

### Education: 2024 M&A Deal Roundup and Trends to Watch for in 2025

March 2025

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#### Glossary

Sr. No.	Category	Description	
1	Early years	Child care services and preschool education for children typically aged 0-5; includes early childhood education programs, software, curriculum, and other services for early years providers, daycare centers, and nursery schools	
2	K-12	Business-to-business (B2B) services and organizations catering to the education of children typically aged 6-18, including providers of educational content, digital learning tools, administrative software, edtech solutions, e-learning platforms, and K-12 schools	
3	Higher education	B2B services and organizations within postsecondary education (undergraduate and graduate), including degree-awarding institutions, providers of educational content, administrative software, and learning management systems (LMS)	
4	Publishing	Development and distribution of learning materials and content (e.g., textbooks, workbooks) by publishing companies; separate from other platforms (e.g., LMS, digital learning tools, educational software) designed for higher education and K-12 institutions	
5	Test-prep and tutoring	Coaching, tutoring or supplementary academic learning services designed to prepare individuals for academic and professional tests or to support core curriculum learning in educational institutions	
6	Transnational education	Services specifically geared toward helping U.S. and Canadian students apply to and access educational programs abroad, and international students apply to U.S. and Canadian educational programs (e.g., counseling, application support, visa assistance)	
7	Language training	training Services designed to support the acquisition of new languages, including language schools, online language courses, language tutoring, and immersive language programs	
8	Professional training Services providing individuals with new skills and/or certifications, including employment-oriented vocational training, professional development, and upskilling and reskilling programs		
9	Corporate training	B2B services that provide skills training to employees, including professional development programs, leadership training, and compliance training; also includes software solutions to deliver corporate trainings (e.g., LMS)	
10	Others	Any other segment relevant to education not fitting the above criteria, including services for extracurricular activities or nonacademic learning	

#### Agenda

- Americas education sector transactions
- U.S. and Canada education trends to watch for in 2025
- Potential assets to watch for in 2025
- Appendix



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#### Four key themes have underpinned M&A activity in 2024



Stabilization of education deal market in 2024 with indications of return to growth



Stable number of transactions among uptick in megadeals



Corporate training, professional upskilling and K-12 are favored sectors



PE firms outpacing corporations in transaction volume growth

- M&A deal volumes in the Americas saw a stabilization after the rapid decline in 2023 with early signs of return to growth in H2 2024, reflecting growing investor optimism and market stability
- Overall, education has remained attractive for investment, with the sector receiving the secondlargest investment in the past five years (the largest was in 2021)
- While investors are still focusing on smaller and midsize deals due to the wind-down from the 2021 COVID-19 transaction boost. 2024 saw a modest increase in large-scale transactions, driving up deal value
- Increased investment in larger transactions (>\$1B) in 2024 spanned K-12, higher education and youth enrichment, signaling promising outcomes for education companies at large
- Corporate training and professional upskilling consistently held the highest share of total deal volume
- Within disclosed deals, K-12 remained a favored sector by investors in 2024, capturing ~37% share of deal value

parchment SchooLinks PowerSchool Acquired by Acquired by Bain Capital Instructure for ~\$5.6B for ~\$0.84B

Acquired by Susquehan na Growth Equity for \$0.08B

- In 2024, private equity firms increased their share of education transactions due to the education sector's recession resiliency and potential for technological transformation
- PE firms focused on investing in adjacent sectors (e.g., technology, healthcare, professional services) and are eager to enter the education market due to overlapping objectives

Note: PE=private equity

Source: S&P Capital IQ; Pitchbook; Institute for Mergers, Acquisitions, and Alliances; L.E.K. research and analysis

### The Americas education sector's average transaction value increased at an average of ~11% per year over the 2020-2024 period based on disclosed transactions increased in 2024

Key themes: 2024 M&A activity

Resilience marked by increasing average transaction values

Number of M&A transactions  $^{\ast}$  in the education sector in the Americas

#### (2020-24)

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Number of transactions
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\*Includes both disclosed and undisclosed deals\*\*Average transaction value is calculated exclusively from disclosed transactions; ^Americas M&A deal value is calculated exclusively from disclosed transactions across all sectors in the Americas

Note: The analysis spans multiple years and sources; hence data should be treated as directional due to potential biases in data recording and assumptions; CAGR=compound annual growth rate Source: S&P Capital IQ; Statista; Institute for Mergers, Acquisitions, and Alliances; Pitchbook; L.E.K. research and analysis

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# While the number of transactions has fluctuated over the past few years, North America has seen significant growth in transaction value in 2024 and at a faster pace than the overall M&A market

Key themes: 2024 M&A activity

Resilience marked by increasing average transaction values



North America South America

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 included; \*\* North America denotes U.S. and Canada, excluding Mexico

Source: S&P Capital IQ; Pitchbook; L.E.K. research and analysis

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### Investment in education in North America has remained strong, with a rise in mega deals in 2024; overall number of deals remained consistent and showed some recovery in lower deal value segments



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 included; \*\* Transaction value of relevant deals not disclosed to the general public; ^ North America denotes U.S. and Canada, excluding Mexico Source: S&P Capital IQ; Pitchbook; L.E.K. research and analysis

# After a declining four-quarter moving average from Q4 2021 through Q3 2023, transaction values began rising in late 2023, <u>largely driven by a few large-scale transactions</u> and continued the upward trend in 2024



Resilience marked by increasing average transaction values



\*Only disclosed transaction values included; transaction values are primarily recorded by the transaction close date, impacting the total transaction value in subsequent quarters 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 Source: S&P Capital IQ; Pitchbook; National Center for Education Statistics; Education Week; K-12 Dive; Higher Ed Dive; L.E.K. research and analysis



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# K-12, professional training and upskilling, higher education, and corporate training are the dominant sectors that have received the lion's share of investments

Key themes: 2024 M&A activity

3 Corporate training, professional upskilling and K-12 are favored sectors

Value of disclosed transactions\* in education in the Americas, by sector and region (2020-24)

Percentage of USD (billions)



#### North America

Increased focus on K-12 services and professional upskilling are driving investments in U.S. and Canada

- K-12 providers are strengthening digital infrastructure after the pandemic, leading to increased demand for educational services
- Edtech innovations have made it easier to deliver personalized learning and decrease the learning gap for K-12 students
- The pandemic disrupted several industries, resulting in job losses and increased demand for upskilling in the form of learning programs, certifications and vocational education

#### South America

South America consistently invests in bolstering formal education, spanning from K-12 to higher education

- Larger, younger populations increase the demand for formal education, which offers substantial ROI and promising career outcomes
- Structured higher education and K-12 programs help bridge the gap in educational attainment for underserved and underprivileged communities
- Quality public provision drives private investments in K-12
   education

\*Only disclosed transaction values included; \*\*North America denotes U.S. and Canada, excluding Mexico; ROI-return on investment

