William Blair

May 2020

Education and Training Market Analysis: Immediate and Systemic Impact of COVID-19

William Blair Education Team

Our team has completed over 50 transactions in the Education Services and Technology sector

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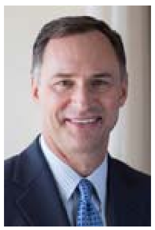

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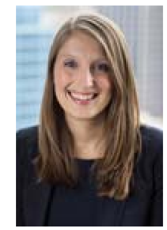

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Table of Contents

Key Themes and Trends

Education and Training Market Insights Amid COVID-19 Pandemic

William Blair's education team discussed COVID's impact with companies, investors, and service providers across the education and training landscape

Process Facts & Figures

- Conversations with 45+ operators and investors March 23-April 3
- Represented companies spanning early childhood education to education technology platforms to corporate training firms
- Discussed the current market environment and COVID-19 situation
  - Immediate impact of COVID-19 to business performance
  - How management teams are addressing rapidly changing circumstances
  - Medium- and long-term impacts to business strategy and investment
  - Threats and opportunities for growth in the altered environment

Firms Involved

33

Public and Private Education Companies

12

Private Equity & Consulting Firms

Participant Overview

27

C-Suite Executives

16

M&A / Corp. Dev. Professionals

17

Senior Investors & Consultants

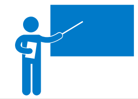
Featured Subsectors

Early Childhood

K-12 Education

Post-Secondary Education

Adult Learning



Training

Education Technology

Impact of COVID-19 Pandemic on Education and Training Sectors

Companies in the sector are facing complex outcomes from COVID-19 related forces

	Sectors		Impact
Most Advantaged	Clinical and Allied Health Education Online Education and Learning	Online Compliance / Training IT Training	• Exposed critical need for healthcare workers • Existing online platforms benefiting from rapid shift to online modality • Heightened need for IT/technology support and resultant demand
Neutral	Construction Training Compliance Training Higher Education	K-12 Education Middle Skills Training	• No change to continuing education and other regulatory required training • Neutralizing impact of workforce realignment shifting investment across occupations • Market fragmentation and role of in-person interaction, will dampen impact to K-12 despite emergence of winners
Most Disadvantaged	Early Childhood Providers Center-Based Education Food & Safety Training	Skilled Trades Training Testing & Assessment Services	• Mandated closures of physical locations—difficulty proving value virtually • Sudden halts in food services and sharp unemployment in certain industries dries up demand for related training • Lasting impact on how higher education is delivered

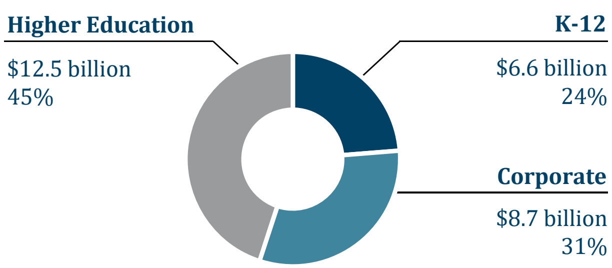
Education Sector Overview

The COVID-19 pandemic will be a turning point for the education industry, helping to accelerate the broad acceptance of online learning and increase usage of the format

Higher Learning Conducive to E-Learning

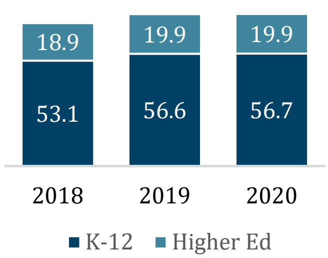
- Pre-COVID-19, the U.S. E-Learning was projected to continue to grow to a ***$35.4 billion market*** by 2022[(1)]

E-Learning Market Share and Size by User[(1)]



Total Enrollment in the U.S. by Segment[(2)]

(# of students in millions)



K-12 comprises ~75% of domestic students but only one-third of e-learning dollars

Massive and Rapid Shift to Online for an Uncertain Duration

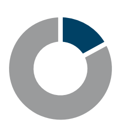
- Global school and university closures as a result of the COVID-19 have been estimated to impact 91.3% of the world's total enrolled learners[(3)]
- The K-12 sector has been challenged to shift to true online learning with highly variable results

School districts and universities now forced to address "technology gap" between educators and students

- Many schools are allowing students to borrow devices for digital learning during the crisis, but some only have ***a limited amount of technology on hand to provide***

58%

Of students say they use the internet at home to do daily homework[(4)]

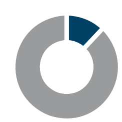


17%

Of U.S. teens are often or sometimes unable to complete homework due to the lack of a computer or internet connection[(4)]

A lack of internet access now equals a lack of access to education

- Teachers and professors worry this lack of technology ***may delay academic progress***



12%

of teens use public Wi-Fi due to lack of home Internet connection[(4)]

1 in 4

lower-income teens don't have access to a home computer[(4)]

