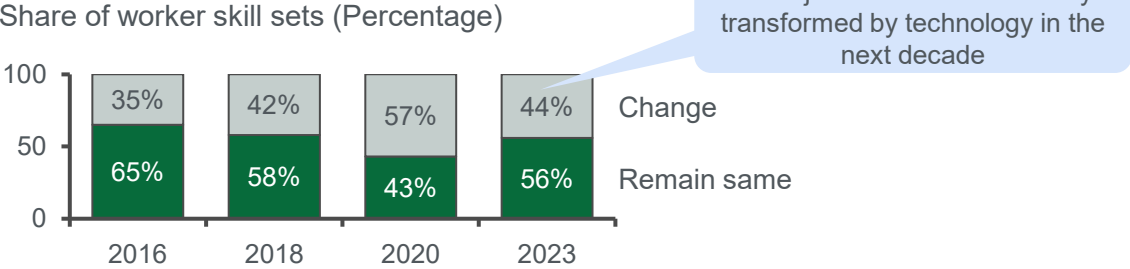
Employers anticipate a ~40% disruption in workers' skills through 2027, prompting companies to prioritize on-the-job training and automation for efficient business strategies

Key trends for investors in 2024 **2** Upskilling/reskilling focus

Employers estimate that 44% of workers' skills will be disrupted through 2027

Analytical thinking and creative thinking appear as the priority skills for corporate upskilling strategies in 2023-27

Expected evolution in share of worker's core skills (global) (2016-23)

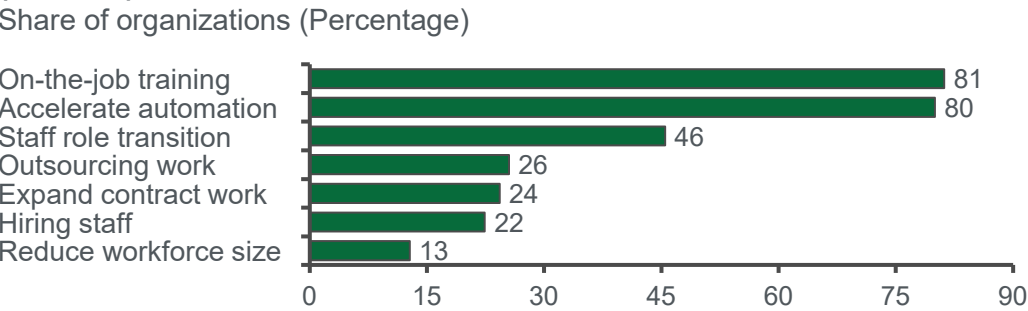


Global reskilling and upskilling focus* of organizations, by offering (2023-27)



Companies prioritize learning and on-the-job training and automation to achieve business goals efficiently

Global distribution focus of workforce strategies, by strategy type (2023-27)



Note: *Highlighting the top 10 focus areas from the listed 26
Note: AI=artificial intelligence
Source: World Economic Forum - Future of Job Surveys 2023; L.E.K. research and analysis

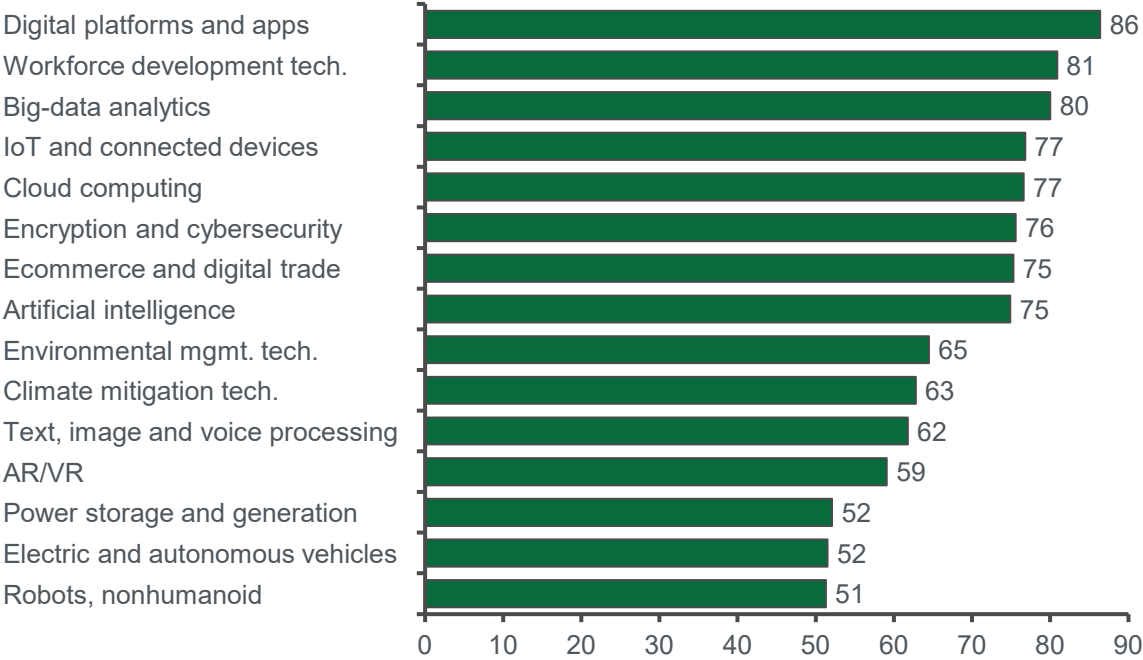
Technology, digitalization and sustainability are driving growth, with 75% of companies willing to adopt AI, big data and cloud technologies

Key trends for investors in 2024 **2** Upskilling/reskilling focus

The fastest-growing roles are driven by technology, digitalization and sustainability; more than 75% of companies are looking to adopt big data, cloud computing and AI features through 2027

Expected adoption of technology globally, by type (2023-27)

Share of organizations (Percentage)

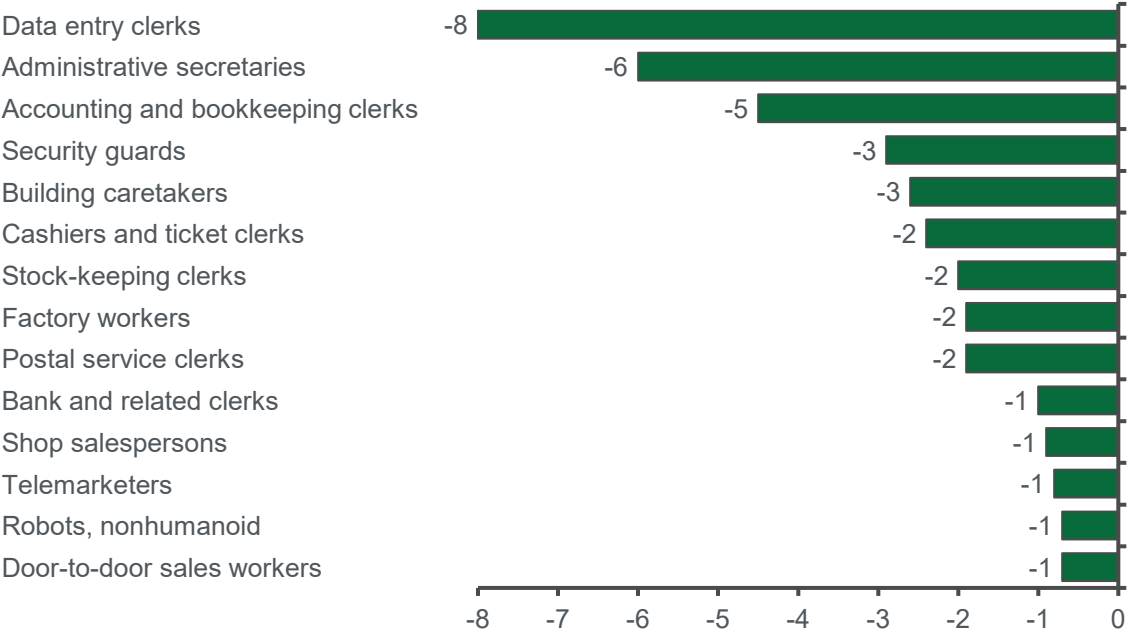


Note: AI=artificial intelligence; AR/VR=augmented reality/virtual reality; IoT=internet of things
Source: World Economic Forum - Future of Job Surveys 2023; L.E.K. research and analysis

The fastest-declining roles relative to their size today are driven by technology and digitalization

Estimated global job decline, by occupation type (global) (2023-27)


Millions of jobs



The adult learning (upskilling, reskilling and new skilling) sector is plagued with multiple challenges, due to which many companies in the sector are not financially sustainable



Limited measurement of outcomes



High dropout rates



Risk of cost of acquisition

Key challenges

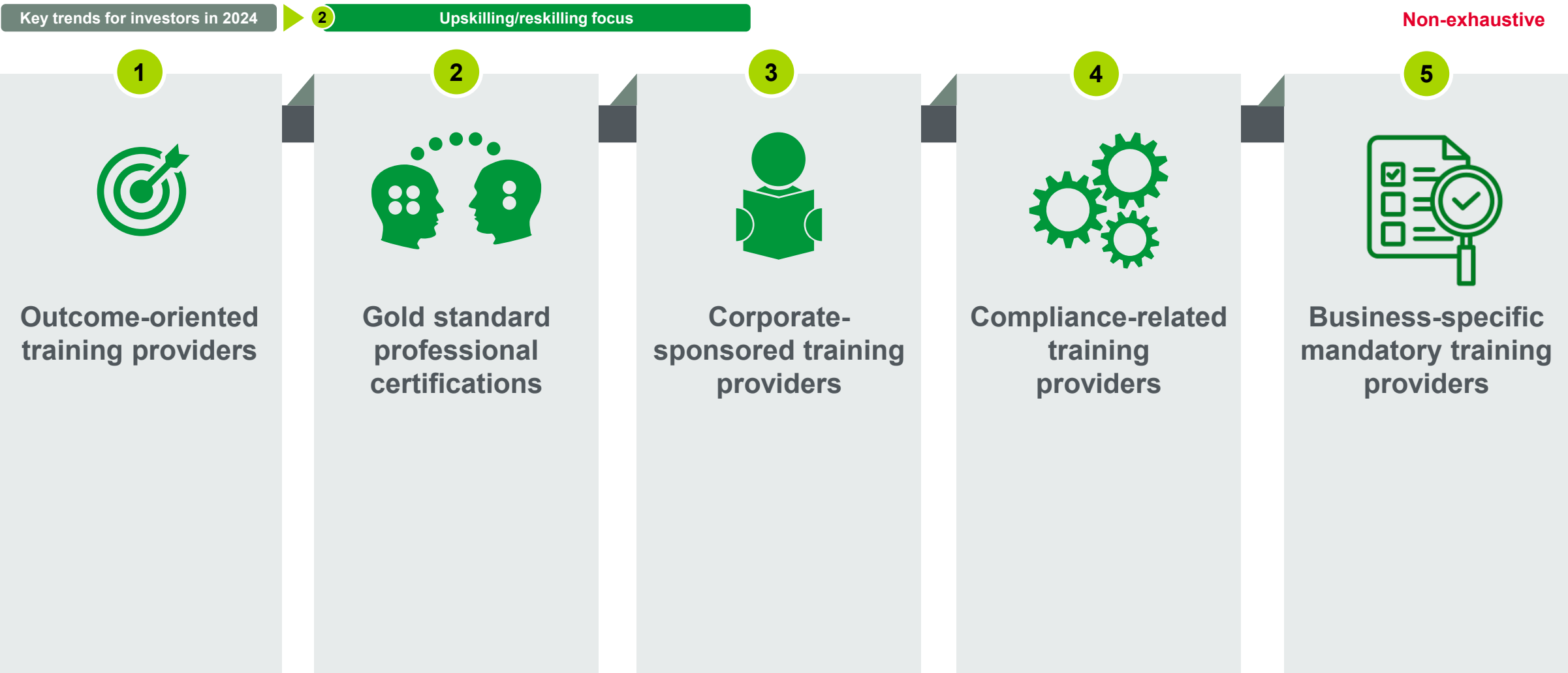
Traditional methods often fail to adequately measure outcomes such as knowledge check, job placement and practical skill application, leading to incomplete learning experiences

Traditional methods frequently experience elevated dropout rates due to various factors such as time constraints, lack of engagement or ineffective teaching methodologies

Conventional upskilling/reskilling methods can incur substantial expenses, posing a significant financial risk for individuals or organizations

