

# Q3 2017 EDUCATION SECTOR OVERVIEW

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# Overview

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Parchman, Vaughan & Company, LLC (“PVC”) is pleased to share with you our quarterly overview of recent developments in the education space as well as price performance and valuation metrics for publicly traded education companies.

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.

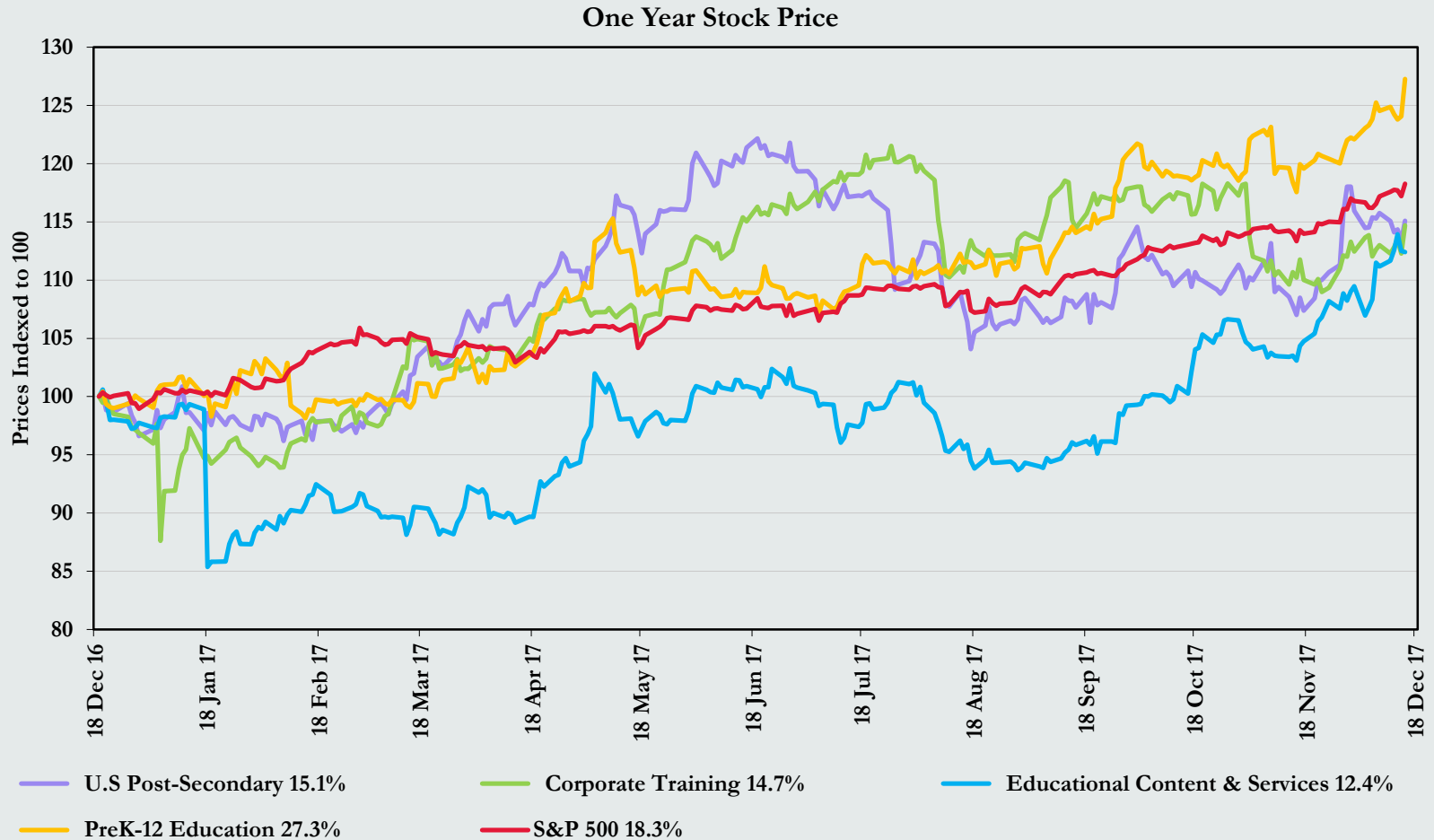
# Commentary on the Education Space

- Post-Secondary, Corporate Training, Educational Content and Services, and PreK-12 public company valuations have advanced since our last report
- Continued political support for increased STEM funding and vouchers bodes well for the K-12 sector