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 Source: S&P Capital IQ; Pitchbook; L.E.K. research and analysis



# Corporate training, professional upskilling consistently saw the highest share of total transaction volume over the past five years, followed by K-12, higher education and ECE

Key themes: 2024 M&A activity

3 Corporate training, professional upskilling and K-12 are favored sectors

Number of M&A transactions\* in the education sector in North America\*\*

#### (2020-24)





\*Includes both disclosed and undisclosed transaction counts; \*\*North America denotes U.S. and Canada, excluding Mexico

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; CAGR=compound annual growth rate Source: S&P Capital IQ; Pitchbook; L.E.K. research and analysis

# Among transactions with disclosed deal values, large transactions have continued to shape the overall share of each segment. Corporate Training, Professional upskilling, K-12 and Higher Education usually account for a majority of the transaction value

Key themes: 2024 M&A activity

Corporate training, professional upskilling and K-12 are favored sectors



\*Only disclosed transaction values included; \*\*North America denotes U.S. and Canada, excluding Mexico

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; CAGR=compound annual growth rate Source: S&P Capital IQ; Pitchbook; L.E.K. research and analysis



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# From 2020 to 2024, growth in number of PE transactions (~20%) significantly outpaced that of corporate (~3%), reflecting trends toward increased investment, strategic acquisitions and pursuit of higher ROIs

Key themes: 2024 M&A activity

PE firms outpacing corporations in transaction volume growth

INDICATIVE



\*Including disclosed and undisclosed transactions; \*\*North America denotes U.S. and Canada, excluding Mexico; ^Some corporate entities included in the dataset are PE-backed 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; ROI=returns on investment;

CAGR=compound annual growth rate; PE=private equity

Source: S&P Capital IQ; Pitchbook; L.E.K. research and analysis

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#### Over the past five years, the North American education sector has seen high-value acquisitions (1/2)

Key themes: 2024 M&A activity

Most notable transactions\* in the North American\*\* education sector

Acquisition value Year **Target description** Target **Buyers Quality Online** (Q) uality ADGS Advisory ~\$3.54B Language training Education Group Online Education Group t 2020 Teachable Hotmart Company ~\$0.25B Professional training and upskilling teachable Ë Global Knowledge Training Skillsoft Corp. ~\$0.23B Corporate training Global Knowledge. PLURALSIGHT Pluralsight Vista Equity Partners Management, Partners Group Holding AG ~\$4.76B Professional training and upskilling A Cloud Guru Pluralsight, Vista Equity Partners ~\$2.0B Corporate training A CLOUD GURU Alder Companies, Blackstone, Brad Garlinghouse, Coffin Capital **O** articulāte 360 2021 and Ventures, General Atlantic, ICONIQ Growth, LionTree Articulate ~\$1.5B Corporate training Partners WALDEN Walden University Adtalem Global Education ~\$1.5B Higher education UNIVERSITY led edX Inc 2U LLC ~\$0.8B Higher education **Frontline** 2022 K-12 Frontline Education **Roper Technologies** ~\$3.74B education.

\*Only disclosed transaction values included; \*\*North America denotes U.S. and Canada, excluding Mexico Source: S&P Capital IQ; Pitchbook; L.E.K. research and analysis

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#### Over the past five years, the North American education sector has seen high-value acquisitions (2/2)

Key themes: 2024 M&A activity

Most notable transactions\* in the North American\*\* education sector

Acquisition value **Target description** Year **Buyers** Target **ADT\LEM** Financial Services Segment Wendel, Colibri Group ~\$1.0B Corporate training of Adtalem Global Education GLOBAL EDUCATION 2022 BrainPOP **BrainPOP** KIRKBI K-12 \$0.88B Kahoot! General Atlantic, Goldman Sachs Asset Management, KIRKBI Kahoot! ~\$1.7B K-12 Invest 2023 Promethean Promethean **Gravitas Education Holdings** K-12 ~\$0.8B L3HARRIS L3Harris Airline Academy Professional training and upskilling TJC ~\$0.8B PowerSchool PowerSchool Group Bain Capital, Onex, Vista Equity Partners ~\$5.6B K-12 **CALINISTRUCTURE** Dragoneer Investment Group, KKR Higher education ~\$4.8B Instructure 2024 VARSITY BRANDS KKR & Co. Varsity Brands ~\$4.75B Other (youth enrichment) **parchment** Parchment Instructure, Thoma Bravo ~\$0.84B K-12

\*Only disclosed transaction values included; \*\*North America denotes U.S. and Canada, excluding Mexico Source: S&P Capital IQ; Pitchbook; L.E.K. research and analysis

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#### Factors affecting a rebound in dealing making in 2025





Challenges



Lower interest rates



Buyer and Seller alignment in expectation of deal values



Strong fundamentals (e.g., need for upskilling, learning gaps in K-12, need to diversify revenue for IHEs etc.)



#### Policy and regulations



Investor fatigue having seen the same situations in 2023 and 2024

#### Agenda

- Americas education sector transactions
- U.S. and Canada education trends to watch for in 2025
- Potential assets to watch for in 2025
- Appendix



#### Staying ahead: Key bullish themes and trends for 2025 in North America\*



\*In this section, North America denotes U.S. and Canada, excluding Mexico Note: Al=artificial intelligence; IT=information technology Source: L.E.K. research and analysis

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## North American employers perceive skills gaps as the top barrier to organizational transformation, and they are looking to upskilling/reskilling to bridge the gaps

Key trends for investors in 2025

Upskilling/reskilling focus

North American organizations consider skills gaps as the No.1 obstacle to organizational transformation

Top barriers to organizational transformation (2024)

Percentage of organizations



### Employers expect that 35%-38% of North American workers' core skills will be disrupted by 2030

Share of workers' skills expected to change by 2030 (2024) Percentage of workers' skills



#### ... and they are turning to upskilling/reskilling to address this gap

Share of workers expected to be upskilled by employers by 2030 (2024)

Percentage of workers\*



\*Refers to the percentage out of a representative group of 100 workers that are expected to be upskilled by 2030, calculated based on averages of the training requirements reported by employers Source: World Economic Forum Future of Jobs Report 2025; L.E.K. research and analysis

### Al and big data skills are projected to be increasingly critical in the workplace, driving the need for continuous upskilling to keep pace with technological advancements

Key trends for investors in 2025

Upskilling/reskilling focus

#### In 2025, the top core skills are analytical thinking; resilience, flexibility and agility; and leadership and social influence



### By 2030, AI and big data, networks and cybersecurity, and technological literacy are expected to be increasingly needed in the workplace

\*Skills are ranked based on net increase, which is the difference between the share of employers that consider a skill category to be increasing and decreasing in use

Note: Al=artificial intelligence

Source: World Economic Forum Future of Jobs Report 2025; L.E.K. research and analysis