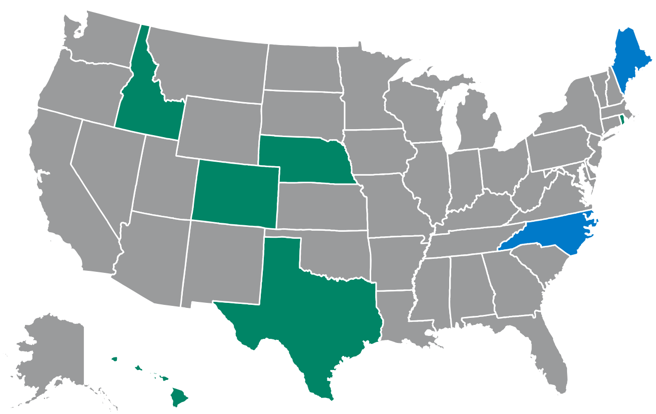
(1) Technavio E-Learning Market in the U.S. Report 2018-2022.
(2) United States Census Bureau, National Center for Education Statistics.
(3) United Nations Educational, Scientific and Cultural Organization, March 2020.
(4) Pew Research Center, March 2020.

COVID-19 Will Structurally Transform the Education Industry in the U.S. and Elsewhere

Online modality can no longer be an afterthought

Pandemic Response Led to Complete Dismantling of Status Quo

- Within weeks, schools have closed without clarity on when they will reopen
- Schools and districts have demonstrated a ***complete lack of contingency planning*** and ***face significant structural challenges*** (e.g., student broadband availability, ability to service special needs)
- Discrepancies in internet and technology access, level of planning, and resources have led to even ***more variability in education quality and delivery***



States that announced closures between:

- 3/16 and 3/22
- 3/23 and 3/29
- States that announced closures on 3/30 or later

Online Ecosystem Stands to Benefit, with a Call to Action for Traditional On-Ground Providers

- Forced migration online uncovering huge pockets of ***latent demand that will accelerate digital investment***
  - Parents and students looking for learning solutions to address education gaps in remote learning curriculum
  - Institutions need to invest in ***higher quality remote learning*** content, engagement and collaboration tools, and technology
- Government funding through CARES Act may increase demand for online offerings as broadband access and technology penetration increases
- ***Dual-modality and nimble providers benefit from move to online***
  - Potential for stronger margins, greater geographic reach, and flexibility for different revenue models
- Long term models may shift more quickly and permanently to online offerings
  - ***Consolidation of traditional providers*** given market demand shift and costs of maintaining dual on-ground / online presence
  - Increased roles for online education technology and content
  - Growing importance of ***risk management and contingency plans*** that integrate online modality; also gives rise to need for CIOs

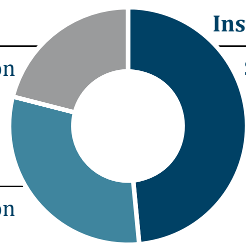
Training Sector Overview

The current public health and economic environment will drastically change the training landscape

Corporate Training Before COVID-19

- Prior to COVID-19, the U.S. corporate training market only was estimated to be $30 billion with online training accounting for ~20%
- Workforce reskilling often hindered by ***structural barriers, degree requirements, and industry regulations***

Market Share by Modality[3]



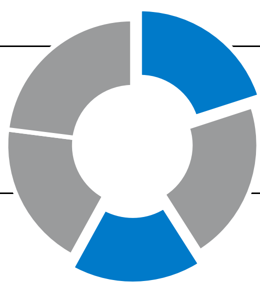
Online
$6.3 billion
21.0%

Instructor Led
$14.5 billion
48.5%

Blended
$9.2 billion
30.5%

Severity of Impact of COVID-19 Varies Across Industries

Market Share by End Market[1]



Other[2]
$6.9 billion
23%

Healthcare
$6.0 billion
20%

Insurance & Fin
$5.7 billion
19%

Manufacturing
$6.3 billion
21%

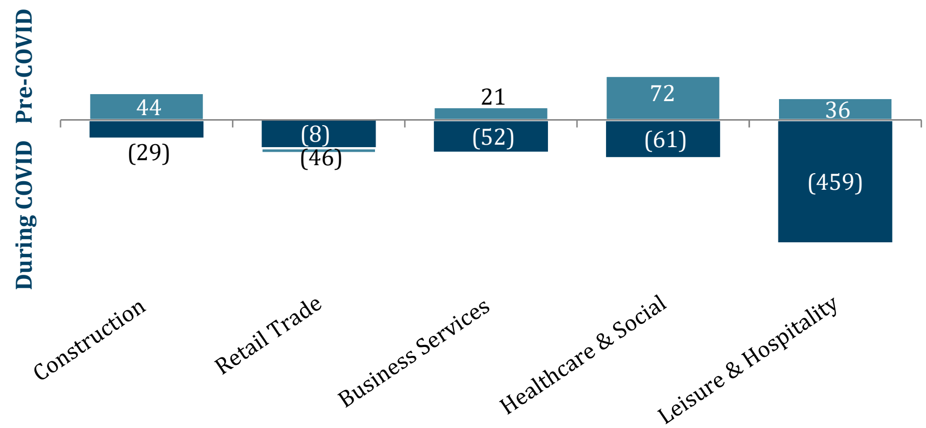
IT
$5.1 billion
17%

- Impact on certain end markets ***will likely change the industry makeup of training***
- Crisis has highlighted demand for critical ***IT and Healthcare*** jobs, driving growth post-pandemic