## Post-Secondary Education – Return to Normal?

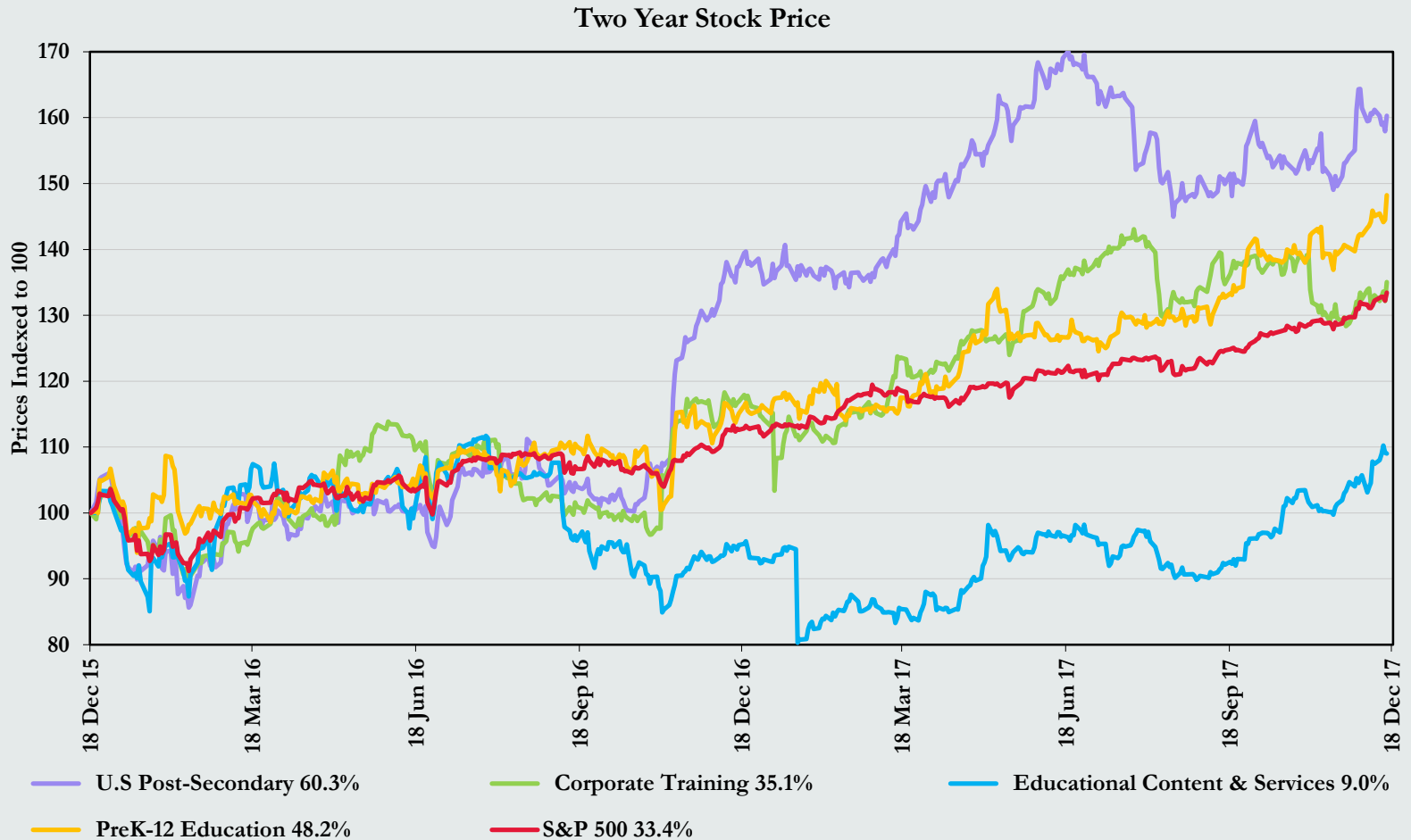
- In December 2017, the House Committee on Education and the Workforce introduced the “Promoting Real Opportunity, Success and Prosperity through Education Reform” (PROSPER) Act, which would reauthorize the Higher Education Act of 1965. Its proposals are aimed at filling the current skills gap in the labor market by both deregulating parts of the sector and delineating faster pathways for students to enter the workforce. A balanced regulatory approach from the federal government may lead to a more favorable financing and M&A climate.
- Notable Post-Secondary transaction announcements:
  - December 2017 – DeVry University to be acquired by Cogswell Education LLC
  - December 2017 – Aspen Group, Inc. acquired United States University