Top workforce skills of increasing use by 2030\* (2024) Percentage of organizations 90 90 87 90 76 75 75 71 70 70 69 68 68 66 60 45 30 15 AI and big data Networks and Technological literacy Resilience, cybersecurity flexibility and agility Legend: .S Canada Global

### Despite great need, the professional training sector (upskilling, reskilling and new skilling) faces numerous challenges, resulting in many financially unsustainable companies within the sector



Due to these challenges, not all companies in the professional training sector are financially viable

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### However, L.E.K.'s Education practice has identified consistencies in the business models of those that have succeeded and demonstrated scale and financial viability



Note: B2C-business to consumer; B2B=business to business Source: L.E.K. research and analysis

### Outcome-oriented training providers either guarantee results to students or focus on industries that structurally have guaranteed outcome for learners



\*Some of the student pay and guaranteed placement program companies either guarantee job placement within a time frame or provide a full-tuition refund upon failure to place the student Source: L.E.K. research and analysis

## Programs with a strong impact on social and economic development and a reliable source of funds (usually either provided by the public sector or mandated by it)



Upskilling/reskilling focus

Government sponsored programs



#### Unskilled adult training programs

Programs that provide opportunities for learners without secondary-level qualifications to gain skills and/or credentials for entry-level positions, e.g., adult basic education, GED preparation/high school equivalency, employability skills/workforce readiness, career skills and industry introductions





Programs that train future industry participants in the necessary skills for employment in a defined field, generally through in-person programs offered by employers or labor organizations; apprenticeships may leverage intermediaries to help set up programs



Specialist Government Programs

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Specialist providers catering to government funded programs for dislocated workers, unemployed, underemployed or low-income individuals, Active Duty Army, Army Reserve or National Guard Personnel, qualified military spouses etc.



Source: L.E.K. research and analysis

# Gold standard professional certification courses from top companies or higher education institutions can significantly aid individuals to secure jobs, increase salaries and improve productivity

Key trends for investors in 2025 Upskilling/reskilling focus Gold standard professional certifications **NONEXHAUSTIVE** Project Gold standard certification Management Institute **AXELOS** ACAMS providers deliver in-house programs to train professionals, ensuring mastery of knowledge and PMI has developed a gold standard Axelos offers a globally recognized ACAMS provides the global gold skills aligned with certification course, Project and established project standard in AML-related organizational standards; Management Professional, focused management course, PRINCE2, certifications, with over 60,000 Gold standard these programs uphold on best industry practices in the that offers a structured, scalable certified professionals worldwide proprietary industry benchmarks and field of project management and tailorable approach to project (e.g., Certified Anti-Money certification best practices management Laundering Specialist) providers **Networking** These providers offer gold **EC-Council** CompTIA **cisco** Academy standard programs Microso amazon developed by prestigious webservices Google Cloud institutions and other industry leaders, ensuring CompTIA provides EC-Council offers globally Trainings and certifications developed by Technology high-quality training industry-leading, vendorcompanies and delivered by them or by partners such as: recognized cybersecurity aligned with industry neutral. IT certifications certifications such as Gold standard Educate 360 CBTNU such as Security+ and Certified Ethical Hacker. standards affiliated trusted by government Network+, which are widely recognized by certification agencies and private Fast Lane **PRODUCT SCHOOL** organizations companies providers

Note: AML=Anti-money laundering

Source: PMI; Axelos; ACAMS; Eruditus; XED; Pluralsight; Global Alumni website; L.E.K. research and analysis

# There are also providers that specialize in industry-specific certification, mandated training and CE, and they typically focus on highly technical certifications and courses

Key trends for investors in 2025 - 1 Upskilling/reskilling focus Industry-specific mandatory training providers & CE					
	Industry	Sample mandatory certifications	Sample providers		
<b>I</b>	Accounting/financial services	CPA, CFA, CFP, CFA, FRM	Wiley Efficient LearningImage: CFA InstituteColibriFitchLearningFitchLearningCFA InstituteColibriSuccessSuccessSuccessCE		
(÷)	Insurance	CPCU, CLU, CIC	The Institutes' CPCU Society		
*****	Hospitality	Certified Hospitality Supervisor, Certified Hotel Administrator, ServSafe Food Handler Certification	ServSafe		
(†) I	Healthcare	BLS (Basic Life Support), ACLS (Advanced Cardiac Life Support), Certified Nursing Assistant (CNA), Chiropractors, Radiologist Technicians, Continuing Education	Image: Service state st		
	Worker Safety	OSHA training, Driving training	AMERICAN SAFETY COUNCIL WILLEXIPOL		
	Vocational Skills	HVAC, Electrical, Plumbing, Crane & Rigging			

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Source: L.E.K. research and analysis

# Corporate investment in training and development remains steady, ensuring employees are well equipped for their roles, highlighting growth potential for B2B training providers in the evolving business landscape



Note: B2B=business-to-business; CAGR=compound annual growth rate Source: 2024 Training Industry Report; S&P Capital IQ; Pitchbook; Mint; RealBusiness; World Economic Forum; L.E.K. research and analysis

## U.S. higher education enrollment level has been recovering since the pandemic, creating an opportunity for outside investment in two focus areas



Reemergence of higher education



Growth per year in enrollment at four-year private for-profit institutions from 2022 to 2024\*



Estimated number of new "good jobs" to be created from 2021 to 2031



Estimated market size of U.S. higher education services and software solutions in 2024



#### Private for-profit higher education institutions

Despite closures in for-profit higher education institutions due to increased regulation, the remaining schools are generally financially stable, with attractive investment assets, particularly in areas of the market tied to growing occupations



### Higher education technology-enabled service and software providers



A robust ecosystem of service and software providers exists to help higher education institutions grow enrollment, expand their program offerings and operate more efficiently

\*Years correlate to first year of the academic year (e.g., 2020 refers to the academic year that starts in fall of 2020) Source: National Center for Education Statistics (NCES); L.E.K. research and analysis



# Within the private for-profit segment of higher education institutions, enrollment peaked in 2010 as nontraditional students sought higher education options with better job placement opportunities

Key trends for investors in 2025

Reemergence of higher education

2

Private for-profit higher education institutions



\*Years in chart correlate to first year of the academic year (e.g., 2022 refers to the academic year that starts in fall of 2022)

Note: CAGR=compound annual growth rate; HEI=higher education institution

Source: NCES; National Student Clearinghouse Research Center; L.E.K. research and analysis

### But after 2012, the Gainful Employment regulation led to the closure of hundreds of higher education institutions, and PE activity in the space dropped sharply



\*Years in chart correlate to first year of the academic year (e.g., 2022 refers to the academic year that starts in fall of 2022) Note: PE=private equity; CAGR=compound annual growth rate; HEI=higher education institution Source: CapIQ; Pitchbook; Higher Ed Dive; NCES; L.E.K. research and analysis

