

2016 POST-ELECTION EDUCATION SECTOR OVERVIEW

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Table of Contents

Overview.....	3
PVC Comments.....	4
Education Stock Price Performance by Sector.....	5
Education Public Company Valuation Data.....	6

Overview

Parchman, Vaughan & Company, LLC is pleased to share with you our 2016 post-election review of the valuation multiples of publicly-traded education firms.

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. Growth rates, return on invested capital, visibility of earnings, and a host of other elements influence valuation.

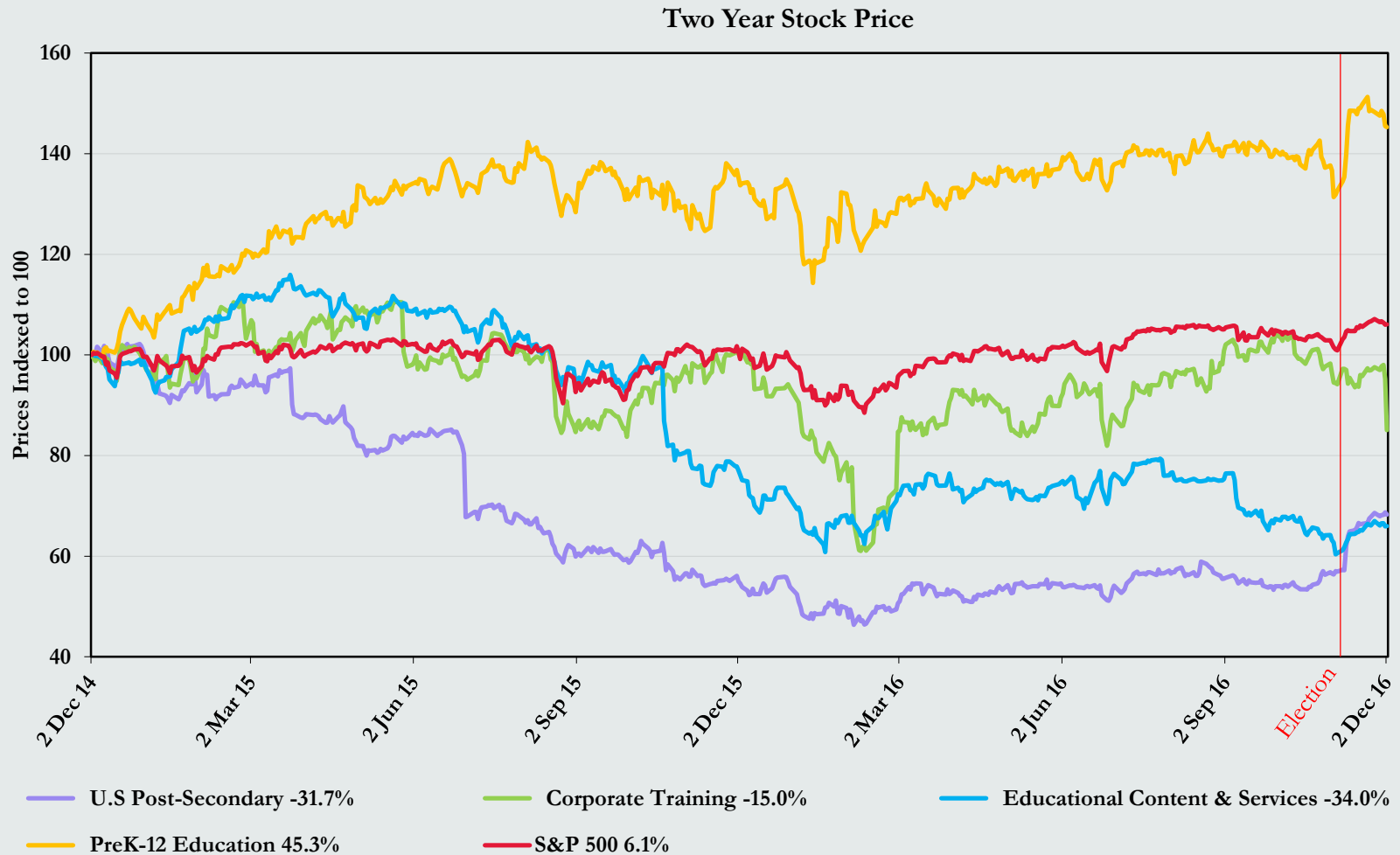
PVC Comments

As the following stock charts illuminate, the equity markets are viewing the recent election results optimistically for publicly-traded education and training firms. Many industry observers expect the Post-Secondary sector to stabilize with the policies of the new administration. A more balanced regulatory approach from the federal government may lead to a more favorable financing and M&A climate.

The Corporate Training sector could also benefit from accelerated economic growth and lower corporate tax rates (if enacted).

Finally, both the Pre-K and K-12 segments may experience above-trend revenue growth if the new administration's emphasis on early childhood education, openness towards charters and vouchers, and less animosity towards private capital is demonstrated through state and federal legislation.

