



# Sectorwatch: Corporate IT Training and Educational Services

December 2018

# Corporate IT Training and Educational Services

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# Overview

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7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally. We advise on M&A and private capital transactions, and provide market assessments and benchmarking. As a close knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets. We publish our sectorwatch, a review of M&A and operational trends in the industries we focus.

## Dashboard

- Summary metrics on the sector
- Commentary on market momentum by comparing the most recent 12-month performance against the last 3-year averages.



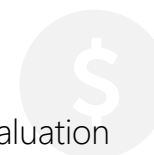
## Public Basket Performance

- Summary valuation and operating metrics for a basket of comparable public companies



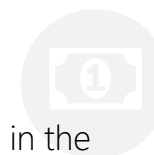
## Valuation Comparison

- Graphical, detailed comparison of valuation multiples for the public basket



## Recent Deals

- The most recently announced deals in the sector



# Dashboard



## Revenue Growth Momentum

↑ **0.04**

1 - year revenue growth compared to revenue growth average for last 3 years

Current revenue growth rate exceeds the average of the last 3 years by this amount, indicating that market momentum is increasing

## Pricing / Gross Margin

↓ **-1.4%**

1 - year gross profit % compared to gross profit % average for last 3 years

Current gross profit margin is less than the average of the last 3 years gross profit margins, indicating customer pricing power

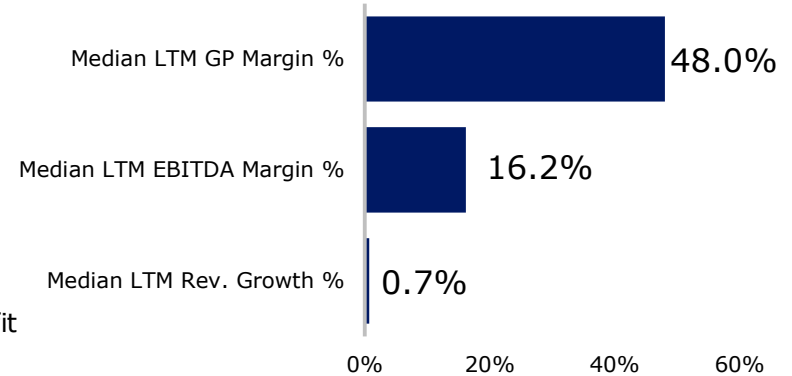
## Profitability Momentum

↑ **0.2%**

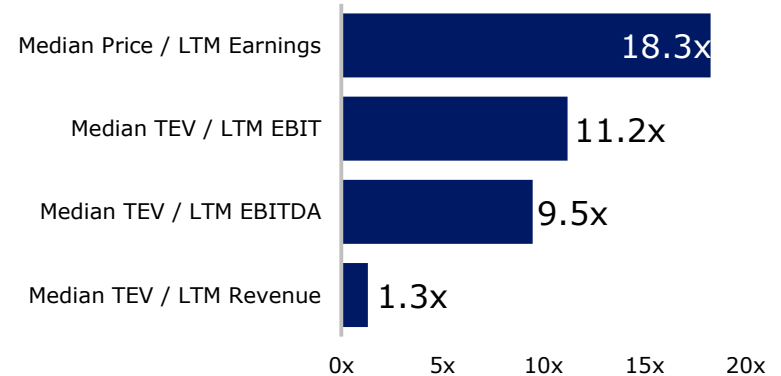
1 - year EBITDA % compared to EBITDA % average for last 3 years

Current EBITDA margin exceeds the average of the last 3 years EBITDA margin by this amount, a condition that may attract new entrants

## Operating Metrics



## Valuation



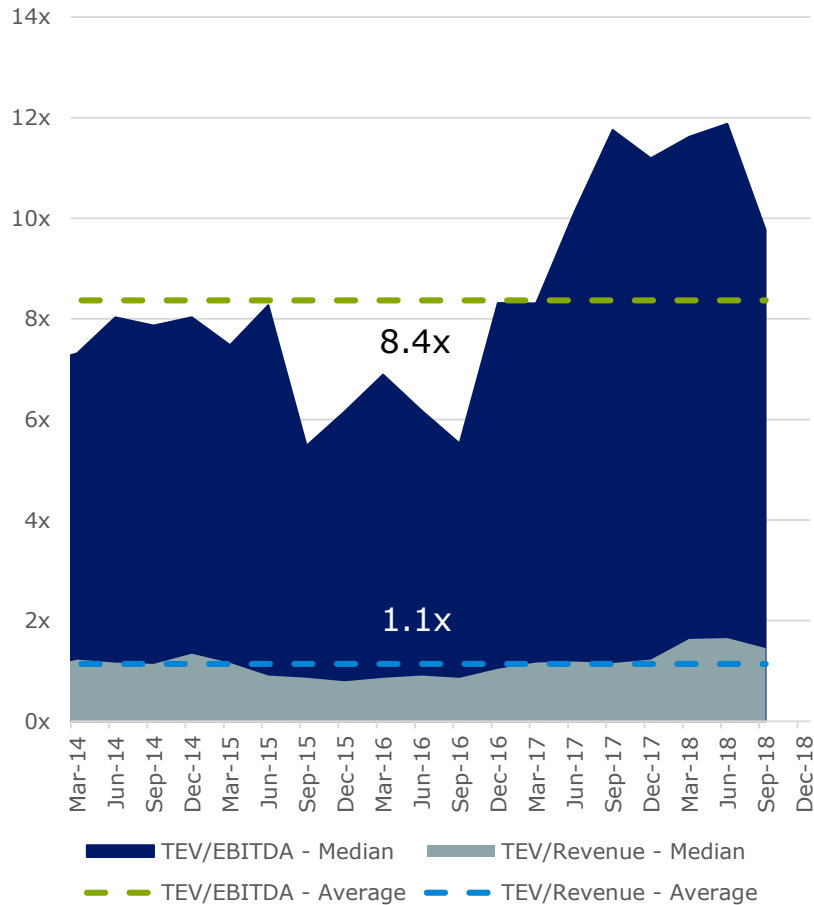
# Public Basket



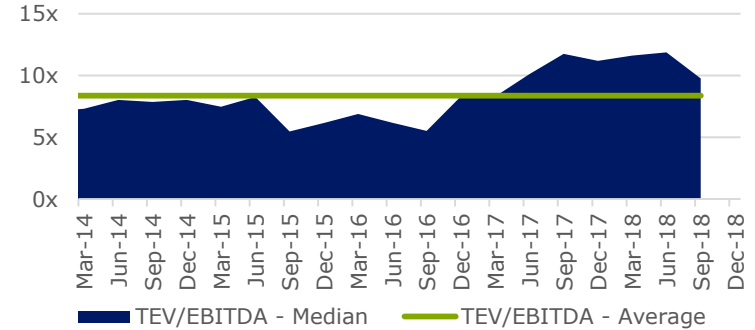
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
NIIT Limited	185	121	-16%	48%	7%	1.5	9.1	2,475	49
American Public Education, Inc.	265	299	0%	62%	19%	0.9	5.1	1,495	200
GP Strategies Corporation	306	514	2%	16%	6%	0.6	10.7	3,645	141
Career Education Corporation	659	579	-5%	86%	17%	1.1	6.8	2,416	240
Strategic Education, Inc.	2,050	511	12%	44%	13%	4.0	30.2	1,389	368
Adtalem Global Education Inc.	2,692	1,222	4%	50%	22%	2.2	9.8	8,512	144
Graham Holdings Company	3,054	2,683	5%	43%	16%	1.1	7.2	11,871	226
Grand Canyon Education, Inc.	4,688	939	-1%	48%	35%	5.0	14.1	4,000	235
<b>Average</b>	1,737	858	0%	50%	17%	2.1	11.6	4,475	200
<b>Median</b>	1,355	546	1%	48%	16%	1.3	9.5	3,060	213