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# Since 2023, total undergraduate enrollment has rebounded and is approaching prepandemic levels; four-year private for-profit institutions saw the greatest growth at 5.7% per year from 2022 to 2024

Key trends for investors in 2025

Reemergence of higher education

2

Private for-profit higher education institutions



\*Years in chart correlate to first year of the academic year (e.g., 2024 refers to the academic year that starts in fall of 2024)

Note: AY=academic year; CAGR=compound annual growth rate

Source: National Student Clearinghouse Research Center; L.E.K. research and analysis

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# Schools with a clear value proposition and alignment to key segments of the labor market tend to perform more strongly than their peers



\*Excluding colleges without intermediate year enrollment; \*\*Years in chart correlate to first year of the academic year (e.g., 2022 refers to the academic year that starts in fall of 2022) Note: CAGR=compound annual growth rate; FTE=Full-time equivalent; IT=information technology Source: IPEDS; L.E.K. research and analysis

# These schools tend to specialize in high-demand fields with limited workforce supply, aligning with the growing market for good jobs, offering strong investment potential



the CEW; \*\*Years in chart correlate to first year of the academic year (e.g., 2021 refers to the academic year that starts in fall of 2021)

Source: NCES; Georgetown University Center on Education and the Workforce; L.E.K. research and analysis

#### In Canada, postsecondary enrollments have remained relatively constant

Key trends for investors in 2025

2 Reemergence of higher education

Private for-profit higher education institutions



\*Years in chart correlate to first year of the academic year (e.g., 2022 refers to the academic year that starts in fall of 2022) Note: AY=academic year; CAGR=compound annual growth rate

Source: Council of Ministers of Education Canada; Statistics Canada; L.E.K. research and analysis



<sup>\*</sup>Years in chart correlate to first year of the academic year (e.g., 2022 refers to the academic year that starts in fall of 2022) Note: AY=academic year; PPT=percentage point Source: Statistics Canada; L.E.K. research and analysis

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#### To enhance enrollment and operational and cost efficiencies, HEIs can leverage third-party technologyenabled service providers and software solutions across the student value chain

Technology-enabled service and software providers

Reemergence of higher education

**Back-end Front-end** Academic core **IT** support Institutional and operational support **Enrollment management** Academic and student learning support **Services**  Student life cycle support (career Marketing and lead generation Finance and accounting guidance and placement, etc.) Information systems management (including cybersecurity) Research administration Student enrollment and retention Business intelligence and reporting International student services (agents) Testing services pathway and language providers, etc.) Document and data storage Online program management (course design, online hosting, instruction Campus management (facilities and student support) management, foodservice, etc.) Certification, micro-credential, executive education partners Software solutions Learning management systems Curriculum and catalog management IT asset management Finance and accounting systems Library management systems · Admissions (customer relationship Alert notification systems Reporting systems (student and other • Financial aid, grant management and management) • Website, content and university metrics) student loans systems Student information systems communication management systems Resume and career readiness tools Campus management systems Scheduling systems Conferencing systems Faculty information systems Proctoring systems Student engagement platforms Email systems HR systems • E-portfolios Alumni management (customer relationship management)

Note: HEIs=higher education institutions; IT=information technology; HR=human resources Source: L.E.K. research and analysis

Degree of operational criticality for HEIs
Low High

Kev trends for investors in 2025
## In 2024, the U.S. higher education solutions market size was \$25B-\$30B, with 65%-75% of spend on software, while outsourced services represented 25%-35%



\*Includes services like institutional and operational support and IT support services; \*\*Includes software solutions for other back-office administrative functions like HR, communications, payroll, etc.; ^Customer relationship management software solutions can support incoming student relationship management and alumni relations solutions

Source: Technavio; Research and Markets; Grand View Research; International Trade Administration; Fortune Business Insights; Transparency Market Research; Business Research Insights; Markets and Markets; Inside Higher Ed; Legislative Analyst's Office of California; HolonIQ; L.E.K. research and analysis

## North American HEIs commonly leverage marketing, international recruitment and online program management third-party service providers to drive enrollment and topline growth

Technology-enabled service and software providers

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Reemergence of higher education

Sample third-party providers E. EDUCATION Accessing and retaining domestic and international candidates is mission critical for HEI admissions Sextant Student marketing, RNL departments enrollment and life kiosk Third-party service providers can help institutions target addressable students, facilitate enrollment EAB SARNEGIE cycle support through marketing and application support, and drive retention via sustained student engagement In an increasingly flexible educational landscape, online education programs can attract a broader range **Risepoint** BOUNDLESS of students to traditional higher education institutions **Online program** Kèypath 21 NOODLE" OPM providers help HEIs develop, launch and manage online degree programs to expand enrollment management and create additional diversified revenue streams without having to build out the needed infrastructure everspring coursera in-house Third-party testing service providers enable HEIs to access platforms that can remotely proctor exams Honorlock PROMETRIC and facilitate distance learning programs and online courses **Testing services** Pearson · These service providers often also facilitate maintenance of academic integrity through identity Educationa MEATUR verification, screen monitoring and recording International candidates are more likely to pay the sticker price for higher education, and the ROI EduCo navitas International potential for those candidates goes well beyond the typical definition of "financial returns" HORELIGHT · Specific providers offer pathways for institutions and international students to reach each other to find student services mutually beneficial opportunities to increase international student enrollment KEYSTONE

Note: HEIs=higher education institutions; OPM=online program management; ROI=return on investment Source: L.E.K. research and analysis

Kev trends for investors in 2025

# HEIs are also utilizing software and managed services designed for the higher education market to digitize academic programming and streamline back-end operations (1 of 2)

Key trends for investors in 2025

2 Reemergence of higher education

Technology-enabled service and software providers

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	Solutions	Description	Sample third-party providers
Jement	Student information systems	<ul> <li>Student data management, including financial aid, grades, schedules, etc.</li> </ul>	slate.org COunifyed Verity® modern compus. @ ellucian.
Ilment and engagement manag	Customer relationship management systems	<ul> <li>Interactions/communication management with prospective and current students and alumni</li> </ul>	OCELOT Aevertrue ALUMNIFIRE Pathify READY Education
	Human resources	<ul> <li>Hiring, training, development, benefits and performance management of employees</li> </ul>	
	S Finance and accounting	• FP&A functions mimic corporate environments as HEIs require software solutions for revenue and cost accounting and management, with the added complexity of financial aid	PEOPLEADMIN APowerSchool Company CAMPUS VORKS
Enro	Campus management systems	<ul> <li>Physical facility management solutions that facilitate services, including upkeep, foodservice, etc.</li> </ul>	Prophix SYNTELLIS NOW PART OF STRATA



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## HEIs are also utilizing software and managed services designed for the higher education market to digitize academic programming and streamline back-end operations (2 of 2)

