

Q2 2017 EDUCATION SECTOR OVERVIEW

October 6, 2017

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Overview

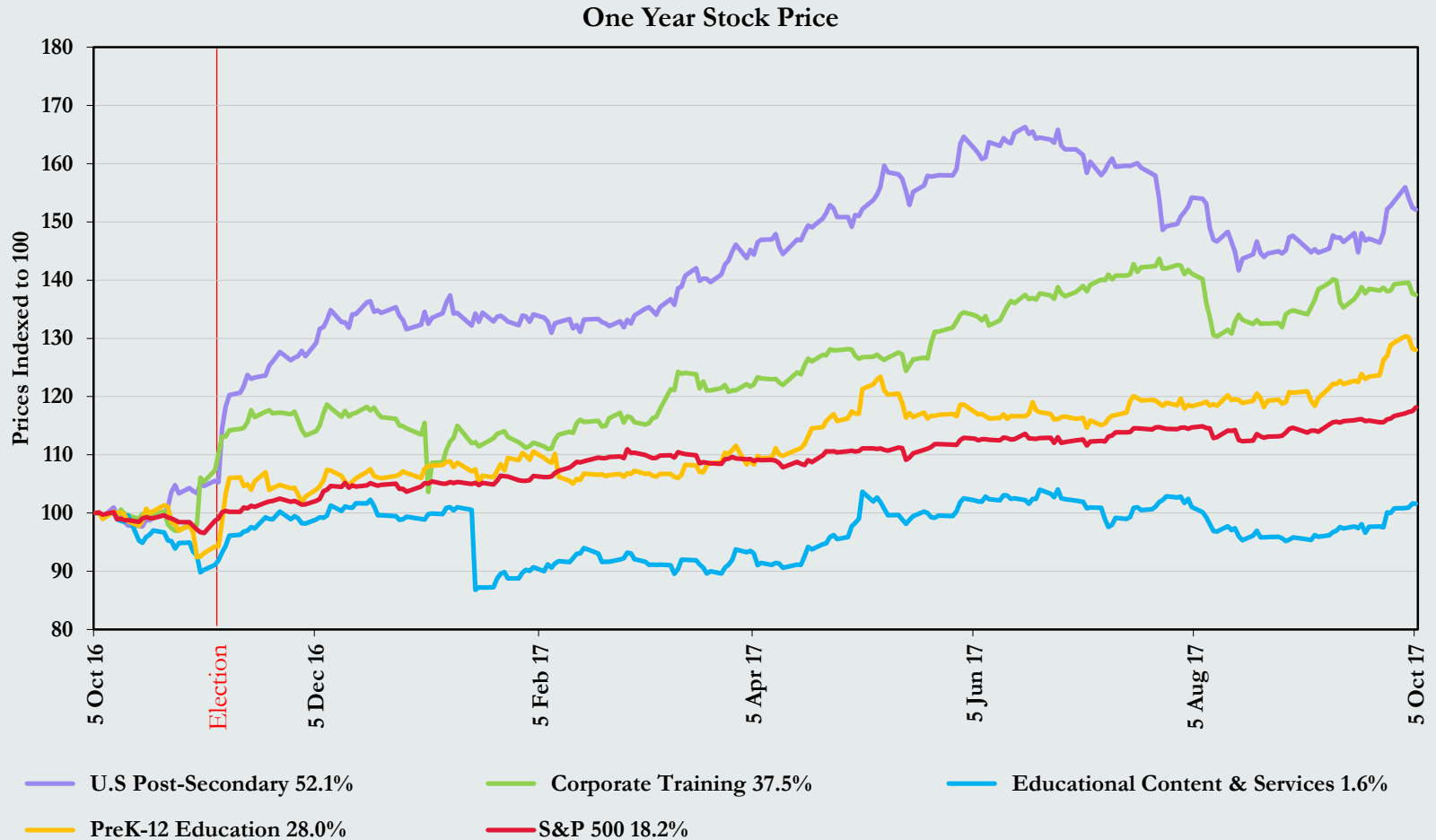
Parchman, Vaughan & Company, LLC (“PVC”) is pleased to share with you our quarterly summary of the earnings and other multiples of publicly-traded education firms, as well as select merger, acquisition, and divestiture announcements.

