

Q4 2016 EDUCATION SECTOR OVERVIEW

RISK ON?

March 16, 2017

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Risk On?

Key Indicators of Optimism for the Education Space

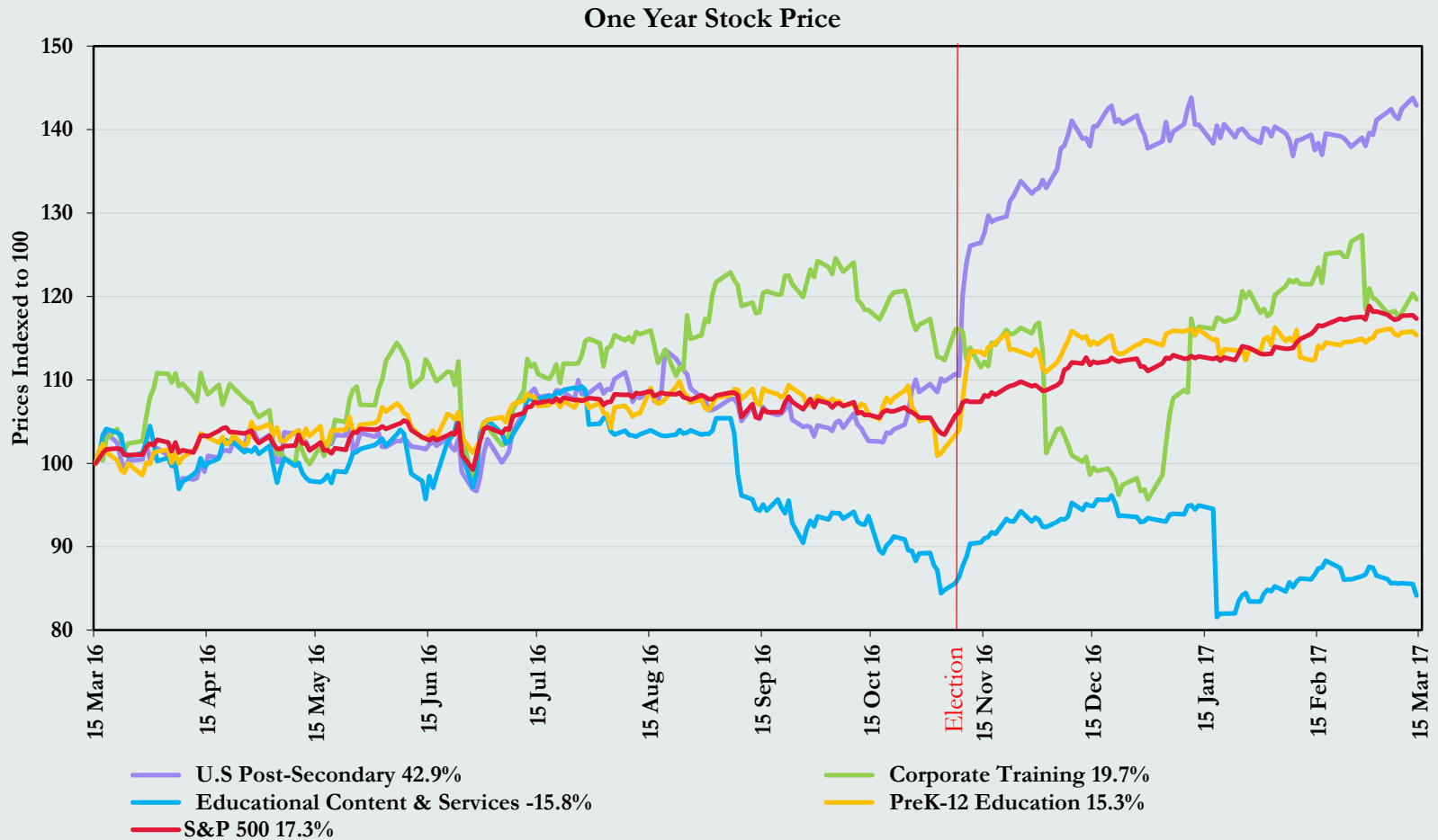
- Post-Secondary and PreK-12 valuations have advanced significantly since the election
- The Administration's openness towards for-profit businesses bodes well for the Post-Secondary and K-12 sectors
- Laureate Education, Inc.'s IPO on February 1st, 2017
- Apollo Education Group Inc.'s successful acquisition by a consortium of investors on February 2nd
- Parchman Vaughan has seen an increased level of acquisition appetite by financial and strategic buyers and renewed interest from financing sources for growing companies