Key trends for investors in 2025

2 Reemergence of higher education

Technology-enabled service and software providers

NONEXHAUSTIVE

	Solutions	Description	Sample third-party providers
oport -	Learning management systems	<ul> <li>Software platform, on-premises or cloud, for end-to-end course content delivery</li> </ul>	CANVAS Blackboard moodle CourseLeaf
arning sup	Curriculum development systems	<ul> <li>Platforms that help HEIs create, organize and manage educational curricula</li> </ul>	NVIVO
and student le	Research administration	<ul> <li>Tools to prepare grant proposals, run funding searches, and ensure legal and ethical checks are in place</li> </ul>	iDesign Ripen () 12twenty
	$\mathbf{B}^{\mathbf{B}}_{\mathbf{D}}$ Career services management	<ul> <li>Platforms that facilitate connections between students, career services and employers</li> </ul>	Handshake SYMPLICITY® Studion
ademic	Communications	<ul> <li>Internal and external multichannel communication tools and strategies</li> </ul>	
Ac	Managed IT services	<ul> <li>Outsourced IT operations that equip HEIs with fit-for-purpose solutions while streamlining operations</li> </ul>	FERRILLI Collegis

Note: HEIs = higher education institutions; IT = information technology Source: L.E.K. research and analysis

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#### K-12 school district administrators indicate several key themes that will be important in the next three years, led by mental and behavioral health support and academic support

Key trends for investors in 2025

Focus on K-12 services for well-being safety and academic support

District administrator view of student needs that will increase the most over the next three years (2024) (N=200)\*

3

Perce	ntage	of respondents ranking student need first			<ul> <li>School safety protocols (e.g., security systems, staff training on emergency preparedness)</li> </ul>
1	<sup>00</sup> ]	5%	Career support		Cybersecurity needs (e.g., digital safety measures, staff training on data protection)
		12%	School safety and cybersecurity		<ul> <li>Parent and family support services (e.g., family outreach, workshops on navigating academic systems)</li> </ul>
	80 -	1/04	A acces/acciecacenamia support		<ul> <li>Food security (e.g., weekend meal programs, free/reduced-price lunch support)</li> </ul>
Percentage		14 % Access/sol	Access/socioeconomic support		<ul> <li>Transportation support (e.g., additional bus routes, addressing transportation access gaps)</li> </ul>
	60 -	21%	Special education services		<ul> <li>Special education services (e.g., individualized education programs, specialized therapies)</li> </ul>
		23%			Materials for core curriculum (e.g., learning management system, special education)
	40 -		Academic support		<ul> <li>Supplementary educational materials/academic tutoring (e.g., targeted interventions for struggling learners)</li> </ul>
					Attendance interventions (e.g., chronic absenteeism reduction programs, home visits)
2	20 -				<ul> <li>Student engagement and motivation (e.g., extracurriculars, project-based learning, summer learning)</li> </ul>
		27% Mental and behavioral su			<ul> <li>Mental health support (e.g., counseling, crisis intervention, social-emotional learning programs)</li> </ul>
	0				<ul> <li>Behavioral interventions (e.g., discipline alternatives, behavioral specialists, positive behavior programs)</li> </ul>

\*Survey Question: Q41. Thinking about all the students in your school district, which student needs do you expect to increase the most over the next three years? Please rank up to 5, with 1 being the student need you expect to grow the most Source: L.E.K. survey and analysis

Postsecondary planning (e.g., college and career counseling, financial aid guidance)





# The U.S. government allocated over \$2.6B in direct funding for mental health and student safety for FY24, while Canada committed over \$500M to improve youth mental health through 2029

Key trends for investors in 2025

Focus on K-12 services for well-being safety and academic support

K-12 services on student well-being and safety

Region	Funding initiative	Description*	Proposed allocation
	Bipartisan Safer Communities Act	Provides funds for a variety of programs focused on school safety, mental health services and crisis intervention programs	~\$641M** USD (FY24)
	Student Support and Academic Enrichment Grants	Grants aimed at improving student achievement by supporting well-rounded education, safe and healthy schools, and effective uses of technology	\$1.38B USD (FY24)
US	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	\$110.5M USD (FY24)
	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: \$122M USD (FY24) COPS: \$73M USD (FY24)
	National Activities for School Safety	Supports mental health services, violence prevention and student well-being, particularly in high-risk areas	\$216M USD (FY24)
	Mental Health Awareness Training	Grants support for school personnel to learn how to identify signs of mental illness in students and respond appropriately during mental health crises	\$28M USD (FY24)
(*)	Youth Mental Health Fund Fund aimed at improving youth mental health and enhancing access to mental health services with a focus on underserved populations		\$500M CAD (2024-29)
Canada	Mental Health Promotion Innovation Fund	Provides funding to organizations, researchers and community groups to develop and implement novel approaches to youth mental health care and support	\$46.3M CAD (2019-29)

\*Most grants are recurring and depend on year-to-year fiscal appropriations; \*\*BSCA authorized \$2B in funding from 2022 to 2025

Note: BJA=Bureau of Justice Assistance; COPS=Community-Oriented Policing Services

3

Source: Congressional Research Services; Department of Education (DOE); Government of Canada; L.E.K. research and analysis

# To prevent student safety incidents, schools look to provide a mix of physical and digital safety measures and safety training and education of students and staff



Source: National Center on Safe and Supportive Learning Environments; L.E.K. research and analysis

#### To address student mental health and well-being needs, relevant curricula and tools were a top **COVID-19 relief fund allocation category**

Key trends for investors in 2025

Focus on K-12 services for well-being, safety and academic support

K-12 services on student well-being and safety

ESSER fund allocation for student behavioral, emotional and mental well-being support Weighted average percentage (N=188)\*



Percentage

\*Survey question: Q14. You indicated that your school district allocated COVID-19 relief-specific funds (e.g., ESSER funds) to [category]. Approximately what percentage of your total spend on [category] was allocated to each of the following areas?; Q15. How did your investment of COVID-19 relief-specific (e.g., ESSER funds) in each of the following instructional support areas help address/mitigate learning loss among students, if at all? Please rate on a scale of 1 to 7, with 1 being "No impact at all" and 7 being "Very high impact" Note: ESSER = Elementary and Secondary Emergency Relief; SEL = social and emotional learning Source: L.E.K. survey and analysis





\*Survey: Q23. You indicated that your school district allocated COVID-19 relief-specific funds (e.g., ESSER funds) to enhance student behavioral, emotional and mental well-being. Which of the following did you primarily invest in adding/enhancing? Please rate on a scale of 1 to 7, with 1 being "Low priority area of investment", and 7 being "High priority area of investment."; Q24. How effective was your investment of COVID-19 relief-specific (e.g., ESSER funds) in each of the following areas in supporting student behavioral, emotional and mental well-being, if at all? Please rate on a scale of 1 to 7, with 1 being "No impact at all" and 7 being "Very high impact"; \*\*Percentage of respondents selecting 6 or 7