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 (12/02/2016)	Enterprise Value (USD MM)	Market Cap (USD 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
American Public Education, Inc.	\$23.20	\$235.7	\$373.4	(1.2%)	23.4%	0.7x	0.8x	3.1x	4.0x	13.8x	16.2x
Apollo Education Group, Inc.	\$9.49	\$475.5	\$1,040.3	(16.5%)	9.8%	0.2x	0.3x	2.3x	3.2x	NM	24.0x
Bridgepoint Education, Inc.	\$10.30	\$191.1	\$477.3	(12.2%)	5.8%	0.4x	0.4x	6.1x	7.3x	NM	47.9x
Capella Education Company	\$86.75	\$854.2	\$994.6	1.7%	17.1%	2.0x	1.9x	11.4x	9.9x	25.7x	23.7x
Career Education Corporation	\$10.05	\$481.5	\$688.3	(11.3%)	9.2%	0.6x	0.8x	7.1x	15.5x	4.4x	100.5x
DeVry Education Group Inc.	\$29.45	\$1,790.3	\$1,844.2	(1.5%)	15.9%	1.0x	1.0x	6.1x	5.9x	114.4x	11.3x
Graham Holdings Company	\$491.80	\$2,266.2	\$2,760.7	(10.4%)	14.4%	0.9x	NM	6.4x	NM	15.3x	NM
Grand Canyon Education, Inc.	\$57.04	\$2,662.2	\$2,699.6	13.5%	32.0%	3.2x	2.9x	9.9x	8.6x	19.3x	17.1x
Lincoln Educational Services Corporation	\$2.03	\$74.6	\$50.5	(18.9%)	5.5%	0.4x	0.4x	7.5x	4.9x	NM	58.0x
National American University Holdings, Inc.	\$1.99	\$39.0	\$48.1	(10.8%)	(2.5%)	0.4x	NM	NM	NM	NM	NM
Strayer Education, Inc.	\$74.16	\$666.8	\$787.3	(5.8%)	17.9%	1.5x	1.4x	8.6x	7.9x	22.2x	20.7x
Universal Technical Institute, Inc.	\$2.62	\$56.7	\$64.5	(3.0%)	0.3%	0.2x	0.2x	13.0x	3.1x	NM	NM
Mean		\$816.1	\$985.7	(6.4%)	12.4%	1.0x	1.0x	7.4x	7.0x	30.7x	35.5x
Median		\$478.5	\$737.8	(8.1%)	12.1%	0.7x	0.8x	7.1x	6.6x	19.3x	23.7x