# 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 (12/18/2017)	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.	\$45.85	\$2,649.3	\$2,781.5	(2.7%)	17.4%	1.5x	1.5x	8.6x	8.3x	26.6x	15.8x
American Public Education, Inc.	\$26.15	\$259.1	\$425.4	(4.3%)	18.0%	0.9x	0.9x	4.8x	5.2x	21.8x	23.7x
Bridgepoint Education, Inc.	\$8.99	\$70.7	\$262.8	(9.0%)	6.2%	0.1x	0.2x	2.3x	2.7x	153.2x	22.5x
Capella Education Company	\$80.90	\$773.1	\$940.4	1.6%	15.8%	1.8x	1.7x	11.1x	8.6x	22.9x	22.4x
Career Education Corporation	\$12.60	\$702.5	\$870.6	(1.1%)	8.3%	1.2x	1.2x	13.9x	7.2x	NM	19.7x
Graham Holdings Company	\$575.20	\$2,777.2	\$3,181.9	(4.0%)	14.1%	1.1x	0.0x	7.9x	0.0x	25.9x	0.0x
Grand Canyon Education, Inc.	\$93.08	\$4,277.5	\$4,479.0	12.6%	34.0%	4.5x	4.1x	13.3x	11.9x	24.4x	23.4x
Laureate Education, Inc.	\$13.56	\$5,601.1	\$2,540.1	0.0%	14.7%	1.3x	1.3x	8.9x	6.8x	NM	32.7x
Lincoln Educational Services Corporation	\$2.07	\$60.6	\$51.2	(18.1%)	2.4%	0.3x	0.2x	14.4x	4.7x	NM	69.0x
National American University Holdings, Inc.	\$1.45	\$35.4	\$35.1	(12.2%)	(2.3%)	0.4x	0.0x	NM	0.0x	NM	0.0x
Strayer Education, Inc.	\$92.74	\$841.9	\$992.4	0.1%	17.0%	1.8x	1.8x	10.9x	10.0x	26.6x	24.8x
	<b>Mean</b>	<b>\$1,640.8</b>	<b>\$1,505.5</b>	<b>(3.7%)</b>	<b>13.2%</b>	<b>1.4x</b>	<b>1.4x</b>	<b>9.6x</b>	<b>7.2x</b>	<b>43.1x</b>	<b>28.2x</b>
	<b>Median</b>	<b>\$773.1</b>	<b>\$940.4</b>	<b>(3.4%)</b>	<b>14.7%</b>	<b>1.2x</b>	<b>1.3x</b>	<b>9.9x</b>	<b>7.2x</b>	<b>25.9x</b>	<b>23.4x</b>

## Corporate Training

Company Name	Price (12/18/2017)	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.	\$124.43	\$13,999.6	\$11,279.8	15.3%	12.2%	4.7x	3.6x	38.1x	17.4x	NM	32.5x
GP Strategies Corporation	\$23.65	\$437.4	\$396.9	0.7%	7.1%	0.9x	0.8x	12.2x	10.6x	19.9x	19.0x
Franklin Covey Co.	\$19.65	\$306.7	\$269.3	(3.3%)	1.2%	1.7x	1.5x	142.1x	24.6x	NM	NM
	<b>Mean</b>	<b>\$4,914.6</b>	<b>\$3,982.0</b>	<b>4.2%</b>	<b>6.8%</b>	<b>2.4x</b>	<b>2.0x</b>	<b>64.1x</b>	<b>17.6x</b>	<b>19.9x</b>	<b>25.8x</b>
	<b>Median</b>	<b>\$437.4</b>	<b>\$396.9</b>	<b>0.7%</b>	<b>7.1%</b>	<b>1.7x</b>	<b>1.5x</b>	<b>38.1x</b>	<b>17.4x</b>	<b>19.9x</b>	<b>25.8x</b>