share price as of 21Dec18

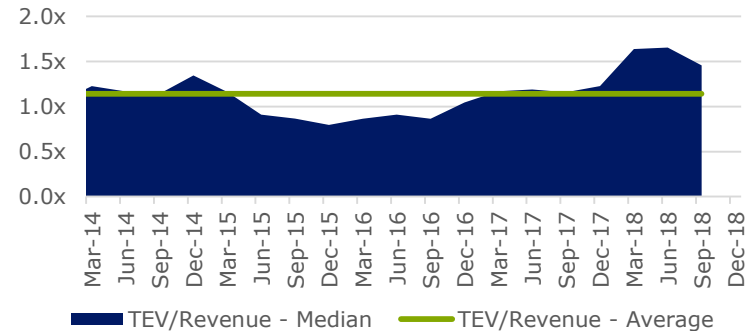
# Public Basket Valuation Trends



## Public EBITDA Multiples over Time



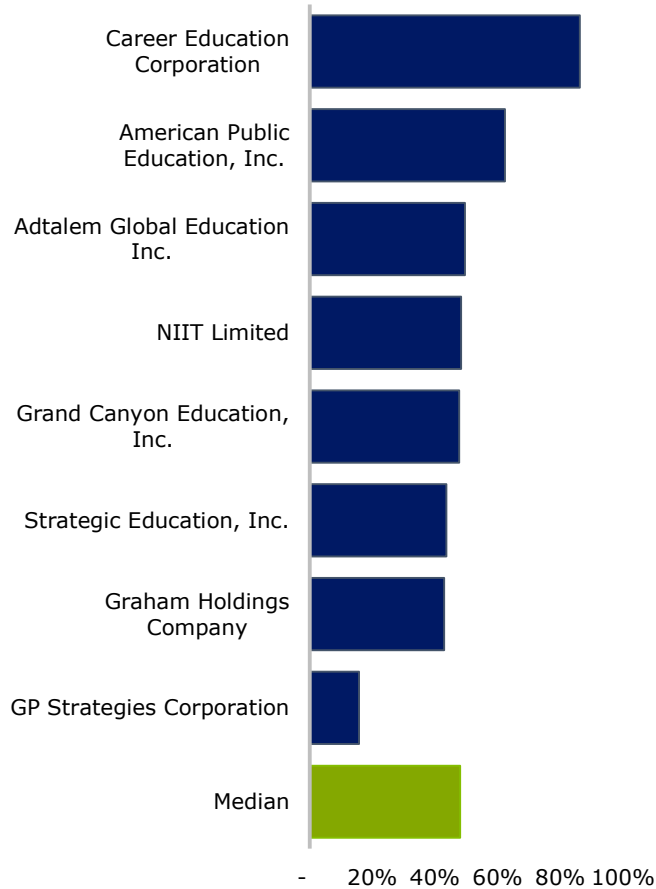
## Public Revenue Multiples over Time



# Operational Metrics



LTM Gross Profit Margin %



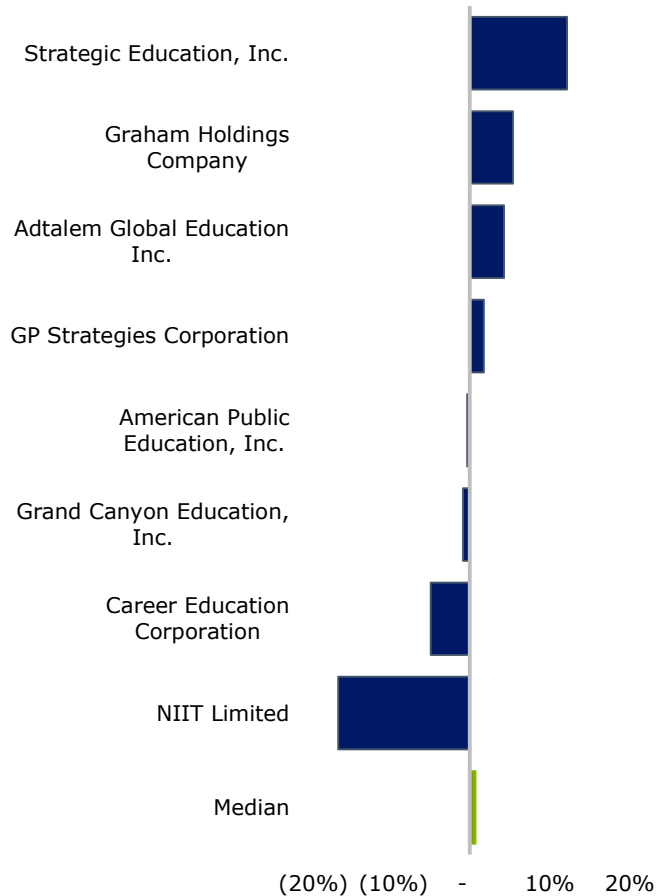
LTM EBITDA %



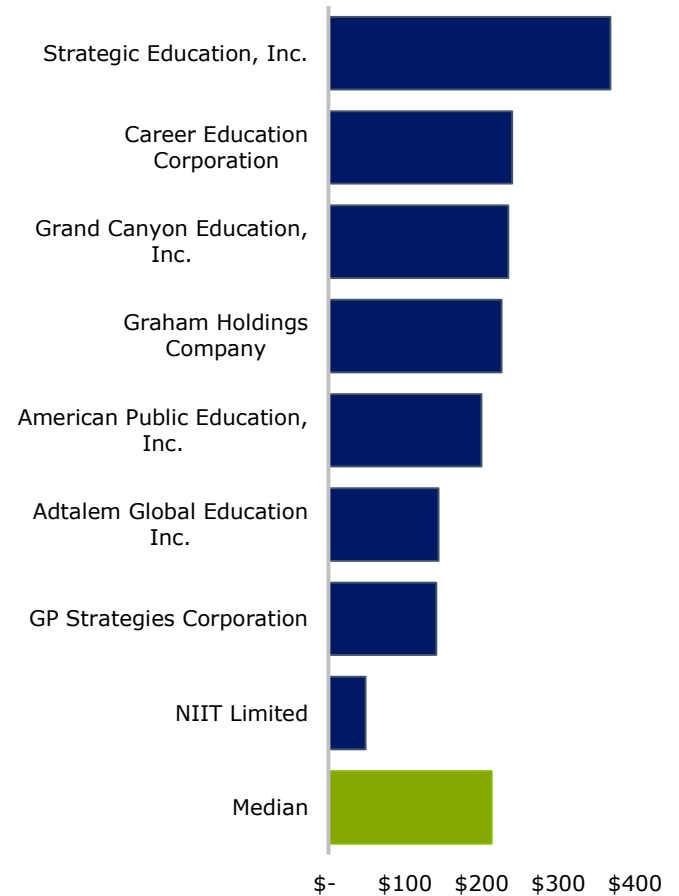
# Operational Metrics



LTM Revenue Growth %



LTM Revenue per Full Time Employee x 000's

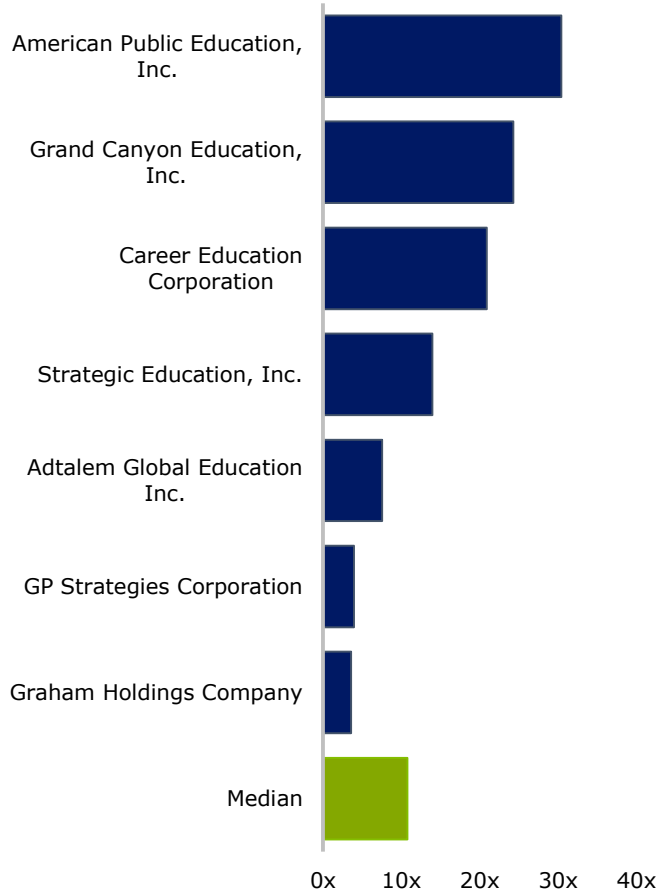




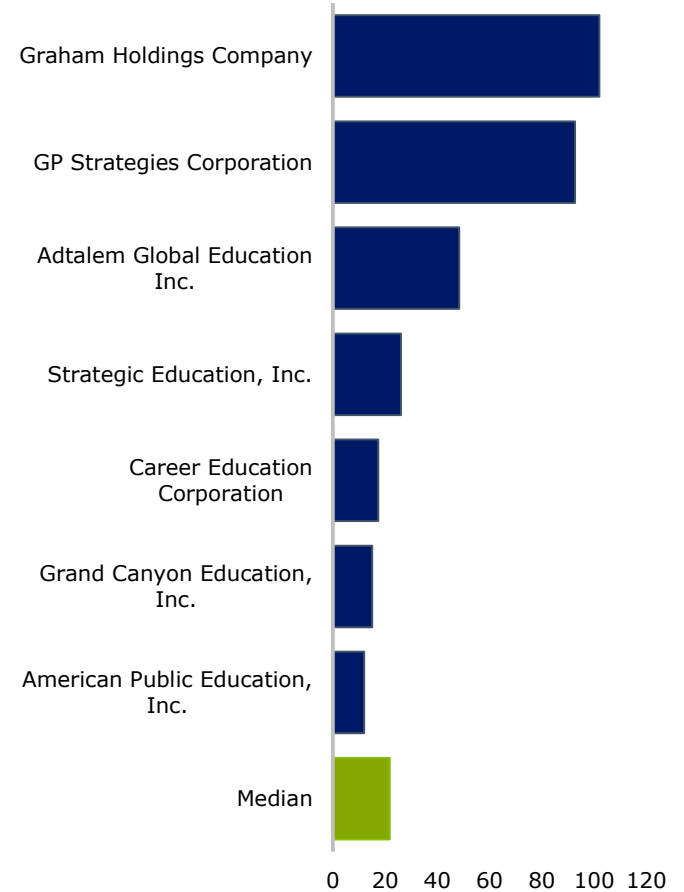
# Operational Metrics



## Accounts Receivable Turnover



## Average Days Sales Outstanding



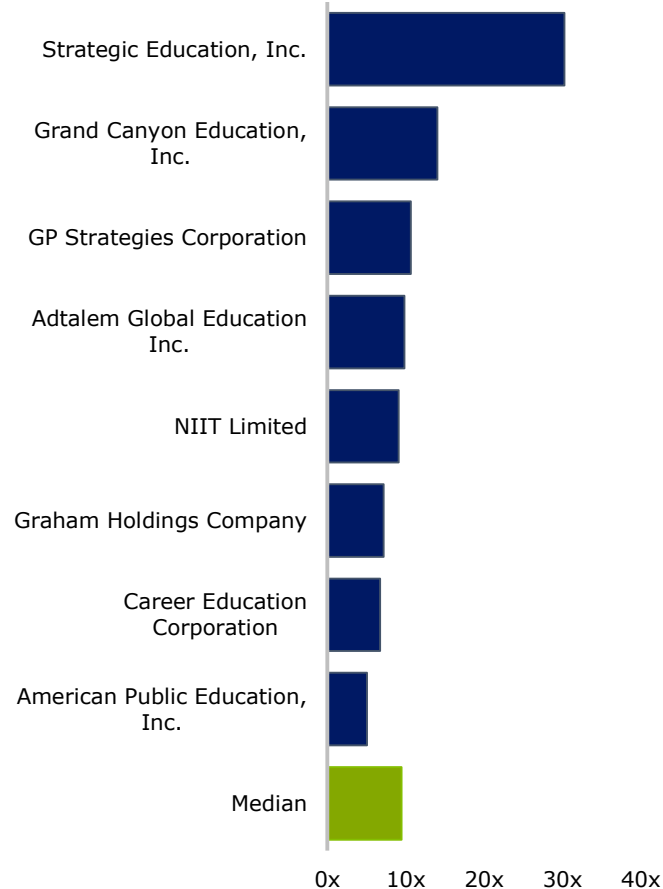
# Valuation



TEV / LTM Revenue



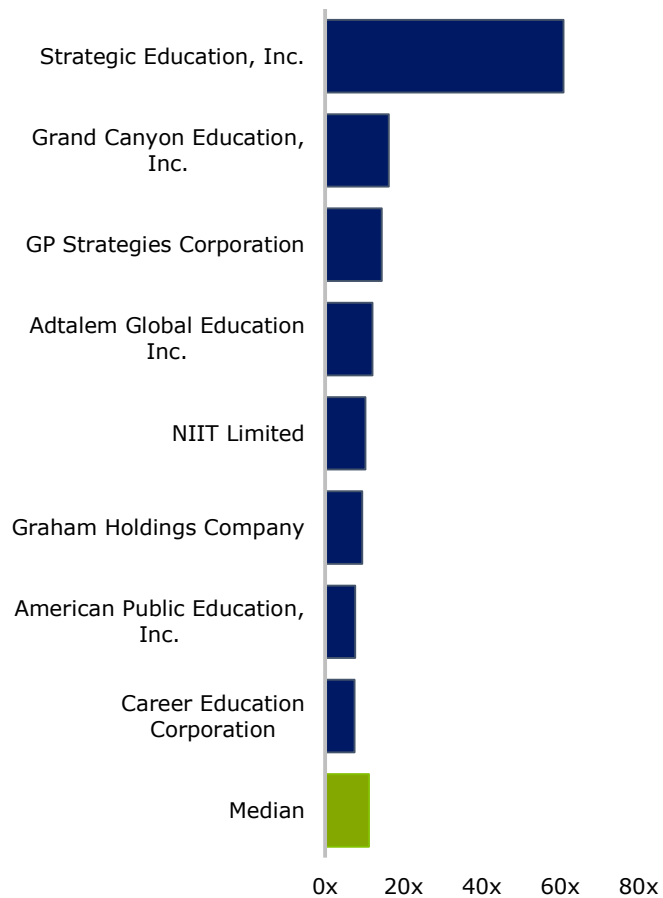
TEV / LTM EBITDA



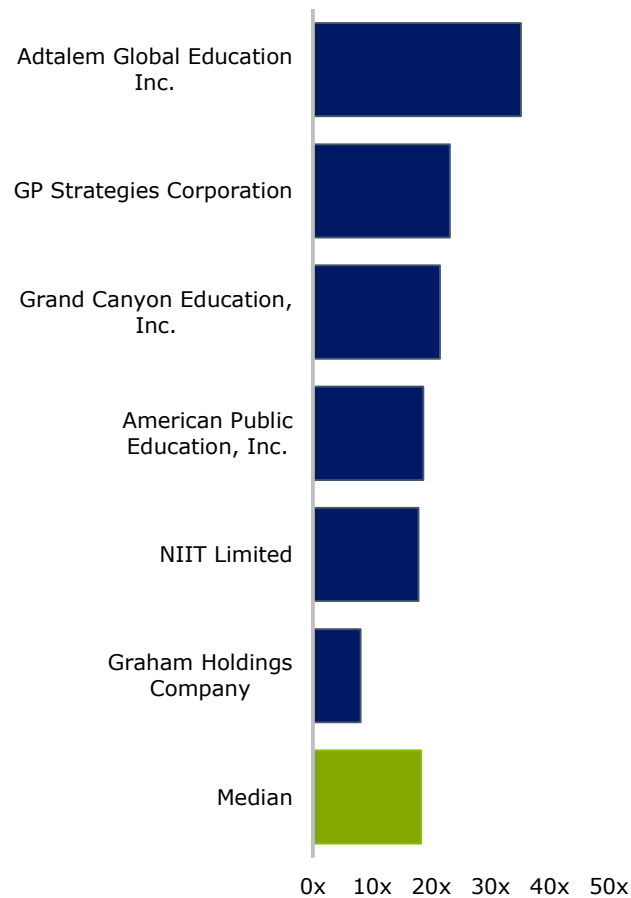
# Valuation



## TEV / LTM EBIT



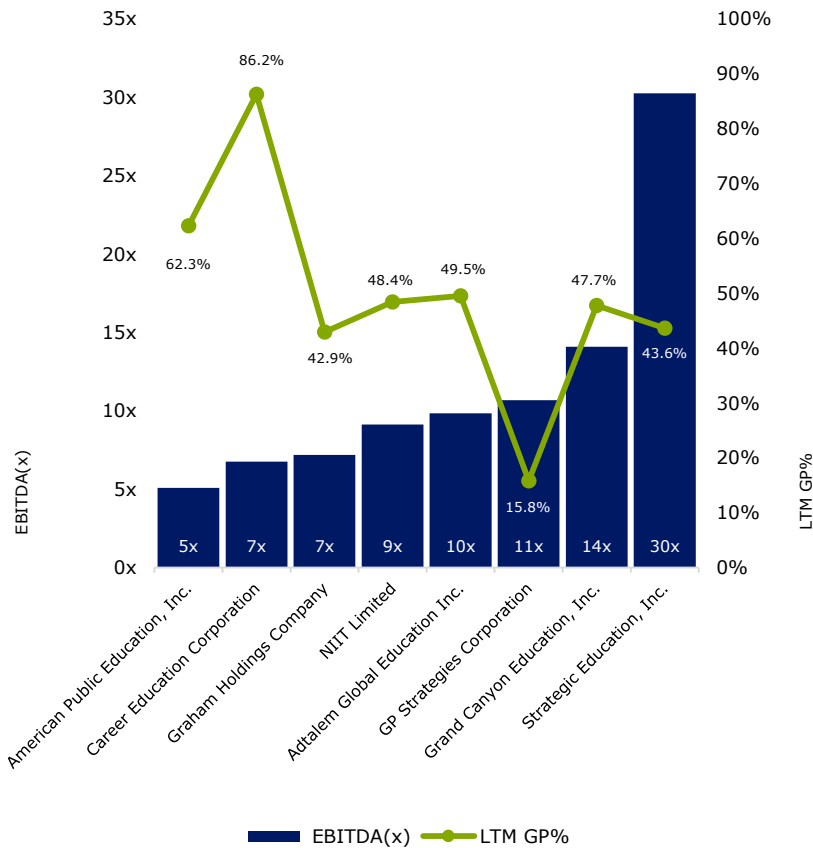
## Price / LTM Earnings



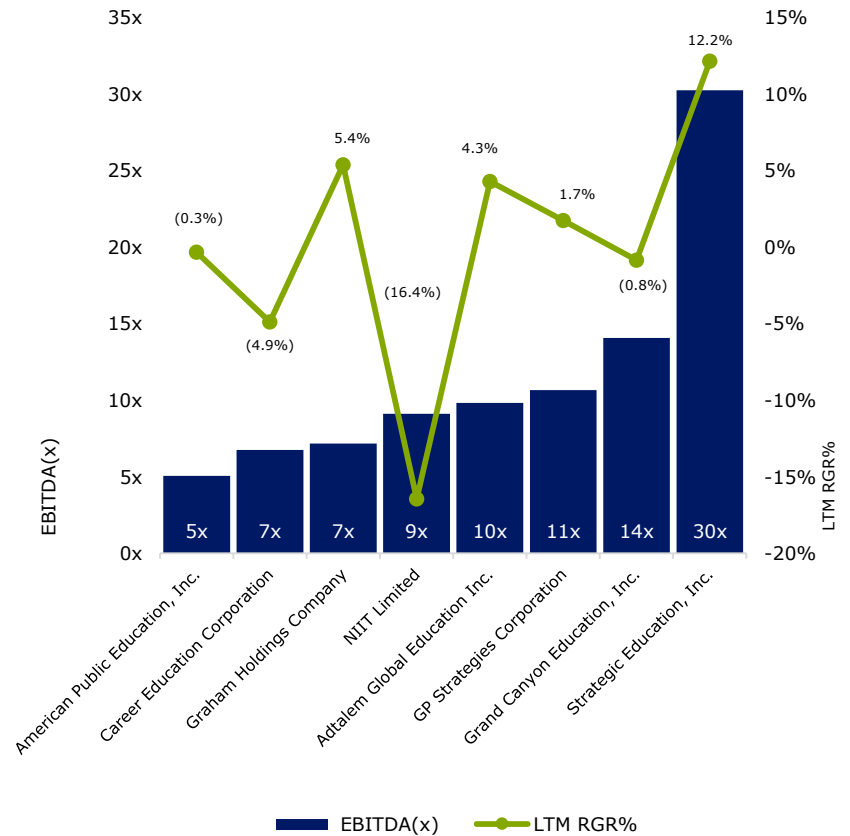
