

# Q1: Quarterly Industry Update

AS OF March 31, 2018

## 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 March 31, 2017, the median 52-week share price return of the Online Educational Software industry was 10.7%. Between March 31, 2016 and March 31, 2018, the median EV/EBITDA multiple increased from 9.7 to 20.5. However, the median price-to-earnings multiple decreased from 57.6 to 47.7 over the same period. The median revenue growth and EBITDA margins for the industry for the quarter were 2.4% and 7.7%, respectively.

### Public Company Key Statistics

Median 52-Week  
Return

10.7%

Median 3-Year CAGR  
Return

2.5%

Median EV/Revenue  
Multiple

1.9x

Median EV/EBITDA  
Multiple

20.5x

Median Price/Earnings  
Multiple

47.7x

Median EV/Gross CF  
Multiple

15.4x

## Comparable Public Company Market Price Returns as of March 31, 2018

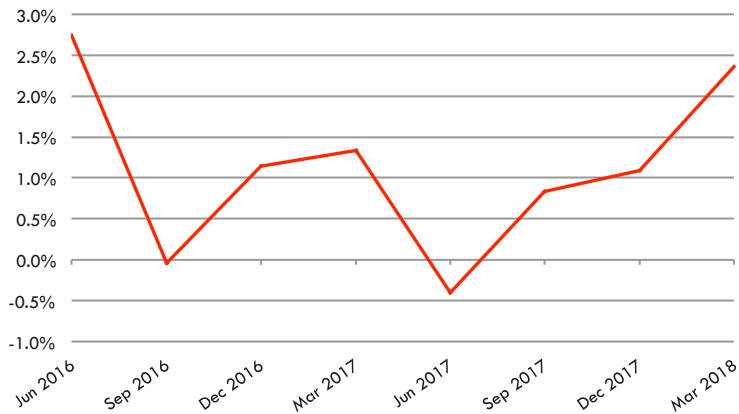
	YTD	3 Month	1 Year	2 Year	2017	2016	2015	2014
<b>eHealth, Inc.</b>	-17.6%	-17.6%	0.5%	-3.4%	63.1%	-33.6%	20.4%	-17.4%
<b>HealthStream, Inc.</b>	7.2%	7.2%	125.6%	-5.3%	-7.5%	-27.6%	-4.0%	-0.6%
<b>K12 Inc.</b>	-10.8%	-10.8%	23.4%	-8.3%	-7.3%	10.7%	-45.5%	1.5%
<b>XO Group Inc.</b>	12.4%	12.4%	13.4%	-1.9%	-5.1%	-21.3%	-6.9%	16.0%
<b>Median of Industry Public Companies</b>	-1.8%	-1.8%	13.4%	-5.3%	-6.2%	-27.6%	-4.0%	-2.7%

Multiple year periods are calculated as the average annual return.

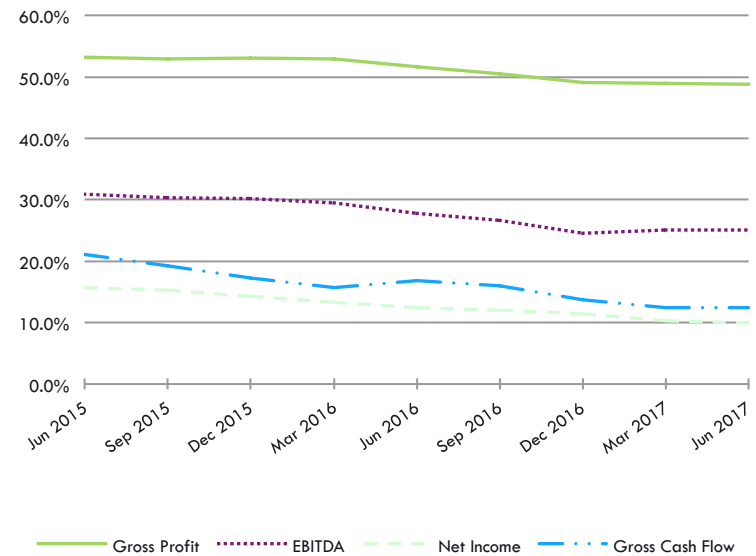
■ Highest Return
 ■ Lowest Return
 ■ Median Return

