

Quarterly Industry Update

As of December 31, 2015

Industry: Online Educational Software



Industry Summary

Cogent Valuation identified Online Educational Software 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. Over the last year since December 31, 2014, the median 52-week share price return of the Online Educational Software industry was -22.9%. Between December 31, 2013 and December 31, 2015, the median EV/EBITDA multiple decreased from 34.1 to 16.8. However, the median price-to-earnings multiple increased from 46.2 to 56.2 over the same period.

Comparable Public Company Key Statistics

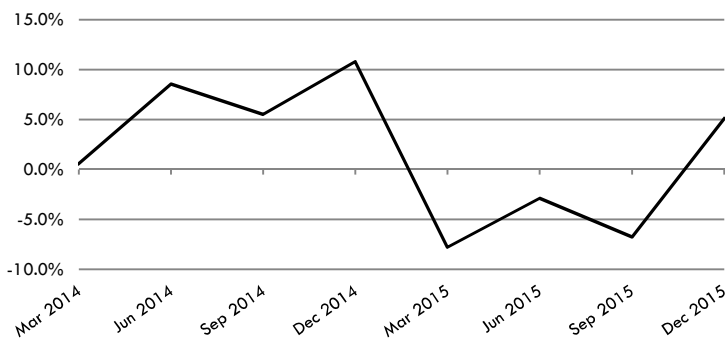
Median 52-Week Return	-22.9%	Median EV/Revenue Multiple	1.8x	Median Price/Earnings Multiple	56.2x
Median 3-Year CAGR Return	-12.1%	Median EV/EBITDA Multiple	16.8x	Median EV/Gross CF Multiple	1.9x

Comparable Public Company Market Price Returns As of December 31, 2015

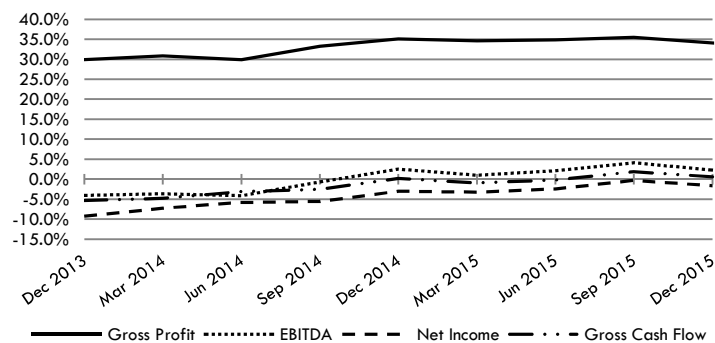
	YTD	3 Month	1 Year	2 Year	3 Year	5 Year	2015	2014	2013	2012	2011
Constant Contact, Inc.	-20.3%	20.6%	-20.3%	-3.0%	27.2%	-1.2%	-20.3%	18.1%	118.6%	-38.8%	-25.1%
eHealth, Inc.	-60.0%	-22.1%	-60.0%	-53.7%	-28.7%	-6.8%	-60.0%	-46.4%	69.2%	86.9%	3.6%
Healthstream Inc.	-25.4%	0.9%	-25.4%	-17.9%	-3.3%	22.3%	-25.4%	-9.6%	34.2%	31.8%	129.5%
K12, Inc.	-25.9%	-29.3%	-25.9%	-36.4%	-24.5%	-21.0%	-25.9%	-45.4%	6.4%	13.9%	-37.4%
Spark Networks, Inc.	7.2%	33.7%	7.2%	-20.9%	-21.0%	5.3%	7.2%	-41.7%	-21.0%	105.3%	27.9%
XO Group Inc.	-11.8%	13.7%	-11.8%	4.0%	20.0%	10.2%	-11.8%	22.5%	59.8%	11.5%	-15.6%
Median of Industry Public Companies	-22.9%	7.3%	-22.9%	-19.4%	-12.1%	2.1%	-22.9%	-25.7%	47.0%	22.8%	-6.0%

(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:	12/31/2013	3/31/2014	6/30/2014	9/30/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015
EV/Revenues Multiple	2.6x	1.9x	2.4x	1.7x	2.4x	2.0x	1.6x	1.4x	1.8x
EV/EBITDA Multiple	34.1x	17.6x	19.2x	21.3x	26.5x	21.2x	18.1x	14.0x	16.8x
Price/Earnings Multiple	46.2x	65.0x	89.3x	79.1x	85.7x	67.1x	42.6x	41.7x	56.2x
EV/Gross Cash Flows Multiple	33.6x	24.6x	36.3x	34.2x	9.7x	30.5x	22.9x	17.3x	1.9x