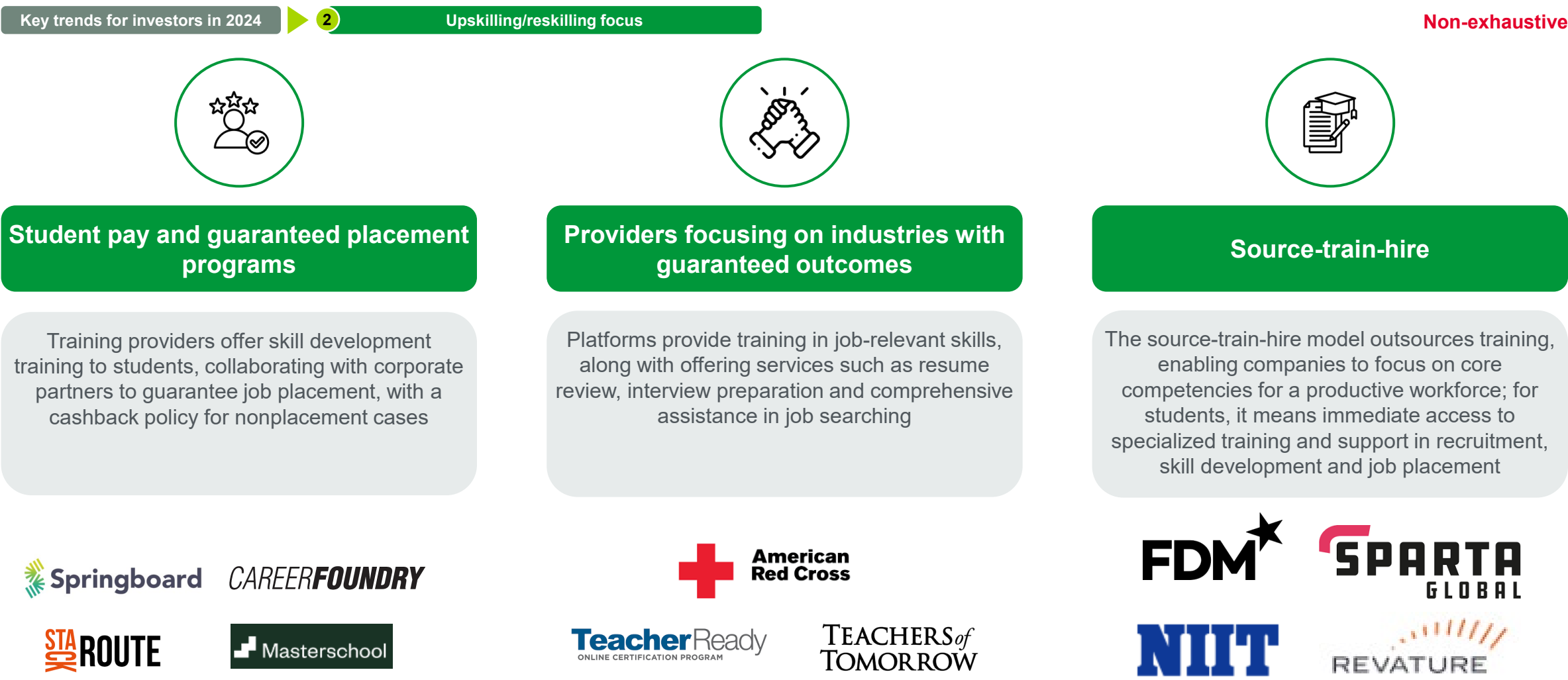
Due to these challenges, not all companies in the adult learning sector are financially viable

Based on L.E.K. Education practice’s experience, the following models have demonstrated scale and financial viability



Source: L.E.K. research and analysis




Outcome-oriented training providers either provide a guaranteed outcome to the student or focus on an industry that structurally has guaranteed outcomes for learners



Gold standard professional certification courses from top companies/HEIs can significantly aid individuals in securing jobs, increasing salaries and enhancing productivity





Gold standard proprietary certification providers

Gold standard certification providers offer in-house programs to train professionals, ensuring mastery of knowledge and skills according to organizational standards; these programs uphold industry benchmarks and best practices

 Project Management Institute <p>PMI has developed a gold standard certification course, Project Management Professional, focused on best industry practices in the field of project management</p>	 AXELOS <p>Axelos offers a globally recognized and established project management course, PRINCE2, that offers a structured, scalable and tailorable approach to project management</p>	 ACAMS <p>CAMS (Certified Anti-Money Laundering Specialist) is the global gold standard in AML certifications, with more than 40,000 CAMS graduates worldwide</p>
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Gold standard affiliated certification providers

These providers offer gold standard programs developed by prestigious institutions like Google, AWS, Microsoft, MIT and other top leaders, ensuring high-quality training aligned with industry standards

 ERUDITUS EXECUTIVE EDUCATION <p>Eruditus offers the best executive education programs from the world's top business schools - Columbia, INSEAD, Harvard, etc.- for professionals</p>	 XED <p>XED partners with top-tier universities such as Oxford, Cornell, Chicago Booth, etc., for high-impact executive education programs</p>	 PLURALSIGHT <p>Pluralsight offers gold standard certifications from Google, AWS and Azure that are widely recognized in the industry</p>	 global alumni -excellence or nothing- <p>Global Alumni partners with top-tier universities such as MIT, Chicago Booth, etc., for gold standard executive education programs</p>
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Note: HEIs=higher education institutions; AML=anti-money laundering
Source: PMI; Axelos; ACAMS; Eruditus; XED; Pluralsight; Global Alumni website; L.E.K. research and analysis

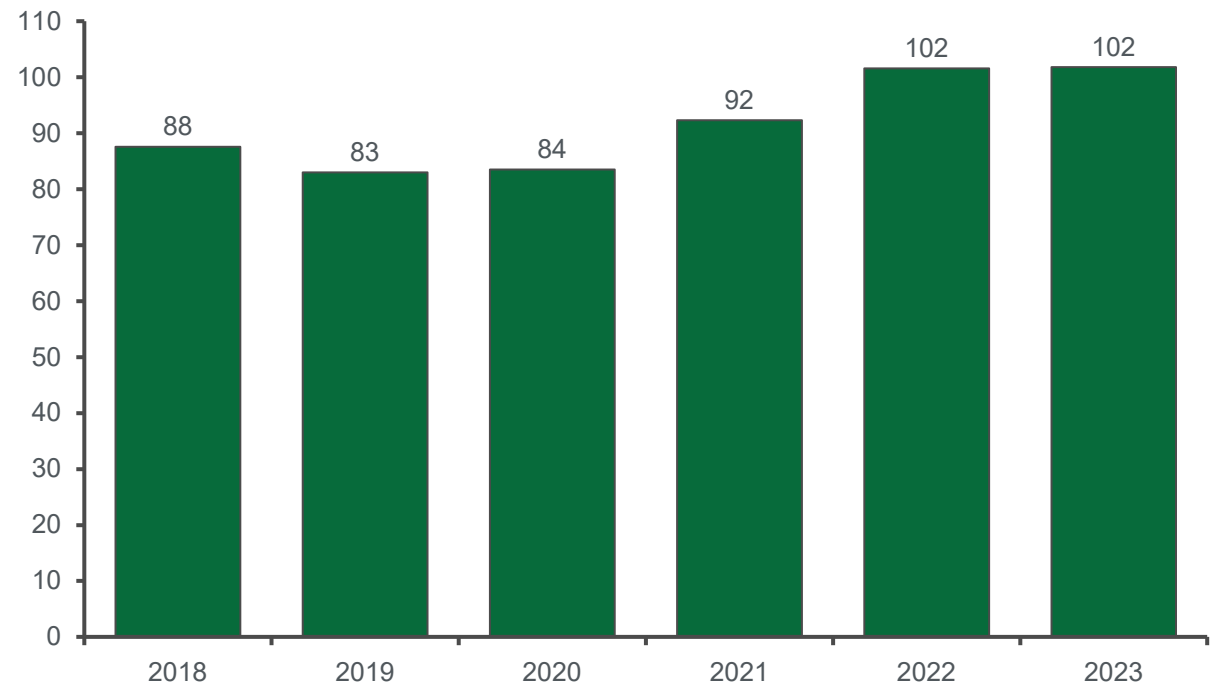
Corporate spending on training and learning has increased, indicating that B2B training providers present a promising avenue for growth and development

Key trends for investors in 2024 **2** Upskilling/reskilling focus

Non-exhaustive

Funding for training in the US has witnessed sustained growth over a six-year period, ending in 2023

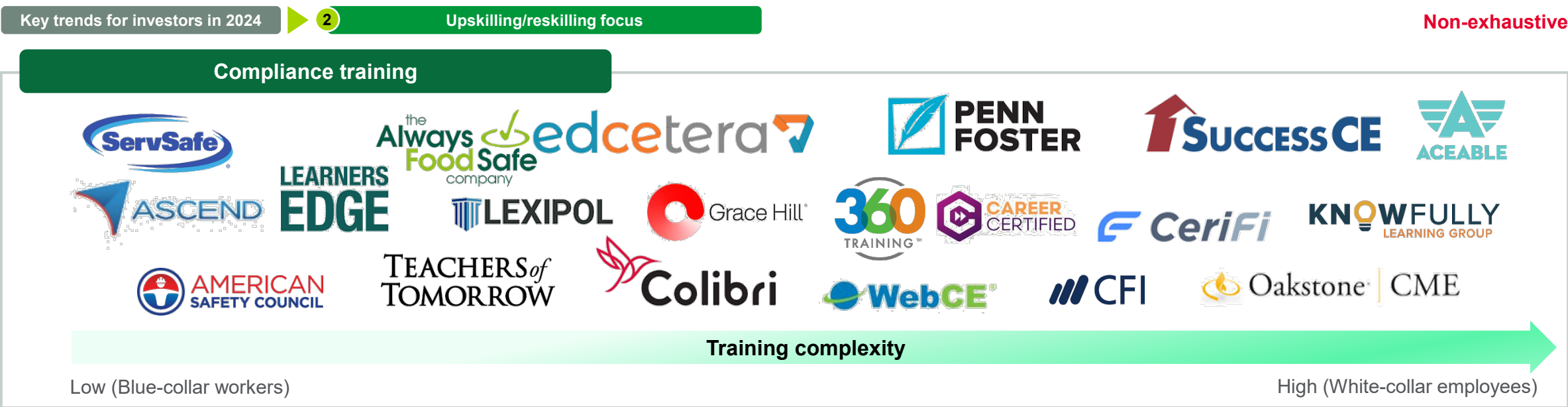
Training expenditure, US
USD (billions)
2018-23



Some major B2B training providers







Note: B2B=business-to-business
Source: 2023 Training Industry Report; L.E.K. research and analysis

A significant rise in compliance training providers is driven by increased regulatory scrutiny, rising costs of noncompliance, and increased awareness of ethics and corporate responsibility



- Key insights
- There are many compliance training providers that offer a range of courses and programs to help businesses and organizations stay up to date with the **latest regulatory requirements** and **industry standards**
 - Compliance training providers, mostly functioning in the **Business to Professional segment**, are paid for by either employees (to upskill themselves) or employers (to provide employees with the latest training for the firm to be law compliant)
 - The training for compliance skills **ranges across different levels and complexities of job roles**, from blue-collar jobs to white-collar employees; the level of sophistication of the job (example: ranging from blue-collar to white-collar jobs) determines the salary scale of the job function and complexity of compliance program requirements

Industry-specific mandatory training providers

Key trends for investors in 2024		2	Upskilling/reskilling focus	Non-exhaustive
Industry	Mandatory/essential certification	Provider		
 Accounting/ financial services	CPA, CFA, CFP, CFA, FRM	Wiley Efficient Learning Fitch Learning		
 Technology	Microsoft Certified: Azure administrator associate, CCNA, CISSP	Cisco Networking Academy CBT Nuggets INE PLURALSIGHT		
 Insurance	CPCU and other essential certifications	The Institutes CPCU Society WebCE		
 Hospitality	Certified Hospitality Supervisor, Certified Hotel Administrator, ServSafe Food Handler Certification etc.	AHLA		
 Healthcare	BLS (Basic Life Support), ACLS (Advanced Cardiac Life Support), Certified Nursing Assistant (CNA) and others	ProCPR By ProTrainings NursingCE by ati Healthcare Academy eLearning and eCompetencies		
 Legal	Certified Paralegal	Quimbee barbrī		

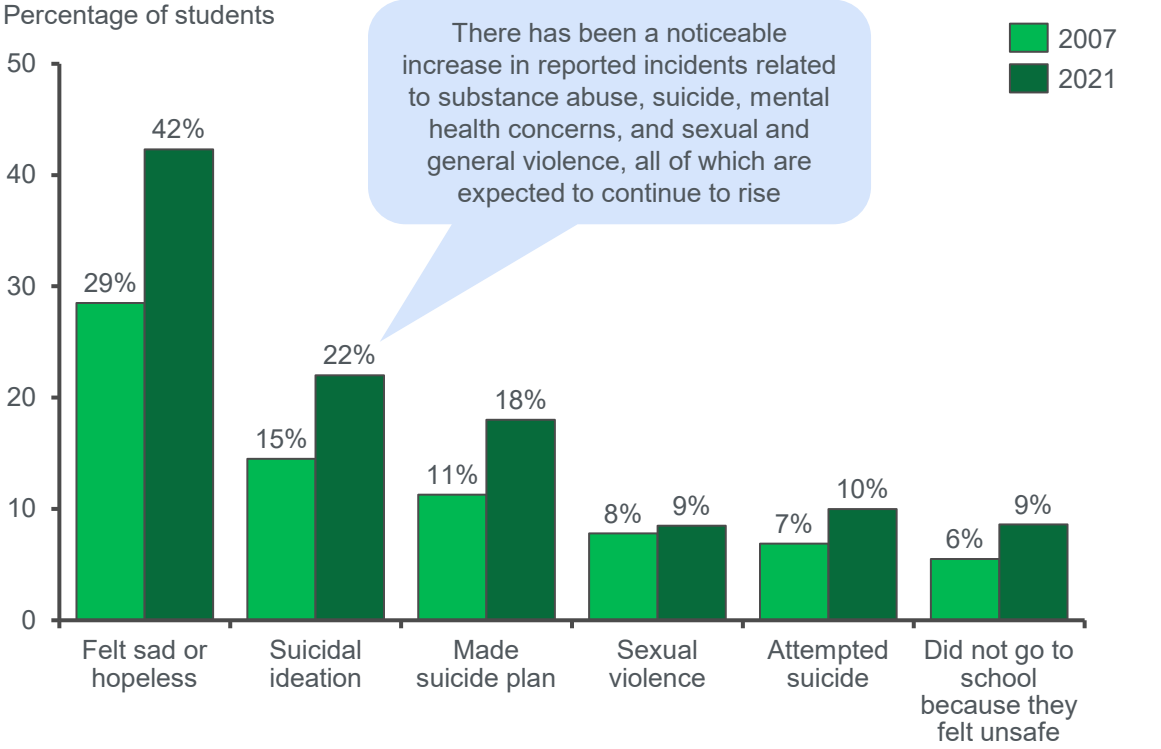
Source: L.E.K. research and analysis

School safety incidents and mental health crises among students have seen a significant rise over the years, driven by loneliness, limited mental health support and the post-COVID-19 lifestyle