We caution that many factors affect the valuation of firms and these multiples are, at best, a guidepost for how the equity markets view the industry, specifically publicly-traded participants. Growth rates, return on capital invested, visibility of earnings, and a host of other elements influence valuation.

Key Indicators for the Education Space

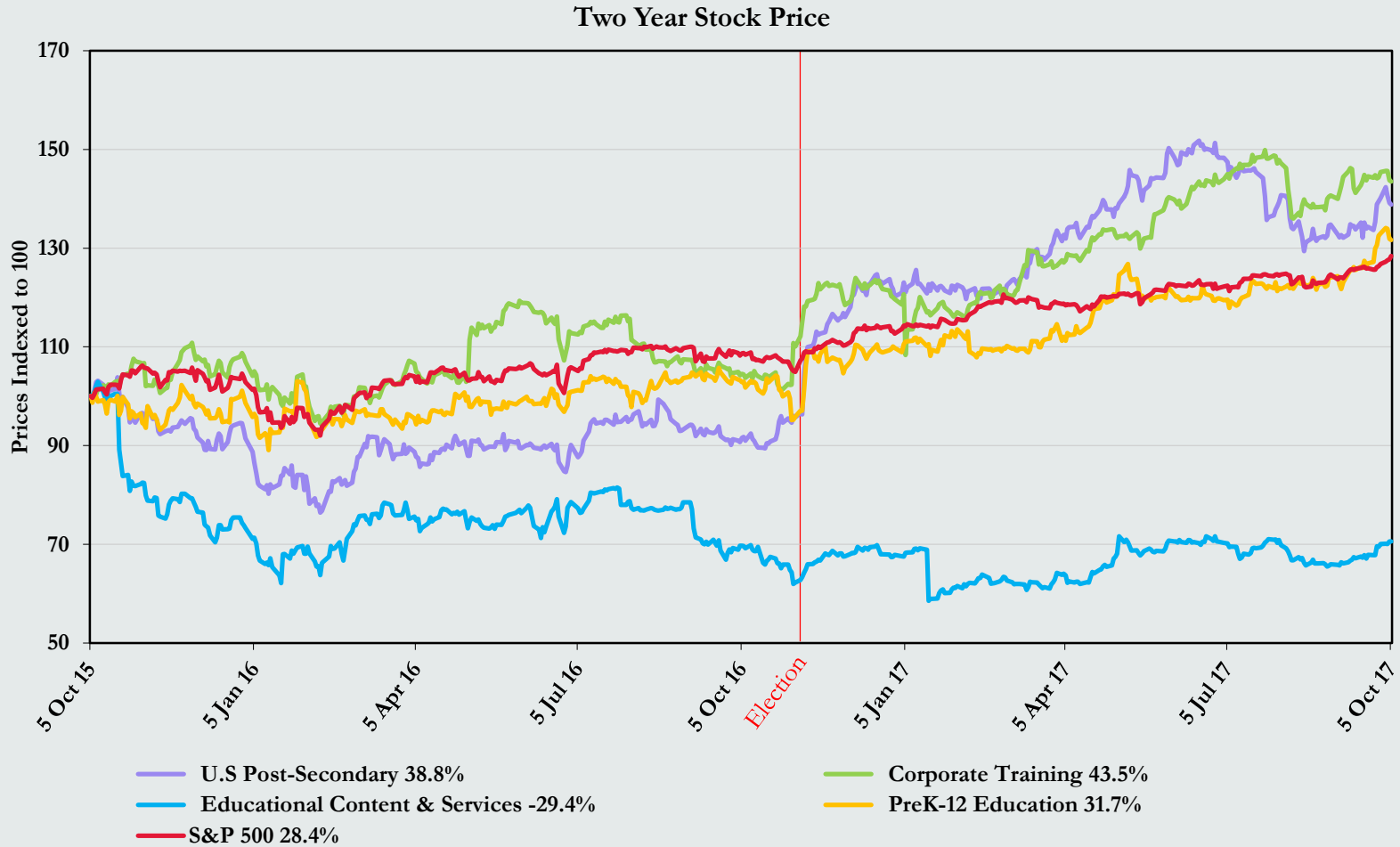
- Post-Secondary, Corporate Training, and PreK-12 valuations have advanced since our last report
- The Administration's continued extensions of Gainful Employment deadlines as well as its openness towards for-profit businesses relieves some pressure on the Post-Secondary and K-12 sectors
- The Accrediting Council for Independent Colleges and Schools ("ACICS") announced that it will submit a formal petition for initial recognition as a national accreditor to the Department of Education by October 2017
- In September 2017, the White House requested that the Department of Education direct at least \$200 million per year towards STEM education grants for women and minorities to prioritize coding and other computer-based careers
- Most completed M&A transactions have been in the K-12 services market, focusing on educational content and improving student outcomes; however, PVC sees the Post-Secondary sector rebounding after a long dormancy
- Several pending Post-Secondary transactions have been announced, but few have closed thus far
 - In April 2017, Purdue University agreed to acquire Kaplan University and its 32,000 students
 - In September 2017, the Department of Education granted initial approval of Education Management Corporation's sale to The Dream Center Foundation

