



PARTHENON



# 2015 investment opportunities in European education

February 2015












# Agenda

- ▶ **Introduction to Parthenon-EY**
- ▶ Introduction to the Parthenon-EY Education practice
- ▶ Overview of investing in European education

# Introduction to Parthenon-EY

## Deep industry experience in numerous sectors

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 <b>Consumer</b>	 <b>Education</b>	 <b>Financial services</b>
 <b>Healthcare</b>	 <b>Life sciences</b>	 <b>Information and media</b>
 <b>Private equity</b>	 <b>Industrial</b>	 <b>Technology</b>

# Introduction to Parthenon-EY

## Comprehensive coverage of strategy and transaction processes

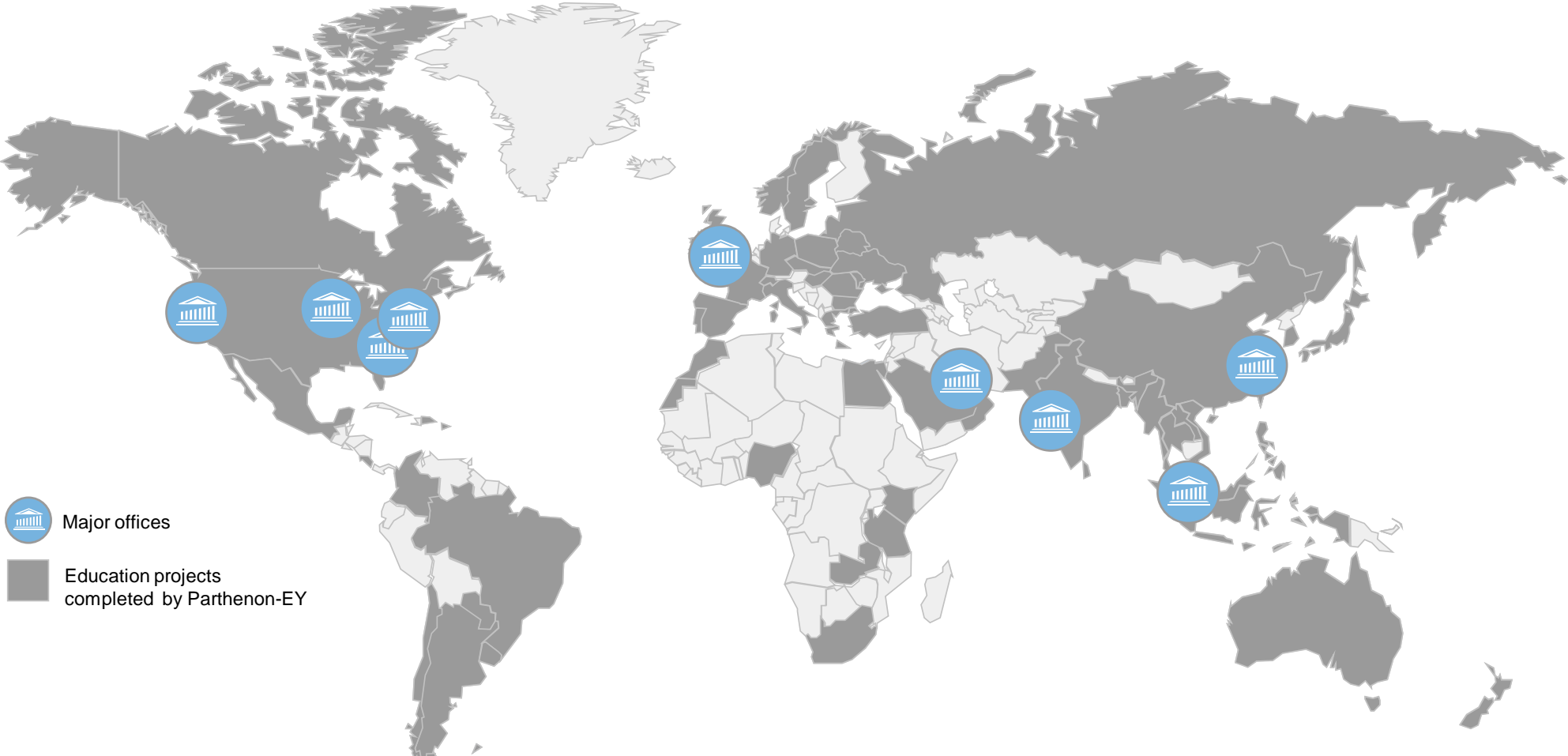




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# Introduction to the Parthenon-EY Education practice

Over 1,000 education projects in more than 70 countries...