Key trends for investors in 2024 **3** Prioritizing student safety and mental well-being

Safety-related incidents and teen loneliness

Change in percentage of students reporting safety-related incidents at US high schools (2007-2021)

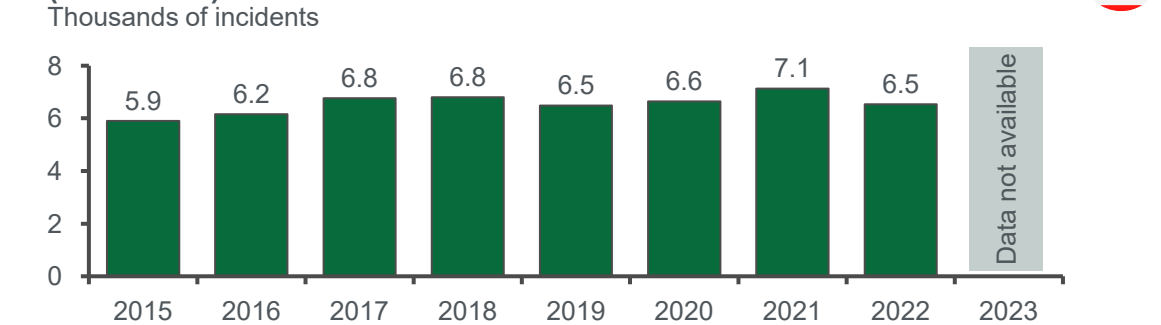


Lack of mental health support

Mental health of children aged 8 to 16 in the UK (2017-2023)

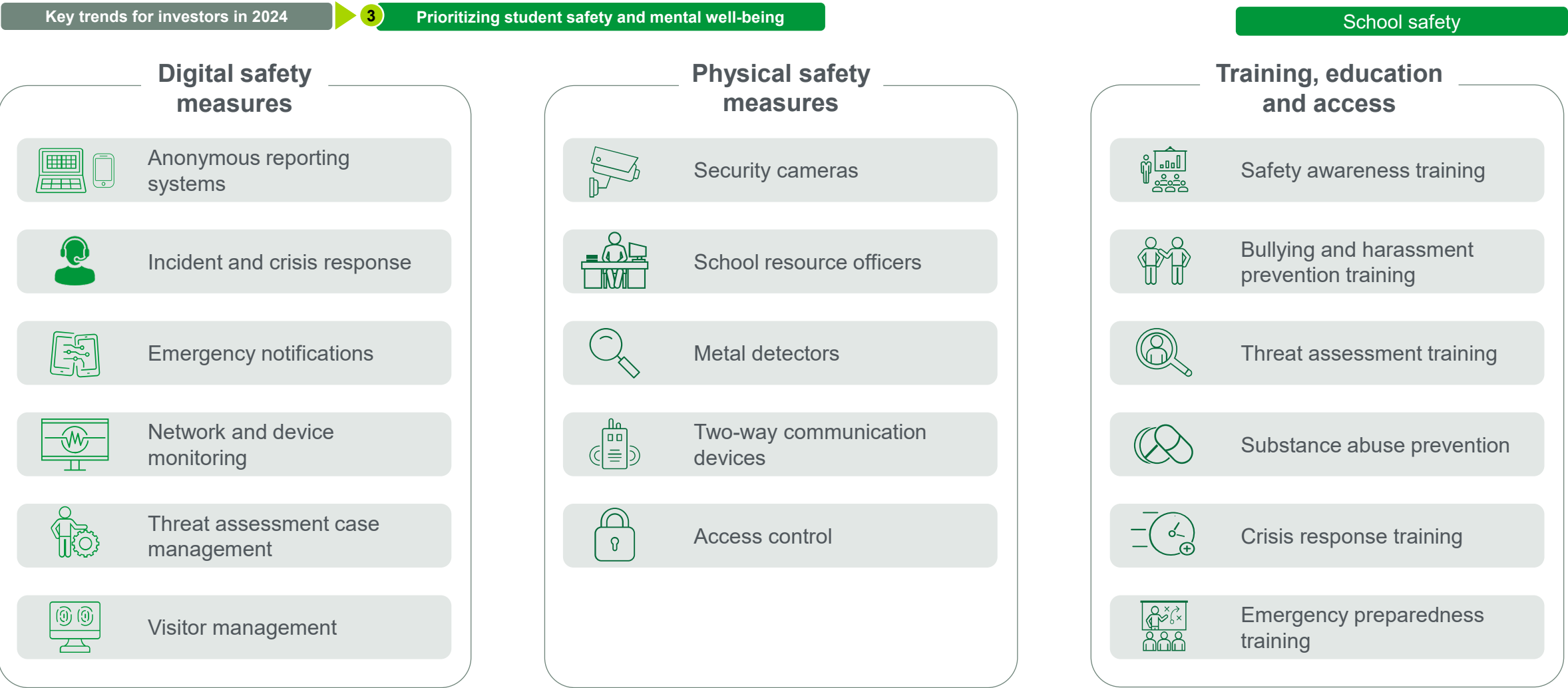


Number of youth suicides aged 10 to 24 in the US (2001-2022)



Source: National Health Service; Centers for Disease Control and Prevention; Korea Disease Control and Prevention Agency; National Center for Education Statistics; L.E.K. research and analysis

In response, schools will look to provide a mix of physical and digital safety measures to ensure student safety, and conduct training and education of staff, students and administrators





In FY23 the US federal government spent ~\$2.2B in direct funding to address school safety and mental health, and the UK government allocated £1.1B for child mental health support for FY24

Key trends for investors in 2024

3

Prioritizing student safety and mental well-being

The BSCA is the largest and most recent federal legislation related to school safety





















Region	Funding initiative	Description*	Proposed allocation
	Bipartisan Safer Communities Act (BSCA)	Provides funds for a variety of programs focused on school safety, mental health services and crisis intervention programs and secured \$4.6B of funding over a five-year span	~\$580M** (FY23)
	Student Support and Academic Enrichment grants	Grants aimed at improving student achievement across three categories, supporting well-rounded education, safe and healthy schools, and the effective use of technology	\$1.4B (FY23)
	Project Advancing Wellness and Resilience in Education	Supports activities that identify children in need of mental health services, increase access to mental health treatment, and promote mental health literacy among teachers and school personnel	\$140M (FY23)
	Matching Grant Program for School Security	All grants are awarded to state, local and tribal governments for programs to address school violence and enhance school security	BJA: \$79M COPS: \$73M (FY23)
	NHS-funded mental health support for children and youth	The U.K. government has set out £1.1B to provide mental health services for children and young people In 2022-23, ~3.4M pupils/learners were supported by the mental health support teams, i.e., ~35% coverage for pupils in schools and learners in further education in England	£1.1B (FY24)
	Senior mental health lead training	Department for Education is offering a grant of £1,200 in the 2023-2024 financial year for eligible state-funded schools and colleges to train a senior mental health lead	£1,200 (per institution, FY24)

Notes: *Most of the grants are recurring in nature and depend on year-to-year fiscal appropriations; however, the BSCA is currently only established for five years; **BSCA funding is split over five years starting in 2022 with allocations starting in 2023, and includes school safety and mental health specific appropriations

Note: BJA=definition; COPS=definition; NHS=National Health Service; CRS=definition; DOE=definition; DOJ=definition; DHHS=definition

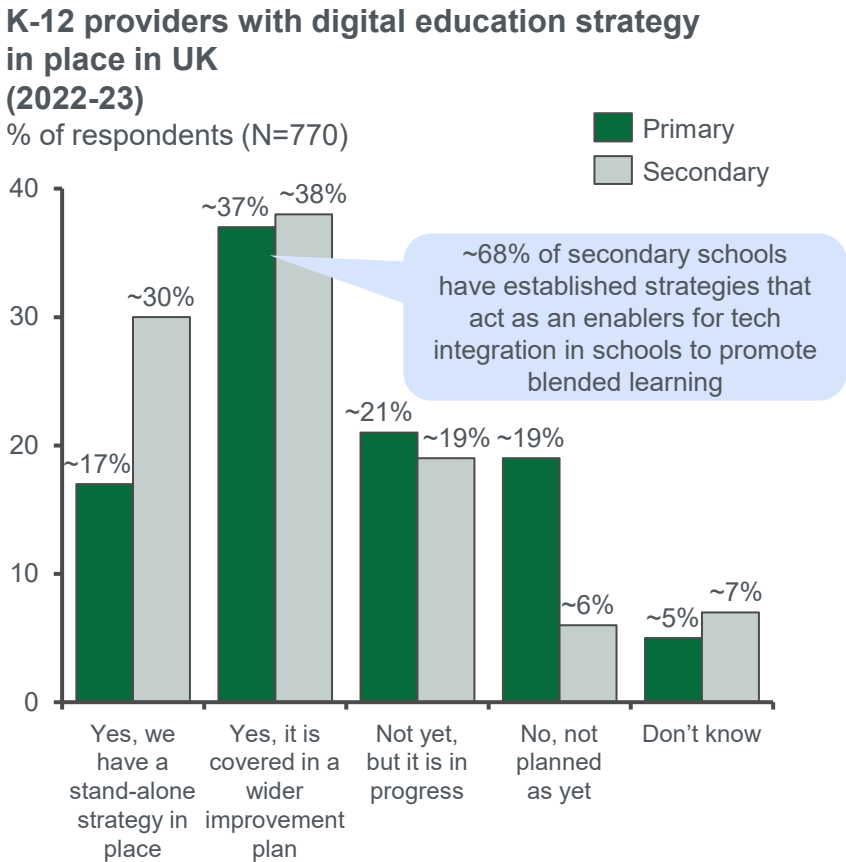
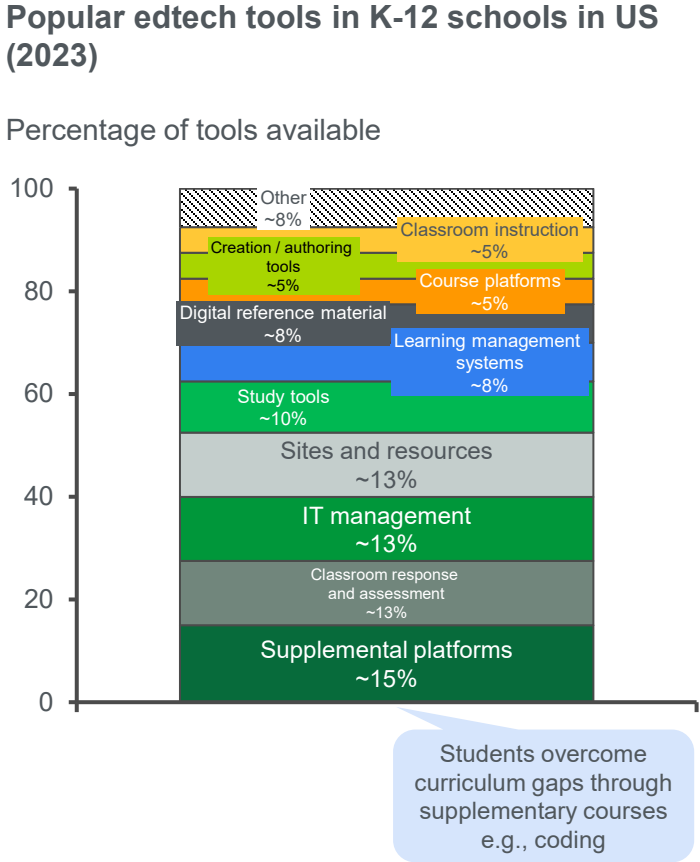
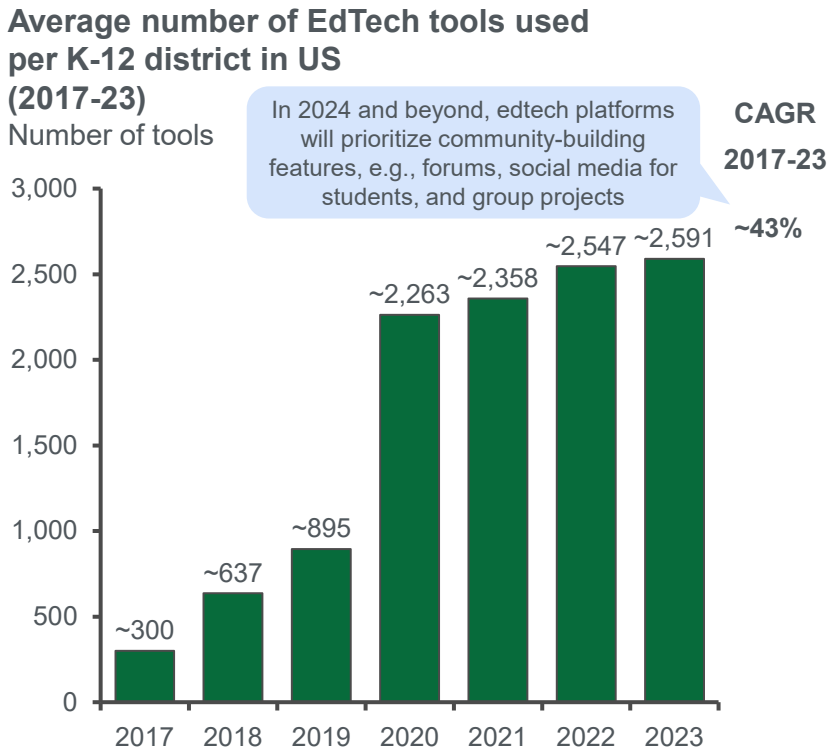
Source: CRS; DOE; DOJ; DHHS; Department for Education and Department of Health & Social Care, U.K.; L.E.K. research and analysis