# Valuation



## Historical Valuation Multiples versus Gross Profit



## Historical Valuation Multiples versus Revenue Growth Rate



# Recent Transactions



<u>Date</u>	<u>Target</u>	<u>Buyer / Investor</u>	<u>Total Transaction Value</u>	<u>Target Revenue</u>	<u>TEV / Revenue</u>	<u>TEV / EBITDA</u>
17Dec18	Orbis Education Services, LLC	Grand Canyon Education, Inc.	362.50	-	-	-
4Dec18	edCetra Training Inc.	NexTech AR Solutions Corp.	0.09	-	-	-
7Nov18	Grovo Learning Inc.	Cornerstone OnDemand, Inc.	24.00	-	-	-
10Oct18	Firehose Project/ JobTrack Inc.	Trilogy Education Services, Inc.	-	-	-	-
9Oct18	The Learning House, Inc.	Wiley Education Services	200.00	60.00	3.3x	28.6x
5Sep18	CEB Challenger and Effortless Experience Solutions Business of Gartner, Inc.	Marlin Equity Partners, LLC	-	-	-	-
15May18	Total Training Solutions, Inc.	OnCourse Learning Corp.	-	-	-	-
19Jul18	Galvanize, Inc.	ABS Capital Partners, Inc.; Catalyst Investors; New Markets Venture Partners; University Ventures, Inc.; Colorado Impact Fund	-	-	-	-
10Jul18	CLOUD IT	9078-3184 Quebec Inc.	-	-	-	-
6Jul18	Equinox International	FIBER Misr	-	-	-	-
3Jul18	Red Ape Solutions Sdn Bhd	Omesti Holdings Berhad	0.25	-	-	-