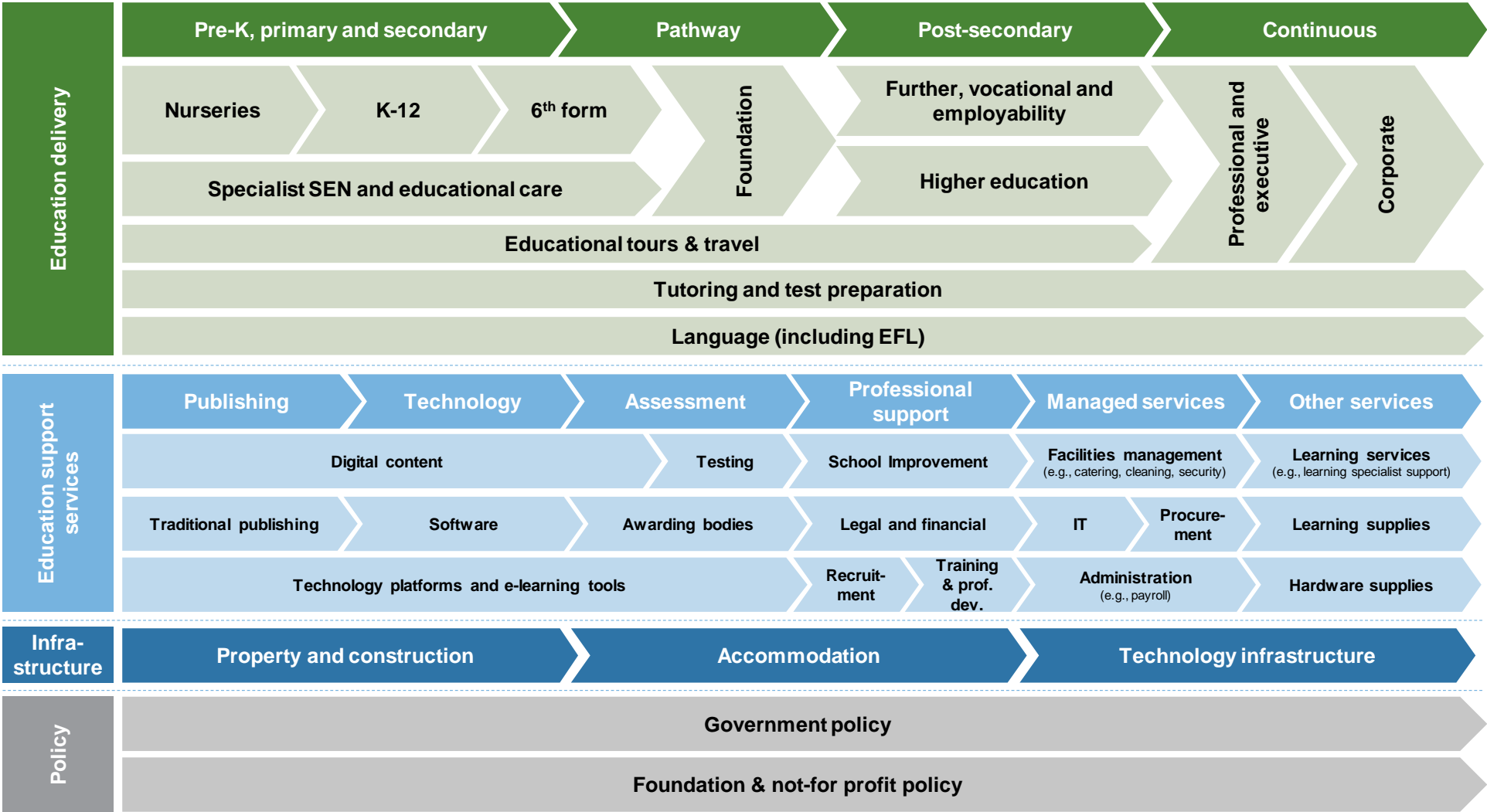


-  Major offices
-  Education projects completed by Parthenon-EY



# Introduction to the Parthenon-EY Education practice

## ...across the entire education landscape...



# Agenda

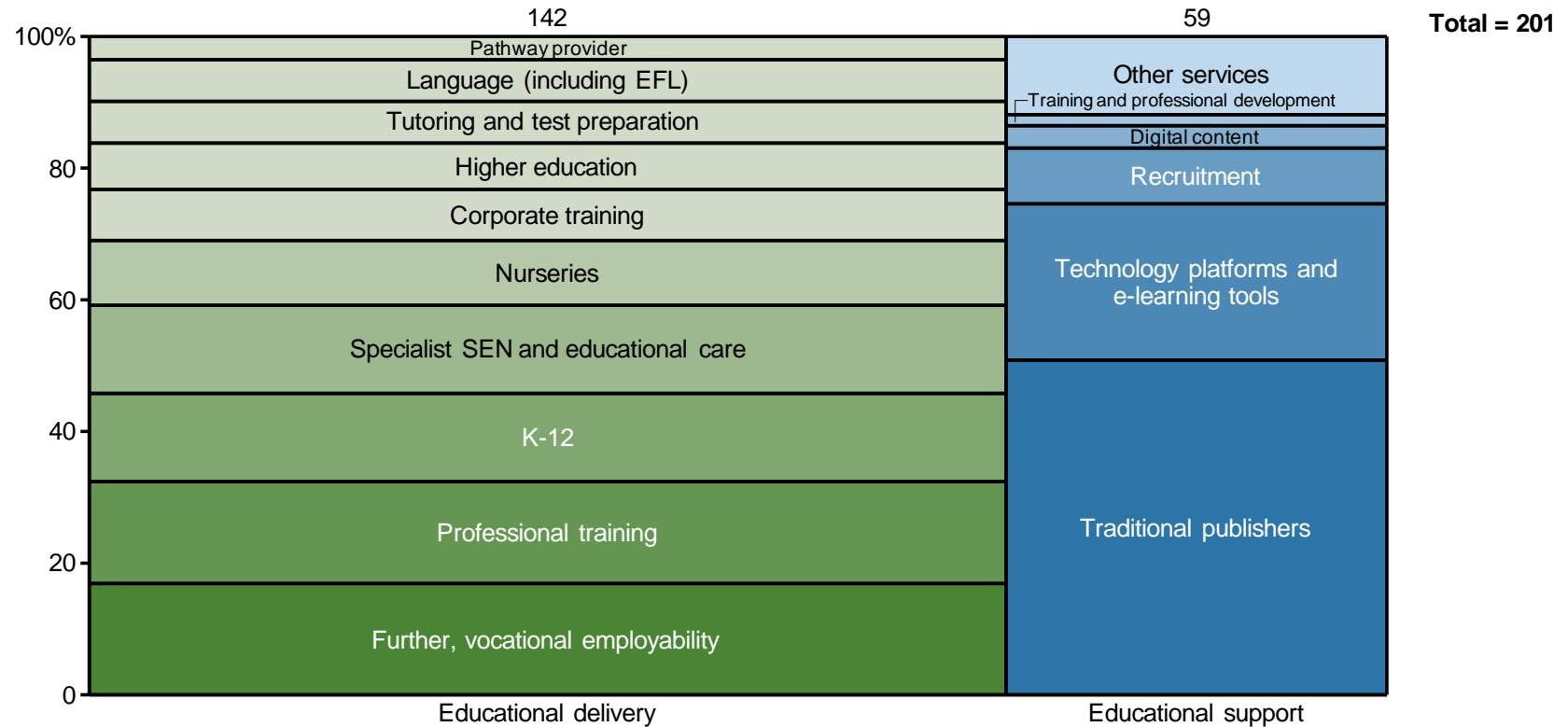
- ▶ Introduction to Parthenon-EY
- ▶ Introduction to the Parthenon-EY Education practice
- ▶ **Overview of investing in European education**
  - ▶ **Recent deal activity**
  - ▶ Global education themes
  - ▶ Businesses to watch in 2015



