

# COVID 19 and the Education Industry

## Impact assessment due to COVID 19 and the counter measures by Industry Players and Government

### Impact on Education

Not since the Second World War have so many countries around the world seen schools and educational institutions go into lockdown at around the same time and for the same reason



The ongoing pandemic could remake schools as we know them



The current situation exposes digital disparities between students as learning goes online



The pandemic will put university and school budgets to the test as classes go remote

### Impact in Numbers<sup>(1,2)</sup>



~1.3 billion affected learners worldwide



72.4% of total enrolled learners globally impacted

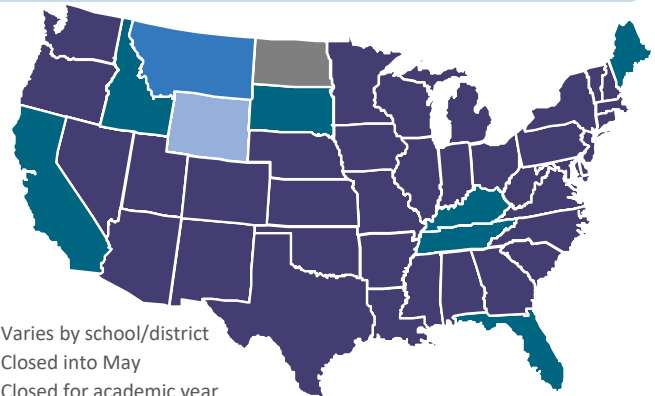


Country-wide school closures in 177 nations



~55.1 million U.S. students and over 124,000 public and private schools in the U.S. have been impacted

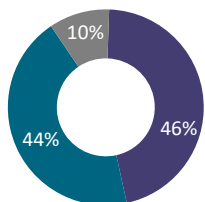
### School Closures in the United States<sup>(2)</sup>



The present crisis has now precipitated into a three-fold challenge for educational institutes: to provide online, uninterrupted education that is high-quality, scalable, and secure

### Impact of the Stimulus Bill

#### \$30 billion education stabilization fund



- Higher Education Emergency Relief Fund
- Elementary and Secondary School Emergency Relief Fund
- Governor's Emergency Education Relief Fund

A \$30 billion Education Stabilization Fund was created to help fill emerging budget gaps, get more money into schools and the potential to help states avoid laying off educators in Pre- K-12 and higher education

The House and Senate have introduced a third coronavirus assistance package bill that would provide \$3 billion in the form of mandatory grant programs and flexibilities for early childhood education programs and K-12 schools

This new fund is partly aimed at providing financial support for tech upgrades such as 1:1 devices and setting up the e-learning infrastructure

Due to the ongoing COVID 19 crisis parents, teachers and administrators are now coming online to ensure staying at home doesn't come at the cost of students losing out on their studies

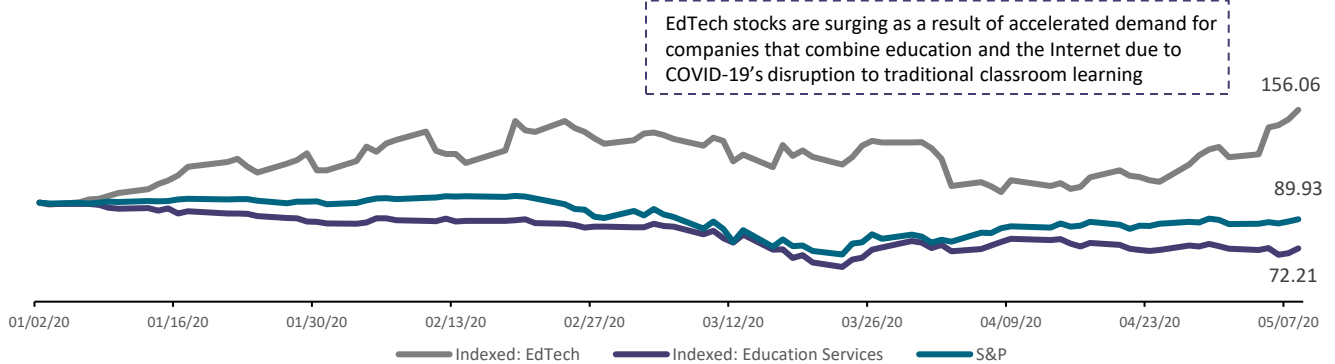
(1) UNESCO ([Link](#))

(2) Education Week ([Link](#))

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### Performance of the S&P 500 vs EdTech and Education Services Industry\*



### How Can Technology Help Mitigate the Impact of COVID-19 on Education Systems?

- Most states have closed school and college buildings and are moving instruction to students online. Given the current scenario, online learning tools have become an essential and highly valued part of schools' offerings rather than a nice-to-have capability
- In the existing circumstances schools, colleges and universities have no choice apart from putting in place robust online learning options
- Fortunately, there's a rich ecosystem of providers out there ready to meet the online program demand
- These e-learning platforms allow administrators, teachers, parents, and students to interact and manage everything from curriculum, grading and assessments to course selection