29Jun18	Learning Tree International, Inc.	-	10.14	66.63	0.2x	7.4x
14Jun18	CAD Training Technologies, LLC	Intergraph Corporation	-	-	-	-
31May18	Knowledgecom Sdn. Bhd.	-	0.41	-	-	-
15May18	IT Training Operations of Unitek Learning	QuickStart Intelligence, Inc.	-	-	-	-
1Apr18	Information Technology and Training	ES Consulting, Inc.	-	-	-	-
27Mar18	Spears Holdings, Inc.	New Horizons Worldwide, Inc.	-	-	-	-
23Mar18	HCL Training and Staffing Services Pvt. Ltd.	HCL Comnet Ltd.	0.36	19.38	0.0x	-
8Mar18	Engage2Excel, Inc.	Comvest Partners	-	-	-	-
5Feb18	Zulama, LLC	EMC Publishing, LLC	-	-	-	-
5Feb18	Strativity Group, LLC	Lieberman Research Worldwide, Inc.	-	-	-	-
15Jan18	Pelesys Learning Systems Inc.	CAE Inc.	-	-	-	-
31Dec17	Infobase Holdings, Inc.	Centre Lane Partners, LLC	-	-	-	-
4Dec17	Devry University Inc. and DeVry New York Inc.	Cogswell Education, LLC	20.00	-	-	-
29Nov17	FirstNet Learning, Inc.	NEOGOV, Inc.	-	-	-	-
29Oct17	Capella Education Company	Strayer Education, Inc. (nka:Strategic Education, Inc.)	964.37	439.6	1.8x	15.1x