## Recent deal activity

~200 PE deals have taken place in the sector since 2004; deal volumes between ed. support and ed. delivery are broadly inline with private spend

Number of PE deals in education by sector, Europe, 2004 – 2014

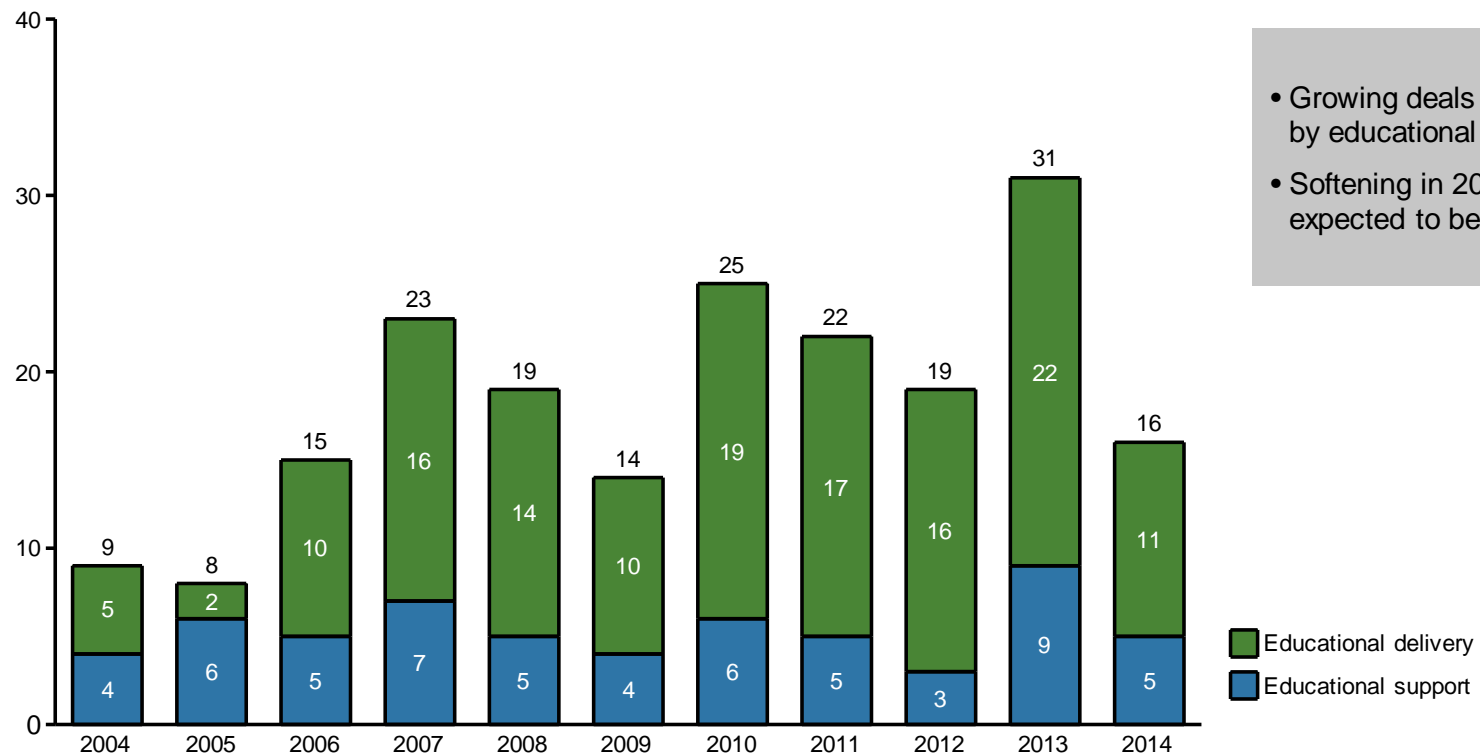


UK market size	Educational delivery		Educational support	
	Public and private expenditure	~£90b		~£3b
Private expenditure	~£10b		~£3b	