# Industry Revenue Growth and Profit Margins for the Past Two Years

**Median Quarterly Revenue Growth of All Online Education Software Companies**



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



## Public Company Median Multiples by Quarter

	3/31/18	12/31/17	9/30/17	3/31/17	12/31/16	3/31/16	12/31/15	9/30/15
<b>EV/Revenues Multiple</b>	1.9x	1.9x	2.5x	1.5x	1.6x	1.1x	1.6x	1.1x
<b>EV/EBITDA Multiple</b>	20.5x	21.2x	21.7x	20.9x	19.1x	17.5x	17.0x	14.4x
<b>Price/Earnings Multiple</b>	47.7x	79.5x	51.5x	33.8x	49.6x	77.6x	66.0x	42.0x
<b>EV/Gross Cash Flows Multiple</b>	15.4x	36.4x	33.8x	28.6x	28.3x	39.8x	21.9x	19.9x

■ Highest Multiple   
 ■ Lowest Multiple   
 ■ Median Multiple

## Industry Initial Public Offerings—Industry: Online Educational Software (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
3/23/18	China Xinhua Education Group Limited	\$0.42	4.0	\$0.7	\$113.4	\$0.0	\$51.9	(\$1.0)	\$0.7	(\$1.0)
3/22/18	Sunlands Online Education Group	\$11.50	4.4	\$70.4	\$64.2	\$0.0	\$149.1	(\$55.5)	(\$58.9)	(\$53.7)
2/18/16	Sylph Education Solutions Limited	\$0.18	10.7	\$106.8	\$3,497.8	\$271.1	\$0.0	\$230.2	\$125.8	\$236.7
11/12/15	Instructure, Inc.	\$16.00	38.8	\$660.1	\$521.7	\$530.0	\$65.1	\$165.1	\$92.1	\$183.0
8/4/10	Ambow Education Holding Ltd.	\$10.00	6.3	\$112.5	\$135.3	\$9.9	\$144.3	\$41.1	\$17.5	\$44.6
7/14/10	Smart Technologies Inc.	\$17.00	4.9	\$46.3	\$169.4	\$0.0	\$708.7	\$19.7	\$14.1	\$20.0
5/31/16	Median IPO	\$0.42	nm	\$88.6	\$152.4	\$5.0	\$104.7	\$30.4	\$15.8	\$32.3

Multiple year periods are calculated as the average annual return.

■ Highest Return
 ■ Lowest Return
 ■ Median Return

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

Transaction Date	Target	Acquirer	Transaction Size	% Bought	LTM Revenue	EV Revenue
1/31/18	<b>Tecademics LLC</b>	<b>IQUP Sales Group, LLC</b>	\$3.0	100%	N/A	0.3x
2/1/17	<b>Apollo Education Group, Inc.</b>	<b>Apollo Global Management</b>	\$1,212.5	52%	\$2,328.0	0.7x
12/23/16	<b>Smart Technologies Inc.</b>	<b>Foxconn Singapore Pte. Ltd.</b>	\$216.4	100%	\$331.8	2.4x
5/4/16	<b>Cricket Media Group Ltd.</b>	<b>ZG Ventures, LLC</b>	\$32.0	100%	\$13.3	0.2x
4/4/16	<b>LeapFrog Enterprises Inc.</b>	<b>Vtech Holdings Limited</b>	\$93.9	100%	\$222.9	2.6x
2/9/16	<b>Constant Contact, Inc.</b>	<b>Endurance International</b>	\$1,112.1	100%	\$361.9	1.4x
1/7/16	<b>Celtic Training &amp; Consultancy</b>	<b>iCollege Limited</b>	\$1.6	100%	\$1.2	0.9x
12/22/15	<b>SmartPros Ltd.</b>	<b>DF Institute, LLC</b>	\$16.8	100%	\$13.5	2.8x
12/10/15	<b>Career Partner GmbH</b>	<b>Apollo Global Germany GmbH</b>	\$143.2	100%	\$180.8	0.8x
10/15/15	<b>Promethean World Plc</b>	<b>LinkedIn Corporation</b>	\$1,682.0	100%	\$161.8	10.4x
3/6/15	<b>Callista Software Services</b>	<b>Tribal Group plc</b>	\$2.8	100%	\$12.3	0.2x