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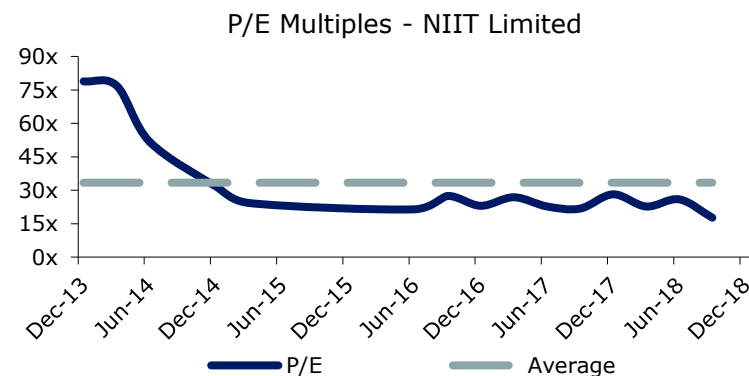
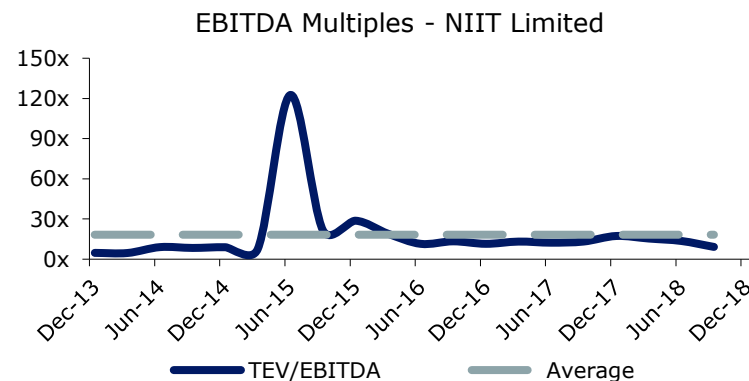
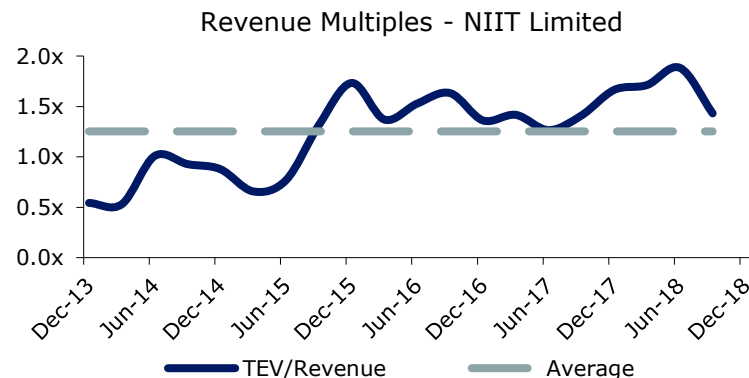
APPENDIX:  
Public Basket  
Constituents

# Public Basket



## NIIT Limited

NIIT Limited, a skills and talent development company, provides training and development solutions to individuals, corporations, and institutions worldwide. The company offers managed training services, such as curriculum design and content development, learning administration, learning delivery, strategic sourcing, learning technology, and advisory services; and various learning and talent development programs in the areas of banking, finance and insurance, retail sales enablement, management education, multi-sectoral vocational skills, and digital media marketing and programs, as well as in digital transformation technologies. In addition, its brands portfolio comprises the training.com, a learning platform for career programs, which are delivered live by industry experts; NIIT.tv, a digital learning platform; IFBI designed for banking, insurance, and financial services; NIIT Imperia, which provides management programs in the areas of marketing, sales, finance, operations, HR, law, brand and advertising, international marketing and business, strategy, general management, digital marketing, taxation, and IT; and NIIT UNIQUA that offers outsourcing of training solutions for the BPM industry. NIIT Limited was founded in 1981 and is headquartered in Gurgaon, India.



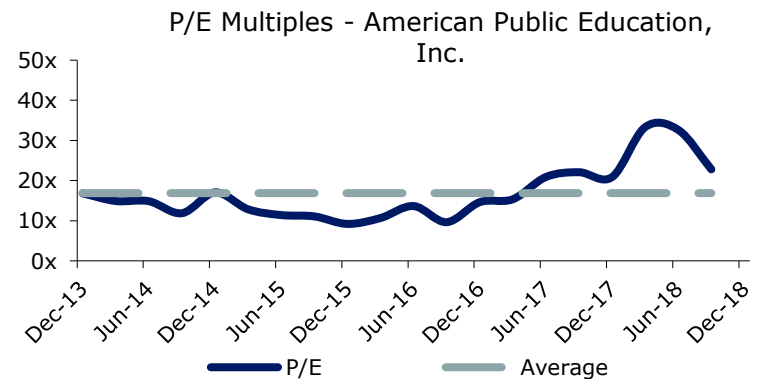
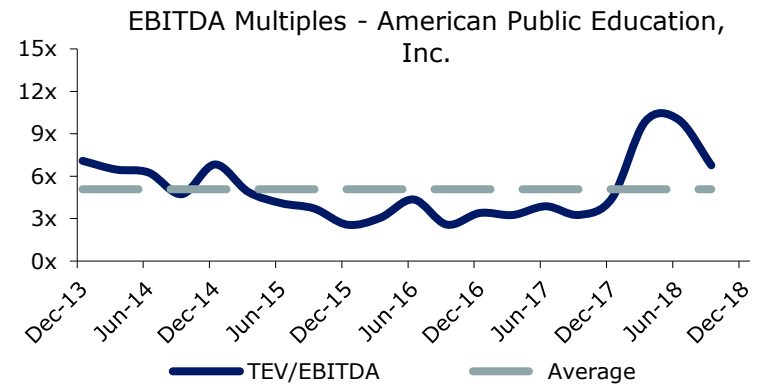
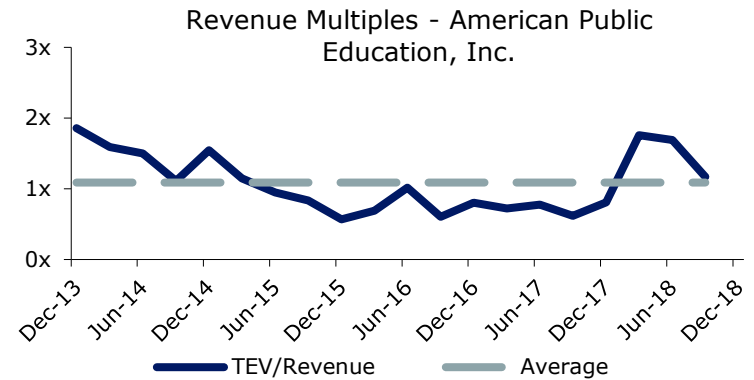
Date	Key Development Headline
6/4/18	NIIT Signs Learning and Development Partnership with Pitney Bowes

# Public Basket



## American Public Education, Inc.

American Public Education, Inc., together with its subsidiaries, provides online and campus-based postsecondary education. The company operates through two segments, American Public Education and Hondros College of Nursing. It offers 108 degree programs and 109 certificate programs in various fields of study, including business administration, health science, technology, criminal justice, education, and liberal arts, as well as national security, military studies, intelligence, and homeland security. The company also provides diploma in practical nursing and an associate degree in nursing; and an online registered nurse to Bachelor of Science in nursing completion program. American Public Education, Inc. was founded in 1991 and is headquartered in Charles Town, West Virginia.