## Recent deal activity

# Deal volumes have grown; the growth is in education delivery rather than services

Number of PE deals in education by year & segment, Europe, 2004 – 2014



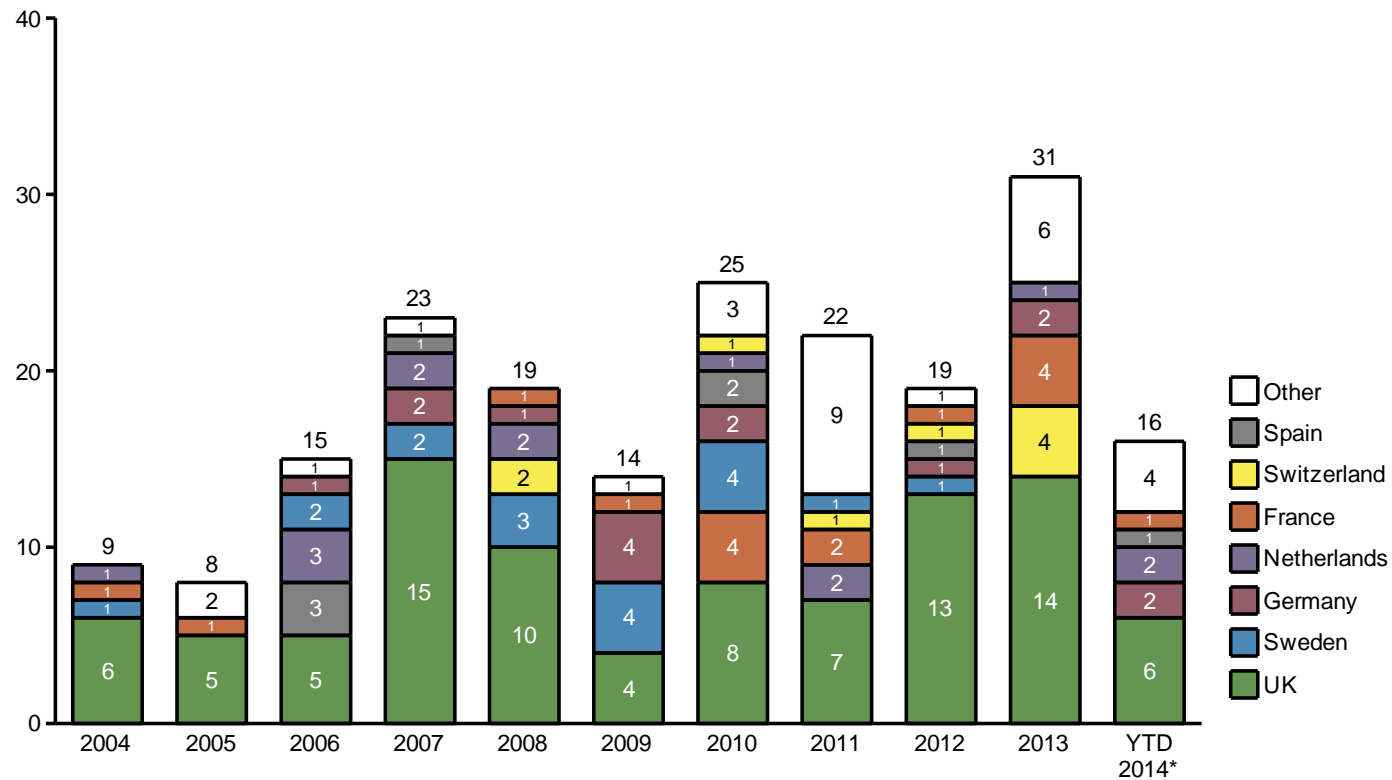
- Growing deals in sector driven by educational delivery
- Softening in 2014; deal volume expected to be close to 22

■ Educational delivery  
■ Educational support

## Recent deal activity

The proportion of deals in the UK is falling as European markets grow: deal volume typically falls before elections

Number of PE deals in education by year & country, Europe, 2004 – 2014



% UK	67%	63%	33%	65%	53%	29%	32%	32%	68%	45%	38%
	<i>UK general elections</i>				<i>UK general elections</i>				<i>UK general elections</i>		

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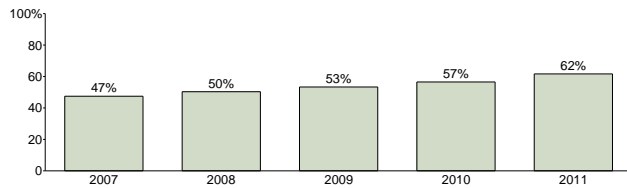
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# Global education themes

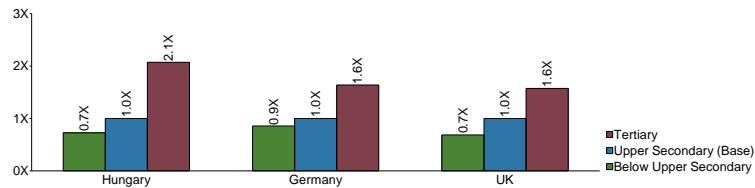
Post-secondary enrolment growth is being driven by rising wage differentials and emerging market household income growth...

## Rising tertiary enrolment ratios and income differentials

Germany HE gross enrolment ratio



Earnings of 25-64 year olds by qualification level, 2011



Higher Education

University of Kent

Professional and Executive

BPP

## Rising household income driving student mobility

Bilateral flows of international students



K-12

Nord Anglia Education

Pathway & HE

Cambridge Education Group

Language (EFL)

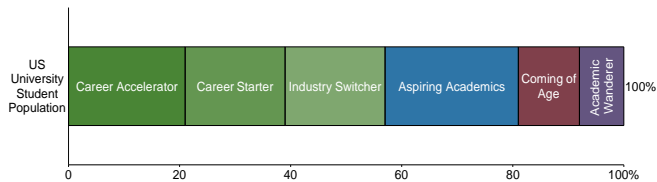
British Council

# Emerging education themes

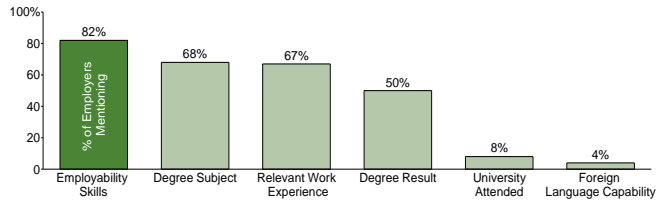
...leading to the rise of the non-traditional students and liberalisation of the private market