Unemployment Trends Will Impact Workforce Shift[4]

U.S. Job Gains & Losses by Sector

(# of gains and losses in thousands)



Key Highlights

- Workforce reallocation will lead to ***increased demand for training*** as people begin new jobs in fields where experience may be lacking
- Increased demand for corporate training and compliance driven by the onboarding of new employees in regulated and technical fields
- Job losses in healthcare and social assistance driven by stoppage of non-essential medical services and offices, as well as closure of childcare facilities

(1) Technavio: Corporate Training Market in the US 2018-2022.
(2) Other segment highlights the services industry including hospitality, professional services, transportation & logistics, and e-commerce.
(3) Technavio: Global Corporate Workforce Development Training Market.
(4) Bureau of Labor Statistics News Release – 2/7/2020 and 4/3/2020.

Training Industry Impact Varies by End Market and User

Shift towards self-pay, technical and regulated credentialing, and healthcare

Unprecedented Changes to the Workforce Will Create Winners and Losers

- Market environment highlights ***significant structural challenges in global workforce***
  - In the U.S., March unemployment rate of 4.4% represents the largest MoM increase since January 1975, and those without a high school diploma are hardest hit, at 6.8%
- Providers who serve end users most affected by quarantine and recession need to ***demonstrate flexible payment options or clear path to employment***
  - Potential for government intervention to address funding gaps in critical industries
- Increased availability of talent in current market may ***alter how companies tackle skills gaps***—greater reliance on gig economy and releasing underperformers vs. upskilling
- Acuity of labor shortages may ***lead to more flexibility in reskilling***, including use of shorter-from certifications and collaboration among industry stakeholders

Nimble Providers Can Benefit

- Situation has catalyzed digital migration
  - Providers have ***transitioned online quickly***, using readily available technology, without hurting user satisfaction
  - Over the longer term, platform improvements may be required as new normal emerges
- Companies are ***redeploying marketing spend*** in light of evolving market dynamics
  - Increased focus on driving awareness of online platform/capabilities, particularly in sectors with low online penetration
  - Many providers have utilized trial memberships and free content to increase awareness, offset transition pains, and drive longer-term paid user conversion

End Market Matters

- Optimism varies widely—corporate buyers in ***regulated and acyclical end markets continuing to invest*** in training during slowdown
- Many training providers in attractive end markets beginning to see uptick in leads and engagement
- Current public health situation accentuates known ***labor shortages in healthcare***; a massive workforce realignment and reskilling is on the horizon
  - Potential ***re-evaluation of regulatory barriers in certification*** to allow reduction of required in-person hours in nursing and Allied Health
- Migration to online environments and remote work will increase ***need for IT expertise***

U.S. Government Funding and Response

Potential for federal and state-level policy to tip scales in education in the U.S.

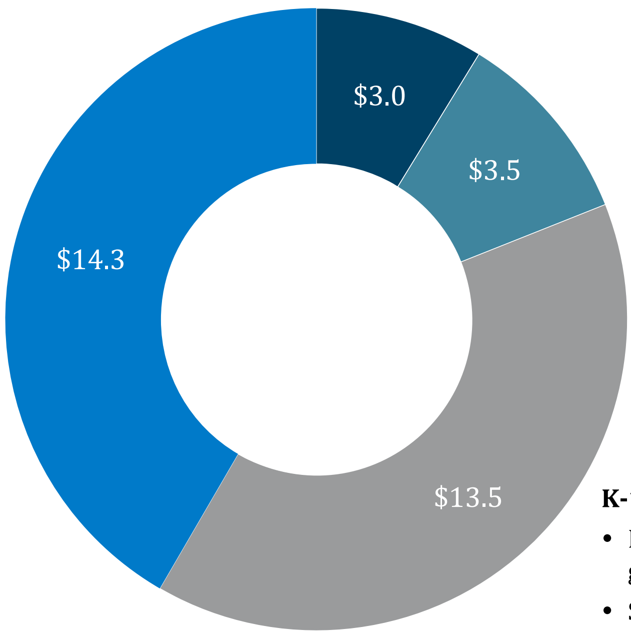
CARES Act Provisions Allocate Over $30B to Child Care, K-12, and Higher Education

$ in billions

Governors Directive
Reserved for governors to distribute based on local need most impacted by COVID-19

Child Care (CCDBG)
- Assistance for child care providers facing decreased enrollment and closures
- Child care support for essential services workers

Higher Education
- Emergency financial aid grants for student expenses impacted by campus disruption
- Based on on-ground Pell and non-Pell student enrollment
- Federal student loan payment suspension and interest relief
- Limited eligibility for exclusively online students



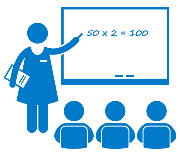
K-12
- Emergency relief grants
- Supports across range of needs, including technology, Wi-Fi access, meal programs, low-income student needs