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

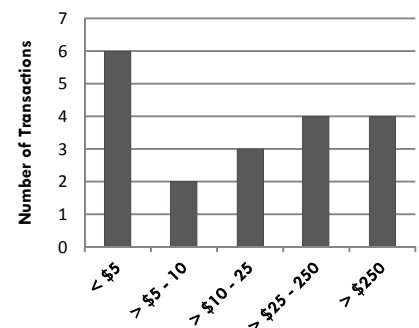
Offer Date	Company Name	Offer Price	Shares Offered	Amount Raised	Total Assets	Debt	LTM Revenues	LTM EBITDA	LTM Net Income	LTM Cash Flows
11/12/2015	Instructure, Inc.	\$16.00	4.4	\$70.4	\$64.2	\$0.0	\$65.1	(\$55.5)	(\$58.9)	(\$53.7)
8/4/2010	Ambow Education Holding Ltd.	\$10.00	10.7	\$106.8	\$512.1	\$39.7	\$144.3	\$32.4	\$18.4	\$38.9
7/14/2010	Smart Technologies Inc.	\$17.00	38.8	\$660.1	\$528.1	\$1,003.6	\$648.0	\$151.2	\$142.0	\$169.1
4/15/2009	Rosetta Stone, Inc.	\$18.00	6.3	\$112.5	\$138.8	\$9.9	\$209.4	\$35.9	\$13.9	\$39.5
1/28/2008	ATA, Inc.	\$9.50	4.9	\$46.3	\$17.5	\$0.0	\$17.2	\$0.7	\$0.5	\$1.0
12/12/2007	K12, Inc.	\$18.00	6.0	\$108.0	\$106.2	\$25.9	N/A	N/A	N/A	N/A
Median of All IPOs		nm	nm	\$107.4	\$122.5	\$17.9	\$144.3	\$32.4	\$13.9	\$38.9

nm: not meaningful, N/A: not applicable

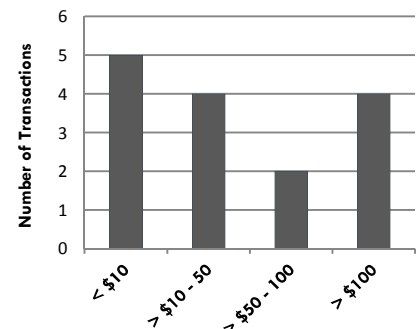
Recent Merger and Acquisition Transactions for a Majority Stake (dollars in millions)

Transaction Date	Target	Acquirer	Transaction Size	% Bought	LTM Revenues	EV/Revenues
12/22/2015	SmartPros Ltd.	Kaplan, Inc.	\$16.9	100%	\$13.5	0.9x
12/11/2015	Career Partner GmbH	Apollo Global, Inc.	\$119.4	100%	\$42.4	2.8x
9/30/2015	Promethean World Plc	Best Assistant Education	\$143.2	100%	\$180.8	0.8x
5/14/2015	lynda.com, Inc.	LinkedIn Corporation	\$1,500.0	100%	\$161.8	9.3x
3/6/2015	Callista Software Services	Tribal Group plc	\$2.8	100%	\$12.3	0.2x
12/4/2014	Lollipops Educare Holdings	Evolve Education Group	\$53.0	100%	\$25.5	2.1x
12/4/2014	Concur Technologies, Inc.	SAP America, Inc.	\$8,468.0	100%	\$667.9	11.5x
11/20/2014	Transformations - Pathways	Academies Australasia	\$1.1	100%	\$3.1	0.3x
5/1/2014	Wunderkind Group Pty Ltd.	Massive Interactive, Inc.	\$5.5	100%	N/A	N/A
4/3/2014	TESOL Asia Group Inc.	Site Group International	\$2.3	100%	N/A	N/A
3/31/2014	Online Courses Australia	Intueri Education Group	\$3.6	50%	\$2.9	1.9x
3/3/2014	Health Care Compliance	Healthstream Inc.	\$16.0	100%	\$6.8	2.4x
10/31/2013	Xing Wei Institute	ATA, Inc.	\$3.2	100%	N/A	N/A
12/28/2012	Ancestry.com	Permira Advisers	\$1,609.1	100%	\$460.2	3.4x
11/1/2012	Efficient Learning Systems Inc.	John Wiley & Sons Inc.	\$24.0	100%	\$7.0	3.4x
10/25/2012	Deltak edu	John Wiley & Sons	\$220.0	100%	\$54.0	4.1x
10/25/2012	Open EC Technologies	QHR Technologies	\$4.2	100%	\$2.7	1.6x
5/17/2012	Archipelago Learning	PLATO Learning	\$365.9	100%	\$73.3	4.1x
4/2/2012	Falcon Physician Reviews	Becker Professional Education	\$6.0	100%	N/A	N/A
Median of the 19 M&A Transaction Targets			\$16.9	100%	\$25.5	2.4x

Size of M&A Transactions



LTM Revenues Reported



Definitions of Financial Terms Used in this Quarterly Industry Update:

Enterprise Value (EV): Market Value of Equity + Market Value of Debt - Cash

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA): Profitability metric sometimes also referred to as operating profit or operating earnings.

Gross Cash Flows: Net Income + Depreciation and Amortization Expense

Latest Twelve Months (LTM): Financial information is as of the latest twelve months through the date of this Quarterly Industry Update.

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