Sources: Capital IQ and PVC

# Education Public Company Valuation Data

Educational Content & Services											
Company Name	Price (12/18/2017)	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.	\$67.21	\$3,325.1	\$3,509.9	35.1%	(7.2%)	12.9x	9.1x	NM	NM	NM	NM
Barnes & Noble Education, Inc.	\$8.84	\$439.0	\$414.7	6.1%	5.4%	0.2x	0.2x	3.8x	3.7x	23.9x	15.5x
Chegg, Inc.	\$16.43	\$1,578.6	\$1,781.7	(6.3%)	(2.5%)	6.5x	5.6x	NM	25.3x	NM	46.1x
Educational Development Corporation	\$16.73	\$96.4	\$68.4	56.6%	7.8%	0.9x	0.0x	11.4x	0.0x	16.4x	0.0x
Houghton Mifflin Harcourt Company	\$9.70	\$1,760.1	\$1,196.3	(0.4%)	3.9%	1.3x	1.2x	32.6x	7.4x	NM	NM
Instructure, Inc.	\$34.90	\$989.2	\$1,056.0	0.0%	(32.3%)	6.8x	5.3x	NM	NM	NM	NM
John Wiley & Sons, Inc.	\$65.65	\$4,229.4	\$3,739.3	(1.4%)	18.0%	2.4x	2.4x	13.4x	10.4x	23.3x	20.3x
Pearson plc	\$9.73	\$10,316.8	\$7,913.6	(1.3%)	17.4%	1.6x	1.7x	8.2x	11.0x	NM	14.6x
Rosetta Stone Inc.	\$13.46	\$262.4	\$300.1	(9.7%)	1.7%	1.4x	1.4x	83.9x	29.4x	NM	NM
Scholastic Corporation	\$40.61	\$1,040.7	\$1,417.2	3.5%	6.3%	0.6x	0.6x	10.2x	8.8x	83.4x	30.0x
	<b>Mean</b>	<b>\$2,403.7</b>	<b>\$2,139.7</b>	<b>9.1%</b>	<b>1.8%</b>	<b>3.5x</b>	<b>3.1x</b>	<b>23.3x</b>	<b>13.7x</b>	<b>36.8x</b>	<b>25.3x</b>
	<b>Median</b>	<b>\$1,309.6</b>	<b>\$1,306.8</b>	<b>(0.4%)</b>	<b>4.7%</b>	<b>1.5x</b>	<b>1.7x</b>	<b>11.4x</b>	<b>10.4x</b>	<b>23.6x</b>	<b>20.3x</b>

PreK-12 Education											
Company Name	Price (12/18/2017)	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.	\$94.57	\$6,597.5	\$5,514.9	8.4%	17.6%	3.9x	3.6x	22.1x	18.6x	46.9x	32.8x
Cambium Learning Group, Inc.	\$5.50	\$314.3	\$256.7	3.5%	19.3%	2.0x	0.0x	10.3x	0.0x	14.9x	0.0x
K12 Inc.	\$16.56	\$567.1	\$684.5	(1.4%)	4.6%	0.6x	0.6x	13.8x	4.8x	112.8x	36.6x
	<b>Mean</b>	<b>\$2,493.0</b>	<b>\$2,152.0</b>	<b>3.5%</b>	<b>13.8%</b>	<b>2.2x</b>	<b>2.1x</b>	<b>15.4x</b>	<b>11.7x</b>	<b>58.2x</b>	<b>34.7x</b>
	<b>Median</b>	<b>\$567.1</b>	<b>\$684.5</b>	<b>3.5%</b>	<b>17.6%</b>	<b>2.0x</b>	<b>2.1x</b>	<b>13.8x</b>	<b>11.7x</b>	<b>46.9x</b>	<b>34.7x</b>

Sources: Capital IQ and PVC



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