Renewed Confidence in For-Profit Education

- Investors and industry participants welcome a less rigid regulatory regime
- Delay in Gainful Employment deadlines for colleges to submit appeals or public disclosures – does this portend flexibility or just modest improvement in calculation methodology?
- Revoking of the Accrediting Council for Independent Colleges and Schools (ACICS) accreditation – will they receive a reprieve from death row?
- Longer term, Secretary DeVos' openness towards choice in K-12 may create opportunities in the K-12 sector

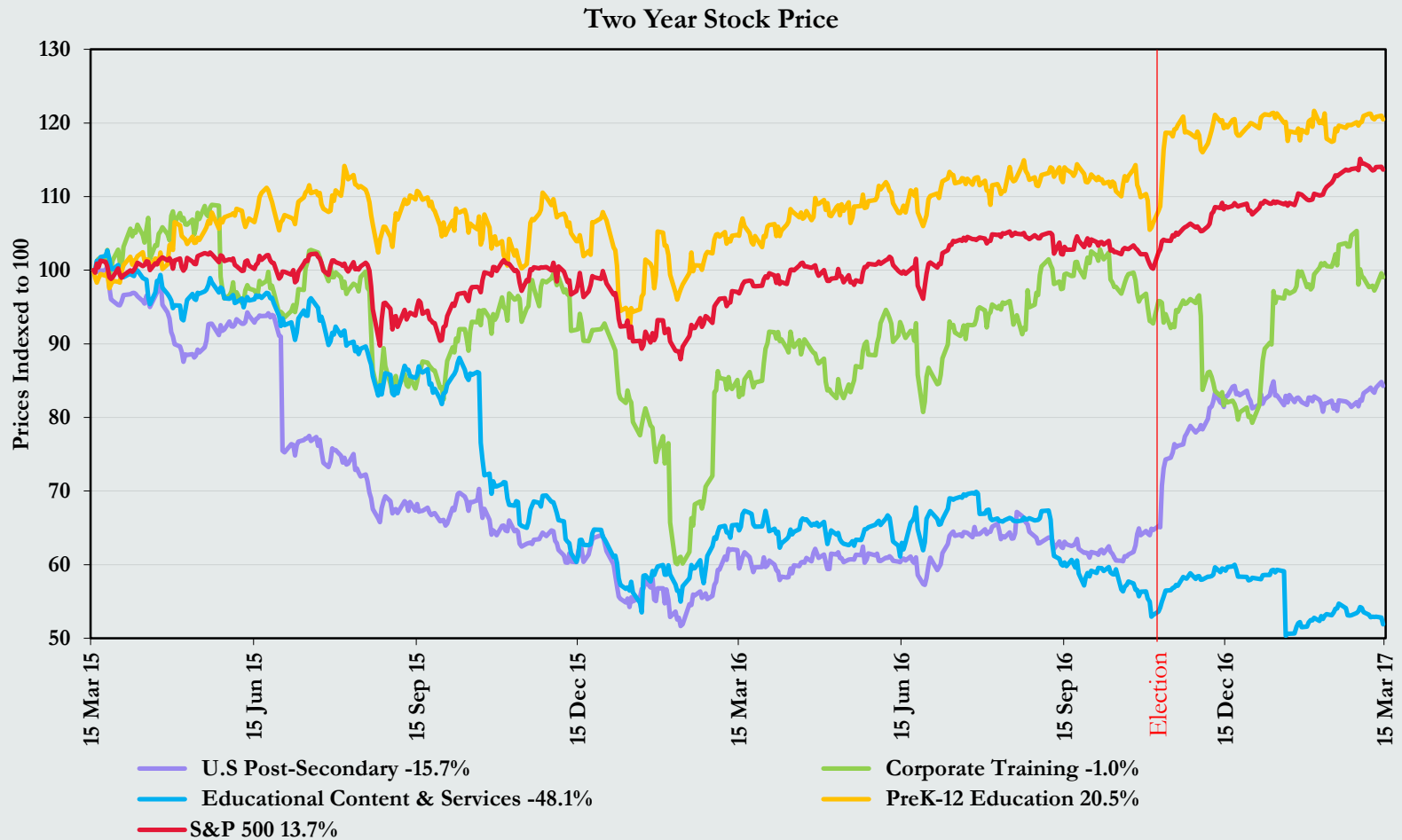
Risk On: a term used for deploying financial assets into risky assets, such as equities. Its inverse, risk off, refers to moving to less risky or “riskless” assets, such as cash or short-term treasuries.