■ USA
 ■ International
 ■ Highest
 ■ Lowest
 ■ Median

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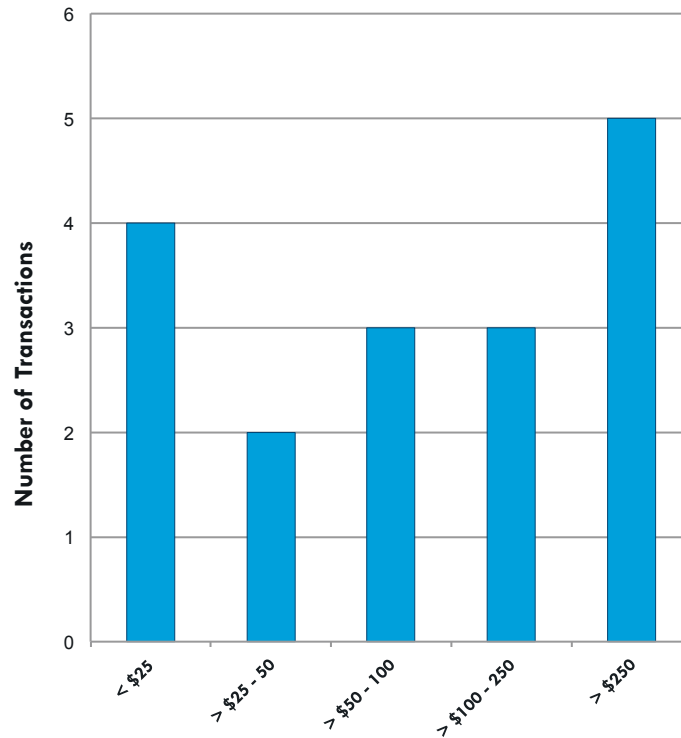
## Recent Merger and Acquisition Transactions for a Majority Stake (dollars in millions)

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Transaction Date	Target	Acquirer	Transaction Size	% Bought	LTM Revenue	EV Revenue
12/4/14	Lollipops Educare Holdings	Evolve Education Group	\$53.0	100%	\$25.5	2.1x
12/4/14	Concur Technologies, Inc.	SAP America, Inc.	\$9,595.5	100%	\$667.9	13.1x
11/20/14	Transformations - Pathways	Academies Australasia	\$1.1	100%	\$3.1	0.3x
5/1/14	Wunderkind Group Pty Ltd.	Massive Interactive, Inc.	\$5.5	100%	N/A	N/A
4/3/14	TESOL Asia Group Inc.	Site Group International	\$2.3	100%	N/A	N/A
3/31/14	Online Courses Australia	Intueri Education Group	\$3.6	50%	\$2.9	1.9x
3/3/14	Health Care Compliance	Healthstream Inc.	\$16.0	100%	\$6.8	2.4x
10/31/13	Xing Wei Institute	ATA, Inc.	\$3.2	100%	N/A	N/A
12/4/14	Lollipops Educare Holdings	Evolve Education Group	\$53.0	100%	\$34.0	1.6x
Median of the 19 M&A Transaction Targets			\$9,595.5	100%	\$25.5	2.1x

USA
  International
  Highest
  Lowest
  Median

## Recent Merger and Acquisition Transactions for a Majority Stake (dollars in millions) as of March 31, 2018





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**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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