

Q3: Quarterly Industry Update

AS OF September 30, 2019

cogent valuation
FINANCIAL OPINIONS

Online Educational Software

INDUSTRY SUMMARY

COGENT VALUATION identified **Online Educational Software** 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 September 30, 2018, the median 52-week share price return of the Online Educational Software industry was 25.5%. Between September 30, 2017 and September 30, 2019, the median EV/EBITDA multiple increased from 26.4 to 26.7. However, the median price-to-earnings multiple decreased from 71.4 to 30.0 over the same period. The median revenue growth and EBITDA margins for the industry for the quarter were 1.1% and 8.7%, respectively.

Public Company Key Statistics

Median 52-Week
Return

25.5%

Median 3-Year CAGR
Return

21.3%

Median EV/Revenue
Multiple

3.1x

Median EV/EBITDA
Multiple

26.7x

Median Price/Earnings
Multiple

30x

Median EV/Gross CF
Multiple

20.6x

Comparable Public Company Market Price Returns as of September 30, 2019

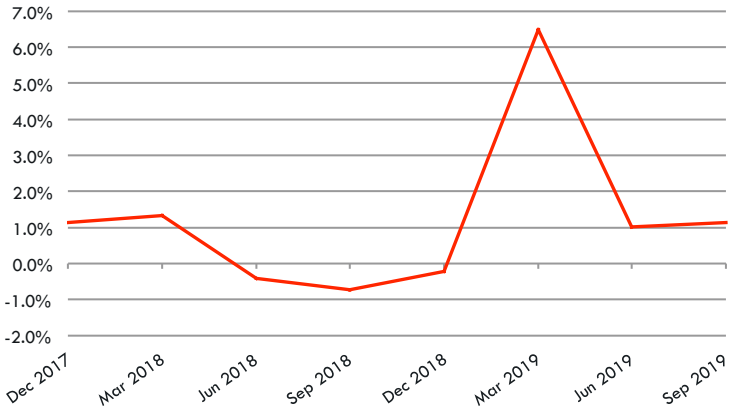
	2019	3 Month	1 Year	2 Year	2018	2017	2016	2015
eHealth, Inc.	-17.6%	-17.6%	18.9%	-3.4%	63.1%	6.7%	-60.0%	-46.4%
HealthStream, Inc.	7.2%	7.2%	2.5%	-5.3%	-7.5%	13.9%	-25.4%	-9.6%
K12 Inc.	-10.8%	-10.8%	-26.0%	-8.3%	-7.3%	95.0%	-25.9%	-45.4%
XO Group Inc.	12.4%	12.4%	20.6%	-1.9%	-15.1%	21.1%	-11.8%	22.5%
Median of Industry Public Companies	-1.8%	-1.8%	10.7%	-5.3%	-6.2%	17.5%	-25.6%	-27.5%

Multiple year periods are calculated as the average annual return.

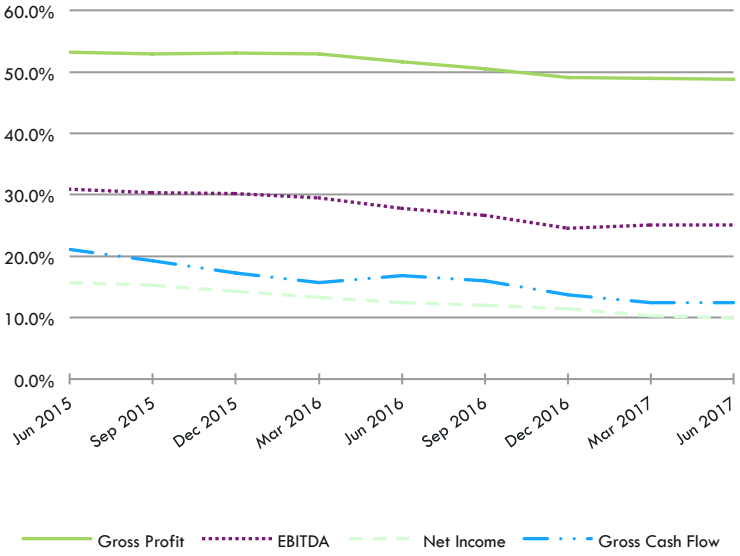
■ Highest Return
 ■ Lowest Return
 ■ Median Return