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	Δ% in Price Since Election*	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.	42.8%	\$197.2	\$343.6	(1.7%)	21.8%	0.6x	0.7x	2.9x	4.1x	14.2x	20.6x
Bridgepoint Education, Inc.	37.7%	\$106.5	\$463.8	(11.1%)	4.8%	0.2x	0.2x	4.2x	3.9x	NM	30.2x
Capella Education Company	8.1%	\$788.5	\$927.6	1.1%	17.4%	1.8x	1.8x	10.5x	8.4x	22.4x	21.3x
Career Education Corporation	13.3%	\$363.5	\$560.7	(11.5%)	7.9%	0.5x	0.6x	6.6x	18.4x	NM	NM
DeVry Education Group Inc.	43.4%	\$2,151.0	\$2,119.2	(1.3%)	16.6%	1.2x	1.2x	7.0x	6.9x	26.5x	12.2x
Graham Holdings Company	29.3%	\$2,690.1	\$3,266.9	(1.5%)	15.9%	1.1x	0.0x	7.0x	0.0x	19.6x	0.0x
Grand Canyon Education, Inc.	42.9%	\$3,246.0	\$3,256.4	13.4%	32.8%	3.7x	3.4x	11.3x	10.1x	21.7x	19.7x
Laureate Education, Inc.	NM	\$5,804.3	\$2,198.0	0.0%	14.9%	1.4x	1.4x	9.2x	7.8x	22.5x	5.0x
Lincoln Educational Services Corporation	33.7%	\$78.7	\$57.8	(3.0%)	5.0%	0.4x	0.4x	7.9x	8.1x	NM	NM
National American University Holdings, Inc.	41.7%	\$57.9	\$65.9	(11.8%)	(2.4%)	0.7x	0.0x	NM	0.0x	NM	0.0x
Strayer Education, Inc.	37.4%	\$726.8	\$856.0	(4.3%)	17.8%	1.6x	1.6x	9.2x	8.5x	25.1x	22.4x
Universal Technical Institute, Inc.	109.6%	\$94.6	\$85.7	(3.4%)	1.6%	0.3x	0.3x	15.8x	6.2x	NM	NM
	Mean	\$1,358.8	\$1,183.5	(3.2%)	12.9%	1.1x	1.2x	8.3x	8.2x	21.7x	18.8x
	Median	\$545.1	\$708.3	(3.0%)	15.4%	0.9x	0.9x	7.9x	7.9x	22.4x	20.6x

Corporate Training

Company Name	Δ% in Price Since Election*	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.	62.9%	\$3,283.3	\$2,543.6	5.0%	21.1%	3.5x	3.4x	16.4x	13.2x	NM	20.9x
Franklin Covey Co.	(6.8%)	\$268.8	\$234.6	0.8%	7.5%	1.4x	1.4x	18.4x	23.6x	108.2x	NM
GP Strategies Corporation	(4.8%)	\$444.3	\$397.9	4.0%	7.8%	0.9x	0.9x	11.6x	10.8x	19.6x	18.1x
Workday, Inc.	(2.5%)	\$15,337.3	\$16,799.6	49.6%	(16.6%)	9.8x	7.6x	NM	56.7x	NM	169.8x
	Mean	\$4,833.4	\$4,993.9	14.8%	4.9%	3.9x	3.3x	15.5x	26.0x	63.9x	69.6x
	Median	\$1,863.8	\$1,470.8	4.5%	7.6%	2.4x	2.4x	16.4x	18.4x	63.9x	20.9x

*Close of Markets November 8, 2016 to March 15, 2017

Sources: Capital IQ and PVC

Education Public Company Valuation Data

Educational Content & Services

Company Name	Δ% in Price Since Election*	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.	20.1%	\$1,653.0	\$1,814.1	35.3%	(9.3%)	8.0x	6.1x	NM	182.0x	NM	NM
Barnes & Noble Education, Inc.	4.0%	\$313.4	\$445.4	0.0%	3.8%	0.2x	0.2x	4.5x	3.6x	190.3x	21.3x
Chegg, Inc.	15.8%	\$657.3	\$734.6	(0.2%)	(6.2%)	2.6x	2.8x	NM	18.9x	NM	45.2x
Educational Development Corporation	(2.7%)	\$60.8	\$37.1	55.2%	3.8%	0.6x	0.0x	16.5x	0.0x	17.8x	0.0x
Houghton Mifflin Harcourt Company	(6.8%)	\$1,647.3	\$1,175.4	(0.1%)	1.6%	1.2x	1.2x	74.9x	9.1x	NM	NM
Instructure, Inc.	17.8%	\$595.0	\$663.4	62.1%	(45.4%)	5.4x	4.0x	NM	NM	NM	NM
John Wiley & Sons, Inc.	3.7%	\$3,447.3	\$3,063.9	(1.2%)	16.5%	2.0x	2.0x	12.3x	9.6x	30.8x	18.5x
Pearson plc	(13.6%)	\$8,049.7	\$6,502.2	(3.5%)	7.2%	1.4x	1.4x	15.5x	8.7x	NM	13.1x
Rosetta Stone Inc.	14.0%	\$155.4	\$189.0	(9.8%)	(4.7%)	0.8x	0.0x	NM	0.0x	NM	0.0x
Scholastic Corporation	14.2%	\$1,122.3	\$1,557.9	0.0%	8.0%	0.6x	0.6x	7.9x	9.5x	28.2x	29.4x
	Mean	\$1,770.1	\$1,618.3	15.3%	(2.5%)	2.3x	2.3x	21.9x	34.5x	66.8x	25.5x
	Median	\$889.8	\$955.0	(0.1%)	2.7%	1.3x	1.7x	13.9x	9.5x	29.5x	21.3x

