



# UK Education: Vocational & Professional Training Sector

March 2011

## IN THIS ISSUE

### OVERVIEW

- Over 140 transactions completed since 2005
- Over £1.6bn in deals completed since 2005 (disclosed values)
- UK education sector M&A volumes doubled in 2010
- Kaplan, Pearson, EDI and Melorio are M&A volume leaders, completing over 18 deals since 2005
- Top 5 growth companies by revenue

### RECENT DEALS<sup>1</sup>

#### Vocational

- EDI to be acquired by Pearson for £113m (Mar-11)<sup>2</sup>
- The AA (backed by private equity) acquired British School of Motoring out of administration (Jan-2011)
- Sector Training acquired by EDI for £1m (Nov-10)
- Melorio acquired by Pearson for £104m (May-10)
- BIMM acquired by management for £10m (Apr-10)

#### Professional

- Nautilus acquired by RPS Group for £16m (Mar-11)
- Tech Music Schools acquired by Sovereign Capital for £5m (Jun-10)
- Abacus Consultancy acquired by Cohort for £3m (May-10)
- BPP acquired by Apollo Global for £335m (Jun-09)
- A&R Training Services acquired by Woodspeen Training for £3m (Apr-09)

<sup>1</sup> Transactions with disclosed values  
<sup>2</sup> Offer under consideration

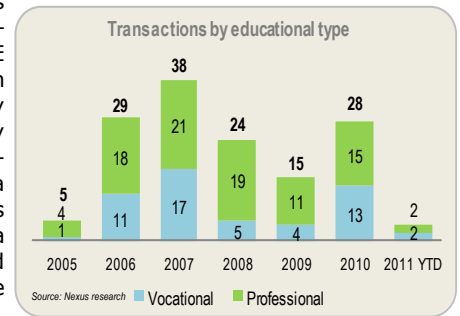
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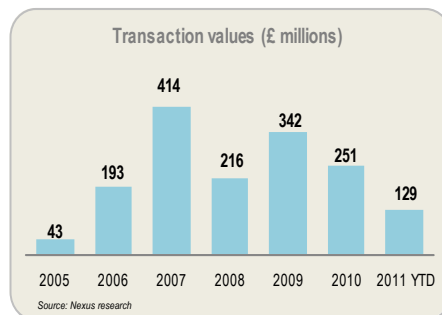
## SECTOR M&A UPDATE

Nexus Corporate Finance LLP has conducted a thorough review of mergers and acquisitions ("M&A") activity within the UK Vocational & Professional education training sector. Vocational & Professional education training businesses account for 70% of all M&A transactions executed within the broader UK Education Industry. Since 2005, roughly 140 transactions (70% involving Professional training providers) were completed within the sector with 2007 setting the record for both number of transactions and transaction values: 38 deals with total disclosed values of £414m. Notable transactions at that time include STAR Capital's tie up with GE Commercial Aviation Training (£140m), CBPE acquisition of Protocol Skills for £47m, Gresham's acquisition of 7City for £36m, and Study Group International purchase by CHAMP Private Equity for £72m. Entering the recessionary period, M&A activity contracted by 40% in 2008 and a further 40% in 2009. Over the past year, the situation has improved dramatically and the sector is experiencing a strong rebound in M&A activity with 13 transactions closed in the second half of 2010 alone, almost equalling the total number of deals executed for the full year 2009.



### Unfinished business.

More consolidation is likely to be seen within the Vocational training sub-sector as publishers and content providers push further downstream of the education vertical chain. Pearson's buyout of Melorio last year for £100m has further confirmed this. Pearson said that, "the acquisition of Melorio was in response to the growing global demand for Vocational training, as developed economies attempt to maintain their competitive position, while developing countries seek to boost skills". Pearson has further confirmed its commitment to the training sector with its most recent offer for EDI of £113m. On the other hand, private equity investors who largely exited this market over the past two years are now poised to enter again. For the period between 2007 to 2008, private equity investors completed 14 transactions compared to 6 for the period 2009 to 2010. Private equity investors who are buy-and-build specialists see tremendous opportunities in the sector and have already started making acquisitions. As further evidence of this pending wave of consolidation, when LDC took a major stake in JHP Group a year ago, its Chief Executive Jim Chambers said, "The Market in which we operate is consolidating and LDC's investment will allow us to capitalise on potential opportunities to acquire strategically aligned businesses which expand our capabilities or geographical coverage, as well as continuing to grow organically."