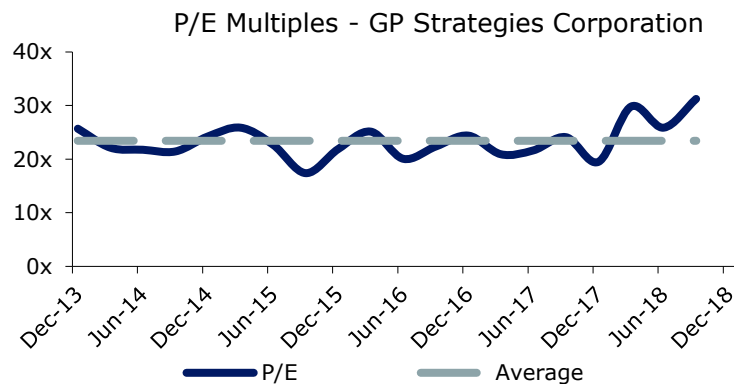
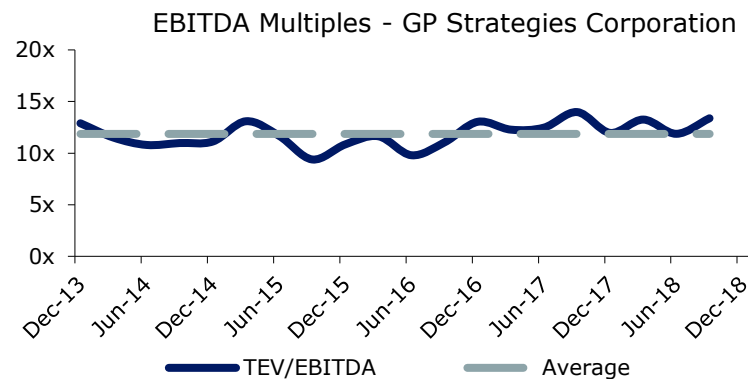
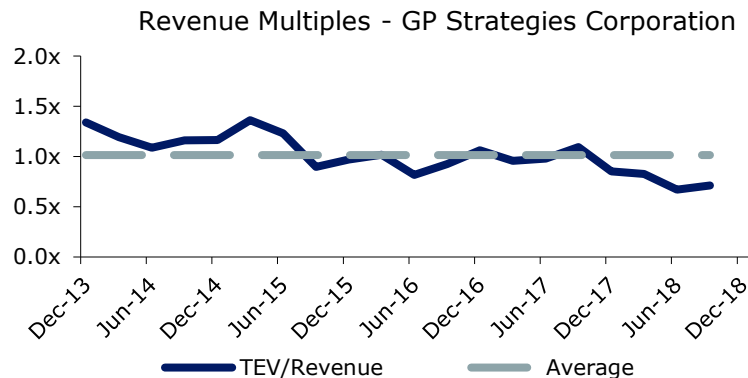
# Public Basket



## GP Strategies Corporation

GP Strategies Corporation provides performance improvement and learning solutions worldwide. It operates through four segments: Learning Solutions, Professional & Technical Services, Sandy Training & Marketing, and Performance Readiness Solutions. The Learning Solutions segment delivers training, curriculum design and development, digital learning, system hosting, managed learning, and consulting services to electronics and semiconductors, healthcare, software, financial services, and other industries, as well as government agencies; and provides apprenticeship and vocational skills training services. The Professional & Technical Services segment offers training, consulting, engineering, and technical services, including lean consulting, emergency preparedness, safety and regulatory compliance, chemical demilitarization, and environmental services to the manufacturing, steel, pharmaceutical, energy, and petrochemical industries, as well as federal and state government agencies, and government contractors. GP Strategies Corporation was founded in 1959 and is headquartered in Columbia, Maryland.

Date	Key Development Headline
12/6/18	GP Strategies Corporation, Technical Training, Inc. - M&A Call
12/4/18	GP Strategies Corporation (NYSE:GPX) acquired Technical Training, Inc. \$16.2 million.

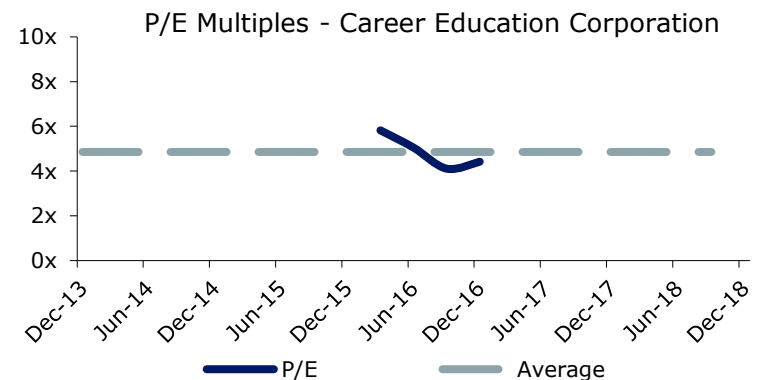
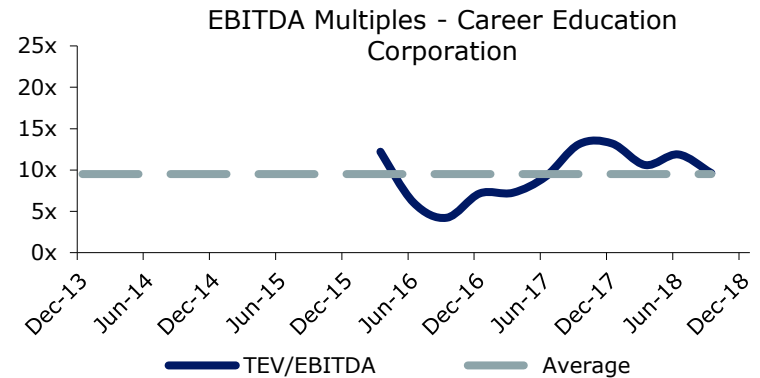
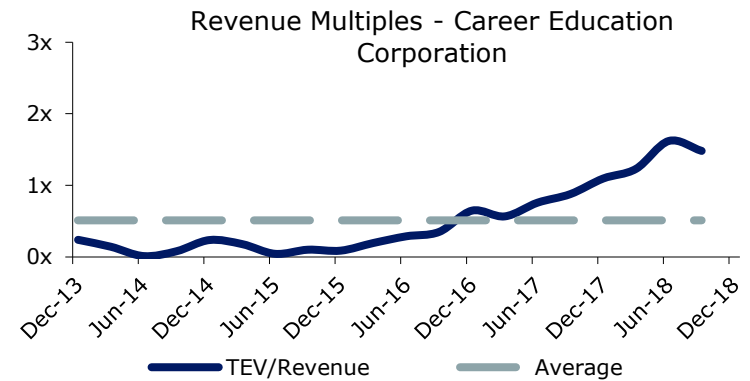


# Public Basket



## Career Education Corporation

Career Education Corporation operates colleges, institutions, and universities that provide education to student population in various career-oriented disciplines through online, campus based, and blended learning programs in the United States. The company operates through three segments: Colorado Technical University (CTU), American InterContinental University (AIU), and All Other Campuses. Its colleges and universities include AIU, CTU, Le Cordon Bleu institutions, Briarcliffe College, Harrington College of Design, and Sanford-Brown College. The company offers doctoral, master's, bachelor's, and associate degrees, as well as diploma and certificate programs. It also provides academic programs in the career-oriented disciplines of business studies, nursing, computer science, engineering, information systems and technologies, cybersecurity, and healthcare management, as well as information technologies, and education and criminal justice; and educational programs in culinary arts, as well as patisserie and baking. As of December 31, 2017, the company had a total student enrollment of approximately 34,800 students. Career Education Corporation was founded in 1994 and is headquartered in Schaumburg, Illinois.