The broader K-12 safety software ecosystem includes social scanning solutions used to identify potential threats and track student sentiment

Key trends for investors in 2024		3	Prioritizing student safety and mental well-being	Non-exhaustive	
K-12 safety software ecosystem		Description		Sample vendors	
Social scanning		<ul style="list-style-type: none"> Products that enable organizations to scan and monitor internal and external communication channels to proactively identify potential threats Solutions may also include sentiment tracking of keywords, anonymous tip tools, and additional capabilities to focus on specific events, venues or people 		<div>   </div> <div>    </div> <div>    </div>	
Behavioral threat assessments		<ul style="list-style-type: none"> Solutions that help assess the level of threat a particular student or faculty member may pose to the broader organization or themselves Functionalities may include tools to document, track, monitor and manage each case to assess the threat and respond accordingly 		<div>  </div> <div>   </div>	
School device monitoring and filtering		<ul style="list-style-type: none"> Software solutions intended to monitor school-issued devices for harmful/inappropriate behavior or content Schools can utilize these solutions to block certain websites or even remotely manage a student's device 		<div>   </div> <div>   </div>	
Emergency management solutions		<ul style="list-style-type: none"> Solutions that allow schools to prepare for and respond to organizational threats and risks Specific features may include call lists, digital flip books, site mapping and student reunification tracking 		<div>   </div> <div>    </div>	

Source: L.E.K. research and analysis

K-12 schools have seen a rapid adoption of content and tools driven by the pandemic, and education tools and technology continue to be a critical agenda for educators

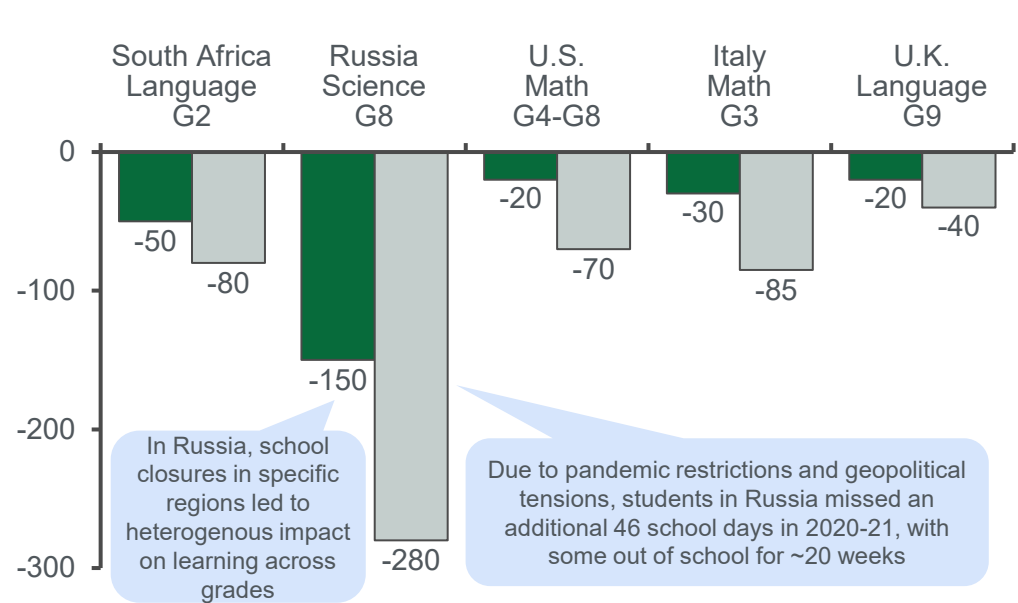


K-12 schools are leveraging the potential of edtech to strengthen curriculum, teaching and learning

Source: Statista; Instructure; Technology in Schools Survey 2022-2023 - Department of Education U.K.; L.E.K. research and analysis

The lower test scores evidenced in 2023 highlight that there is further scope for improvement and bridging the learning gap, which will be a continued focus for educators and policymakers

Students in 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 school year, by year type (2021)

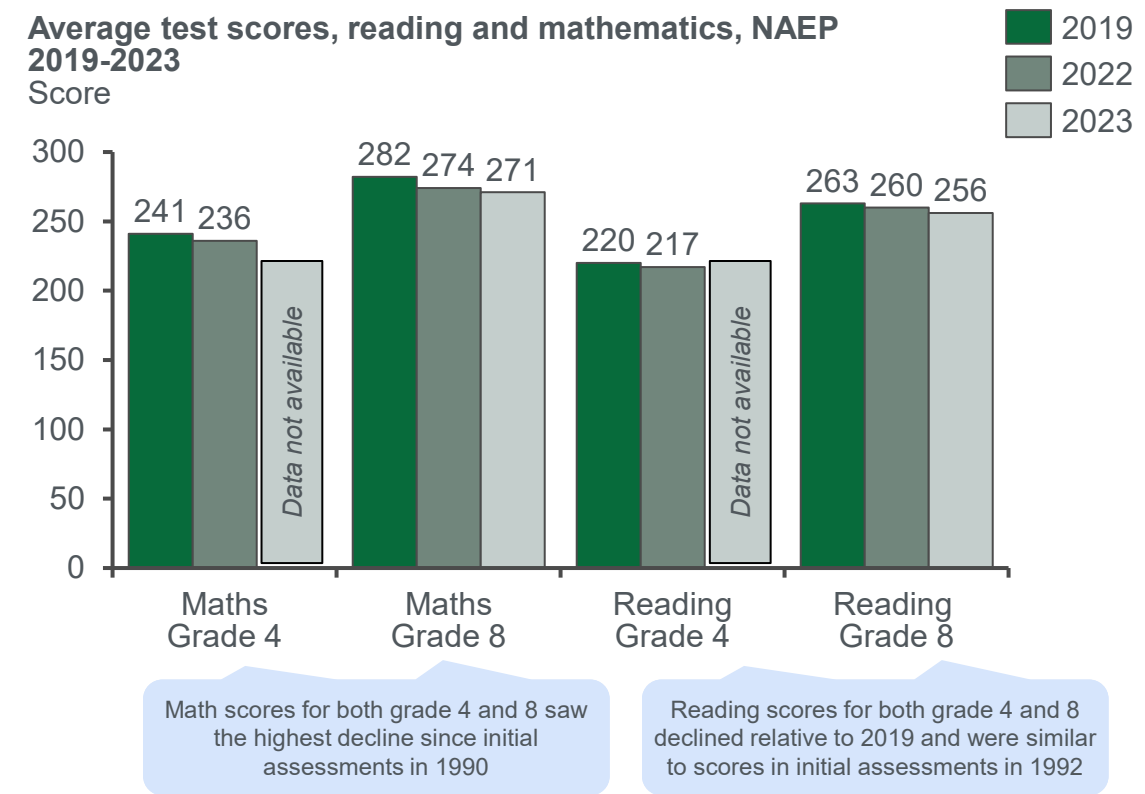
- Share of learning loss expected in one school year*
- Share of learning loss expected in pandemic school year

Note: *Learning loss in one normal school year occurs when students face interruptions, gaps or discontinuities in their education due to absenteeism, ineffective teaching, extended breaks (summer vacations), interruptions in formal education, dropout scenarios, etc.

Source: The State of the Global Education Crisis: A Path to Recovery, Glossary of Education Reform; UNICEF; National Center for Education Statistics; L.E.K. research and analysis

Case study: US

NAEP test scores for Mathematics and Reading are lower in 2023 relative to 2019



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

Key trends for investors in 2024 4 Solutions to bridge learning gap

Non-exhaustive

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

Assessments and tutoring



Assessment tools to **identify learning gaps** and offer **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



Source: National Center for Education Statistics; L.E.K. research and analysis

Examples of some of the large deals from 2023 in the assessments and tutoring space

Key trends for investors in 2024

4

Solutions to bridge learning gap

Kahoot!

- Kahoot! accepted an all-cash PE bid from Goldman Sachs, with co-investors General Atlantic, KIRKBI and Glitrafjord AS, valued at ~1.7B NOK, to become fully private
- Kahoot! is a **game-based e-learning and assessment platform** that brings engagement to more than 1B players at school, work and home

nwea

- Houghton Mifflin Harcourt Co. (HMH) acquired Northwest Evaluation Association for ~\$360M, although total terms of the deal is undisclosed. HMH is a Veritas Capital portfolio company.
- NWEA provides **evidence-based assessment and learning** solutions to educators, serving over 16M students across 5K+ schools

tutor.com™

A Service of The Princeton Review

- Tutor.com, along with its subsidiary Princeton Review of Orange County Inc., has been acquired by Primavera Capital Management Ltd for ~\$300M
- Tutor.com offers **live tutoring, on-demand assistance, personalized support** and comprehensive resources, essential for students seeking academic success

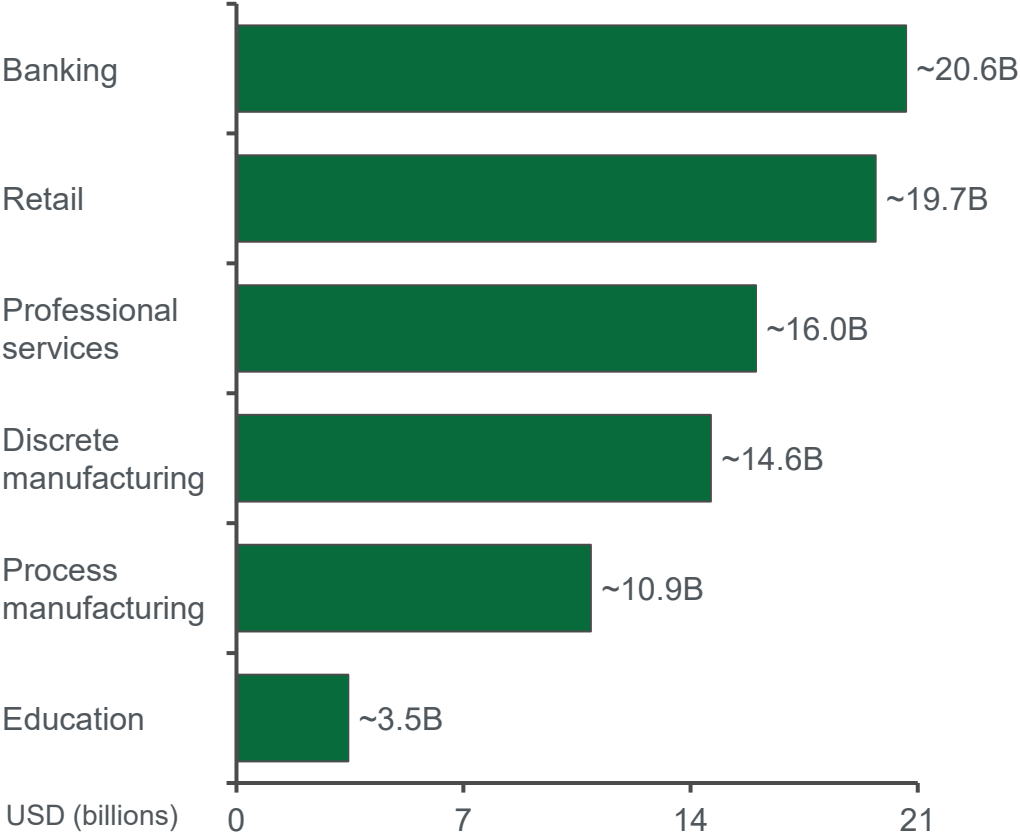


Financial sponsors are consistently expressing interest in cutting-edge solutions within the assessment and tutoring sector

Education made up only ~2% of the estimated total global spend of ~USD 154B on AI-centric technologies and software systems in 2023

Key trends for investors in 2024 5 Gen AI yet to disrupt education

Estimated global spend on AI-centric systems, by industry* (2023)



Note: *This spend is non-exhaustive, does not include multiple other sectors with spend values less than process manufacturing
Source: IDC, Statista, Market Research Future, L.E.K. research and analysis

Reasons for limited adoption of AI in education



Lack of technical expertise

Implementation of AI in education is impeded by a lack of technical expertise, underscoring the critical necessity for educators to receive training to integrate AI into teaching practices