### ...: Public market update\*

- Public spending cuts have resulted in an 11% decrease in revenues for Electric World
- Corero set to acquire Top Layer Security, initiating its security systems division
- Profits fell at AEC Education due to new visa restrictions which adversely affected its UK based language schools
- Over the past 6 months Pearson acquired The Administrative Assistant as well as a controlling stake in TutorVista and CTI Education, while the £112.7m takeover of EDI is currently under consideration
- Tribal appoint Keith Evans as COO in February. It was announced in December that they had been approached for a possible takeover
- Informa plans bolt-on acquisitions to boost its presence in high-end trade shows and conferences

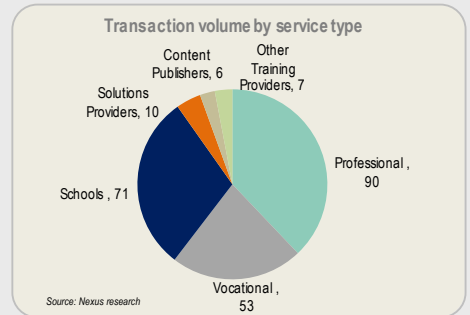
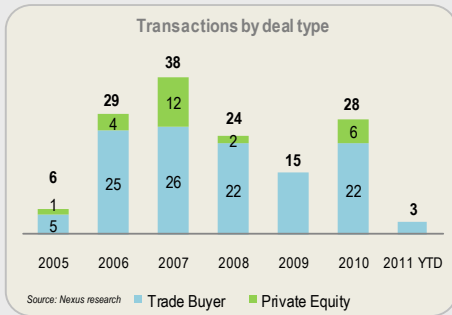
	Index/Price	3M %	6M %	1Y %
FTSE All Share	3026	0.5%	6.6%	5.4%
AIM All Share	893	1.5%	22.1%	30.1%
<b>Selected Education Peers</b>				
Pearson	1,089.0p	9.6%	10.3%	9.6%
Tribal Group	44.4p	5.6%	-47.0%	-51.0%
Informa	406.1p	-1.0%	-4.0%	6.7%
<b>Top Gainers</b>				
EDI	101.0%	Findel	-51.0%	
Mouchel	91.9%	Savile	-23.2%	
Holidaybreak	14.3%	Bloomsbury	-19.6%	

\* Companies are not strictly education focused but derive substantial revenues from the UK education sector

Market data as of 11 March 2010

**Nexus Corporate Finance** is an independent, partner-led corporate finance advisory firm. The team specialises in company disposals, private equity, mergers and acquisitions, MBOs, MBIs, debt refinancing and restructuring. Deal sizes range from small private equity investments for high growth businesses requiring £2m or more, through to corporate disposals in excess of £100m. Experience within the education sector is vast and the team has covered transactions in the distance learning, vocational and professional training, nursery schools and apprenticeship training sectors, among others. Nexus Corporate Finance LLP is authorised and regulated by the Financial Services Authority.

SECTOR M&A UPDATE (CONTINUED)



Market outlook: Opportunity amongst looming clouds

There are some rather nasty clouds currently hanging over UK further education, all of which are likely to have a significant impact on activity in the sector.

The most obvious is the one that's hanging over the rest of the public sector: the shortage of public money. The good news is that the government has proposed to invest an extra £250m by 2014/15 in apprenticeships. But that figure's dwarfed by the £1.1 billion cut from FE as a whole unveiled in last October's Comprehensive Spending Review. As a result of this, FE colleges are likely to outsource more of their functions, and look to structural changes such as mergers, as they seek to cut their costs.