One Year Education Stock Price Performance by Sector



Sources: Capital IQ and PVC

Two Year Education Stock Price Performance by Sector



Sources: Capital IQ and PVC

Education Public Company Valuation Data

U.S. Post-Secondary

Company Name	Price (10/05/2017)	Enterprise Value (\$ MM)	Market Cap (\$ MM)	3-Year Revenue Growth	EBITDA Margin	LTM TEV/Revenue	NTM TEV/Revenue	LTM TEV/EBITDA	NTM TEV/EBITDA	LTM Price/Earnings	NTM Price/Earnings
Adtalem Global Education Inc.	\$35.35	\$2,066.9	\$2,177.6	(2.0%)	17.3%	1.1x	1.2x	6.6x	6.7x	18.5x	12.3x
American Public Education, Inc.	\$20.85	\$181.7	\$338.8	(3.9%)	18.8%	0.6x	0.6x	3.2x	3.8x	21.9x	20.3x
Bridgepoint Education, Inc.	\$9.93	\$90.4	\$288.8	(8.9%)	6.5%	0.2x	0.2x	2.7x	3.1x	NM	19.1x
Capella Education Company	\$70.05	\$656.7	\$817.6	1.7%	16.3%	1.5x	1.5x	9.2x	7.2x	19.3x	19.7x
Career Education Corporation	\$10.70	\$575.5	\$739.1	(2.9%)	6.7%	0.9x	1.0x	13.6x	6.7x	NM	31.5x
Graham Holdings Company	\$578.60	\$2,846.6	\$3,235.7	(6.1%)	15.1%	1.1x	0.0x	7.7x	0.0x	24.5x	0.0x
Grand Canyon Education, Inc.	\$89.22	\$4,201.5	\$4,287.3	12.9%	33.7%	4.6x	4.2x	13.6x	12.0x	24.6x	22.6x
Laureate Education, Inc.	\$14.37	\$6,128.3	\$2,691.1	0.0%	15.3%	1.4x	1.4x	9.5x	7.4x	201.7x	40.9x
Lincoln Educational Services Corporation	\$2.31	\$81.9	\$57.1	(17.4%)	3.3%	0.4x	0.3x	13.4x	8.9x	NM	NM
National American University Holdings, Inc.	\$1.87	\$45.6	\$45.3	(12.2%)	(2.3%)	0.5x	0.0x	NM	0.0x	NM	0.0x
Strayer Education, Inc.	\$88.05	\$794.4	\$942.2	(1.0%)	17.3%	1.8x	1.7x	10.2x	9.3x	27.4x	24.4x
Mean		\$1,606.3	\$1,420.1	(4.0%)	13.5%	1.3x	1.3x	9.0x	7.2x	48.3x	23.9x
Median		\$656.7	\$817.6	(3.4%)	15.3%	1.1x	1.2x	9.3x	7.2x	24.5x	21.5x