## Non-traditional students

### US university student segments



### Employer's most important recruitment criteria, UK



Higher Education

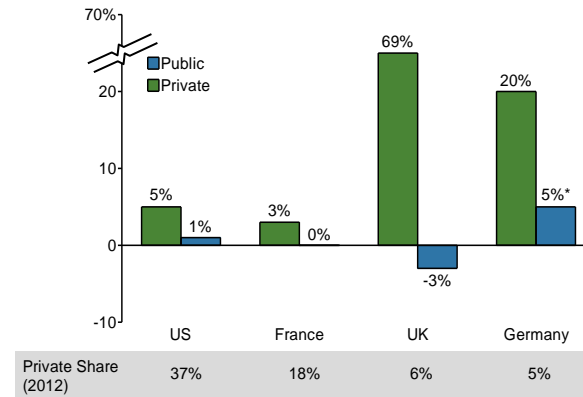
BKF  
University of Applied Sciences, Budapest

Professional and Executive

QA

## Liberalisation and role of the private sector

### Growth in private and public HE enrolments, selected countries, 2010-12 (CAGR)



Further, Vocational and Employability

learndirect

Higher Education

Bimm

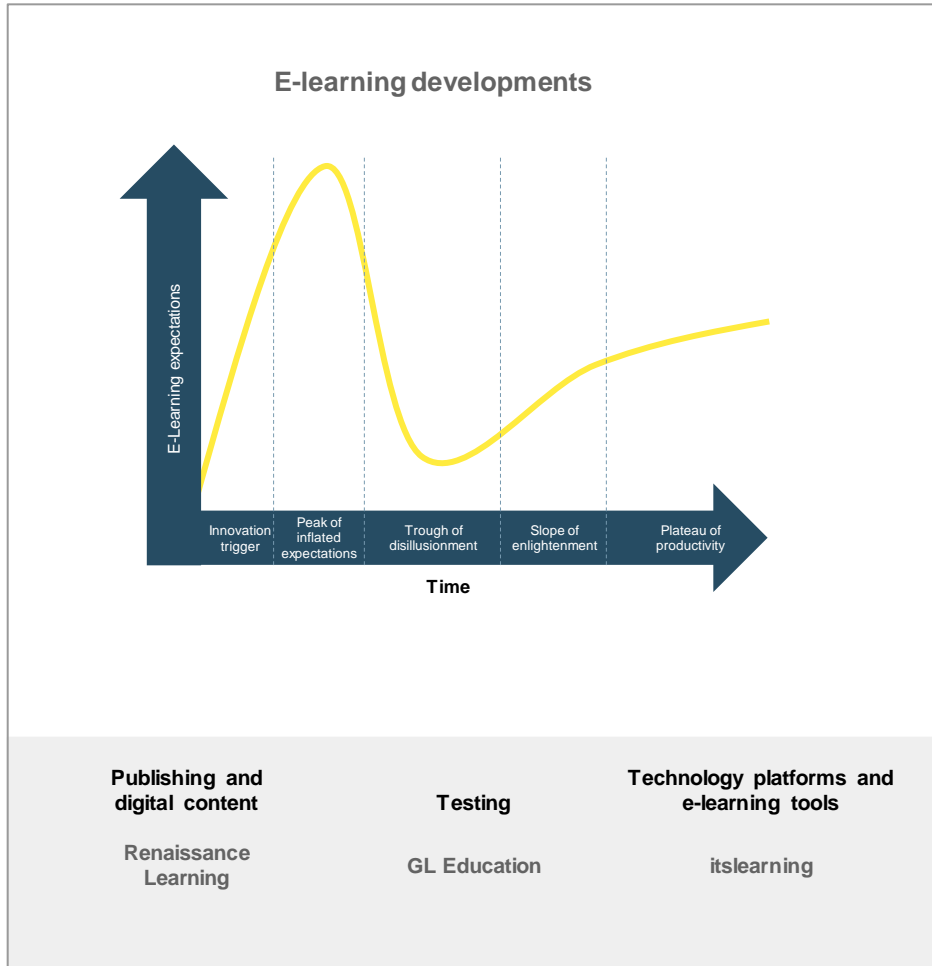
Professional and Executive

The University of Law

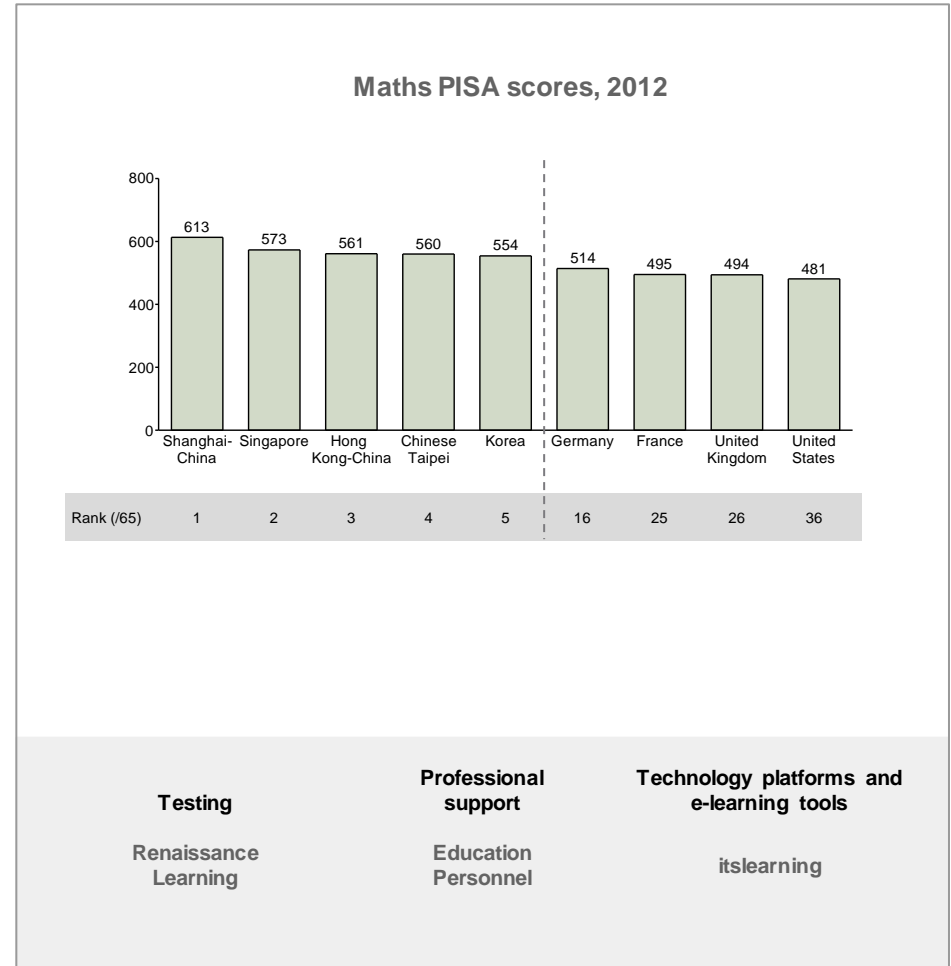
# Emerging education themes

In parallel, technology and accountability are driving the development of new products, especially in K-12

## E-volution



## Increased accountability and competition



# Emerging education themes

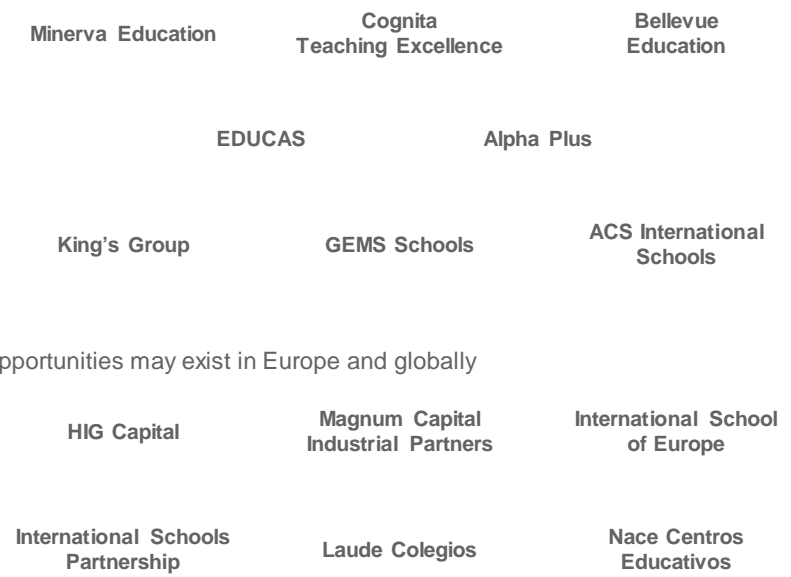
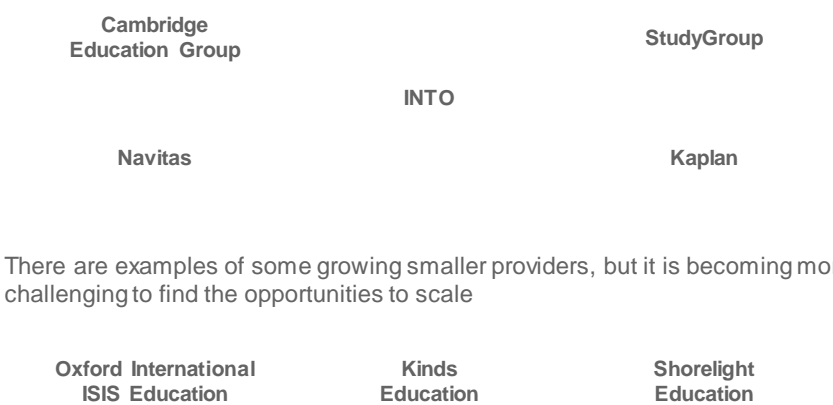
Attractive investment theses currently include most of post-secondary education and special educational needs...

		Post-secondary			K-12	
		Private higher education	Vocational (mainly UK)	Corporate training	SEN (mainly UK)	Technology
Investment thesis		<ul style="list-style-type: none"> <li>▶ Fastest HE enrolment growth will come from non-traditional students looking for employment related courses</li> <li>▶ Private for-profit providers will benefit most as they are focused on:                             <ul style="list-style-type: none"> <li>- Career orientated subjects (e.g. IT, business etc.)