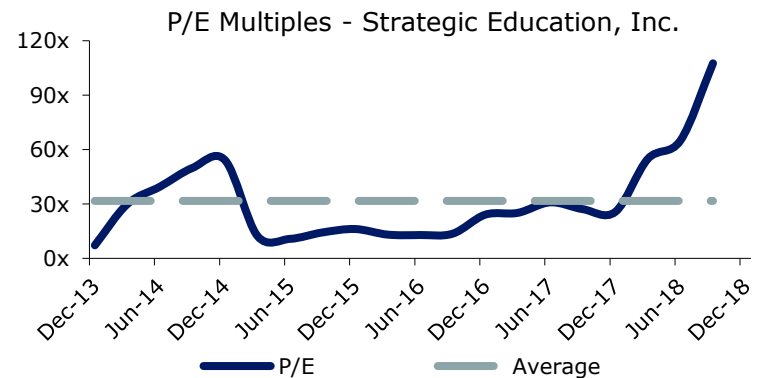
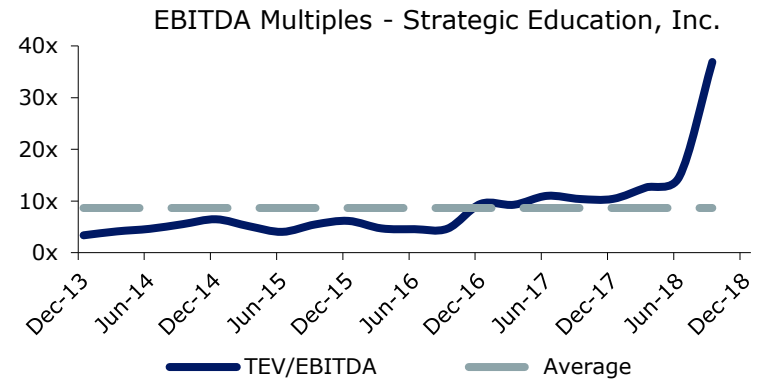
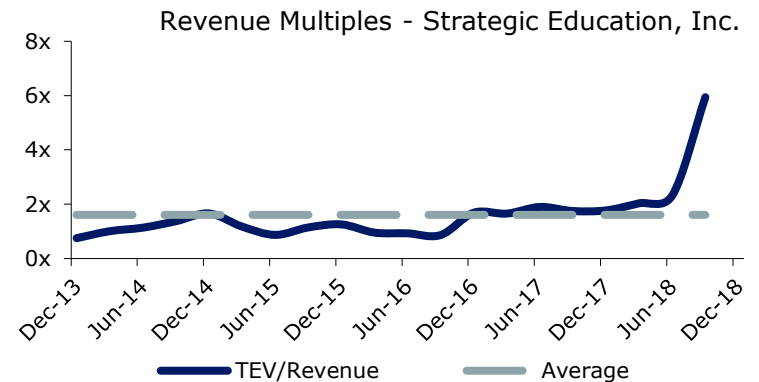
# Public Basket



## Strategic Education, Inc.

Strategic Education, Inc., through its subsidiaries, provides a range of post-secondary education and other academic programs in the United States. The company operates Strayer University and Capella University that provide undergraduate and graduate degree programs in business administration, accounting, information technology, education, health services administration, nursing, public administration, and criminal justice to working adult students through its 74 physical campuses primarily located in the Mid-Atlantic and Southern regions, as well as through online. It also offers an executive MBA online through its Jack Welch Management Institute. In addition, the company operates New York Code and Design Academy that provides non-degree courses in Web and application software development primarily through its campus in New York City. Strayer Education, Inc. was founded in 1892 and is headquartered in Herndon, Virginia.

Date	Key Development Headline
7/31/18	Strayer Education, Inc. (NasdaqGS:STRA) completed the acquisition of Capella Education Company (NasdaqGS:CPLA) for approximately \$950 million in a merger of equals transaction.



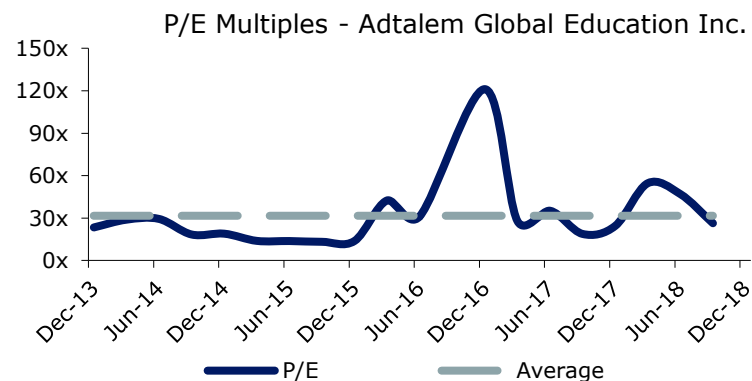
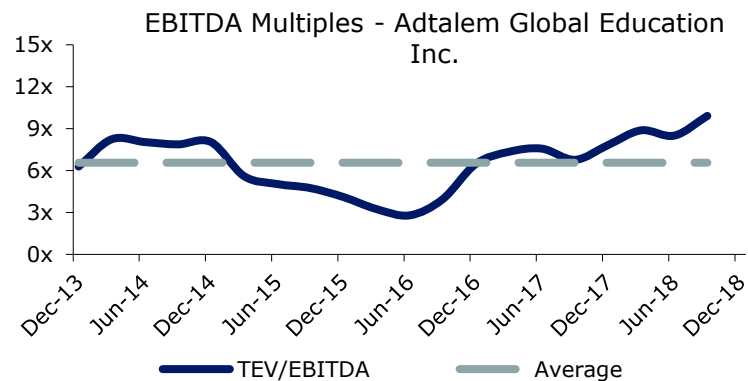
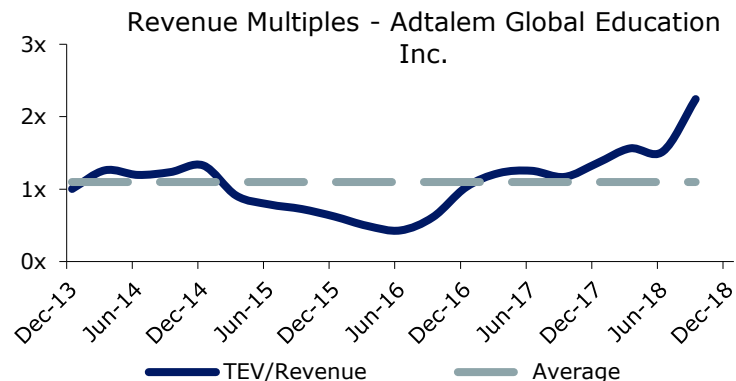
# Public Basket



## Adtalem Global Education Inc.

Adtalem Global Education Inc. provides educational services worldwide. It operates through four segments: Medical and Healthcare, Professional Education, Technology and Business, and U.S. Traditional Postsecondary. The Medical and Healthcare segment operates Chamberlain University, which provides pre and post-licensure bachelor's, master's, and doctorate degree programs in nursing through campus and online; American University of the Caribbean School of Medicine and Ross University School of Medicine, which provide medical education; and Ross University School of Veterinary Medicine that offers veterinary education. Adtalem Global Education Inc. was founded in 1931 and is headquartered in Downers Grove, Illinois.