Another threat hanging over skills firms is the introduction of "Minimum Contract Levels". From this August, the Skills Funding Agency (SFA) wants to reduce the number of learning providers by introducing a minimum contract value of £500,000 for organizations delivering apprenticeship or other skills contract. Those whose contracts are worth less than that will no longer be able to contract directly with the SFA. That's likely to drive partnerships and mergers in the private sector, too.

Perhaps the biggest cloud hanging over the sector, though, is the UK Border Agency's plans to reform student visa rules. The reforms will focus on students studying below degree level, by reducing the number of institutions that can recruit internationally. They'll also raise the English language requirements, and prevent students from staying on to work after graduation.

The government says the moves are meant to target "bogus colleges". But most commentators expect them to hit legitimate FE colleges and private providers, too, and even universities are fretting. Language colleges are likely to be hit particularly hard by rules that would, perversely, mean that no one can come to the UK to learn English without already speaking it.

All this means that life in the FE sector is going to get a lot harder. As revenues get squeezed and demand drops off, increased efficiency and industry consolidation will be the order of the day, resulting in increased opportunities for private equity and strategic investors.

Top five training providers (by revenue growth)

Company *	Recent turn-over (£m)	% inc. from previous year
The Intraining Group <i>(Gov't funded training courses to organisations across UK industries)</i>	54.3	220%
TWL Training <i>(Training and contributing to employment creation)</i>	16.1	122%
The Learning Partnership for Cornwall and the Isles of Scilly <i>(Promotes and facilitates partnerships in training and education)</i>	6.8	92%
The Language School Company <i>(Arranges language courses for overseas students)</i>	24.7	79%
Retail Motor Industry Training <i>(Technical training provider operating primarily in the motor industry)</i>	7.7	64%

Source: Corpln; \* Minimum sales of £5m

Jonn Elledge, Editor



Significant transactions

Announced Date	Seller	Buyer	Amount (£m)	Target Description
Jun-09	<b>BPP Holdings</b>	Apollo Global	335	Apollo Global, a JV owned 80% by Apollo Group and 20% by Carlyle Group announced the acquisition of the UK based provider of professional education services
Feb-07	<b>GE Commercial Aviation Training</b>	STAR Capital	140	GECAT provides commercial aviation training. Star Capital has also acquired SAS Flight Academy and plans to merge the two companies
Mar-11	<b>EDI</b>	Pearson*	113	UK based provider of vocational and professional educational and quality assurance services
May-10	<b>Melorio</b>	Pearson	104	Pearson acquired the UK based company providing vocational training, apprenticeships and TtG Plus programs. The transaction is inline with Pearson's strategy to position themselves in the growing worldwide market for vocational training
Jun-08	<b>Flagship Training</b>	VT Group	102	VT Group acquired UK based provider of training solutions and support services
Aug-06	<b>Study Group International</b>	CHAMP Private Equity	72	UK based international education provider. Also engaged in language tuition with facilities in Canada, US, Australia and New Zealand
Jun-10	<b>Educationcity</b>	Archipelago Learning	59	UK based developer and publisher of EducationCity.com, an online K-12 educational content and assessment program was acquired by Archipelago Learning
Jan-10	<b>JHP Training</b>	LDC	56	CEO James Chambers and the management of JHP, the provider of apprenticeships and National Vocational Qualifications, acquired the company in a MBO backed by LDC
Sep-07	<b>Protocol Skills</b>	CBPE	47	UK based provider of vocational training
Feb-10	<b>Lansdowne Venture Group</b>	Kelso Place	39	Provider of driving training, trading under the Red Driving School brand