</li> <li>- More tailored University experience with smaller class sizes and specialised facilities</li> <li>- Career office and counselors focused on specific industries with strong links to employers</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▶ Providers best positioned to grow have:                             <ul style="list-style-type: none"> <li>- Employer connections</li> <li>- National coverage/capability</li> <li>- Online offering</li> <li>- The sector remains fragmented and subject to consolidation</li> </ul> </li> <li>▶ Quality outcomes and ratings</li> </ul>	<ul style="list-style-type: none"> <li>▶ Corporate spend on professional training will increase as economic growth recovers</li> <li>▶ Spend on outsourced training will be prioritized for specialist areas</li> <li>▶ Online capabilities which allow for flexibility (time and location) will be most attractive to employers and students</li> </ul>	<ul style="list-style-type: none"> <li>▶ There is an increasing preponderance for provision of special education needs which is being supported by robust government funding and a continued pupil bulge</li> <li>▶ Opportunities exist for a multisite strategy similar to what has been achieved in traditional K-12 models</li> </ul>	<ul style="list-style-type: none"> <li>▶ US K-12 technology companies developing real scale</li> <li>▶ Most of Europe still have to small domestic markets to build scale</li> </ul>
	Investors and their assets	<p>Sovereign Capital      CEE Equity Partners</p> <p>Studialis                Bregal Capital</p> <p>GSM London            BKF</p>	<p>Sovereign Capital      LDC</p> <p>Lifetime Training      Bridges Ventures</p> <p>learndirect              Babington Business College</p>	<p>Auctus                    Bregal Capital</p> <p>Career Partner            QA</p>	<p>Teachers' Pension Plan</p> <p>Acorn Care and Education</p>	<p>Hellman &amp; Friedman      EQT</p> <p>Renaissance Learning    itslearning</p>