Observations

- CARES Act education provisions address structural gaps illuminated by COVID-19—***unequal access to laptops and internet across students, online contingency planning***
- Increased resources for distance learning in K-12 may ***cement shift to online modality***
- Provides support for center-based child care providers struggling with closures and steep declines in enrollment
- Conversely, focus of higher education relief efforts on on-ground institutions may ***disproportionately benefit hybrid models*** that bridge availability of funds and immediate remote learning needs
- Introduces questions around ***longer-term viability of on-ground schools*** that are slower or less adept at online migration
  - Scalability and access of online models may lead to redistribution of student demand
- PE-funded assets generally restricted from accessing funding

Market Impact Varies across Sector Participants

Increased interest in online offerings as in-person offerings transition

	General	In-Person	Online
PreK-12 	• Parental anxiety driving increased demand for private-sector and ancillary services • ECE providers impacted by mandated closures	• Transition to online modality where possible, with pressure to demonstrate educational value	• Influx of inquiries as on-ground schools and parents seek alternatives to address (lack of) contingency plans and education gap
Higher Education 	• Blurring lines between on-campus and online modalities as traditional colleges aspire to deliver on contingency plans	• Campus closures with shift to online • Potentially significant challenges for fall semester, depending on timing of social distancing measures	• Massive increases in demand for online education technology ecosystem to support remote learning migration
Training / Adult Learning 	• Increase in B2P/B2C training and credentialing, especially when aligned with clear path to employment	• Accelerated adoption of online delivery models • Slowdowns in corporate training as companies scramble to deal with pandemic impact	• Recent uptick in demand, particularly in Allied Health and IT/technical skills as workers seek reskilling to mitigate economic pressures

Key Education Industry Value Drivers

Fundamentals still matter

Value Drivers		Lower	Higher
1	**Total Addressable Market**	Highly penetrated niche markets	Large and fast growing, with pricing power
2	**End Market**	Slow growth or contracting end markets, e.g., foodservice, travel	High growth end markets, with demonstrated demand
3	**End Users**	Workers most impacted by COVID-19 and recession, with the most acute ability to pay challenges	Higher income families and professionals with strong ability to pay
4	**Scalability / Online Penetration**	Highly customized solutions In-person and one-on-one requirements	One-to-many with low incremental cost to serve High online penetration / potential
5	**Payment Model**	Heavy reliance on single or highly concentrated funding sources (i.e. government funding)	Diverse payment sources, including mix of B2B/B2P/institutional funding
6	**Regulatory / Technical**	Discretionary Soft skills focused	Industry- or government-mandated Technical skills
7	**Recurrence / LTV**	One-time need with low cost per ticket Transactional	High levels of repeat/subscription spend and high ticket price driving higher LTV
8	**Barriers to Entry / Competition**	Easily replicable, commoditized content Many satisfactory alternative solutions	Unique offering or product Regulated industry/licensing bodies limiting supply
9	**Growth and Profitability**	Low growth Low gross and EBITDA margins	High double-digits growth High gross and EBITDA margins

Near- and Medium-Term Emerging Trends

Education

- *Increased investment in remote learning models and digital learning platforms across higher education and K-12 markets* → **Investment in upgrading content, delivery technology, digital student experience to mainstream remote learning**
- *Government and private sector investment in education technology and online learning* → **Flight to quality and cost of technology will yield a diminishing role for middle-tier traditional colleges**
- *Lower employment levels decreasing demand for center-based care, discretionary activities* → **Increased emphasis on ROI and quality of programming**

Training

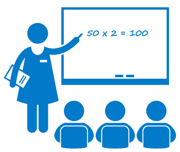
- *Higher levels of freelancers / gig economy workers* → **Importance of reliable assessment, badging, and credentialing sources**
- *Heightened unemployment levels and lower job security* → **Self-funded skills acquisition, with competitive advantage for lower-cost models and providers with clear path to employment**
- *Continuing, and potentially accelerating, demand for healthcare and technical skills* → **Increased STEM focus at all levels and within vocational training**

Market Takeaway

- *Smaller players confronting financial and operational stress driven by market uncertainty and surge in demand* → **Consolidation and investment opportunities**

Future Outlook

Systemic changes to education landscape will impact the future of learning

	General	In-Person	Online
PreK-12 	• Increased spend on public K-12 education to address disparities highlighted by current health crisis • Longer term shift in contingency planning	• Demand for dual-purpose education and childcare will drive a rebound in utilization • Selective use of technology in classroom learning	• Mix shift towards online to take advantage of incremental volume and margin expansion opportunities
Higher Education 	• Current crisis acts as catalyst for innovation that will yield a barbell effect—high-end hybrid and online value providers likely to prevail	• Consolidation among lower tier institutions as current environment drives tuition, cost-to-serve, and enrollment pressures while limiting access to international markets	• Shift towards online modality as students realize convenience, flexibility, and value benefits • Growth of education technology ecosystem
Training / Adult Learning 	• Overall shift toward reskilling in critical industries as high unemployment levels persist	• Pent-up demand in select end markets benefiting from in-person interaction; providers without direct path to employability at greater risk	• COVID-19 experience, paired with acuity of supply-demand gaps, may lead to easing of restrictions and in-person requirements