\*Offer under consideration

## Full list: Vocational &amp; Professional transactions (disclosed values)

## 2011

Mar-11	<b>Nautilus</b>	RPS Group	16	UK and US based geosciences and petroleum engineering training provider
Jan-11	<b>British School of Motoring</b>	The Automobile Association	0	UK based provider of motoring driving school (acquired through pre-packaged administration deal for £1 supported by Permira, Charterhouse Group and CVC Capital Partners)

## 2010

Dec-10	<b>FDSA Fire Protection Sector Training</b>	Green Compliance	1	Fire protection services, including risk assessments, training and equipment supply
Nov-10		EDI	1	Specialist consultancy and training services to colleges
Jul-10	<b>Wynnwith Group</b>	Morson Wynnwith	7	Technical recruitment services to the aerospace industry and training services to the rail industry
Jun-10	<b>Tech Music Schools</b>	Sovereign Capital	5	UK based music school
May-10	<b>Abacus EW Consultancy</b>	Cohort	3	EW (electronic warfare) training and consultancy services
Apr-10	<b>Brighton Inst. of Music (BIMM)</b>	Sovereign Capital	10	Modern music vocational and higher education (acquired through a management buyout backed by Sovereign Capital)
Feb-10	<b>Hampstead School</b>	TUI Travel	8	English language school based in London
Feb-10	<b>S&amp;S Training Services</b>	Woodspeen Training	1	Vocational training services, specialising in the delivery of Apprenticeships for 16-18 year olds and for adults

## 2009

Dec-09	<b>Callamac Investments</b>	Moongate Holdings	1	Medical education programmes
Jul-09	<b>Malvern House Group</b>	AEC Education	4	Specialises in the provision of English language learning courses for foreign students
Apr-09	<b>A&amp;R Training Services</b>	Woodspeen Training	3	Vocational training courses, specialising in occupational programmes in childcare, health and social care and customer

## 2008

Nov-08	<b>Zenos Learning</b>	Melorio	32	Training provider funded through the UK government
Nov-08	<b>Prodant</b>	Digital Marketing Group	1	Range of training and development programmes for call centres
Oct-08	<b>HB Group</b>	Melorio	3	Apprenticeship training services to the construction sector
Sep-08	<b>Lowe Group</b>	Connaught	8	Electrical inspection & testing, electrical training programmes & electrical engineering support services
Aug-08	<b>Xpertise Group</b>	QA-IQ	13	Managed training services, authorized information technology (IT), professional and soft skills training
Jul-08	<b>Oakwood Court College</b>	Phoenix Child-care	4	Specialist residential educational and care services for 16-25 year olds
Jul-08	<b>Parc Aviation</b>	Oxford Aviation Academy	16	Recruitment services to the aviation sector
Mar-08	<b>Atlas Interactive</b>	Hg Capital	25	Health, safety, environmental and other regulatory and technical compliance services to the global energy sector
Jan-08	<b>Financial Projections</b>	Moodys Wall Street Analytics	1	Financial training services
Jan-08	<b>Kaplan Hawksmere</b>	Kaplan Financial	12	Conferences and seminars for professional education

## 2007

Dec-07	<b>Develop Training</b>	Barclays Ventures	15	Technical skills training and management development services
Dec-07	<b>7city Group</b>	Gresham	36	Financial training services
Nov-07	<b>The Matchett Group (UK)</b>	Wilmington Group	18	Training to professional markets, particularly on annual graduate induction courses for the major banks in UK and US
Nov-07	<b>ASET Group</b>	EDI	3	Markets a range of qualifications and awards aimed primarily at service sector occupations
Oct-07	<b>Construction Learning World</b>	Melorio	35	Training services in the construction industry
Sep-07	<b>System Group</b>	Bibby Distribution	4	Driver training courses and warehousing services
Sep-07	<b>Mechanical and Electrical Training</b>	Spice	16	Training company for plumbers, electricians and heating/air conditioning repairment

## Full list: Vocational &amp; Professional transactions (undisclosed values)

## 2011

Jan-11	<b>High Force Training</b>	Boardroom Consulting	N/A	Business coaching, team building and training services
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## 2010