Uncertainty in ROI

Demonstrating a clear ROI for AI in education has proven challenging due to the absence of measurable improvements in learning outcomes or cost savings, and uncertainty of long-term benefits



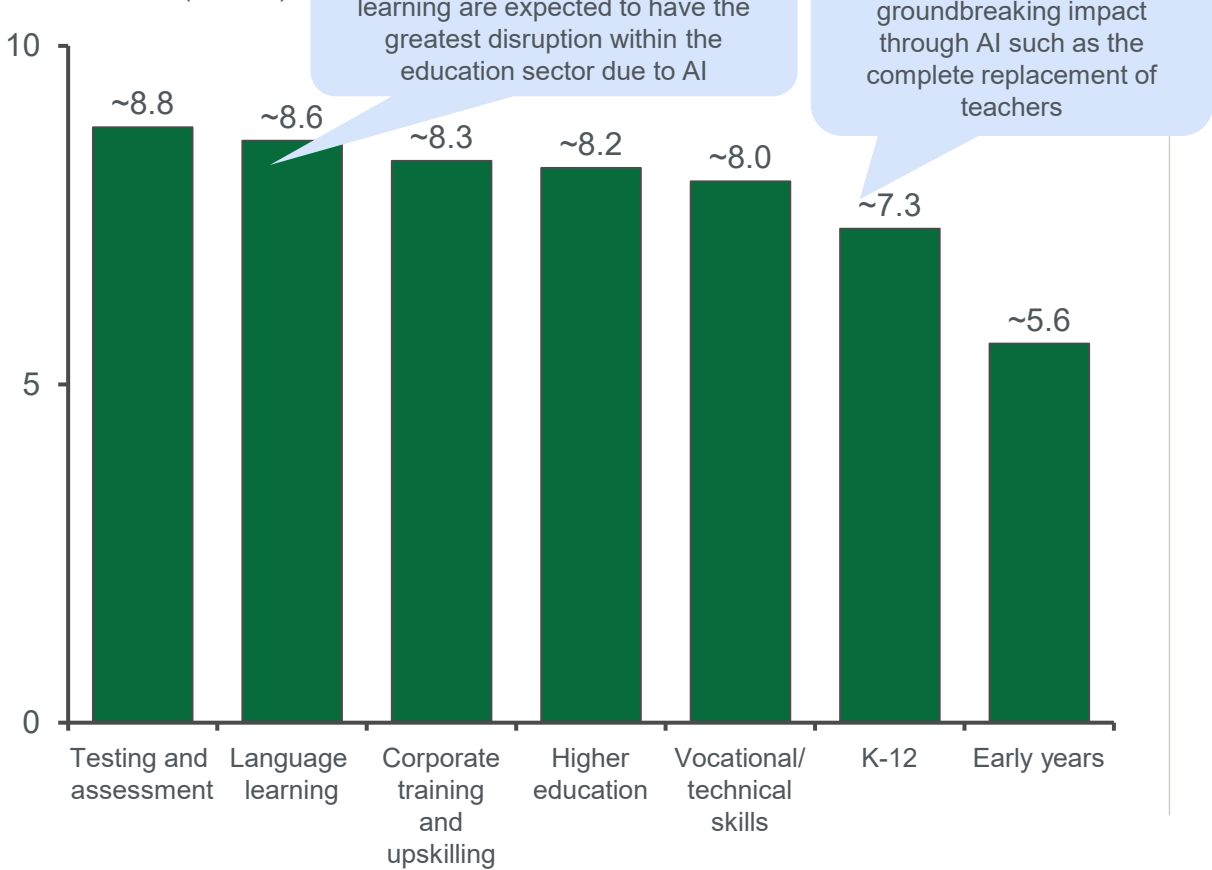
Absence of standardized policies

AI has witnessed fragmented adoption in educational institutions facing challenges due to the absence of clear policies and SOPs for scaling AI across diverse educational contexts

While educators debate the risks and opportunities of GenAI as a learning tool, they are yet to witness the transformative impact from AI, acknowledging its untapped possibilities

Impact of AI technologies on education segments (2023)

Scale of 1-10 (N=464)



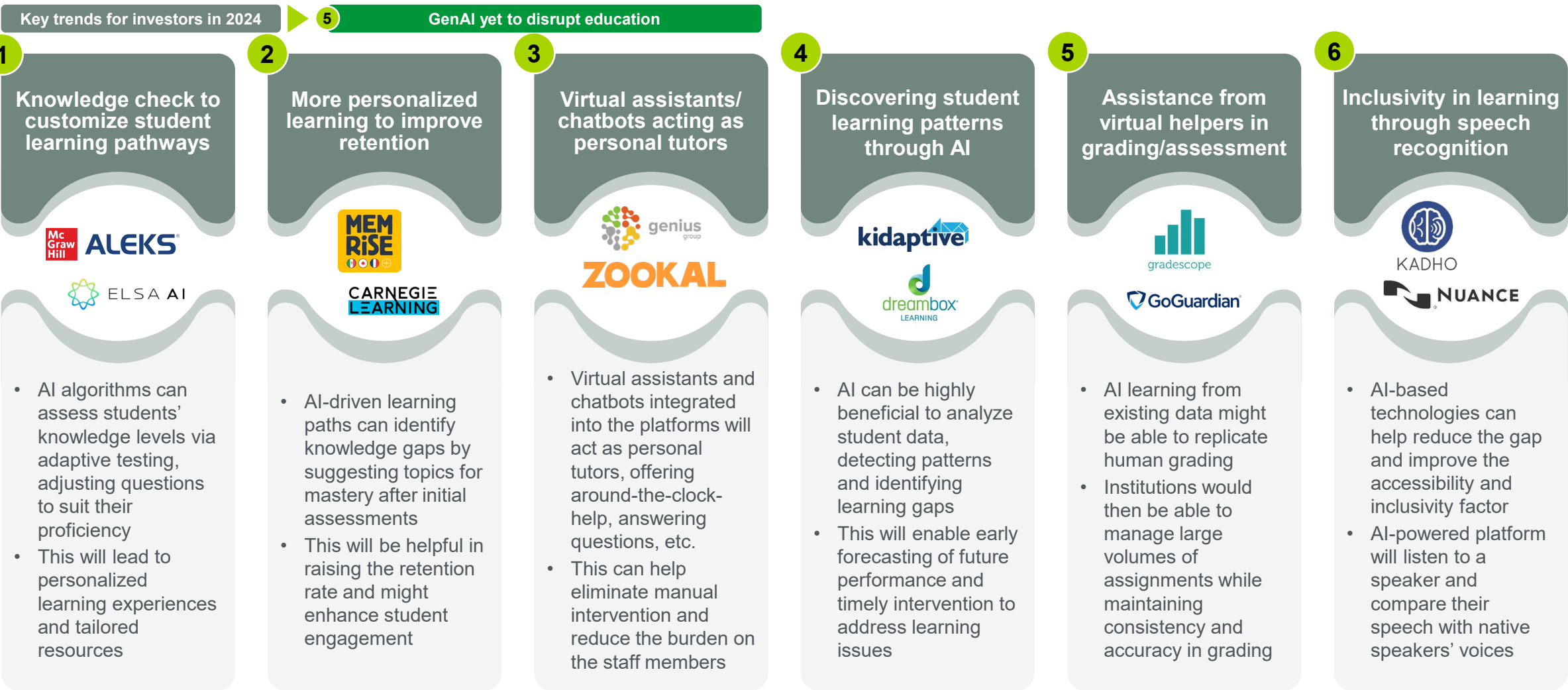
- As stakeholders consider the emerging value AI may create, there are high expectations for **areas of education where curriculum creation, assessment and feedback are central to operations**
- Over time, GenAI could parse the huge amounts of data for companies **providing corporate learning and development additional support** in making more-informed decisions about program development
- GenAI remains in the **early stages of adoption for schools and universities, providing supplementary support** rather than reinventing the student learning experience

Morgan Stanley

*“GenAI could actually enhance the overall learning experience, by **cutting down on administrative work** and maximizing human interaction, as well as by **reskilling or upskilling workers** whose jobs have been affected by the technology.”*
— Analyst, Morgan Stanley

Source: Morgan Stanley; Holon IQ; L.E.K. research and analysis

AI-based technologies have brought incremental change to the test preparation, tutoring and language training landscape; however, they have not instigated a revolutionary shift thus far



Source: L.E.K. research and analysis

Case study: Edtech companies leveraging AI to offer personalized learning experiences have garnered investments, signaling potential for scalability and enhancement of the overall student experience

Key trends for investors in 2024

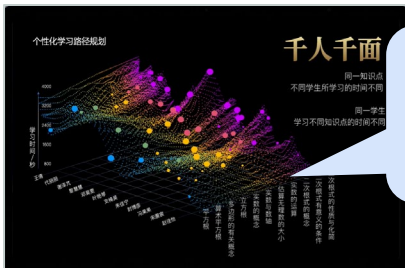
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GenAI yet to disrupt education



More personalized learning to improve retention

- China-based online educational technology firm specializing in intelligent adaptive learning solutions
- As of 2021, the company has raised a total funding of ~194M USD in ~3 rounds



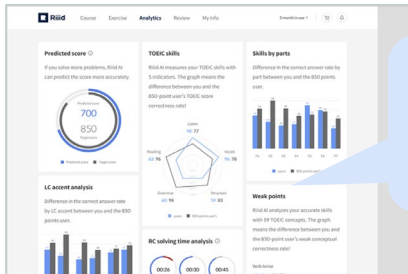
Analyzes the weak points of each student and customizes content to meet their individual needs

Reconstructs the knowledge map by analyzing errors and categorizing them into first- and second-level errors



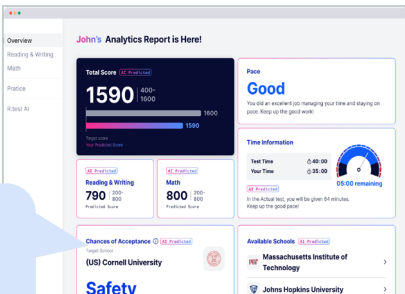
Virtual assistants / chatbots acting as personal tutors

- AI-powered platform offering tailored plans and resources to meet the educational requirements of education companies, schools and students
- In 2021, Riiid raised ~175M USD led by Softbank, bringing its total funding to ~250M USD



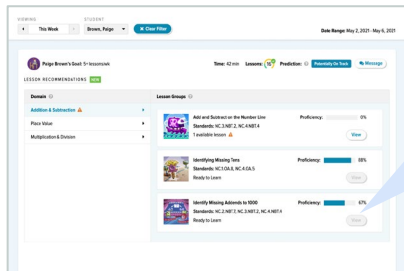
Users can get insights into their performance across various sections, including identifying areas of weakness.

Analytical insights on the likelihood of the user's acceptance to a college based on their current score



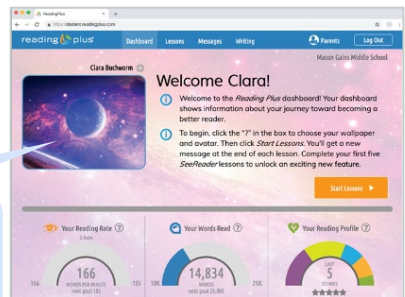
Discover student learning patterns through AI

- Provides adaptive math and language learning programs for students; raised ~175.6M USD in ~6 rounds
- In August 2023, Discovery Education acquired DreamBox Learning



Users can monitor progress and pinpoint gaps in understanding through Family Dashboard

For language learning, students are able to choose the stories and articles that interest them most



In the post-pandemic era, B2C edtech in India saw a resurgence of ‘offline’ education, filling learning gaps through a transition to brick-and-mortar models and adoption of blended learning solutions

Key trends for investors in 2024

6 B2C edtech transitions to brick and mortar in APAC

Shift in learning preferences



- As the pandemic gradually waned, the demand for online learning also subsided
- Colleges and learning centers reopened for offline classes, leading to a shift away from purely digital education



- Higher education and upskilling focused UpGrad is using offline to augment its online presence
- Expanded to 100 offline 'Connect and Counselling' centers and 'Learning Centers' to connect existing / potential learners and key stakeholders directly

Increase teacher-student connect



- Edtech companies are now eyeing a larger offline play, driven by the desire for social interaction and direct teacher-student engagement
- Education providers are leveraging both online and offline modes to cater to diverse student needs



- Physics Wallah, a test-prep and tutoring platform, invested heavily in its offline tech-enabled centers—called Vidyapeeths and Pathshalas
- The firm set up 63 offline centers in 34 cities in 2023, and plans to expand to ~100 such centers by 2024

Offline grows with online levers



- As the digital shift catalyzed by the pandemic remains, learners seek a balance between flexibility and in-person experience
- Test-prep and tutoring centers have seamlessly integrated online offerings into their models



- Capitalizing on its acquisition by the edtech platform BYJU'S, Aakash Institute introduced Aakash Live
- This web-based interface offers online tutorials comprising explanations, problem-solving and online tests to students in the comfort of their homes

