

Quarterly Industry Update

As of September 30, 2014

Industry: Online Educational Software



Industry Summary

Cogent Valuation identified publicly traded companies, IPOs, and recent M&A transactions within the Online Educational Software industry, which provides a basis for market and transaction pricing that can be used by your firm in estimating market sentiment and its impact on your firm's value. Since September 30, 2013, the median 52-week share price return of the Online Educational Software industry has decreased by -30.9%. In the last quarter, the median price-to-earnings multiple decreased from 80.1x to 68.8x.

Comparable Public Company Key Statistics

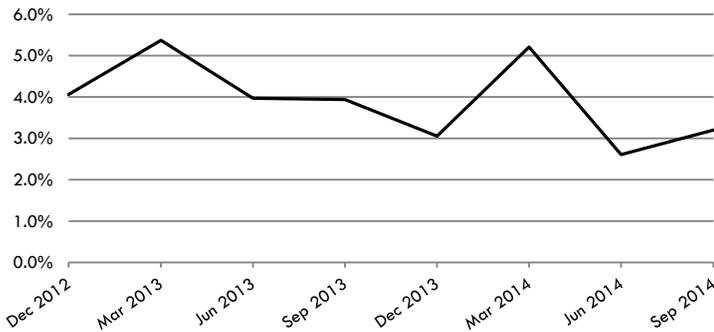
Median 52-Week Return	-30.9%	Median EV/Revenue Multiple	1.8x	Median Price/Earnings Multiple	68.8x
Median 3-Year CAGR Return	12.5%	Median EV/EBITDA Multiple	20.0x	Median EV/Gross CF Multiple	27.2x

Comparable Public Company Market Price Returns (As of September 30, 2014)

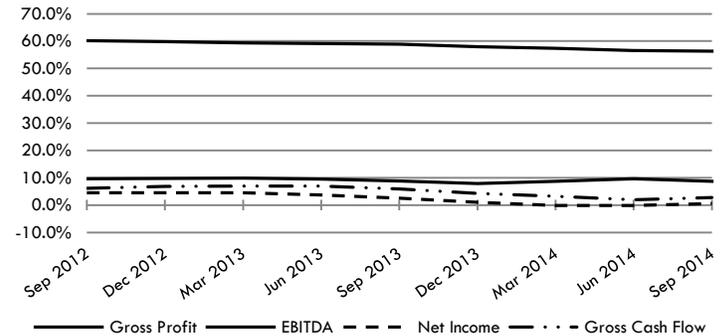
	YTD	3 Month	1 Year	2 Year	3 Year	5 Year	2013	2012	2011	2010	2009
Constant Contact, Inc.	-12.6%	-15.5%	14.6%	24.9%	16.2%	7.1%	118.6%	-38.8%	-25.1%	93.7%	20.8%
Spark Networks, Inc.	-24.7%	-18.2%	-44.2%	-12.9%	13.8%	15.6%	-21.0%	105.3%	27.9%	-1.0%	16.7%
Shutterfly, Inc.	-4.3%	13.2%	-12.8%	25.1%	5.8%	24.0%	70.5%	31.2%	-34.8%	95.9%	154.8%
K12, Inc.	-26.6%	-33.7%	-48.3%	-11.1%	-14.4%	-0.6%	6.4%	13.9%	-37.4%	41.4%	8.1%
Healthstream Inc.	-26.4%	-1.2%	-36.6%	-8.2%	23.2%	40.2%	34.2%	31.8%	129.5%	103.5%	69.5%
eHealth, Inc.	-48.1%	-36.4%	-25.2%	13.4%	20.9%	10.7%	69.2%	86.9%	3.6%	-13.6%	23.7%
Geeknet, Inc.	-48.6%	-25.4%	-44.8%	-30.7%	-22.8%	-5.9%	12.4%	-5.6%	-31.9%	110.3%	32.2%
XO Group Inc.	-24.6%	-8.3%	-13.2%	15.9%	11.1%	0.5%	59.8%	11.5%	-15.6%	-1.9%	21.0%
Median of Industry Public Companies	-25.5%	-16.8%	-30.9%	2.6%	12.5%	8.9%	47.0%	22.6%	-20.3%	67.5%	22.4%

(Multiple year periods are calculated as the average annual return.)

Median Quarterly Revenue Growth of All Online Educational Software Companies



Median Gross Profit, EBITDA, Net Income and Gross Cash Flow Margins



Median Public Company Multiples of the Online Educational Software Industry

Date:	9/30/2012	12/31/2012	3/31/2013	6/30/2013	9/30/2013	12/31/2013	3/31/2014	6/30/2014	9/30/2014
EV/Revenues Multiple	1.7x	1.3x	1.4x	1.7x	2.4x	2.1x	1.8x	1.9x	1.8x
EV/EBITDA Multiple	15.8x	13.7x	13.4x	19.9x	26.5x	19.9x	19.8x	19.8x	20.0x
Price/Earnings Multiple	33.5x	34.7x	34.1x	37.3x	73.7x	63.4x	87.4x	80.1x	68.8x
EV/Gross Cash Flows Multiple	14.7x	13.7x	14.6x	15.8x	35.2x	40.4x	27.9x	32.4x	27.2x

This industry research is provided at no charge to Cogent Valuation's clients. Research or detailed information not covered in this report can be obtained for a fee. Contact Steven Kam at 415-392-0888 for additional information or questions in connection with this research report.