Dec-10	<b>Academy of Training</b>	General Physics	N/A	Diversified range of training services
Dec-10	<b>HJS Helicopters Cwmbran Training College</b>	Private Group	N/A	Helicopter charter, pilot training and maintenance services
Nov-10		Resource Group	N/A	Training in air traffic control, electronic warfare, air defence and aviation English
Sep-10	<b>Rapido Training</b>	Lifetime Health & Fitness	N/A	Vocational training for the care and childcare workforce in Gloucestershire
Sep-10	<b>Lander Associates</b>	Elite Leaders	N/A	Training and performance development consultancy services
Sep-10	<b>Manchester Academy Tours</b>	TUI (Germany)	N/A	English language training for international students and teacher training for English language tutors
Aug-10	<b>Hargreaves Training Services</b>	System Training	N/A	Driver training services
Jul-10	<b>Catalis</b>	TQ Education and Training	N/A	Specialist training and development services to the rail, construction, manufacturing, electrical, energy, and environmental industries, and to the public sector and armed forces
Jul-10	<b>Rising Stars</b>	Lifetime Health & Fitness	N/A	Training for the fitness sector
Jun-10	<b>Platinum Training &amp; Development</b>	Paragon Education & Skills	N/A	Training specifically for the childcare industry
Apr-10	<b>TAG</b>	Capital Safety	N/A	Safety training for working at height
Apr-10	<b>Marton House</b>	General Physics	N/A	Custom e-learning content development with expertise in leadership and sales product training
Apr-10	<b>Positive Options</b>	Private Group	N/A	Business and management consulting, education and training services to the education, social and healthcare sectors
Mar-10	<b>Society of Floristry</b>	British Florist Association	N/A	Floristry education and training services

## 2009

Dec-09	<b>FE Associates</b>	Learning and Skills Network	N/A	Education and training services
Dec-09	<b>Connections</b>	Learning and Skills Network	N/A	A training and consultancy firm specialising in leadership and people development
Nov-09	<b>FIMTRAC</b>	RTS Consultants	N/A	Specialises in training dealers in car finance and insurance matters
Sep-09	<b>Remarc Technologies</b>	QA	N/A	Training and recruitment solutions
Jul-09	<b>Heliflight</b>	Patriot Aviation	N/A	Helicopter training and charter services, and operates pleasure flights
May-09	<b>Gas Logic</b>	Melorio	N/A	Gas and electrical training services
Feb-09	<b>Cleveland Flying School</b>	Disley Aviation	N/A	Pilot training services
Feb-09	<b>British School of Motoring</b>	Arques Industries	N/A	Motor driving school
Feb-09	<b>Qualtech Services</b>	Educ8	N/A	Vocational training services
Feb-09	<b>Access to Music</b>	Armstrong Learning	N/A	Vocational music training courses
Jan-09	<b>W. England Language Services</b>	Kaplan	N/A	English language and teacher training services

## Other Education transactions: Ancillary and Support Services, Publishers and School Operators

## 2010

Mar-10	<b>Letts Educational</b>	Harper Collins Publishers	10	Supplies study aids and revision guides
Mar-10	<b>AtlanticLink</b>	Kaplan IT Learning	N/A	Develops e-learning training products
Feb-10	<b>Peter Honey Publications</b>	EDI	1	Publishes a range of user friendly self-assessment development tools focused on learning and behaviour

## 2009

Jun-09	<b>A W &amp; P Patton</b>	Alpha Plus	7	Operator of St Anthony's school
Jun-09	<b>K G Investments</b>	Nord Anglia Education	N/A	Company engaged in managing international schools

## 2008

Jun-08	<b>Epic Group</b>	Andrew Brode	4	E-learning, blended learning and knowledge solutions
Apr-08	<b>Paragon Education</b>	Sovereign Capital	16	Training provider specialising in providing skills