Corporate Training

Company Name	Price (12/02/2016)	Enterprise Value (USD MM)	Market Cap (USD 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
CEB Inc.	\$57.15	\$2,592.3	\$1,841.8	5.9%	20.7%	2.8x	2.7x	13.4x	10.4x	49.1x	15.1x
Franklin Covey Co.	\$20.75	\$314.4	\$286.2	1.6%	11.5%	1.6x	1.6x	13.6x	13.4x	44.2x	48.3x
GP Strategies Corporation	\$27.20	\$497.5	\$453.9	4.8%	8.1%	1.0x	1.0x	12.5x	11.3x	23.2x	20.0x
Workday, Inc.	\$71.40	\$12,965.2	\$14,351.4	52.7%	(16.8%)	8.9x	6.9x	NM	66.2x	NM	NM
Mean		\$4,092.3	\$4,233.3	16.3%	5.9%	3.6x	3.0x	13.2x	25.3x	38.8x	27.8x
Median		\$1,544.9	\$1,147.9	5.3%	9.8%	2.2x	2.1x	13.4x	12.4x	44.2x	20.0x

Sources: Capital IQ and PVC

Education Public Company Valuation Data

Educational Content & Services

Company Name	Price (12/02/2016)	Enterprise Value (USD MM)	Market Cap (USD 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.	\$31.16	\$1,309.5	\$1,466.4	36.9%	(10.6%)	6.8x	5.2x	NM	247.8x	NM	NM
Barnes & Noble Education, Inc.	\$11.29	\$536.3	\$520.2	0.0%	4.2%	0.3x	0.3x	7.1x	6.1x	NM	26.9x
Cambium Learning Group, Inc.	\$4.65	\$301.8	\$214.0	(0.2%)	17.0%	2.0x	NM	11.8x	NM	45.4x	NM
Chegg, Inc.	\$7.69	\$612.3	\$702.5	1.7%	(2.2%)	2.4x	2.7x	NM	19.7x	NM	37.1x
Educational Development Corporation	\$9.30	\$61.1	\$38.0	53.0%	4.4%	0.7x	NM	15.4x	NM	18.2x	NM
Houghton Mifflin Harcourt Company	\$11.05	\$1,929.4	\$1,359.2	1.6%	4.1%	1.4x	1.4x	32.8x	9.4x	NM	NM
Instructure, Inc.	\$19.60	\$470.3	\$553.6	NM	(49.0%)	4.7x	3.4x	NM	NM	NM	NM
John Wiley & Sons, Inc.	\$54.00	\$3,589.2	\$3,120.0	(1.0%)	16.1%	2.1x	2.1x	13.1x	9.0x	21.9x	18.4x
Pearson plc	\$9.98	\$10,204.3	\$8,139.5	(4.7%)	14.2%	1.9x	1.7x	11.7x	9.8x	NM	13.1x
Rosetta Stone Inc.	\$8.11	\$149.5	\$178.9	(9.0%)	(4.8%)	0.7x	0.8x	NM	NM	NM	NM
Scholastic Corporation	\$43.13	\$1,213.1	\$1,488.6	(0.2%)	7.8%	0.7x	0.7x	8.8x	9.5x	28.4x	25.2x
	Mean	\$1,852.4	\$1,616.4	8.7%	0.1%	2.1x	2.0x	14.4x	44.5x	28.5x	24.1x
	Median	\$612.3	\$702.5	(0.2%)	4.2%	1.9x	1.7x	11.8x	9.5x	25.2x	25.2x

PreK-12 Education

Company Name	Price (12/02/2016)	Enterprise Value (USD MM)	Market Cap (USD 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.	\$68.33	\$4,983.1	\$4,062.7	9.6%	18.0%	3.2x	3.0x	18.0x	15.2x	41.3x	28.1x
K12 Inc.	\$15.23	\$521.8	\$619.2	1.0%	4.3%	0.6x	0.6x	13.7x	5.0x	75.2x	38.6x
Nord Anglia Education, Inc.	\$22.79	\$3,134.3	\$2,373.1	38.3%	21.2%	3.7x	3.4x	17.2x	15.2x	50.6x	34.4x
	Mean	\$2,879.7	\$2,351.7	16.3%	14.5%	2.5x	2.3x	16.3x	11.8x	55.7x	33.7x
	Median	\$3,134.3	\$2,373.1	9.6%	18.0%	3.2x	3.0x	17.2x	15.2x	50.6x	34.4x

Sources: Capital IQ and PVC

For more information, please visit www.parchmanvaughan.com