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

	9/30/19	6/30/19	3/31/19	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17
EV/Revenues Multiple	3.1x	2.6x	1.9x	1.9x	2.5x	2.0x	1.6x	1.6x
EV/EBITDA Multiple	26.7x	24.7x	20.5x	21.2x	21.3x	21.8x	18.5x	19.1x
Price/Earnings Multiple	30.0x	26.9x	47.7x	79.5x	50.4x	54.8x	42.0x	49.6x
EV/Gross Cash Flows Multiple	20.6x	18.1x	15.4x	36.4x	33.2x	34.0x	27.7x	28.2x

■ Highest Multiple
 ■ Lowest Multiple
 ■ Median Multiple

Industry Initial Public Offerings—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
9/23/19	China Xinhua Education Group Limited	\$0.42	4.0	\$0.7	\$113.4	\$0.0	\$51.9	\$32.4	\$0.7	(\$1.0)
3/22/19	Sunlands Online Education Group	\$11.50	4.4	\$70.4	\$64.2	\$0.0	\$149.1	(\$141.4)	(\$58.9)	(\$53.7)
2/19/16	Sylph Education Solutions Limited	\$0.18	10.7	\$106.8	\$3,497.8	\$271.1	\$0.0	(\$0.0)	\$125.8	\$236.7
11/12/15	Instructure, Inc.	\$16.00	38.8	\$660.1	\$521.7	\$530.0	\$65.1	(\$55.5)	\$92.1	\$183.0
8/4/10	Ambow Education Holding Ltd.	\$10.00	6.3	\$112.5	\$135.3	\$9.9	\$144.3	\$33.7	\$17.5	\$44.6
7/14/10	Smart Technologies Inc.	\$17.00	4.9	\$46.3	\$169.4	\$0.0	\$708.7	\$165.1	\$14.1	\$20.0
5/31/16	Median IPO	\$0.42	nm	\$88.6	\$152.4	\$5.0	\$104.7	\$16.2	\$15.8	\$32.3

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

Transaction Date	Target	Acquirer	Transaction Size	% Bought	LTM Revenue	EV Revenue
9/26/19	ATA Online (Beijing) Education Technology Co.,Ltd.	CDH Investments; Zhuhai Lihonghuaying Equity Investment Partnership (LP)	\$200.2	100%	\$75.7	N/A
8/1/19	Capella Education Company	Strayer Education, Inc. (nka:Strategic Education, Inc.)	\$964.4	100%	\$439.7	0.3x
6/29/19	Learning Tree International, Inc.	N/A	\$10.1	100%	\$66.6	2.4x
4/16/19	No More Practice Education Pty Ltd	OneVue Holdings Limited	\$3.9	100%	\$1.4	0.2x
1/31/19	Tecademics LLC	IQUP Sales Group, LLC	\$3.0	100%	N/A	2.6x
2/1/17	Apollo Education Group, Inc.	Apollo Global Management	\$1,212.5	100%	\$361.9	1.4x
10/15/15	Promethean World Plc	Endurance International	\$1,682.0	100%	\$161.8	10.4x
3/6/15	Callista Software Services	Tribal Group plc	\$1.8	100%	\$12.1	0.2x