Note: ESSER = Elementary and Secondary Emergency Relief; PBIS=positive behavior interventions and supports; SEL=social and emotional learning Source: L.E.K. survey and analysis

## Technology solutions are also increasingly becoming an important tool for improving student safety and well-being, with 93% adoption rate among K-12 school districts

Key trends for investors in 2025

Focus on K-12 services for well-being, safety and academic support

K-12 services on student well-being and safety

Technology solutions adopted to address student safety and well-being (2024) Percentage of K-12 school districts

3



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

Key trends for investors in 2025	Focus on K-12 services for well-being, safety and academic support K-12 services on student wel	I-being and safety NONEXHAUSTIVE
K-12 safety software ecosystem	Description	Sample providers
Social scanning	<ul> <li>Products that enable organizations to scan and monitor internal and external communication channels to proactively identify potential threats</li> <li>Solutions may also include sentiment tracking of keywords, anonymous tip tools and capabilities to focus on specific events, venues or people</li> </ul>	Social Sentinel Security Social Sentinel Security Social Sentinel Security Securit
Behavioral threat assessments	<ul> <li>Solutions that help assess the level of threat a particular student or faculty member may pose to the broader organization or themselves</li> <li>Functionalities may include tools to document, track, monitor and manage each case to assess the threat and respond accordingly</li> </ul>	CRISISGO Since 2005 Navigate 360
School device monitoring and filtering	<ul> <li>Software solutions intended to monitor school-issued devices for harmful or inappropriate behavior or content</li> <li>Schools can utilize these solutions to block certain websites or even remotely manage a student's device</li> </ul>	CoGuardian ATIVIUN
Emergency management solutions	<ul> <li>Solutions that allow schools to prepare for and respond to organizational threats and risks</li> <li>Specific features may include call lists, digital flip books, site mapping and student reunification tracking</li> </ul>	CRISISGO

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Source: L.E.K. research and analysis

## Instructional support received the highest allocation of ESSER funds (~28%) among school districts from 2020 to 2024

Key trends for investors in 2025

Focus on K-12 services for well-being, safety and academic support

K-12 services on student well-being and safety

School district allocation of ESSER funds by category, by percentage allocation bucket (2020-24)\*\*

Percentage of respondents (N=200)\*



\*Survey question: Q13. You indicated that your school district received and allocated COVID-19 relief-specific funds (e.g., ESSER funds). Thinking only about your school district's COVID-19 relief-specific (e.g., ESSER funds) budget, approximately what percentage of this budget was allocated to each of the following areas?; \*\*District allocation of ESSER funds from 2020 to 2024; ^Includes miscellaneous expenditures such as transportation, food, utilities/energy

Note: ESSER = Elementary and Secondary Emergency Relief

Source: L.E.K. survey and analysis

### Within instructional support, ESSER funds were primarily allocated to academic support and supplementary and core curriculum materials; most categories have similar perceptions of effectiveness



\*Survey question: Q14. You indicated that your school district allocated COVID-19 relief-specific funds (e.g., ESSER funds) to [category]. Approximately what percentage of your total spend on [category] was allocated to each of the following areas?; Q15. How did your investment of COVID-19 relief-specific (e.g., ESSER funds) in each of the following instructional support areas help address/mitigate learning loss among students, if at all? Please rate on a scale of 1 to 7, with 1 being "No impact at all" and 7 being "Very high impact";

\*\*Percentage of respondents selecting 6 or 7

Note: ESSER=Elementary and Secondary Emergency Relief

Source: L.E.K. survey and analysis



\*Survey question: Q18. You indicated that your school district allocated COVID-19 relief-specific funds (e.g., ESSER funds) to enhance supplementary educational materials or academic support. For which of the following grade levels was the addition/enhancement of supplemental materials your school district's highest priority?; Q19. You indicated that [grade] was the highest priority for the addition/enhancement of supplemental materials? Please rank up to 3, with 1 being most closely aligned with your reasoning for prioritizing this grade Note: SEL= social and emotional learning Source: L.E.K. survey and analysis

# English, language, arts and math were the highest-prioritized subjects targeted with supplemental materials; high-income districts were able to invest across a broader range of subjects

Key trends for investors in 2025

Focus on K-12 services for well-being, safety and academic support

K-12 services on student well-being and safety

Prioritized subject for supplemental educational materials or academic support, by district affluence level Percentage of respondents selecting 6 or 7 (N=183)



\*Survey question: Q20. You indicated that your school district allocated COVID-19 relief-specific funds (e.g., ESSER funds) to enhance supplementary educational materials or academic support. For which of the following subjects was the addition/enhancement of supplemental materials your school district's highest priority? Please rate on a scale of 1 to 7, with 1 being "Low priority area of investment" and 7 being "High priority area of investment"



Source: L.E.K. survey and analysis

## However, despite heavy focus on academic support, student outcomes in math and reading showed minimal improvement and even declined from 2022 to 2024, creating an opportunity for investors to help

Key trends for investors in 2025

Focus on K-12 services for well-being, safety and academic support

K-12 services on student well-being and safety

Student performance across subjects, by subject and grade

3

(2022 to 2024)

Changes in average scores and scores at selected percentiles

Subject	Grade	Average score	Percentiles						
			10 <sup>th</sup>	25 <sup>th</sup>	50 <sup>th</sup>	75 <sup>th</sup>	90 <sup>th</sup>		
Mathematics	Grade 4	1	$\rightarrow$		1		1		
Mathematics	Grade 8		Ļ	Ļ			1		
Reading	Grade 4	Ļ	Ļ	Ļ	Ļ	Ļ			
Reading	Grade 8	Ļ	Ļ	Ļ	Ļ				
Key: Significant increase from 2022 to 2024 No significant difference from 2022 to 2024 Significant decrease from 2022 to 2024									

Key trends for investors in 2025 🔶 3	Focus on K-12 services for well-being, safety and academic support K-12 services on student wel	I-being and safety NONEXHAUSTIVE
K-12 academic support	Description	Sample providers
Materials for core curriculum	<ul> <li>Resources and tools that align with state and district standards to support the delivery of standard academic content across all subjects</li> <li>Materials include textbooks, digital learning tools, interactive multimedia and specialized materials for diverse learners</li> </ul>	Mc Graw Hill EARNING LEARNING COMPANY LEARNING COMPANY Curriculum Harcourt
Academic tutoring	<ul> <li>Programs that provide targeted and personalized support for struggling learners</li> <li>Instruction may be one-on-one or in small groups, often to reinforce concepts from core K-12 curriculum</li> </ul>	HeyTutor GoStudent nerdy PAPER Mathway
Student engagement and motivation	<ul> <li>Initiatives like project-based learning that connect academic content to real-world challenges, thus facilitating critical thinking and problem-solving skills</li> <li>Extracurricular and after-school programs designed to complement classroom learning and nurture student interests</li> </ul>	Kidstir Snapology Snapology UNDER THE LIGHTS
Attendance interventions	<ul> <li>Solutions like chronic absenteeism reduction programs to identify causes of absenteeism and develop targeted interventions</li> <li>Programs (e.g., community outreach, home visits) that build support networks for students to encourage consistent school attendance</li> </ul>	Abre Catapult Learning SchoolStatus
Assessment tools and supplemental learning	<ul> <li>Assessment tools are designed to measure student progress, with more advanced tools leveraging AI for adaptive tests and personalized insights</li> <li>Supplemental learning platforms provide digital educational resources; some AI-powered platforms provide personalized learning plans</li> </ul>	Renaissance Discovery Brain imagine learning Heggerty Rédding A-Z