# Emerging education themes

...but two of the most attractive investment theses in recent years (K-12 and traditional international pathways) may becoming more challenging for new entrants

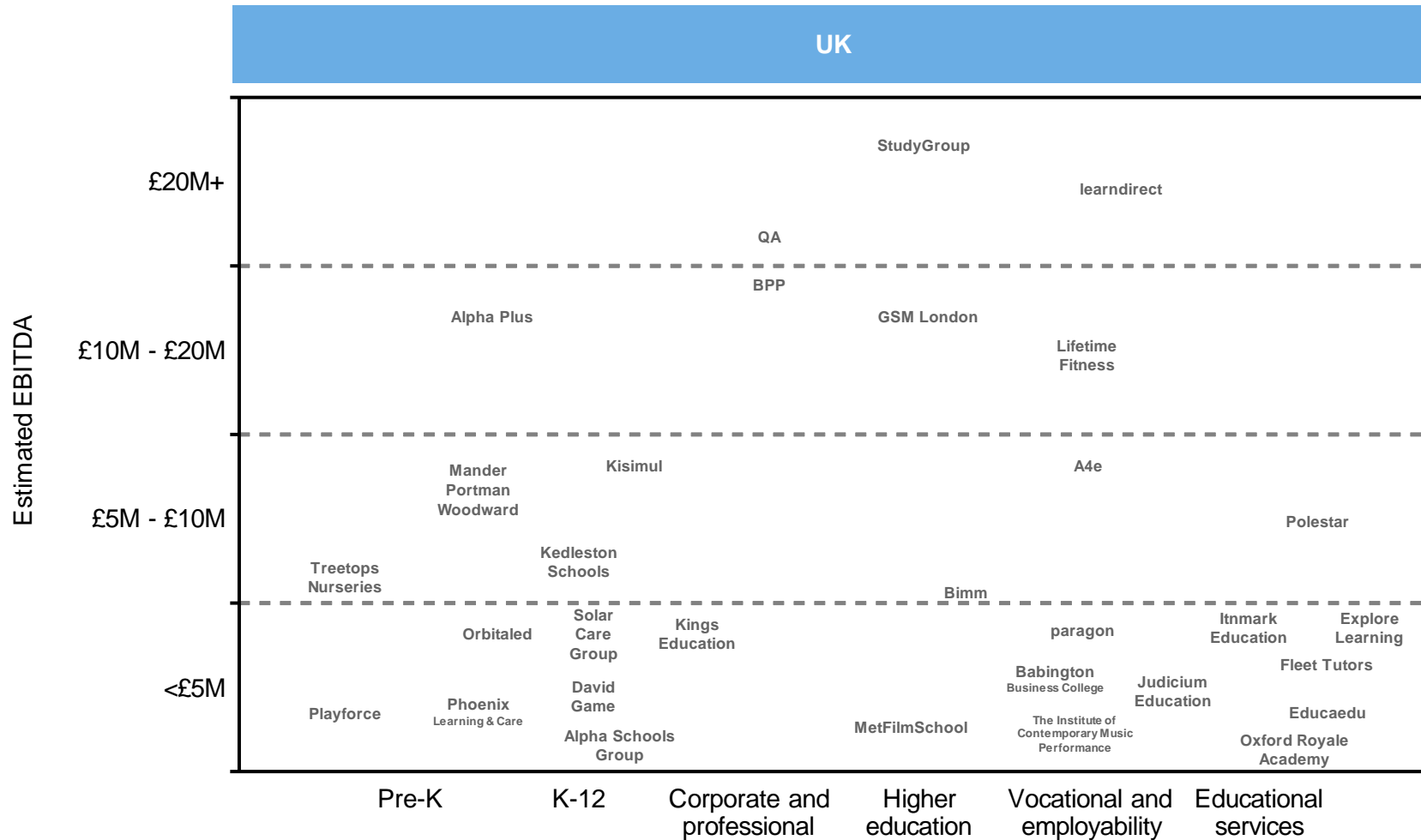
	K-12	Traditional international pathways
	Buy-and-build	UK, US, Aus
Challenges to investment theses	<ul style="list-style-type: none"> <li>▶ Whilst parental demand for a premium fee-paying K-12 school continues to grow, without an existing platform it may be a challenge to secure the acquisition of an asset</li> <li>▶ The UK market has become increasingly crowded with several established platforms looking to grow through acquisition</li> </ul>  <ul style="list-style-type: none"> <li>▶ Opportunities may exist in Europe and globally</li> </ul>	<ul style="list-style-type: none"> <li>• Is its possible to enter the market through a smaller asset and compete with the large global pathway providers?</li> </ul>  <ul style="list-style-type: none"> <li>• There are examples of some growing smaller providers, but it is becoming more challenging to find the opportunities to scale</li> <li>• There may be an opportunity to target students at a younger age. Parents from key source countries are making their child's HE decisions at an earlier age for a number of reasons               <ul style="list-style-type: none"> <li>- Immersive English language</li> <li>- Assess to higher ranked universities</li> <li>- Greater portability of international school qualifications</li> </ul> </li> </ul>