Select Sub-Sector Findings

Center-Based K-12

Closure of physical locations has forced educators to rethink operations

Observations

- Government-mandated closures have forced providers to demonstrate ability to deliver educational value
- Education-focused providers quickly shifting to virtual offerings
  - Virtual classroom enabling greater flexibility
  - Tutoring and other extracurricular learning benefit from parental concern to ensure children are learning
- Providers have expressed some concern around pricing and enrollment pressure should the pandemic continue
  - Less pricing power in online, in addition to mounting personal budget constraints
- Increased scrutiny of safety and hygiene will lead to professionalization of sector
- Longer term shift in contingency planning—role of technology in strategy and risk management
  - In the U.S. especially, effects may be gradual due to district fragmentation and role of state funding and infrastructure as an accelerator

Opportunities

TAM Growth

Online migration expands ability of providers to grow addressable market without needing to add new locations

Margin Expansion

Opportunity to leverage mix shift to online to realize higher margins

Consolidation and M&A

Current short-term shocks to operations may create acquisition opportunities for well-capitalized providers

Challenges

Enrollment Cycle

Continued stay-at-home orders could have follow-on effects on school enrollment cycles, which are more seasonal; students may be more likely to stay put

Recessionary Pressure

Downturn may cause parents to pull back on child care spending near-term

Longer term, recession-linked birth rate declines could impact enrollment

Extended Closures

Extended social distancing measures and government closures limit ability to continue to charge onsite rates across all students

Online K-12

Significant opportunities to address significant access and quality gaps in online K-12

Observations

- Pandemic has revealed significant challenges and opportunities for delivering K-12 online
  - Highly fragmented technology ecosystem
  - Fragmented education system—decisions often made at the local level
  - Need for professional development and teacher training
  - Complete absence of contingency planning
- Investment needed to upskill teachers to use online tools—enlarges the addressable market for online solutions
- Private sector education may be better poised for online migration, though government funding, including the recent CARES Act funding in the U.S., will address
- Market fragmentation of online K-12 offerings will persist in given underlying fragmentation of end users
  - Current market conditions may ignite a need for growth capital
  - Current solutions address discrete communication, grading, homework applications
  - Longer term potential for full-suite distance learning software

Opportunities

Policy Shifts

Including the U.S. CARES Act creating $13.5B funding towards K-12, some of which will improve online access

Awareness

Forced transition to remote learning drives awareness of online modality, which may become viable alternative to bricks and mortar

Extracurricular Demand

Significant shortcomings to schools' contingency plans prompting parents to seek quality offerings to complement education

Challenges

Content Quality

Many online offerings are a sub-standard substitute for classroom learning; investment in quality content is needed to drive long-term conversion

Systems Bandwidth

Many providers not prepared for the sudden and massive influx of demand, as well as ongoing need for support

Adult Supervision

Younger children often need assistance or supervision to navigate learning environment; remote learning shifts burden from classroom teacher to parent

Higher Education

Mainstreaming of remote learning will transform all aspects of higher ed

Observations

- Massive spikes in online ecosystem as on-ground institutions scramble to deliver remote learning solutions
  - Tidal wave of demand impacting OPMs, proctoring, and assessments
  - Sudden and unprecedented demand has severely taxed ed tech ecosystem, creating service outages and capacity constraints
- Mainstreaming of remote learning could increase engagement and competition from larger tech and content companies
- Pressure to find alternative pricing models and financial relief for hardest hit segments
- Campus experience will likely undergo systemic disruption
  - Increased costs to maintain safe learning and living environments
  - Widespread adoption of remote learning contingency plans will become table stakes
  - Current experience may nudge students towards lower cost alternatives—reduced value attributed to campus experience
- Emergence of leaders that successfully increase engagement and capacity; others face accelerating challenges

Opportunities

Online Ed Tech Ecosystem

Significant increase in demand for ancillary services to support remote learning needs, including collaboration tools, LMS, and assessment

OPMs

As COVID-19 reveals value of online learning, higher ed may seek partners to deliver full-service, high quality online programs

Policy Shifts

Need for remote learning may push Department of Education to reevaluate roles and funding for online and self-paced education to increase access

Challenges

Situational Uncertainty

Duration of social distancing likely impacts nature of remote learning investment; remains unclear whether current interest is a short-term shock

Consolidation

Higher costs to serve, availability of online alternatives, and recessionary pressure may lead to consolidation of less selective campus-based higher education

Economic Downturn

Looming recession may severely impact ability to pay for large swathes of the population, creating tuition and enrollment pressure

Healthcare Training and Higher Education

Pandemic raising alarms around already acute supply-demand challenges in the healthcare labor pool and its implications for education