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Industry Initial Public Offerings (dollars in millions, except share prices)

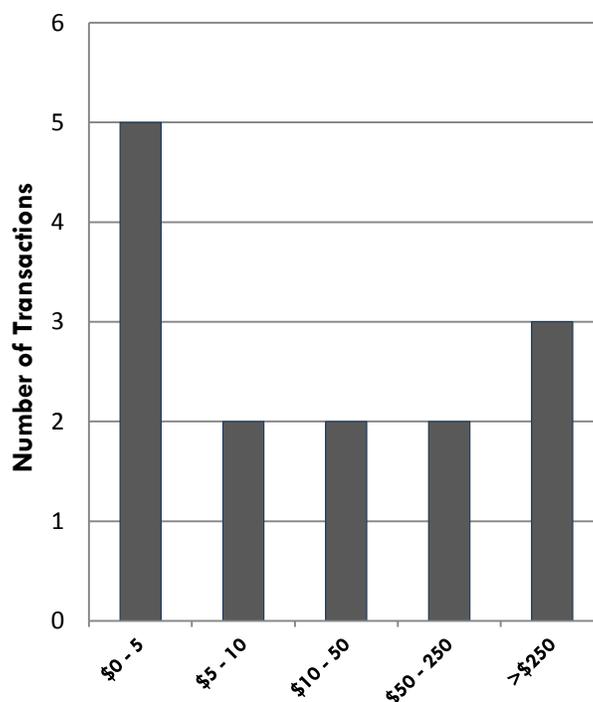
Offer Date	Company Name	Offer Price	Shares Offered	Amount Raised	Total Assets	Debt	LTM Revenues	LTM EBITDA	LTM Net Income	LTM Cash Flows
8/4/2010	Ambow Education Holding Ltd.	\$10.00	10.7	\$106.8	\$512.1	\$39.7	\$144.3	\$33.7	\$18.4	\$40.2
7/14/2010	Smart Technologies Inc.	\$17.00	38.8	\$660.1	\$521.7	\$530.0	\$708.7	\$165.1	\$92.1	\$188.4
4/15/2009	Rosetta Stone, Inc.	\$18.00	6.3	\$112.5	\$135.3	\$9.9	\$224.1	\$41.1	\$17.5	\$44.9
1/28/2008	ATA, Inc.	\$9.50	4.9	\$46.3	\$23.2	\$0.0	\$21.8	\$2.7	\$1.9	\$2.7
12/12/2007	K12, Inc.	\$18.00	6.0	\$108.0	\$106.2	\$25.9	\$162.2	\$13.8	\$12.0	\$21.8
12/10/2007	ChinaEdu Corporation	\$10.00	6.8	\$68.2	N/A	N/A	N/A	N/A	N/A	N/A
10/2/2007	Constant Contact, Inc.	\$16.00	6.7	\$107.2	N/A	N/A	N/A	N/A	N/A	N/A
10/12/2006	eHealth, Inc.	\$14.00	5.0	\$70.0	\$23.0	\$0.0	\$55.6	\$6.6	\$5.7	\$7.9
9/6/2006	New Oriental Education & Technology Group	\$15.00	7.5	\$112.5	\$142.5	\$13.5	\$109.7	\$24.5	\$16.6	\$24.5
2/13/2006	Spark Networks, Inc.	\$7.78	33.3	\$258.8	\$48.6	\$10.8	\$65.5	\$4.0	(\$1.4)	\$7.6
Median of All IPOs		nm	nm	\$107.0	\$48.6	\$9.9	\$65.5	\$6.6	\$5.7	\$23.2

nm: not meaningful

Recent Merger and Acquisition Transactions for a Majority Stake (dollars in millions)

Transaction Date	Target	Acquirer	Transaction Size	% Bought
5/1/2014	Wunderkind Group Pty Ltd.	Massive Interactive, Inc.	\$5.5	100%
3/31/2014	Online Courses Australia	Intueri Education Group	\$3.6	50%
3/3/2014	Health Care Compliance	Healthstream Inc.	\$16.0	100%
4/3/2014	TESOL Asia Group Inc.	Site Group International	\$2.3	100%
10/31/2013	Xing Wei Institute	ATA, Inc.	\$3.2	100%
12/28/2012	Ancestry.com	Permira Advisers	\$1,609.1	100%
11/1/2012	Efficient Learning Systems Inc.	John Wiley & Sons Inc.	\$24.0	100%
10/25/2012	Deltak edu	John Wiley & Sons	\$220.0	100%
10/25/2012	Open EC Technologies	QHR Technologies	\$4.2	100%
5/17/2012	Archipelago Learning	PLATO Learning	\$365.6	100%
4/2/2012	Falcon Physician Reviews	Becker Professional Education	\$6.0	100%
2/14/2012	DemandTec	International Business	\$486.4	100%
1/25/2012	Rightnow Technologies	Oracle	\$1,762.9	100%
10/19/2011	Renaissance Learning	Permira Advisers	\$485.1	100%
10/14/2011	Element K	SkillSoft Ireland	\$110.0	100%
10/4/2011	Blackboard	Providence Equity Partners	\$1,851.8	100%
6/30/2011	Notehall, Inc.	Chegg, Inc.	\$3.8	100%
Median of All Transaction Targets			\$24.0	100%

Size of Merger and Acquisition Transactions (dollars in millions)



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