PreK-12 Education

Company Name	Δ% in Price Since Election*	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.	7.5%	\$5,212.2	\$4,086.1	8.8%	18.1%	3.3x	3.0x	18.4x	15.1x	44.3x	27.0x
Cambium Learning Group, Inc.	(6.2%)	\$292.7	\$223.2	0.4%	16.7%	1.9x	0.0x	11.4x	0.0x	47.1x	0.0x
K12 Inc.	64.1%	\$590.6	\$746.8	0.7%	4.6%	0.7x	0.7x	14.3x	5.7x	66.6x	45.3x
Nord Anglia Education, Inc.	8.2%	\$3,393.9	\$2,509.5	33.2%	20.2%	3.9x	3.6x	19.3x	15.4x	46.3x	33.3x
	Mean	\$2,372.4	\$1,891.4	10.8%	14.9%	2.5x	2.4x	15.8x	12.1x	51.1x	35.2x
	Median	\$1,992.3	\$1,628.2	4.8%	17.4%	2.6x	3.0x	16.3x	15.1x	46.7x	33.3x

*Close of Markets November 8, 2016 to March 15, 2017
Sources: Capital IQ and PVC

Select U.S. Q4 2016 Education Merger, Acquisition, and Divestiture Transactions

Announcement Date	Acquirer Company	Target Company	Target Business Type	Acquisition Price (\$MM)
12/20/2016	Frontline Technologies Group LLC	eSPED	Educational Content & Services	N/A
12/15/2016	Probility Media Corporation	One Exam Prep, LLC	Corporate Training	N/A
12/8/2016	VectorLearning.com, Inc.	Learnsmart LLC	Corporate Training	N/A
12/6/2016	PSI Services LLC	Computer Assisted Testing Service, Inc.	Educational Content & Services	N/A
11/21/2016	MyComputerCareer.com, Inc.	TechSkills LLC	Corporate Training	N/A
11/21/2016	Wasena Capital Management, Inc.; Millpond Equity Partners, LLC	Hands-On Learning, Inc.	Educational Content & Services	N/A
11/21/2016	Google Inc.	Qwiklabs Inc.	Educational Content & Services	N/A
11/17/2016	Follett Corporation	Valore Inc.	Educational Content & Services	N/A
11/14/2016	National Restaurant Association; American Hotel And Lodging Association	American Hotel & Lodging Educational Institute	Post-Secondary	N/A
11/14/2016	American Institute For Chartered Property	Polestar Performance Programs, Inc.	Corporate Training	N/A
11/2/2016	Coverys Inc	Med-IQ, LLC	Corporate Training	N/A
10/18/2016	PowerSchool Group	Chalkable	Educational Content & Services	N/A
10/17/2016	Imagine Learning, Inc.	Think Through Learning Inc.	Educational Content & Services	N/A
10/11/2016	Relias Learning, LLC	Swank HealthCare Inc.	Corporate Training	N/A
10/5/2016	Schoolzilla, Inc.	Decision Science, LLC	Educational Content & Services	N/A
10/3/2016	Career Step, LLC	Medic-CE.com, LLC	Corporate Training	N/A
9/30/2016	McGraw-Hill Education, Inc.	Redbird Advanced Learning, LLC	Educational Content & Services	N/A
9/28/2016	Geisinger Health System	The Commonwealth Medical College	Post-Secondary	N/A
9/27/2016	Cengage Learning Holdings II, Inc.	Advanced Instructional Systems, Inc. dba WebAssign	Educational Content & Services	N/A
9/15/2016	Deltak edu, Inc.	Ranku	Educational Content & Services	N/A
9/14/2016	Avante Mezzanine, Inc.; L Squared Capital Partners	Learner's Edge Inc.	Corporate Training	N/A
9/14/2016	OnCourse Learning	IPCed	Corporate Training	N/A
9/6/2016	Morgan Stanley Private Equity	Cadence Education, Inc.	PreK-12	N/A
9/6/2016	Frontline Technologies Group LLC	Excent Corporation	Educational Content & Services	N/A

Sources: Capital IQ and PVC

For more information, please visit www.parchmanvaughan.com