Observations

- Healthcare-related education programs experiencing broad range of outcomes
  - On-Ground: At standstill due to social distancing measures; educators anticipate material adverse impact if stay-at-home effects persist in the fall, which would interfere with academic calendar year
  - Online: Significant acceleration of leads and registration for new starts. Online modality benefiting from increased attention to healthcare
  - Allied Health: Uptick in demand driven by heightened awareness of healthcare need and surge of unemployed middle-skills workers; some companies funding reskilling of recently laid off workers as CSR initiatives
  - Continuing Education: Activity has decreased drastically as front line health workers are addressing immediate public health crisis
  - Non-Essential Medical Services: Increased engagement as professionals opportunistically upskill

Opportunities

Industry Need

COVID-19 has illuminated severe shortages in healthcare workers across doctors, nurses, and allied health

Available Labor Pool

Massive unemployment increasing talent pool for reskilling; Companies able to cost-effectively access higher levels of talent to support organizational growth

Policy Shifts

Acuity of supply-demand mismatch pushing governments to reconsider restrictions on online education

Challenges

Modality Requirements

On-campus/in-person components for nursing schools limiting current market capacity to train, certify, and ramp healthcare professionals

Situational Uncertainty

Extended timing of COVID-19 shelter-in-place orders could create pressure on fall term enrollments and exacerbate shortages

Job Readiness

Limited availability of comprehensive programs that bridge gap between skills training and job readiness—excess demand driving premature hiring

Classroom-Based Training and Adult Learning

Impact to corporate training and adult learning highly specific to type of training and end market

Observations

- Accelerated shift to digital and online delivery, where possible, to fulfill service obligations
  - Closure of campus-based and onsite sessions
- Presence of online offering, however small, flattens the learning curve for migrating to online delivery
  - Investments in digital train-the-trainer and equipment mitigates severity of transition
  - Instructors quickly gaining comfort teaching virtually
  - Use of trial accounts to convert corporate buyers to online modality
- Mixed feedback in demand responses:
  - Openness to online alternative
  - Students delaying courses
  - Professionals looking to productively utilize work-from-home time
- While too soon to predict impact, some providers estimate up to 40-50% decrease to 2020 revenue

Opportunities

Countercyclical Nature of Training

Workers upskilling and reskilling to improve job security and attractiveness to potential employers

Modality Shift

Broaden customer reach, augment online content, and diversify future revenue streams during current migration online

Technology Investment

Invest in higher quality digital content and production to improve viability of online offering

Challenges

Enterprise Training Budgets

Lower enterprise/B2B training spend driven by recession-led budget tightening and delays of in-person courses

Situational Uncertainty

Professionals delaying purchase decision for in-person vs. online until greater clarity around COVID-19 impact emerges

Marketing Awareness

Established in-person training brands have higher hurdles to drive awareness of and convert prospects to online offerings

Online Training and Adult Learning

Online training offering tangible pathways to employment most likely to thrive

Observations

- Following initial pause, most providers seeing increase in leads and engagement
- Highly variable demand-side responses driven by:
  - Target consumer: Low income populations acutely impacted but lack funds to invest in training; high income workers mobilizing to upskill
  - Regulation: Credential-driven training (e.g., OSHA certification, food safety licensing) mostly stable due to puts and takes of essential and non-essential services
  - End markets served: COVID-19 illuminating stark demand for healthcare and IT/technical workers
- Existence of onsite competitors and complements has second-order effects
  - Substitution away from onsite competitors will likely increase online site traffic
  - Onsite testing requirements may delay demand for training and test prep due to ambiguity around exam timing
- Preliminary forecasts range from slightly below budget to modestly above budget

Opportunities

B2P/B2C Training

Workers using economic slowdown to focus on upskilling and learning
Private- and public sector funding for middle skills population

Modality Shift

Absence of onsite options readies consumers to realize the convenience, flexibility, and quality of online offerings

Sales and Marketing

Investment in online-specific sales force
Acceleration and redeployment of marketing resources to align with sector demand

Challenges

Capacity Constraints

Near-term ability to scale technology and delivery to address unanticipated and sudden spike in demand

Corporate Budgets

Corporate buyers reducing discretionary spending amidst economic outlook—decrease in sales as corporate train internally or seek free resources

Economic Distress

Depth and breadth of economic slowdown may ultimately limit ability to self-fund training across multiple economic strata

How We Can Help

A Decade of Consistent Education Sector Coverage

10+ high profile transactions in the last two years

Cadence Education has agreed to be acquired by Apax Partners	The Gardner School has been acquired by Quad Partners	Salisbury Behavioral Health, Inc. has been acquired by Audax Group	Project Management Academy has been acquired by Morgan Stanley Global Private Equity	Lightspeed Systems has been acquired by MDP Madison Dearborn Partners, LLC	PEC Safety has been acquired by Thoma Bravo
Nobel Learning Communities Inc. has been acquired by Stratford School	procare Software has been recapitalized by Warburg Pincus	The Great Courses Recapitalization	Penn Foster has been acquired by BainCapital Double Impact	vocado has been acquired by Oracle	fusion A Revolutionary Way to School has been acquired by LEEDS Equity Partners
Van Dijk Educatie Leermiddelen ICT Advies has been acquired by TowerBrook	Laureate Education Inc Initial Public Offering	preferred meals Smarter Solutions has been acquired by elior group Time savored	HealthcareSource Quality Talent. Quality Care. has been acquired by FP Francisco Partners	HealthStream Follow-on Offerings	Nobel Learning Communities Inc. has been acquired by Investcorp
CareerStep Career Education & Training has been acquired by Revelstoke Capital Partners	Excelligence Learning Corporation has been acquired by Brentwood Associates	Flinn Scientific, Inc has been acquired by Windjammer Capital Investors	Nord Anglia Education Initial Public Offering	Rosetta Stone Follow-On Offering & Initial Public Offering	I Drive Safely has been acquired by **Compass Partners**
Jack Welch Management Institute a part of Chancellor University has been acquired by Strayer University	Noah 诺亚舟 has been acquired by **First Win Technologies, Ltd**	HigherOne Initial Public Offering	Archipelago Learning Initial Public Offering	Grand Canyon University Follow-On Offering & Initial Public Offering	bridgepoint education Initial Public Offering