LEK

#### There are various K-12 service providers that focus on delivering academic support to students

Note: AI=artificial intelligence Source: S&P Capital IQ; Pitchbook; L.E.K. research and analysis

# Schools received one-time emergency funding during the pandemic to support the quick transition to remote learning

Key trends for	r investors in 2025 4 Increasing demand	for IT services	NONEXHAUSTIVE
Region	Funding initiative	Description	Budget allocation**
	Coronavirus Aid, Relief, and Economic Security (CARES) Act*	Supported K-12 schools and higher education institutions in addressing remote learning needs, technology infrastructure and safety during COVID-19	\$27.2B
	Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act*	Provided additional funding for K-12 schools and higher education institutions to enhance technology, address learning loss and ensure continuity of education	\$76B
	American Rescue Plan*	Focused on reopening K-12 schools and higher education institutions safely, addressing learning recovery, and supporting underserved students with technology and resources	\$162B
	Governors' budget	Provided funding to governors' offices to distribute to K-12, higher education and public/private schools at their discretion	\$9.7B
(*)	Covid-19 Resilience Stream (Investing in Canada Infrastructure Program)	Supported pandemic-resilient infrastructure projects, including ventilation improvements and technology upgrades for remote learning	\$2B
	Safe Return to Class Fund	Provided funding to ensure safe learning environments, including projects such as HVAC upgrades, learning technology, and enhanced sanitation infrastructure	\$1.4B

\*As part of Elementary and Secondary School Emergency Relief (ESSER) Fund and Higher Education Emergency Relief Fund (HEERF); \*\*Budget for different school programs, including technology Note: HVAC=heating, ventilation and air conditioning

Source: FutureEd; Ontario News; Prime Minister of Canada; DOE; L.E.K. research and analysis

# Technology infrastructure was a major expenditure bucket; however, rapid technology purchases during the pandemic created fragmented and complex IT systems that are difficult to manage

Key trends for investors in 2025

Increasing demand for IT services

**DIRECTIONAL:** Does not reflect differences in district funding

#### ESSER Fund percentage share allocations, by category and subcategory

4

Weighted average percentage allocation (N=Varies)\*

1	00	Special education materials** ~10%	Physical school safety protocols	Mental health-specific staff training ~11%	Other student mental health support ~4%	other expenditures ~9%
80 -		Learning management systems ~12%	~   / 70	Hiring additional physical health providers ~12%	Peer support and community building ~19%	Utilities/energy
		Tutoring ~15%	Cleaning materials and PPE ~22%	General staff training ~13%	PBIS (e.g., behavior improvement program	~27%
	60 -	Summer looming/offer adheal programs 169/		Hiring additional certified mental health professionals/counseling services		
Percentage		Summer learning/arter-school programs ~ 10%	Facilities and maintenance upgrades/repairs	~16%	OEL cominute en ditable	Transportation ~27%
	40 -	Materials for core curriculum ~23%	~30%	Salaries/benefits for existing staff ~19%	SEL CUITICUIA and tools ~24%	
_	~~				For	
20	20 -	Supplementary educational materials ~24%	Technology/improved internet access ~31%	Hiring additional academic support personnel ~29%	Student mental health curricula and toc ~31%	~37%
0		) 20	40	60	80	100
		Instructional support	Support for school physical and digital infrastructure and safety precautions	Additional personnel and employee benefits	Support for students' behavioral/emotional needs and mental well-being	Other
		Rapid IT purchases during the par	ndemic from various vendors resulted in fragmented			

IT systems, increasing complexity and demanding specialized IT expertise

\*Survey: Q13. You indicated that your school district received and allocated COVID-19 relief-specific funds (e.g., ESSER funds). Thinking only about your school district's COVID-19 reliefspecific funds (e.g., ESSER funds) budget, approximately what percentage of this budget was allocated to each of the following areas?; Q14. You indicated that your school district allocated COVID-19 relief-specific funds (e.g., ESSER funds) to (category); approximately what percentage of your total spend on (category) was allocated to each of the following areas?; \*\*Special education materials (includes adaptive learning tools, assistive technology, individualized instructional materials) Note: \* N varies by category, as categories were shown only to respondents indicating they allocated a non-zero amount of ESSER funding to this category; IT=information technology;

ESSER=Elementary and Secondary Relief; PPE=personal protective equipment; PBIS=positive behavior interventions and supports; SEL=social and emotional learning Source: L.E.K. survey and analysis With one-time emergency funding depleted, educational institutions are now facing budget constraints, hindering their ability to prioritize and implement effective IT management and cybersecurity

Key trends for investors in 2025

4 Increasing demand for IT services

Cybersecurity has remained the top technology priority for edtech leaders in the K-12 space in the past three years ...

Top three technology priorities among K-12 districts

... while budget constraints and lack of resources has remained the top challenge to implementation

Top three technology challenges among K-12 districts

Priorities	2022 rank	2023 rank	2024 rank	Cha	allenges	2022 rank	2023 rank	2024 rank
Cybersecurity	1	1	1		Budget constraints and lack of resources	1	1	1
Data privacy and security	5	3	2		Inability to hire skilled staff	2-tied	2	2-tied
Network infrastructure	2	2	3		Existence of silos, making technology planning difficult	4	4	2-tied

Note: IT=information technology Source: COSN; L.E.K. research and analysis

### Similarly, within higher education, increasingly sophisticated IT systems, lack of IT expertise and budget constraints create obstacles for managing large technology infrastructure

Key trends for investors in 2025

Increasing demand for IT services

(4)