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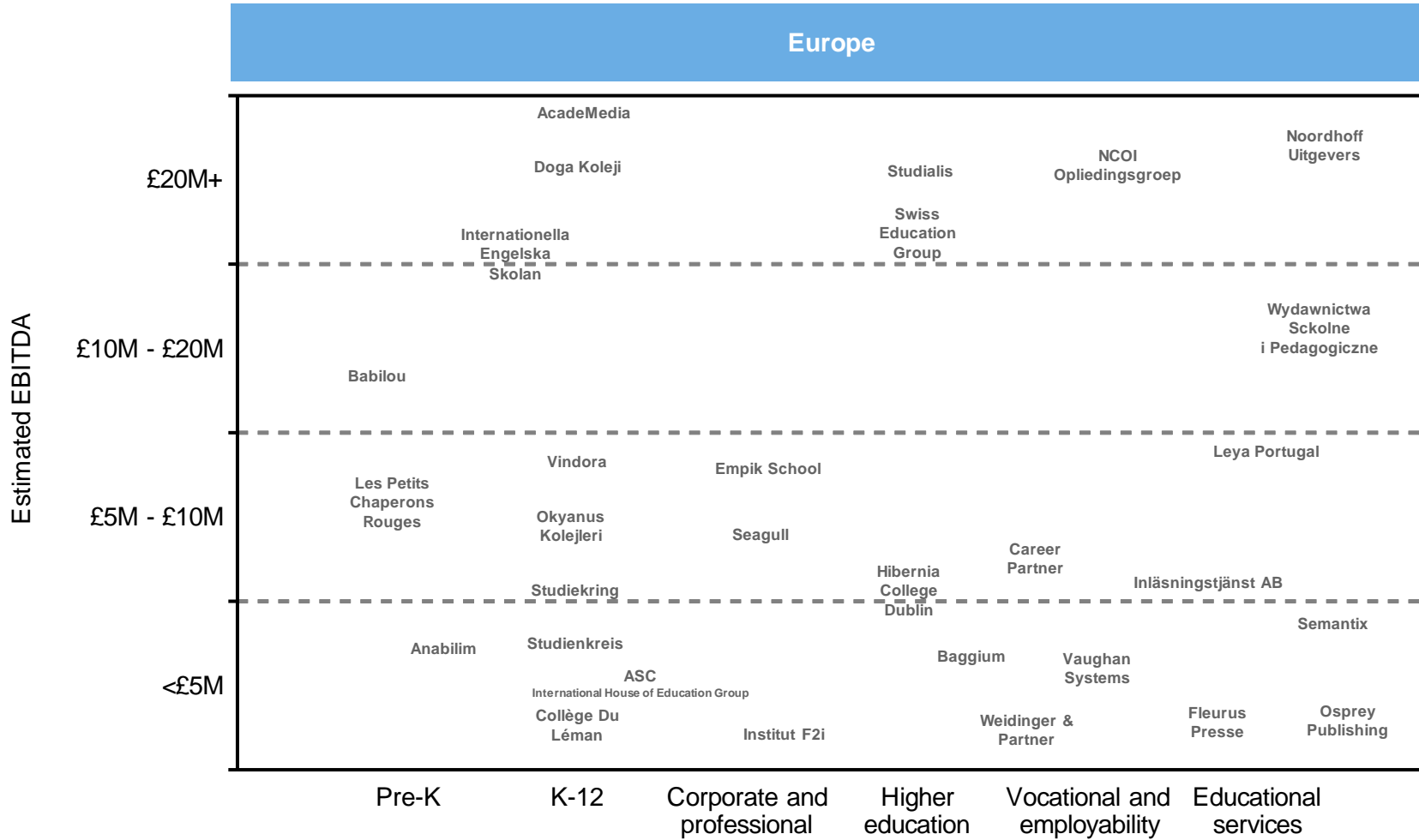
# Businesses to watch in 2015

## UK



# Businesses to Watch in 2015

## Europe



# Agenda

- ▶ Appendix

# Appendix

## About Parthenon-EY and the Education practice

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### About Parthenon-EY

Parthenon joined Ernst & Young LLP on August 29, 2014. Parthenon-EY is a strategy consultancy, committed to bringing unconventional yet pragmatic thinking together with our clients' smarts to deliver actionable strategies for real impact in today's complex business landscape. Innovation has become a necessary ingredient for sustained success. Critical to unlocking opportunities is Parthenon-EY's ideal balance of strengths – specialized experience with broad executional capabilities – to help you optimize your portfolio of businesses, uncover industry insights to make investment decisions, find effective paths for strategic growth opportunities and make acquisitions more rewarding. Our proven methodologies along with a progressive spirit can deliver intelligent services for our clients, amplify the impact of our strategies and make us the global advisor of choice for business leaders.

### About Parthenon-EY's Education practice

Parthenon has served as an advisor to the education sector since its inception in 1991. The Parthenon-EY Education practice – the first of its kind across management consulting firms – has an explicit mission and vision to be the leading strategy advisor to the global education industry. To achieve this, we invest significantly in dedicated management and team resources to ensure that our global experience extends across public sector and non-profit education providers, foundations, for-profit companies and service providers, and investors. Parthenon has deep experience and a track record of consistent success in working closely with universities, colleges, states, districts, and leading educational reform and service organizations across the globe.



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