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**McGraw-Hill Education interested in further adaptive learning buys, exec**

**By Marlene Givant Star**

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- Still pointing to 2015 IPO, source says
- Continues to reduce dependence on print

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**McGraw-Hill Education** (MHE) is interested in further acquisitions in the adaptive learning arena, said Dana Price, VP-M&A.

“That, to me, is what we’re after,” she said on the sidelines of a recent ACG education event in New York. “We’re looking for more acquisitions in that area. There’s a whole world out there,” seeking better learning outcomes as graduation rates remain too low, Price said.

In the past 12 months, the New York-based company, owned by Apollo Global, acquired two adaptive learning businesses: Aleks, an adaptive learning platform for math aimed at K-12 and higher education students and Area9, based in Denmark.

In January 2013, MHE purchased a 20% equity stake in Area9 and in February of this year, it bought the remaining 80%. MHE has partnered with Area9 on adaptive learning technology since 2007. Area9’s LearnSmart platform is focused mainly on higher education. Terms of the two acquisitions were not disclosed.

The adaptive approach pinpoints what students know and their areas of difficulty in order to help them reach their goals. Overall, adaptive learning better serves students than just a flat textbook approach, Price said.

Apollo acquired MHE from **McGraw-Hill Companies** in March 2013 for USD 2.4bn in cash, valuing the business at 7.3x 2012 EBITDA of USD 327m. In July, this news service reported that MHE, through Apollo, was receiving pitches from investment banks on the merits of taking the company public, suggesting the possibility of a 2015 offering. MHE’s EBITDA exceeds USD 400m, the report said. A company spokesperson declined to comment on timing of a potential IPO.

Mary Jo Zandy, managing director of investment bank Berkery Noyes, said MHE is waiting to go public sometime in 2015. “It’s not a secret that that’s their goal,” Zandy said. “The ingredients are there. The stock market looks good for education companies,” she said. The company is doing well and repositioning itself to emphasize growth and educational technology. K-12 is rebounding and the company is also strong in higher education, she noted.

Zandy thinks an MHE listing would have a “pretty substantial” float. As far as comparables, there are not many and their stock market performance “has not been stellar.”

**Pearson** [NYSE:PSO] has had some earnings warnings on its K-12 business. **Houghton Mifflin Harcourt** [NASDAQ: HMHC] is “a work in progress” but is sitting on substantial cash.

The third comparable is **John Wiley** [NYSE: JW]. They all trade in the range of 2x revenue over the long haul or an enterprise value of about 9x TTM EBITDA. On the other hand, there are very few big public companies to choose from in the education sector as sizable as MHE, so an IPO is likely to attract investor interest. Zandy said MHE is still primarily print oriented but is diversifying into digital and becoming more of a higher education play.