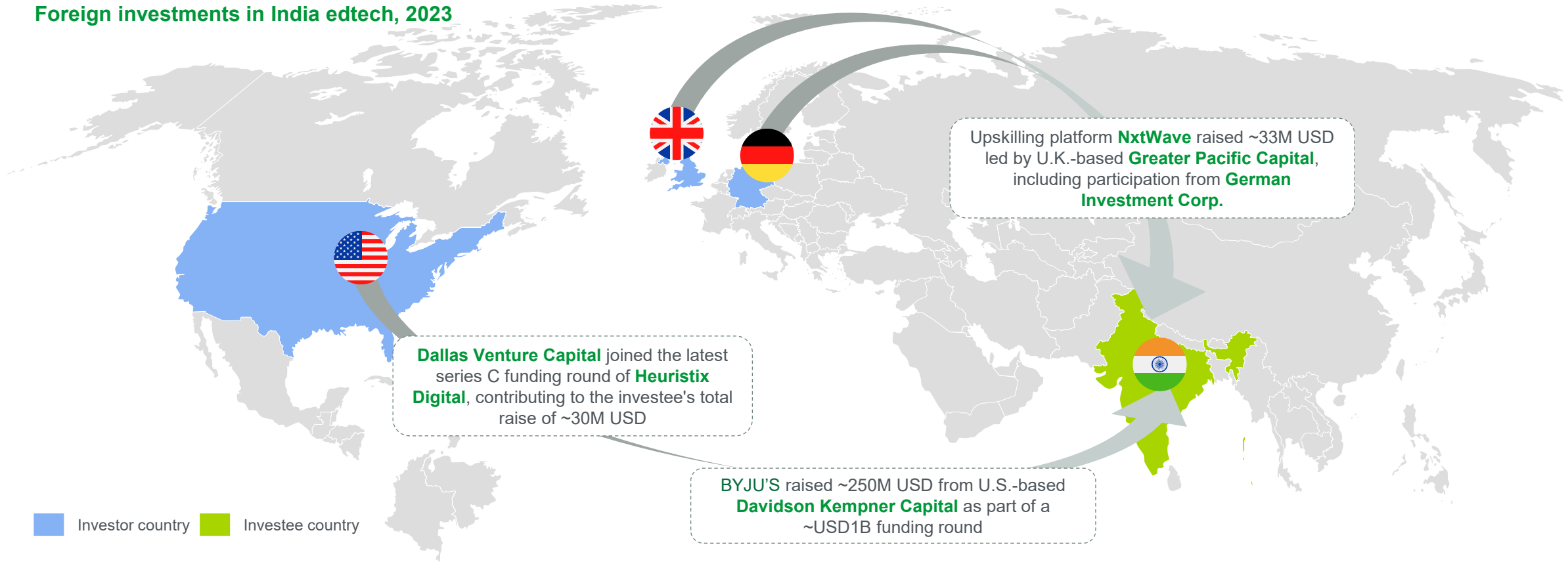
In 2024, going offline is expected to become part of the edtech playbook as companies zero in on blended learning while navigating India's evolving education landscape

India emerges as a global hotspot, attracting substantial PE/VC funding and underscoring the global resonance of solutions offered by its edtech companies

Key trends for investors in 2024 6 B2C edtech transitions to brick and mortar in APAC

Non-exhaustive

Foreign investments in India edtech, 2023



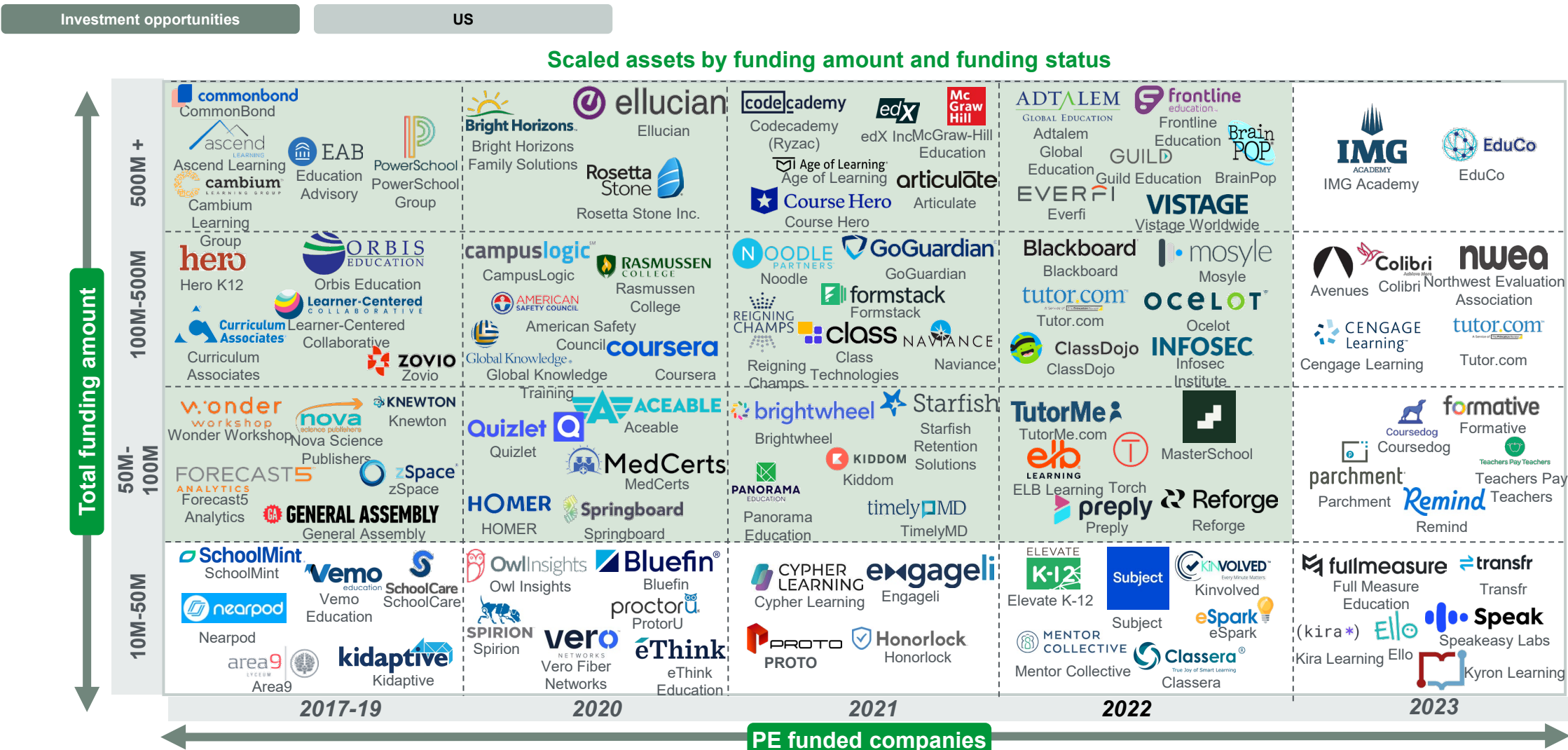
India's edtech companies, acknowledging the current lag in online education maturity compared to offline, position themselves for growth, making them appealing to global investors

Source: Mergermarket; Capital IQ; Crunchbase; L.E.K. research and analysis

Agenda

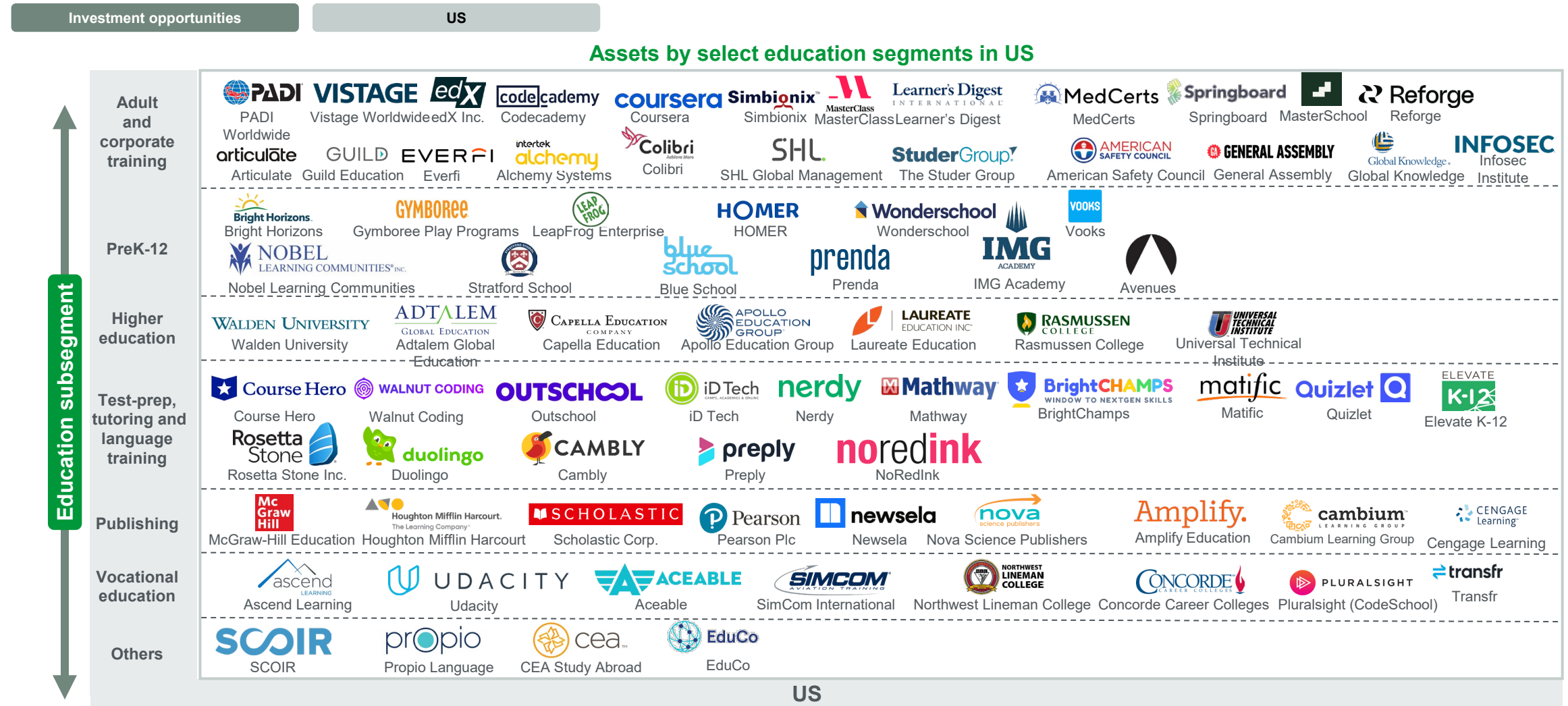
- Global education sector transactions
- Trends to watch out for in 2024
- **Potential assets to watch out for in 2024**

Companies that have received the last round of funding between 2017 and 2023 have been listed here;
these are potential companies to look out for in the next round of funding



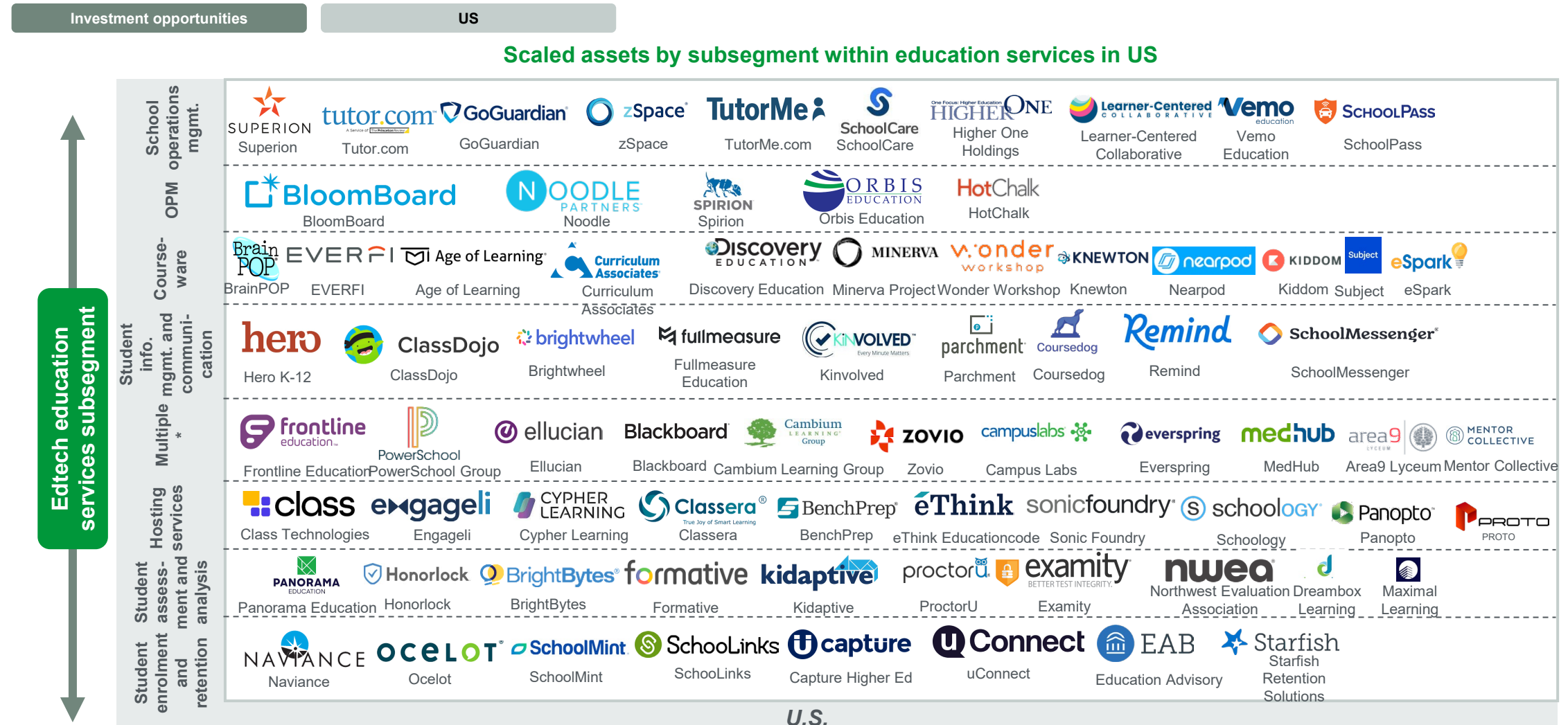
Source: Mergermarket; Capital IQ; Crunchbase; L.E.K. research and analysis