■ USA
 ■ International

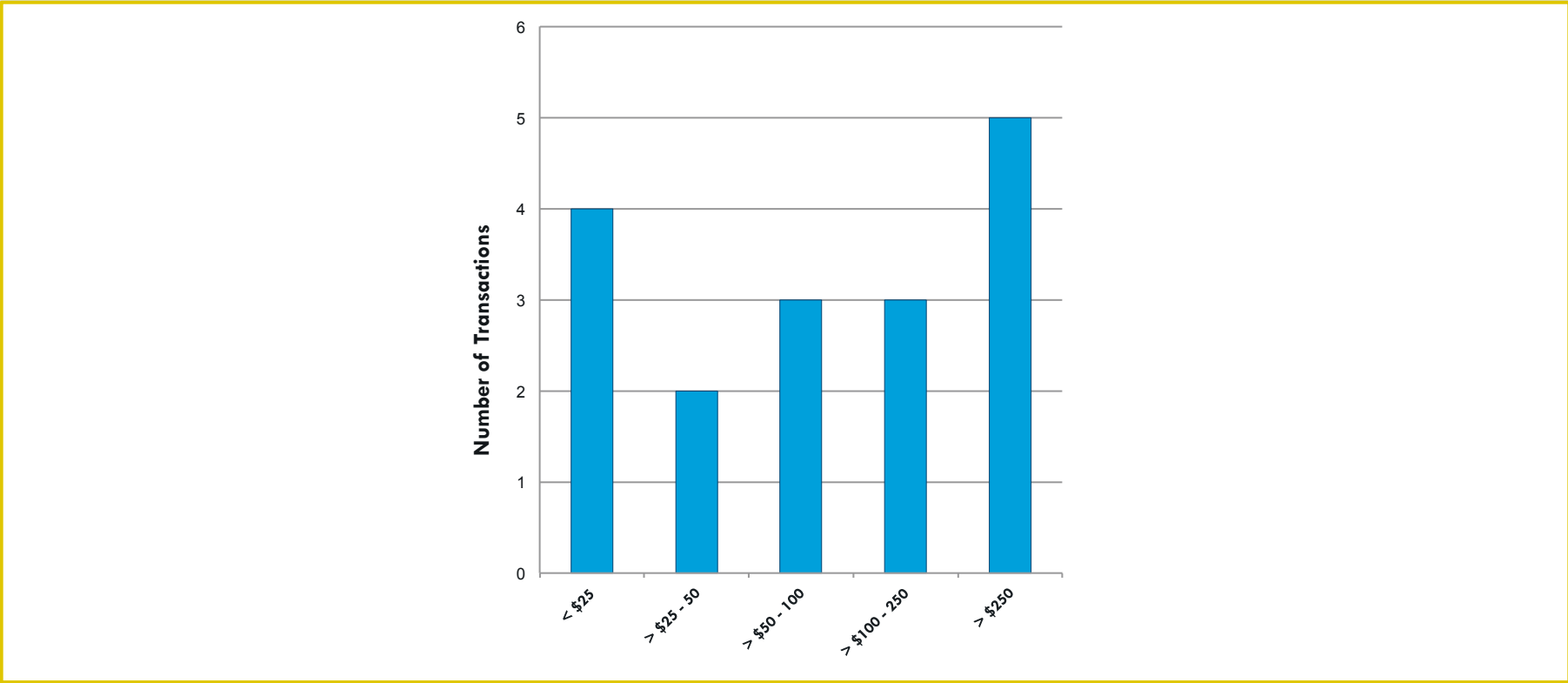
(Continued on next page)

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

(Continued from previous page)

Transacti on 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 17 M&A Transaction Targets			\$9,595.5	100%	\$25.5	2.1x

Recent Merger and Acquisition Transactions for a Majority Stake (dollars in millions) as of September 30, 2019



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): 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.

Disclosures and Limitations: This research report is for informational and discussion purposes only. Information presented herein is not investment advice of any kind to any person and does not constitute a recommendation as to the purchase or sale of any interests or as to any other course of action. General, financial, and statistical information concerning the details of this report and related industry are from sources Cogent Valuation believes to be reliable. Cogent Valuation has accurately reflected such information in this research report; however, Cogent Valuation makes no representation as to the sources' accuracy or completeness and has accepted this information without further verification. Neither all nor any part of the content of this report may be conveyed to the public through advertising, public relations, news, sales, mail, direct transmittal, or other media without the prior written consent of Cogent Valuation. Cogent Valuation's research is as of the date reported herein. Cogent Valuation has no affiliation with any of the companies comprising the industry used as a basis for research in this report, nor does Cogent Valuation hold any investments in the companies listed herein. The content of this report may be used, in part, as a basis for any work that Cogent Valuation performs for you in the future at the sole discretion of Cogent Valuation. THIS REPORT IS NOT TO BE USED OR CONSIDERED UNDER ANY CIRCUMSTANCE BY ANYONE AS INVESTMENT ADVICE.

COGENT VALUATION is a nationally recognized full service business valuation firm that has provided independent valuation and financial advisory opinions in thousands of situations since 1991. These assignments include the valuation of companies and pass-through entities, their securities, and their intangible assets ranging in size from small, closely-held businesses and start-ups, to corporations with market values over a billion dollars, covering almost every industry and all types of transactions. With the collective backgrounds of our managing directors and professional staff, Cogent Valuation brings substantial large deal experience to bear on our middle market transaction opinions. Cogent Valuation utilizes proprietary research, intensive due diligence, and the experience and insights of its professionals to produce thoughtful, well-documented opinions that have consistently withstood the scrutiny of clients and their advisors, investors, regulators, and courts.

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 or kam@cogentvaluation.com** for additional information or questions in connection with this research report.