Corporate Training

Company Name	Price (10/05/2017)	Enterprise Value (\$ MM)	Market Cap (\$ MM)	3-Year Revenue Growth	EBITDA Margin	LTM TEV/Revenue	NTM TEV/Revenue	LTM TEV/EBITDA	NTM TEV/EBITDA	LTM Price/Earnings	NTM Price/Earnings
Gartner, Inc.	\$122.75	\$13,959.6	\$11,120.8	13.1%	13.6%	5.1x	3.7x	37.4x	17.9x	251.9x	33.9x
GP Strategies Corporation	\$30.45	\$544.1	\$509.3	1.3%	7.8%	1.1x	1.0x	13.8x	12.0x	23.8x	21.0x
Franklin Covey Co.	\$20.15	\$310.6	\$279.3	(1.4%)	3.8%	1.6x	1.6x	43.3x	20.6x	NM	NM
Mean		\$4,938.1	\$3,969.8	4.4%	8.4%	2.6x	2.1x	31.5x	16.8x	137.9x	27.5x
Median		\$544.1	\$509.3	1.3%	7.8%	1.6x	1.6x	37.4x	17.9x	137.9x	27.5x

Sources: Capital IQ and PVC

Education Public Company Valuation Data

Educational Content & Services

Company Name	Price (10/05/2017)	Enterprise Value (\$ MM)	Market Cap (\$ MM)	3-Year Revenue Growth	EBITDA Margin	LTM TEV/Revenue	NTM TEV/Revenue	LTM TEV/EBITDA	NTM TEV/EBITDA	LTM Price/Earnings	NTM Price/Earnings
2U, Inc.	\$59.16	\$3,053.0	\$3,075.2	35.4%	(8.4%)	12.8x	9.0x	NM	168.2x	NM	NM
Barnes & Noble Education, Inc.	\$6.74	\$519.4	\$313.5	10.1%	4.1%	0.3x	0.2x	6.3x	4.1x	NM	12.9x
Chegg, Inc.	\$15.41	\$1,585.6	\$1,651.7	(3.0%)	(2.9%)	6.3x	5.9x	NM	30.3x	NM	51.3x
Educational Development Corporation	\$9.70	\$66.0	\$39.7	59.5%	6.5%	0.6x	0.0x	9.2x	0.0x	11.4x	0.0x
Houghton Mifflin Harcourt Company	\$12.00	\$2,177.0	\$1,480.1	(0.4%)	3.9%	1.6x	1.5x	40.4x	10.2x	NM	NM
Instructure, Inc.	\$34.60	\$990.8	\$1,016.5	0.0%	(35.4%)	7.4x	5.7x	NM	NM	NM	NM
John Wiley & Sons, Inc.	\$53.30	\$3,509.2	\$3,039.6	(1.4%)	17.3%	2.0x	2.0x	11.7x	9.5x	33.7x	16.4x
Pearson plc	\$8.09	\$8,951.6	\$6,596.8	(1.3%)	17.4%	1.4x	1.5x	7.2x	9.7x	NM	12.8x
Rosetta Stone Inc.	\$10.22	\$203.8	\$227.8	(8.9%)	1.3%	1.1x	1.1x	83.0x	33.7x	NM	NM
Scholastic Corporation	\$37.36	\$1,008.3	\$1,308.2	3.8%	6.5%	0.6x	0.6x	9.4x	10.5x	47.2x	29.0x
Mean		\$2,206.5	\$1,874.9	10.4%	1.0%	3.4x	3.1x	23.9x	34.5x	30.8x	24.5x
Median		\$1,297.0	\$1,394.1	(0.4%)	4.0%	1.5x	1.5x	9.4x	10.4x	33.7x	16.4x

PreK-12 Education

Company Name	Price (10/05/2017)	Enterprise Value (\$ MM)	Market Cap (\$ MM)	3-Year Revenue Growth	EBITDA Margin	LTM TEV/Revenue	NTM TEV/Revenue	LTM TEV/EBITDA	NTM TEV/EBITDA	LTM Price/Earnings	NTM Price/Earnings
Bright Horizons Family Solutions Inc.	\$85.32	\$6,141.6	\$5,047.3	8.1%	17.7%	3.7x	3.4x	21.0x	17.7x	45.5x	30.8x
Cambium Learning Group, Inc.	\$6.50	\$384.1	\$301.4	2.8%	18.8%	2.5x	0.0x	13.1x	0.0x	20.3x	0.0x
K12 Inc.	\$17.81	\$518.8	\$727.1	(1.1%)	4.0%	0.6x	0.6x	14.4x	4.4x	NM	37.9x
Mean		\$2,348.2	\$2,025.3	3.2%	13.5%	2.3x	2.0x	16.2x	11.1x	32.9x	34.3x
Median		\$518.8	\$727.1	2.8%	17.7%	2.5x	2.0x	14.4x	11.1x	32.9x	34.3x