Proven Deal Success

50+
Education Transactions

~$10B
Aggregate Transaction Value

~$200M
Median Enterprise Value

✓ ***Creative and Innovative Process Design and Tactics***

✓ ***Thoughtful, Analytically-Driven Positioning to Drive Value***

✓ ***Unique, Cross-Functional Approach***

M&A Summary: Pockets of Activity in a Volatile Market

While the suddenly volatile market driven by COVID is creating a crisis situation, continued excess capital is leading to an opportunistic market for some companies and investors

1 With 120+ Engaged M&A Clients, Blair Has a Unique Overview of the Market

120+
Total Engaged

# of Deals	Stage	Expectation
	Pre-market	*Most will pause to gauge the market*
	Early stage in market	*TBD; company and buyer dependent*
	Late stage	*TBD; company and buyer dependent*
	Signed SPA	*Expect 100% to close*

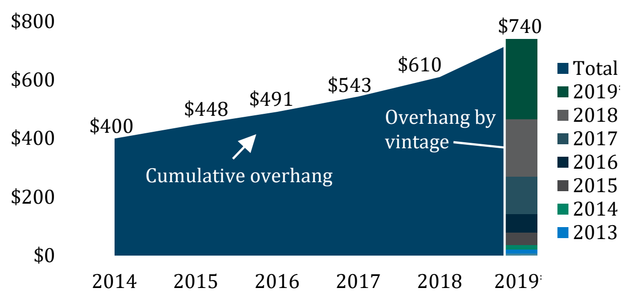
2 Many Companies Are Facing Sudden Performance Challenges and/or Liquidity Needs, While Some Are Exhibiting Stable or Even Strong Performance

- Most private equity clients are reporting partial or full drawdowns of revolvers across their portfolios
- Primary syndicated loan market is effectively shut down but direct lending market remains active
  - Blair's leveraged finance team is highly active with calls discussing how our 425+ direct lending relationships are approaching the current market
- Some companies are performing well
  - Non-discretionary products and services
  - Consumer suppliers of basic needs products
  - "Staple" retailers and their services and supply chain partners
  - Non-consumer goods

3 A Massive Amount of New and Remaining Capital That Funds Would Like to Find a Way to Deploy

Dry Powder and Capital Overhang ($ billions)

Source: Pitchbook. Data as of 6/30/2019.



- As many sponsors have shifted away from "portfolio stabilization" mode, they are now seeking opportunistic avenues to creatively deploy capital

4 Deals Are Still Closing and Selectively Moving Ahead

- Not the right time to launch a broad process centered around financial sponsors but…
  - 5 Blair deal closings in 2H march and early April
  - Selected late stage deals continue to sign, some with elements of pre-emption at full values for well positioned healthy assets
  - Some transactions are using creative structures to balance future uncertainty fairly for both buyer and seller

Loan Market Snapshot

Broadly Syndicated Market

Primary market essentially closed, with volatile secondary market

- Almost no primary market activity outside a handful of pro rata transactions
  - Very few deals allocated over the last month, with those few experiencing adverse pricing or other investor-friendly revisions
  - Opportunistic deals (e.g. dividends and repricings) largely pulled
  - April 7th – first new institutional deal launched in nearly a month
- Secondary market sold off sharply, creating greater pressure on primary market activity; even with a the rebound significant uncertainty remains

Private Credit / Direct Market

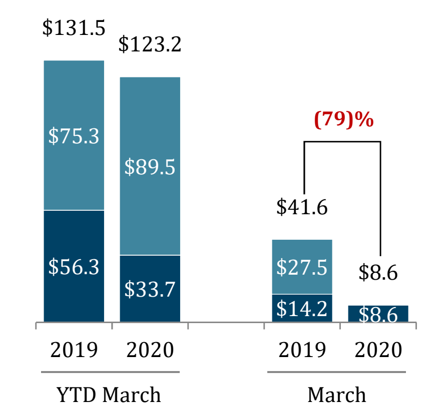
Direct lending market remains selectively open for business