Date	Key Development Headline
12/10/18	Cogswell Education, LLC completed the acquisition of DeVry University Inc. and DeVry New York Inc. from Adtalem Global Education Inc. (NYSE:ATGE).
12/3/18	San Joaquin Valley College, Inc. completed the acquisition of U.S. Education Holdings LLC from Adtalem Global Education Inc. (NYSE:ATGE).
8/14/18	Kroton Educacional S.A. (BOVESPA:KROT3) acquired Sociedade Educacional da Paraíba Paraíba from Adtalem Global Education Inc. (NYSE:ATGE).
6/28/18	San Joaquin Valley College, Inc. signed an agreement to acquire U.S. Education Holdings LLC from Adtalem Global Education Inc. (NYSE:ATGE) for a nominal consideration of \$1.

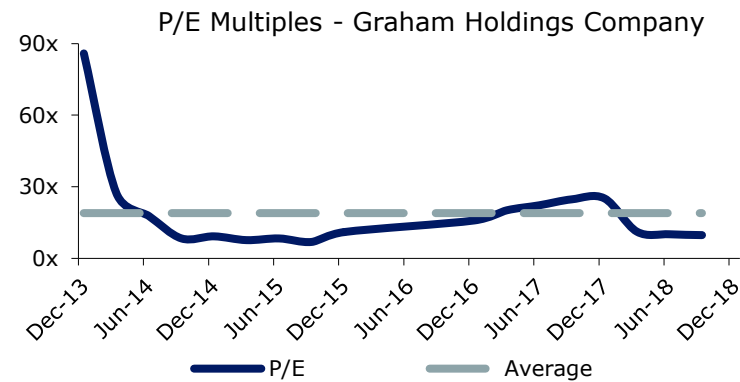
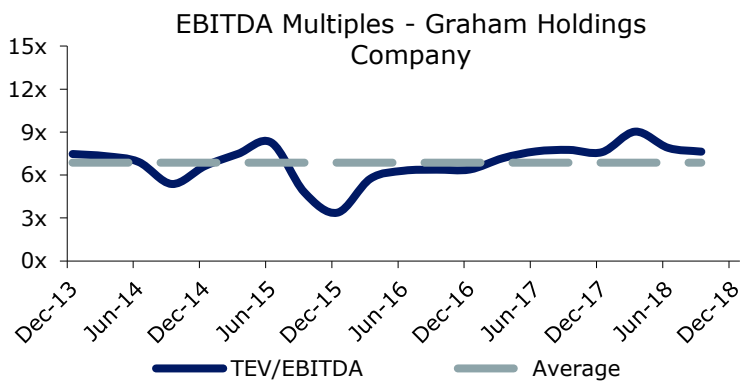
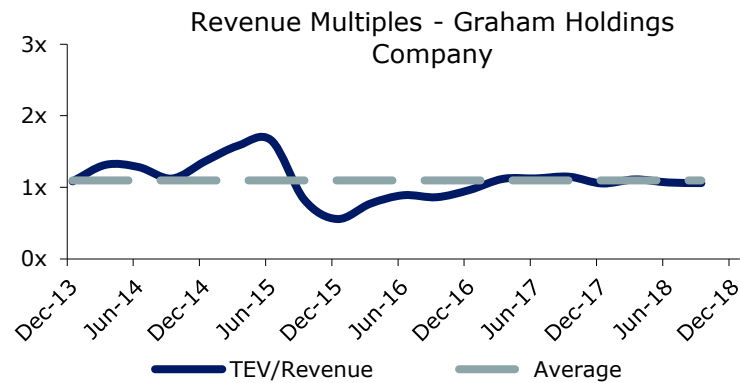


# Public Basket



## Graham Holdings Company

Graham Holdings Company, through its subsidiaries, operates as a diversified education and media company worldwide. It provides a range of certificate, diploma, and degree programs, as well as online education services; and test preparation business services in pre-college, graduate, health, and bar review, as well as publishes and sells test preparation and other books through retail channels. The company also offers training, test preparation services, and degrees for accounting and financial services professionals, as well as professional training courses; English-language training, academic preparation programs, and test preparation for English proficiency exams for students; and A-level examination preparation services, as well as operates three colleges, one higher education institution, and one online learning institution. In addition, it owns and operates seven television stations; and provides social-media management tools designed to connect newsrooms with their users. Further, the company publishes Slate, an online magazine and Website; and two French-language news magazine Websites at slate.fr and slateafrique.com. Graham Holdings Company was founded in 1877 and is based in Arlington, Virginia.



Date	Key Development Headline
12/4/18	Graham To Seek Acquisitions

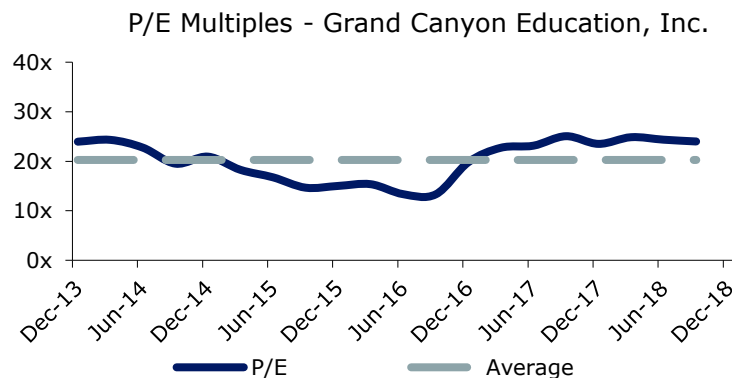
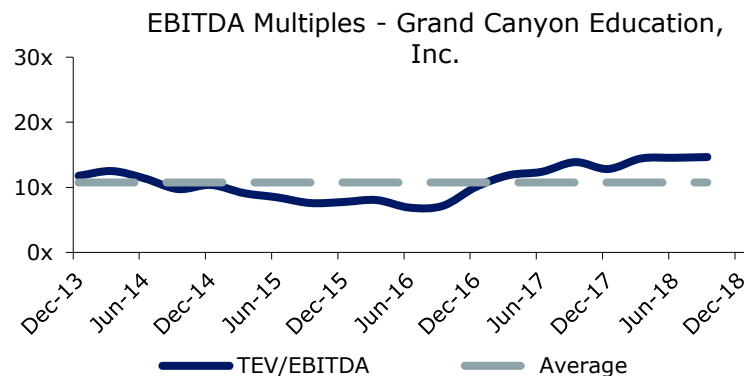
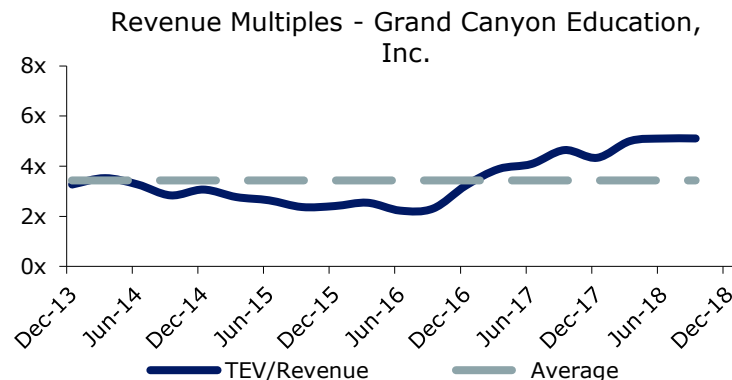
# Public Basket



## Grand Canyon Education, Inc.

Grand Canyon Education, Inc., together with its subsidiaries, provides education services in the United States and Canada. The company operates Grand Canyon University that offers approximately 225 graduate and undergraduate degree programs and certificates across 9 colleges online and on ground through campus in Phoenix, Arizona; leased facilities; and facilities owned by third party employers. As of December 31, 2017, it had approximately 90,300 students enrolled in its programs. The company was founded in 1949 and is based in Phoenix, Arizona.

Date	Key Development Headline
12/17/18	Grand Canyon Education, Inc. (NasdaqGS:LOPE) entered into a definitive agreement to acquire Orbis Education Services, LLC for approximately \$360 million.



# Contact Information

7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally. We advise on M&A and private capital transactions, and provide market assessments and benchmarking. As a close-knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets. Securities offered through 7M Securities LLC.

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