Sources: Capital IQ and PVC

Select Q2 2017 Education Merger, Acquisition, and Divestiture Transactions

Announcement Date	Target Company	Acquirer Company	Target Business Type	Acquisition Price (\$MM)
6/30/2017	Wordsworth Academy Inc.	Public Health Management Corporation	Educational Content & Services	N/A
6/29/2017	Authentica Solutions, LLC	BrightBytes Inc.	Educational Content & Services	N/A
6/27/2017	Edusight, Inc.	Nelson Education Ltd.	Educational Content & Services	N/A (Pending)
6/26/2017	Unbound Concepts, Inc.	Certica Solutions, Inc.	Educational Content & Services	N/A
6/12/2017	Rourke Educational Media LLC	Carson-Dellosa Publishing, LLC	Educational Content & Services	N/A
6/12/2017	Club Z!, Inc.	Sage Tutoring, LLC	Educational Content & Services	N/A
6/12/2017	New England Culinary Institute in Vermont	Virginia Marti College of Art and Design	Post-Secondary	N/A (Pending)
5/30/2017	Thrivist, LLC	Tennessee Book Company LLC	Educational Content & Services	N/A
5/17/2017	SDN Essentials LLC	Redapt, Inc.	Corporate Training	\$1.6
5/11/2017	McGraw-Hill Ryerson Ltd., K-12 Business	Nelson Education Ltd.	Educational Content & Services	N/A (Pending)
5/5/2017	AdvancePath Academics, Inc.	Graduation Alliance Inc.	Educational Content & Services	N/A
5/3/2017	Rafter, Inc.	A Book Company, LLC	Educational Content & Services	N/A
5/2/2017	Apex Learning Inc.	Education Growth Partners/Balance Point Capital	Educational Content & Services	N/A
4/27/2017	Iowa College Acquisition Corporation dba Kaplan University	Purdue University	Post-Secondary	N/A (Pending)
4/20/2017	Workplace Answers, LLC	EverFi, Inc.	Corporate Training	N/A
4/19/2017	Frog Street Press, Inc.	Excelligence Learning Corporation	Educational Content & Services	N/A
4/18/2017	Teachers-Teachers.com, Inc.	Frontline Education, Inc.	Educational Content & Services	N/A
4/17/2017	Scarlett Leadership Institute Inc.	The Work Institute LLC	Corporate Training	N/A
4/14/2017	Ascend Learning, LLC	Blackstone Group/Canada Pension Plan Inv. Board	Educational Content & Services	N/A
4/12/2017	Inside Sales Bootcamp, Inc.	Sales Bootcamp, Inc.	Corporate Training	N/A
4/12/2017	Media 1 Interactive, Inc.	eLearning Brothers, LLC	Corporate Training	N/A
4/12/2017	Ooka Island Inc.	Scholastic Corporation	Educational Content & Services	N/A
4/10/2017	Advancement Courses Inc.	The Learning House, Inc.	Corporate Training	N/A
4/5/2017	Turkey Run High School	Rockville Junior - Senior High School	PreK-12	N/A (Pending)
4/5/2017	Learnlight Group	Beech Tree Private Equity	Corporate Training	N/A
4/5/2017	Advanced Practice Strategies, Inc.	Relias Learning, LLC	Educational Content & Services	N/A
4/4/2017	SelfTest Software, Inc.	Transcender LLC	Corporate Training	N/A (Pending)
4/4/2017	Emantras Inc.	GP Strategies Corporation	Corporate Training	N/A

Sources: Capital IQ and PVC

For more information, please visit www.parchmanvaughan.com