Key challenges facing higher education institutions						
8	Cybersecurity risks	<ul> <li>Increased vulnerability to cyberattacks with the transition to online learning</li> <li>HEIs are high-value targets due to sensitive data such as personal information, academic records, research and financial data</li> </ul>				
	Lack of IT expertise	<ul> <li>Insufficient technical expertise to manage complex IT infrastructures</li> <li>Exponential increase in online workloads with remote and hybrid learning</li> <li>Growing gap between required IT skills and available talent within HEIs</li> </ul>				
Cost constraints	Cost constraints	<ul> <li>Budget cuts at state and federal levels strain hiring and maintenance of specialized in-house IT teams</li> <li>IT experts specializing in network management, cybersecurity and data protection are costly, making outsourcing IT services more cost-effective, particularly for smaller institutions</li> </ul>				
$\overleftrightarrow$	Scalability	<ul> <li>Inability to quickly scale systems like virtual classrooms, learning management systems and videoconferencing tools</li> <li>Increasing requirement for flexible IT solutions and service contracts to accommodate growing and shifting demands</li> </ul>				

"We have around 1,400 acres and over 100 buildings ... the spread for our network infrastructure and wireless space we maintain is enormous ... and along with all of that, we have student information that we need to keep secure"

- Information Technology Team at California State Polytechnic University, Pomona

t, advising

"Whether it is monitoring enrollment, advising students or budgeting for the next year, **almost every aspect of university life depends upon having fast access to key performance data and business-critical reporting**"

- Business Intelligence Team at Portland State University

Note: IT= information technology; HEIs= higher education institutions

Source: EdScoop; EdTech Magazine; IBM; Inside Higher Ed; Juniper Networks; L.E.K. research and analysis

## As schools adapt to growing technological demands, outsourcing IT functions in key areas like managed services, cybersecurity and cloud services enhances efficiency and reduces costs

Key trends for investors in 2025

Increasing demand for IT services

Leading IT sectors for higher education



#### Managed services

Network management, data storage and cloud computing services to enhance operational efficiency and reliability



#### Cybersecurity

Measures to protect network infrastructure and safeguard student and staff data from unauthorized access, attacks and malicious activity

#### **Cloud services**

Management of cloud-based LMS and collaboration tools (e.g., Google Classroom, Microsoft Teams) to ensure secure configuration and scalability

#### Help desk and end-user support

Resolution of computer and IT issues, particularly for institutions lacking dedicated IT staff, to ensure seamless operation and support

#### Data management and analytics

Assistance in managing metrics, such as student performance and technology usage, to support informed decision-making and effective resource allocation



# K-12 schools and HEIs are increasingly partnering with managed IT service providers that offer dedicated IT solutions and managed services for the education sector



- To address challenges such as budget constraints, complex IT infrastructures and the growing importance of digital learning, educational institutions employ managed IT service providers that offer comprehensive technology solutions, including network management, cybersecurity, cloud computing and 24/7 support
- IT providers are becoming more prevalent in the education sector by developing dedicated IT solutions tailored to educational needs (e.g., supporting classroom technology and administrative tasks, ensuring data security and compliance)

Source: L.E.K. research and analysis

Key insights

HEIs across North America are outsourcing IT services such as network management, end-user support and data analysis to keep pace with rapidly advancing technological infrastructures



## Education made up ~2% of the estimated total global spend of ~\$154B on Al-centric technologies and software systems in 2023

Key trends for investors in 2025

5 Disruption by Al

#### Estimated global spend on Al-centric systems, by industry\* (2023)



#### 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 proved challenging due to the absence of measurable improvements in learning outcomes or cost savings and uncertainty about long-term benefits



#### Absence of standardized policies

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



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

Key trends for investors in 2025

**5** Disruption by Al

#### Impact of AI technologies on education segments (2023)



- 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, **AI can analyze large data sets** to help **corporate learning and development** teams make more-informed decisions about program development
- Among schools, AI remains in the **early stages of adoption**, **mainly providing supplementary support** rather than reinventing the student learning experience

#### Morgan Stanley

"GenAl 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

# Al-based technologies have brought incremental change to the test preparation, tutoring and language training landscape



# There are emerging companies globally that are continuously innovating and advancing AI applications in the education sector



L.E.K. has developed an AI value creation framework to help clients evaluate potential opportunities and corresponding impact of different AI applications and implementations

Key trends for investors in 2025

25 **5** Disruption by Al

L.E.K.'s AI value creation framework

Performance: How can Al increase efficiency, productivity and speed?  $\Lambda \mathsf{P}$ Α  $\Lambda C$ ΛU

**Competition**: How can Al provide competitive advantage both within the education sector and across the value chain?



Unique opportunities: Given the unique assets, capabilities, access and permissions of a company, what new opportunities can AI unlock?

### This framework helps identify that there are various opportunities to leverage AI across different value levers within the education sector

Key trends for investors in 2025

**5** Disruption by Al

Al opportunities in the education sector, by value lever

#### $\Delta \mathbf{P}$ Performance

Power up efficiency, effectiveness and performance

#### $\Delta C$ Competition

Create an advantage within the market or across the value chain

#### $\Delta \mathbf{U}$ Unique opportunities

NONEXHAUSTIVE

IFK

Unlock new opportunities with unique assets, capabilities, access or permissions



Source: L.E.K. research and analysis

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#### Agenda

- Americas education sector transactions
- U.S. and Canada education trends to watch for in 2025
- Potential assets to watch for in 2025
- Appendix



# Companies that received the last round of funding between 2020 and 2024 have been listed here; these are potential companies to look out for in the next round of funding





#### These assets can be classified by segment of focus (1/2)

Investment opportunities

North America

Assets by select education segments in North America

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



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Source: S&P Capital IQ; Pitchbook; L.E.K. research and analysis

#### These assets can be classified by segment of focus (2/2)

Investment opportunities North America Assets by select education segments in North America Non-exhaustive, based on reported data; does not capture transactability of asset



Source: S&P Capital IQ; Pitchbook; L.E.K. research and analysis

#### Agenda

- Americas education sector transactions
- U.S. and Canada education trends to watch for in 2025
- Potential assets to watch for in 2025
- Appendix


## After investment levels stabilized in 2022 and 2023, 2024 saw a select few megadeals that drove up transaction values, while the overall number of smaller-scale deals remained consistent

Key themes: 2024 M&A activity

NONEXHAUSTIVE



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 included Source:S&P Capital IQ; Pitchbook; L.E.K. research and analysis

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### The North and South American education sector witnessed ~409 deals in 2024, driven by corporate training, professional upskilling and K-12 categories, making them favored sectors among investors

Key themes: 2024 M&A activity



Number of transactions



Note: The analysis spans multiple years and sources, hence data should be treated as directional due to potential biases in data recording and assumptions; \* Includes undisclosed and disclosed deals in North and South America Source:S&P Capital IQ; Pitchbook; L.E.K. research and analysis

# From 2020 to 2024, the number of PE transactions in the Americas education sector (~18%) outpaced that of corporate (~8%), signaling increasing PE activity in the space

Key themes: 2024 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; \* Including disclosed and undisclosed transactions;

\*Some corporate entities included in the dataset are backed by private equity Source: S&P Capital IQ; Pitchbook; L.E.K. research and analysis

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