- Private debt funds have significant capital available for deployment, but this capital is not evenly dispersed among market participants
  - Lender-specific funding activity and dry powder are critical factors
  - Relationship-oriented lenders hesitant to be viewed as "gouging" clients in active situations, but upward pricing pressure is prevalent
  - Some direct lenders sidelined and remaining more conservative
- Many direct lenders viewing syndicated market volatility as an **opportunity to deploy capital**, albeit with more stringent underwriting standards
  - Typically no (or limited) flex relative to a syndicated deal
  - Numerous direct deals have exceeded **$500 million** in recent years

Fed rate cuts have caused both markets to re-evaluate pricing constructs (both spreads and LIBOR floors) in light of a significant decline in LIBOR

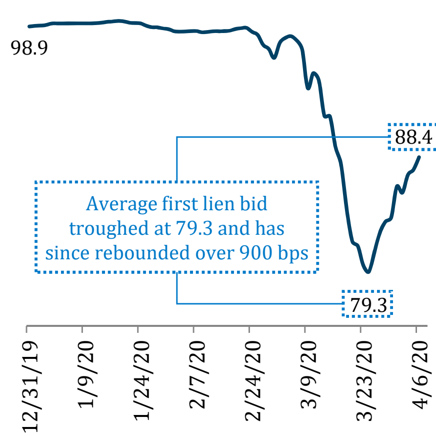
Syndicated Loan Volume

($ in billions)



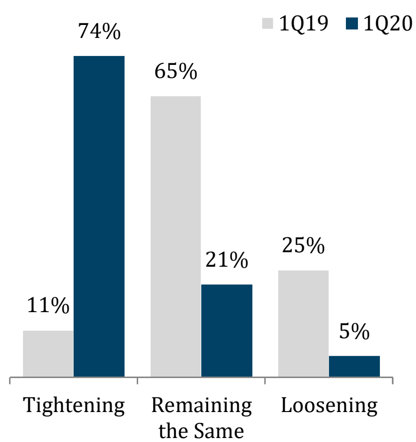
Secondary Loan Trading Prices

(average bid of LSTA First Lien Leveraged Loans)



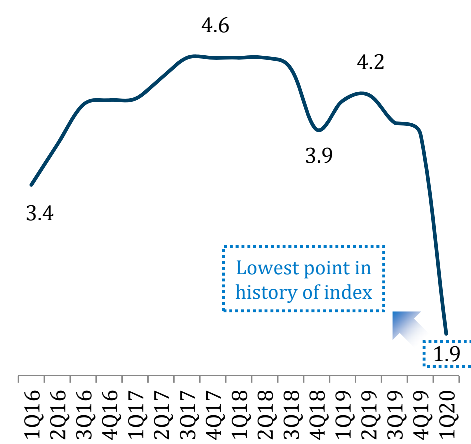
Direct Lender Flexibility(1)

(Flexibility of Terms and Leverage)



William Blair Market Index(2)

(Scale of 1-5; 5 = most borrower-friendly)



Source: LevFin Inisights, S&P Leveraged Commentary & Data, Prequin, William Blair Leveraged Finance Survey (1Q20).

(1) Lender response to the question "During 1Q20, did transaction terms and leverage?"

(2) Weighted average lender response to the question, "How would your firm rate today's lending environment?"

Leveraged Finance Expertise

Experts in leveraged loan arrangement in the middle market

Extensive Experience

$30B+
Arranged financing since 2012

425+
Banks and alternative credit provider relationships

175+
Completed leveraged finance transactions since 2012

85+
Refinancing and recap transactions closed since 2012

Full Service Offering

- Leveraged Loans
- Unitranche
- Second Lien Loans
- Subordinated Debt
- Late-Stage Debt
- Structured Equity

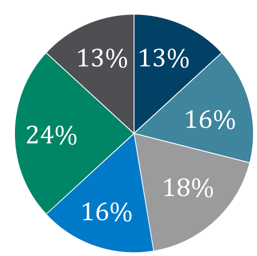
Recent Transactions

Not Disclosed	Split Lien Credit Facilities	March 2020
Not Disclosed	Split Lien Credit Facilities	September 2019
Not Disclosed	Multi-Currency Credit Facilities	July 2019
$70,300,000	Senior Secured Credit Facilities	June 2019
$160,000,000	Unitranche Credit Facility	May 2019
$410,000,000	First Lien and Second Lien Credit Facilities	May 2019
Not Disclosed	Senior Secured Credit Facilities	April 2019
Not Disclosed	Senior Secured Credit Facilities	February 2019

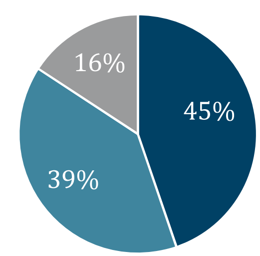
How We are Different

- We have ***significant advisory experience*** in raising debt capital for service businesses
- ***Proprietary 360° view*** of middle market financing transactions
- We are experts at orchestrating ***competitive "auctions"*** for financing
- Adept at ***aggressively "selling" the credit story*** to lenders and their committees

Industry[1]



Debt Transaction Size[1]



Note: All stats include transactions completed by bankers prior to joining William Blair.
(1) Based on number of loan arrangement transactions. 2015 – 2020YTD.