### Investments in the Education Technology Sector<sup>(1)</sup>

EdTech has continued to experience rapid deal activity with 672 deals in the US in 2019	In the US EdTech market, there was nearly \$11.1 billion in transaction value mainly from PE deals in 2019
The industry saw a healthy mix of activity across all domains in Q4 2019, with Online Learning comprising 24% of total transactions	Companies focused on the K-12 and higher education markets comprised ~47% of transactions announced in Q4 2019

### Key Highlights – Q1'20

猿辅导	<ul style="list-style-type: none"> <li>Global VC investment in Q1'20 dipped quarter-over-quarter with \$61 billion raised</li> <li>China-based EdTech company Yuanfudao raised \$1 billion at the end of the quarter highlighting the potential of companies in the EdTech industry to buck the downward trend due to their rise in applicability owing to the pandemic</li> </ul>
Owl Ventures	<ul style="list-style-type: none"> <li>Education-focused firms, including Owl Ventures and Rethink Education, raised new tranches of money in the past year; Reach Capital is planning to raise its third fund</li> <li>As per the current trend, EdTech investors say they have no plans to slow down their deal-making activities. However, the volume of pitches are expected to grow significantly resulting in more competition for the same capital</li> </ul>

Online education industry has scaled up massively to meet the current demand

(1) Education Technology Q4 '19 Update ([Link](#))

(2) Press Releases

\* S&P 500 vs EdTech and Education Services Industry has data till 8<sup>th</sup> May 2020

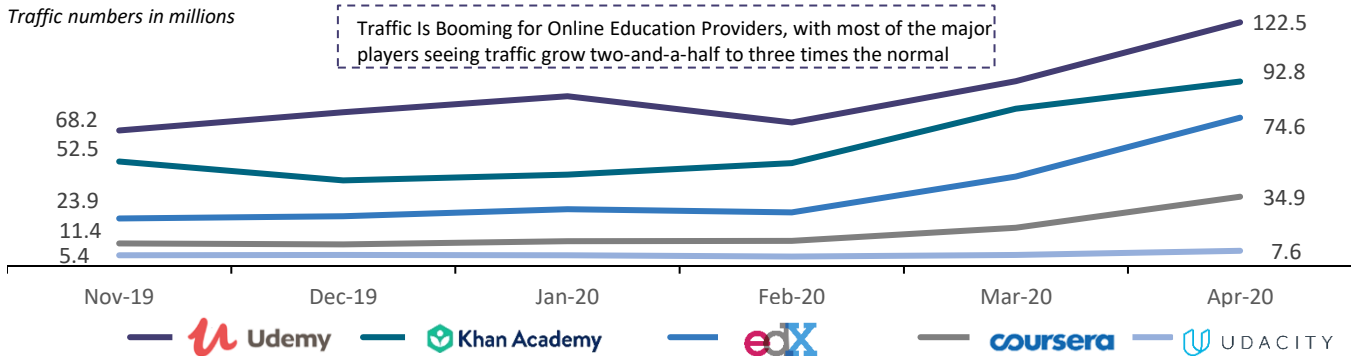
Companies in EdTech Industry Index: GSX Techedu, Chegg, Pluralsight, 2U, Learning Technologies Group, and ReadyTech Holdings

Companies in the Education Services Industry Index: Pearson, Graham Holdings Company, Houghton Mifflin Harcourt Company, Scholastic Corporation, K12, Aspen Group, and Tribal Group plc

# COVID 19 and the Education Industry

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### Traffic for Online Education Providers<sup>(1)</sup>



### Top-ranking Professional Skills Seeing Strong Global Growth

Neural Networks

Communication Skills

Pilates

Technical Drawing

Ukulele

### EdTech Public Players In the News<sup>(2)</sup>

- Shares of Chegg spiked as much as ~32% on 5<sup>th</sup> May following the first quarter earnings release that topped Analyst estimates. The Company also raised its second quarter revenue guidance to above Analyst expectations
- This is due to a surge in subscribers as students transition to online learning amid the coronavirus pandemic

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- The Company has reported its Q1 results on 30<sup>th</sup> April with total revenue of \$175.5mn up 44.0% year-over-year and beating the Analyst estimates by \$0.18 million
- 2U has expanded partnership with Simmons University to create an online undergraduate experience for fall 2020 in the face of Covid-19

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- Shares of Pluralsight, Inc. went up by 14.8% in the last week of April, with a jump of 49.7% for the whole month
- In the light of the lockdown the Company had earlier launched a "Free April" offering. This offer included free, unlimited access to the Pluralsight Skills platform for the entire month

### In a Nutshell

- While many traditional businesses are unfortunately being hurt as a result of the pandemic, we believe that direct to consumer businesses like the EdTech and e-learning, that are digital and serve an essential need, are experiencing increased levels of growth since the outbreak of the COVID-19 virus
- As the world moves towards more permanent adoption of online learning as an alternative learning modality, we can usher the start of a new era for education with increasing acceptance for e-learning

While the world is temporarily closed, just-in-time online learning is going mainstream

(1) Similarweb ([Link](#))  
 (2) Earnings Call Summary & Press Releases