These can be classified by segment of focus



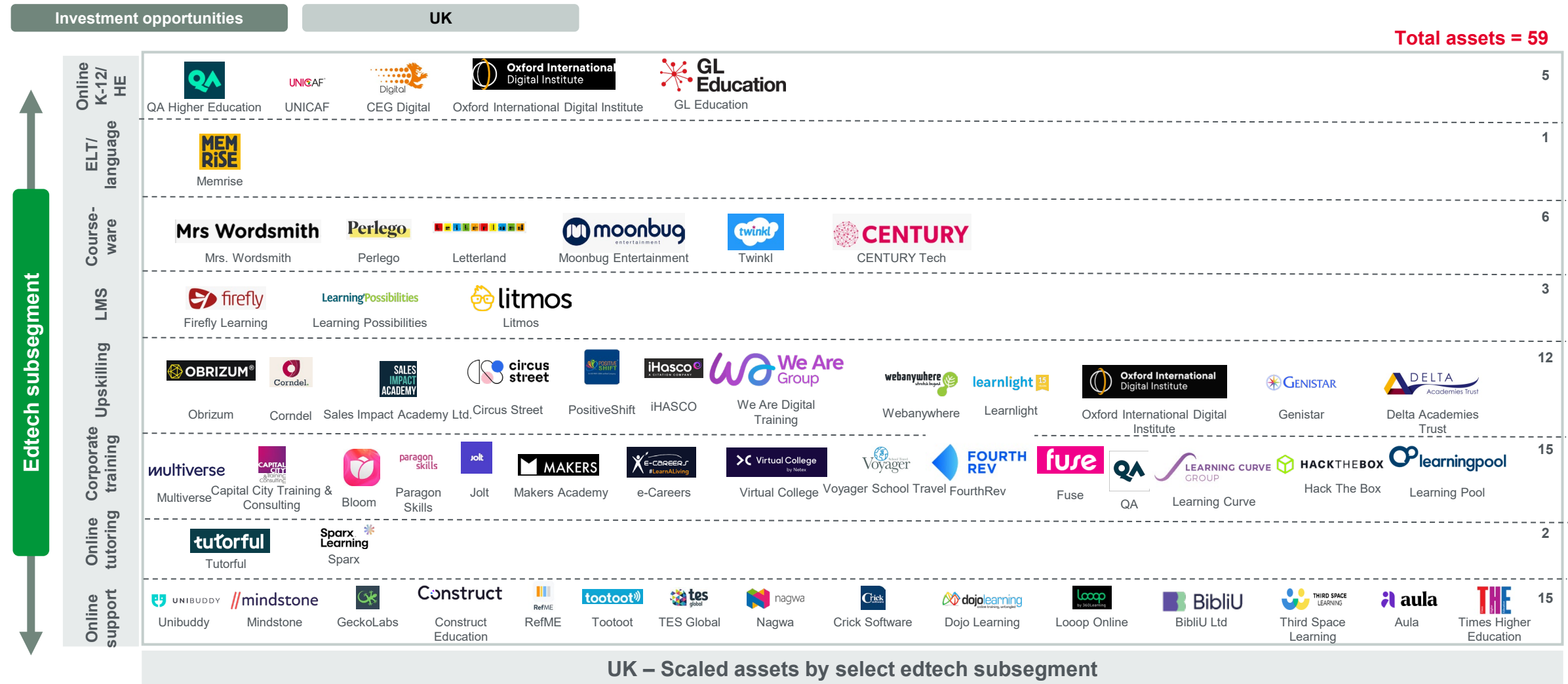
Note: Disclosed transactions >USD 20M from 2015 to 23 have been included
Source: Mergermarket; Capital IQ; Crunchbase; L.E.K. research and analysis

Within education services, the following received funding in the past five years



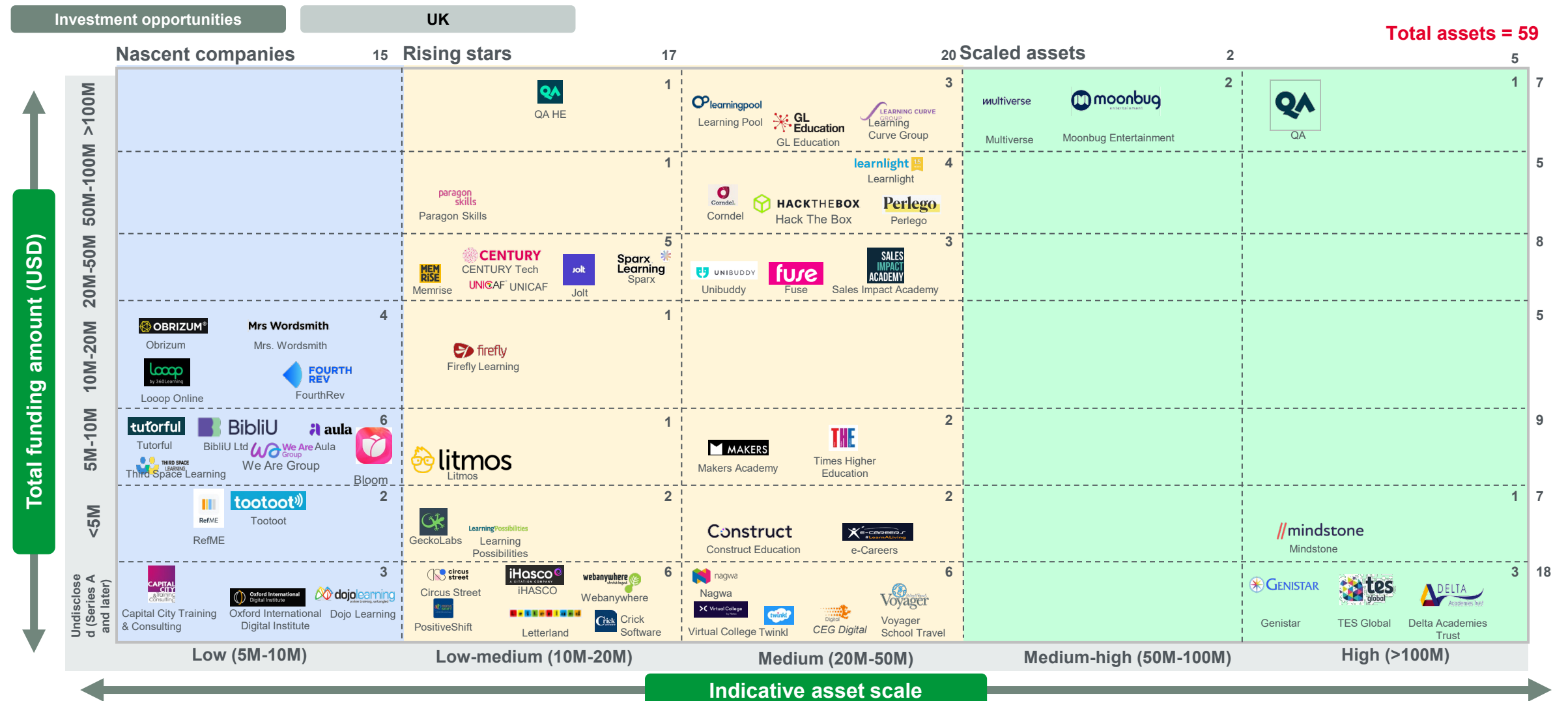
Note: *Includes scaled assets providing multiple education services
Source: Mergermarket; Capital IQ; Crunchbase' L.E.K. research and analysis

Online support services for higher education institutions/schools, corporate training and upskilling have the highest number of scaled 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 and L.E.K research and analysis

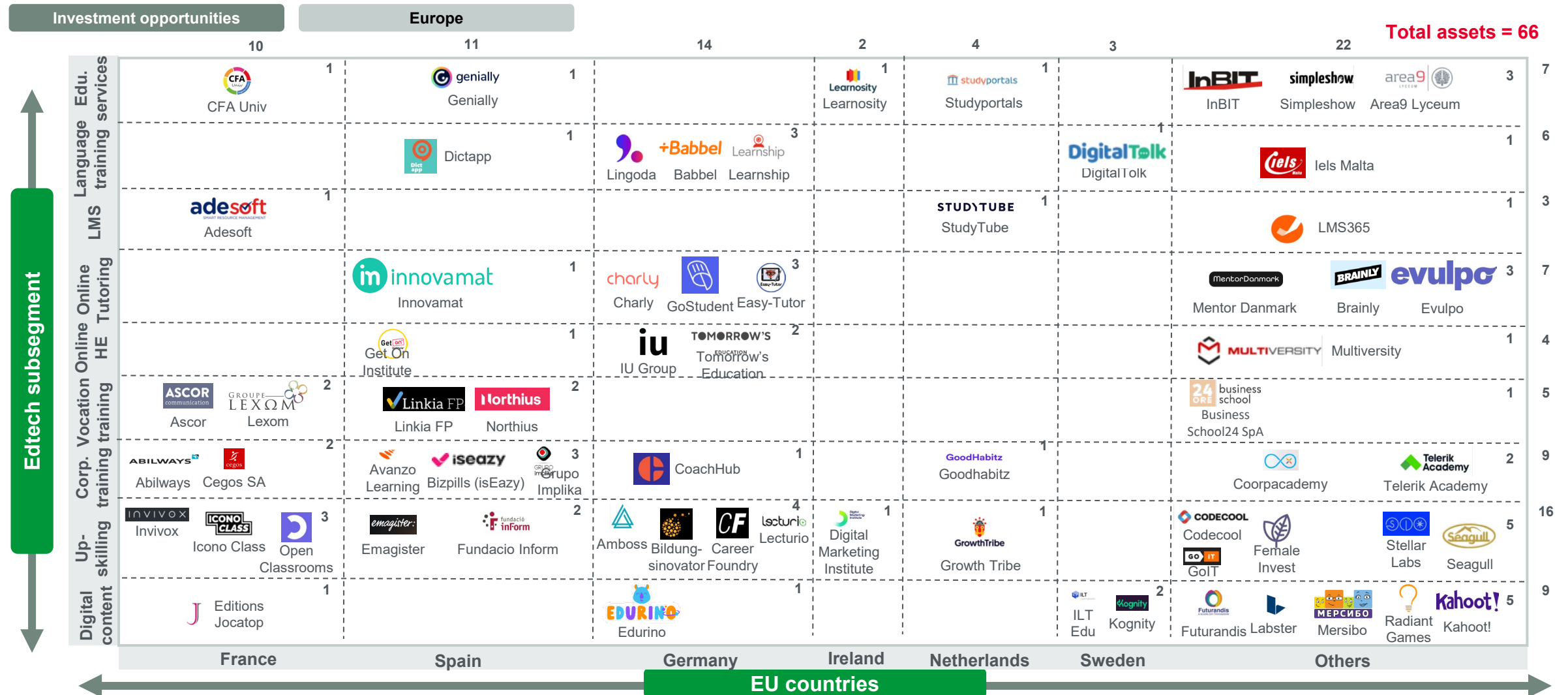
Assets with demonstrated scale and fundraising track record can be prioritized from the identified list as nascent companies, rising stars and scaled assets



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

Non-exhaustive, based on reported data;
does not capture transactability of asset

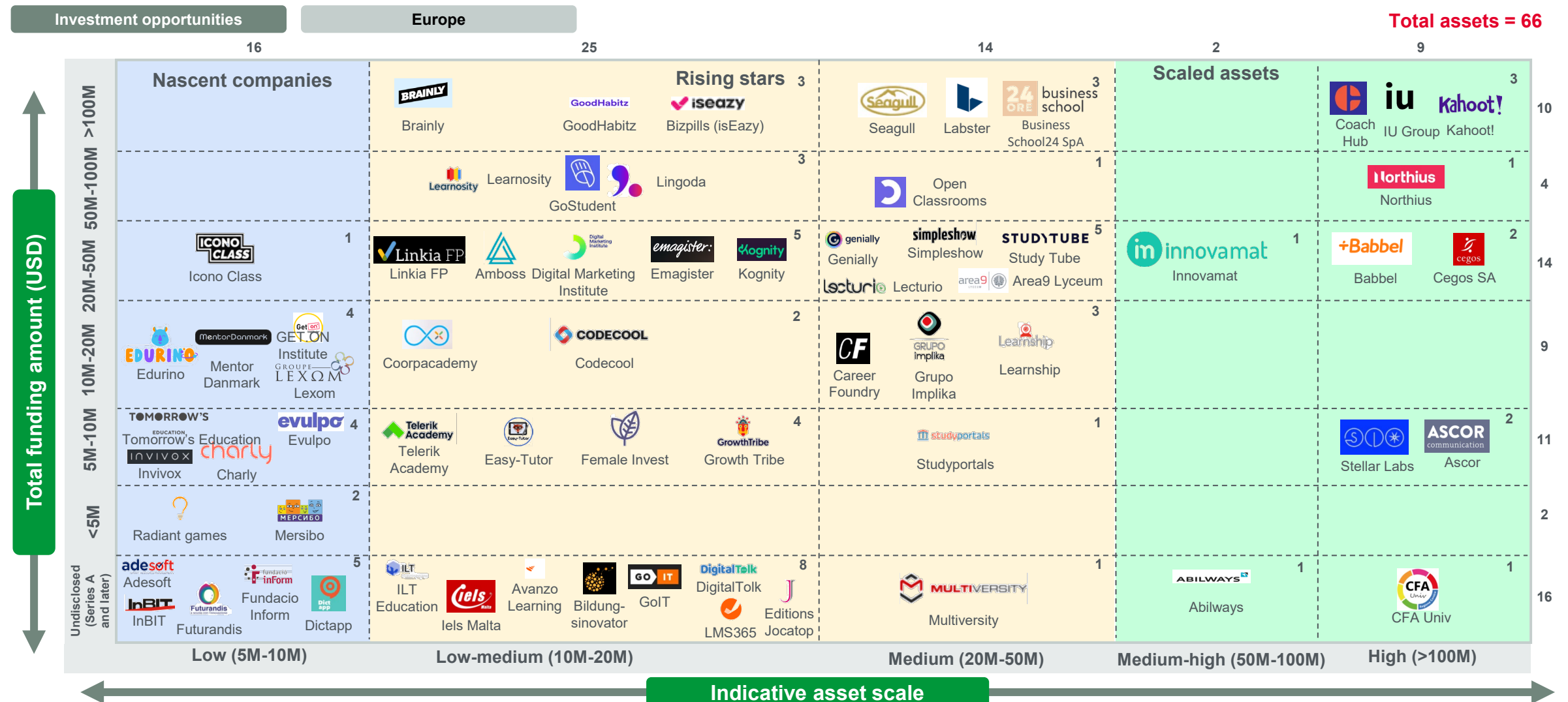
Upskilling, digital courseware and education support services in Europe have the highest number of scaled assets, coming from different parts of Europe such as France, Germany, Sweden, etc.



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

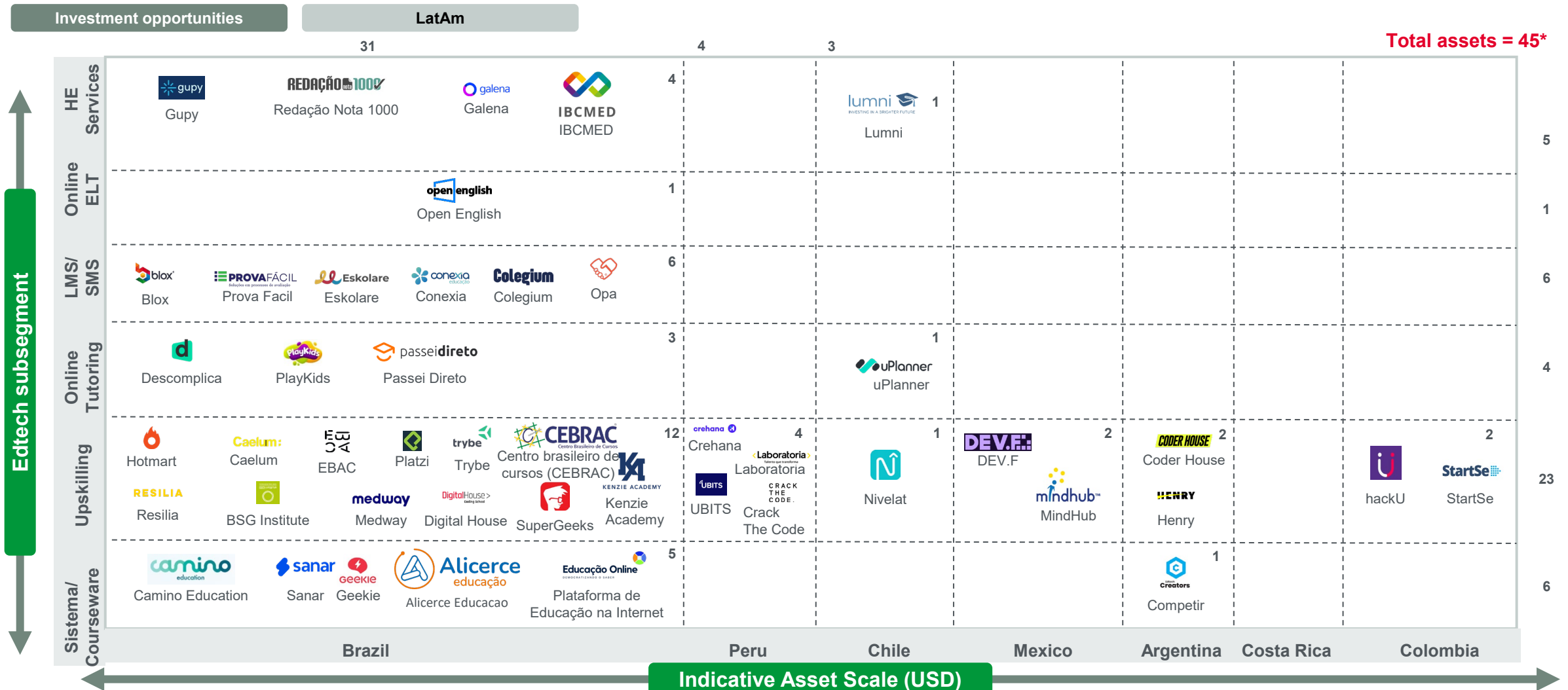
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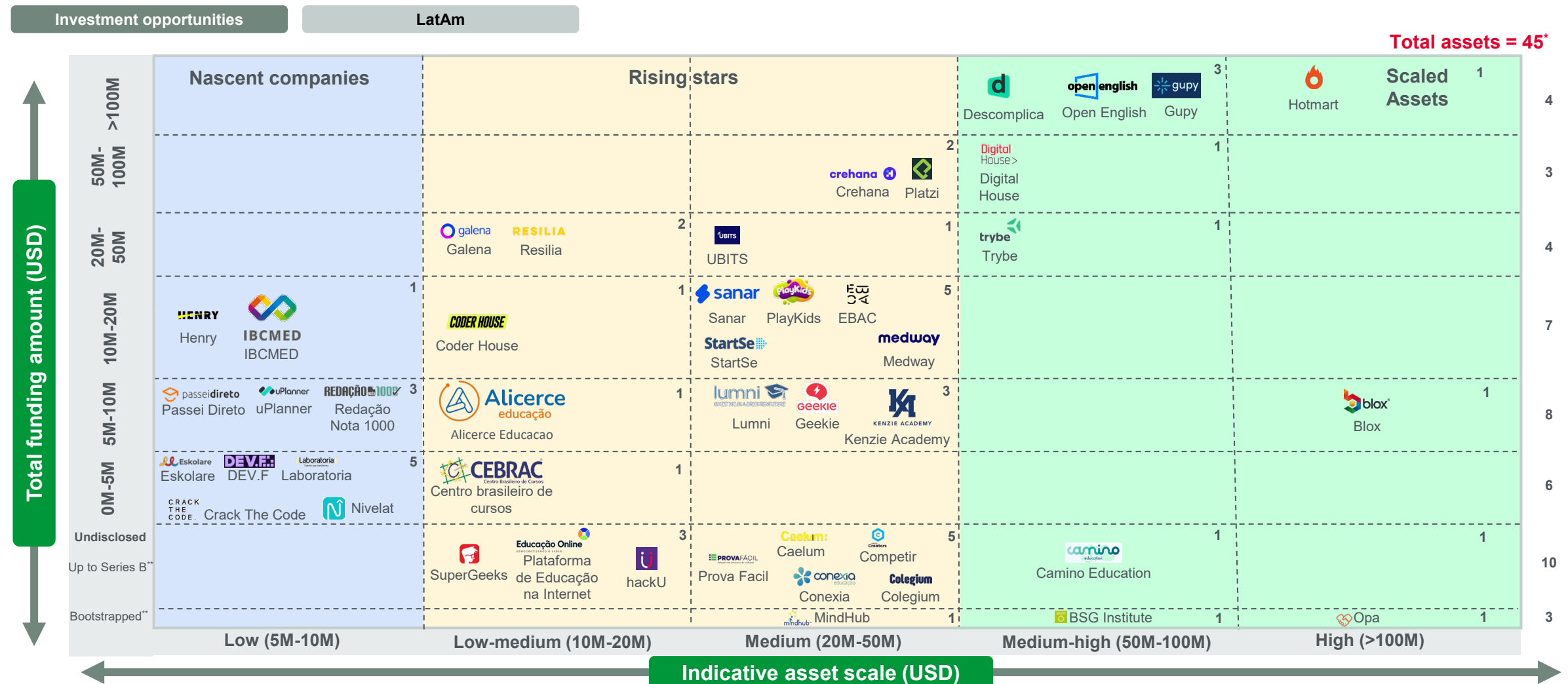
Source: Mergermarket; Crunchbase; HolonIQ; various news articles and press releases; Company website and L.E.K research and analysis

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



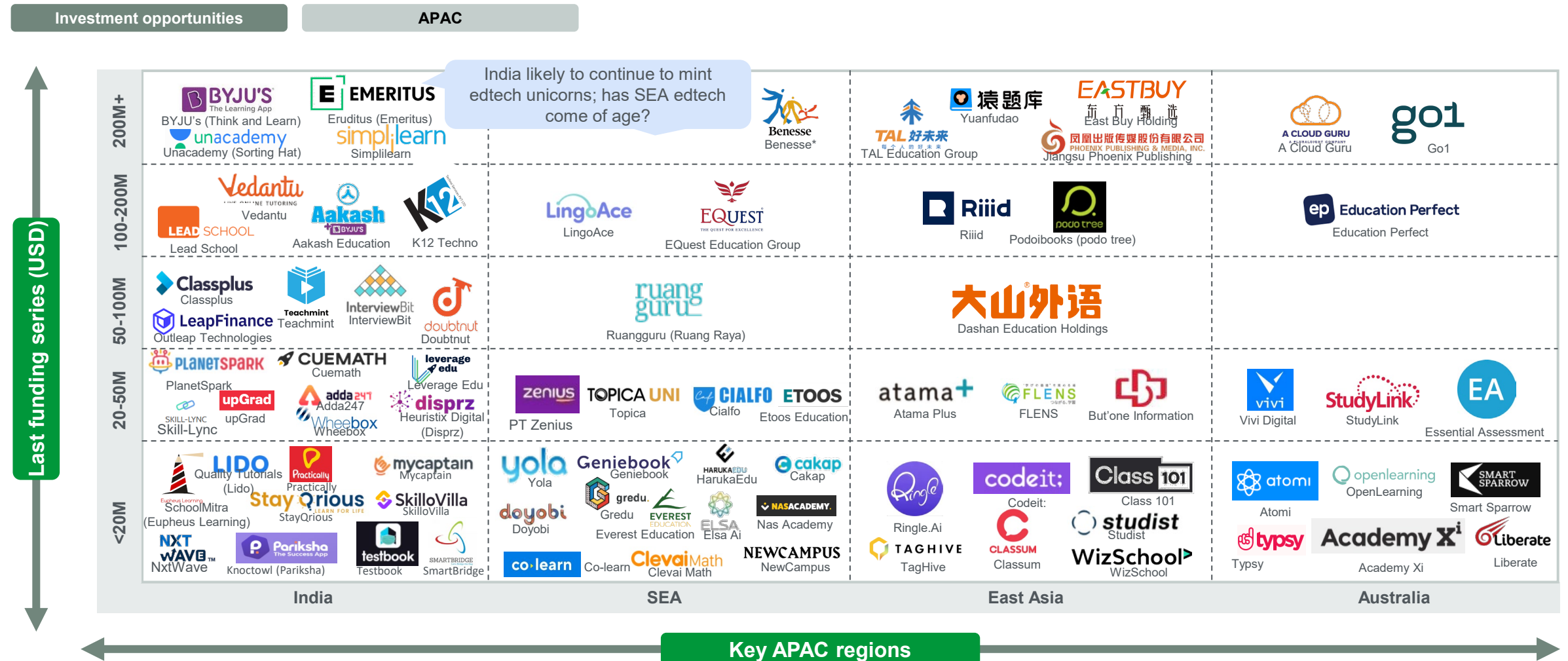
Note: *Excluded Arco Educacao and SAS Educacao as these are already trading in public equity market. 2Indicative stage of funding based on secondary research
Source: Mergermarket, Crunchbase, HolonIQ, various news articles and press releases, company website, L.E.K research and analysis

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

APAC edtech asset scan



Note: *Edtech constitutes a small proportion of Benesse's core offerings
Source: Crunchbase; L.E.K. research and analysis

Connect with us

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



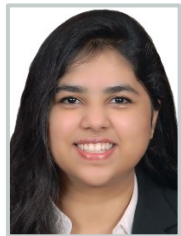
Jitin Sethi

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Swati Singh

Consultant, L.E.K. Consulting's
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Network



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