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ICT

News Corp aims to make an impact on education technology

Rupert Murdoch, the Chairman and CEO of News Corp last month set out his company's mission to use digital technologies "in a big way" to transform education and give young people at the fringes of prosperity "the opportunity to make their own mark on the global economy." Speaking at May's e-G8 conference of internet entrepreneurs and policymakers in Paris, Mr Murdoch said "the key is not a computer or tablet or some other device. The key is the software that will engage students and help teach concepts and help students learn to think for themselves."

Mr Murdoch believes education technology should "excite the imaginations of young people" and support more personalised learning with teachers taking advantage of the increasingly sophisticated analytics available to help them spend more time on the things that make students more creative. He also has a vision of using the internet to deliver lessons to students, anywhere in the world, from the world's best teachers and greatest thinkers, at a very low cost.

In November News Corp signalled its intentions in the education technology market through the acquisition of 90% of Wireless Generation (WG), for approximately $360m in cash. WG provides mobile and web software, data systems and professional services that enable teachers to use data to assess student progress and deliver individualised learning. The company is a key partner to New York City's Department of Education on its Achievement Reporting and Innovation System as well as on the City's School of One initiative which provides students with personalised learning. At the time of the transaction Mr Murdoch said "we see a $500bn sector in the US alone that is waiting desperately to be transformed by big breakthroughs that extend the reach of great teaching." The investment followed News Corps's appointment last autumn of Joel Klein, the former chancellor of New York City's schools, as a senior education adviser to Mr Murdoch.

Mr Murdoch's presentation at the e-G8 conference signals News Corps' intention to compete in the education technology market where Pearson and other companies are already very active and also see significant growth opportunities. In April Pearson spent $230m acquiring the New York-based education technology company Schoolnet whose data-driven software allows teachers to deliver personalised learning for K-12 students and improve teacher effectiveness.

And not to be outdone by News Corp in the education advisor stakes, Pearson last month announced the appointment of Sir Michael Barber as the company's Chief Education Advisor reporting directly to chief executive Marjorie Scardino. According to Pearson's statement, "Michael Barber will lead Pearson's worldwide programme of research into education policy and efficacy, advise on and support the development of products and services that build on the research findings, and play a particular role in Pearson's strategy for education in the poorest sectors of the world, particularly in fast-growing developing economies." Michael Barber is currently a Partner at McKinsey & Company and Head of McKinsey's global education practice.

www.newscorp.com
www.wgen.net
www.pearson.com

Revenue down 15% at RM in first six months

RM, the bellwether of the UK education industry and the market-leading supplier of ICT products and services to schools, has reported a 15% fall in revenue to £133.0m (2010: £156.4m) for the six months ended 31 March 2011. The fall in revenue was principally due to the anticipated performance of the company's UK and US Learning Technologies businesses. According to RM, the UK market remains challenging following budget reductions and trading conditions in the US "continue to be very challenging."

RM's adjusted loss for the first six months was £1.4m (2010: £1.2m profit) after incurring restructuring costs of £1.8m (2010: £0.8m) and share based payments of £1.2m (2010: £0.7m). Cash generated by RM operations was £17.9m (2010: £11.3m) and the company had net cash at 31 March 2011 of £8.0m (2010: £4.0m). Forward committed revenue increased 12% to £436m (2010: £390m) due to long term contract wins at the company's

UK Learning Technologies business and at its Assessment and Data division. 84.6% of this forward committed revenue is within the Learning Technologies division.

At the divisional level, overall revenue at RM's Learning Technologies business fell 19% to £87.3m (2010: £107.8m) in the first six months "as budgetary pressures and uncertainty impacted spending decisions." The division's operating loss was £3.2m (2010: £0.9m loss) after restructuring costs. According to RM, its UK classroom technology business saw revenue decline as did its internet hosting business, where the company had significant upgrade projects last year. During the period RM won ten major contracts with a total value of £80m and was selected to supply ICT products and services to six new academy schools and one Free School project totalling £10m. UK revenue was down 14% to £80.8m (2010: £93.7m)

In the US, RM's business slumped with US revenue down 66% to £3.8m (2010: £11.3m) and as a result the company has undertaken a substantial restructuring of its US operations to focus the business on higher quality revenue business. The expected decline in the company's Cobb County interactive classroom project was not offset by new projects due to a lower demand from US schools as states and districts face continuing budget pressures. According to Futurescope, the US interactive whiteboard market fell 16% year-on-year in the last three months to December 2010.

RM's Education Resources business declined 2% to £37.5m (2010: £38.3m) but according to RM the division out performed the market in the six months to 31 March 2011. The division's operating profit was £0.9m (2010: £0.9m). Excluding DACTA, the division reported revenue up 5% with TTS, RM's curriculum resources business, growing revenue by 16% against the background of a UK market decline. TTS also continued to look at international opportunities, signing up a major new reseller in the US. According to RM, TTS benefited from the expansion in the number of products offered with 2,800 new products added in 2011, 350 of which were developed in-house.

Lightbox, RM's curriculum software business, saw the UK market for curriculum software continue to decline significantly in the first six months. RM reports that most of Lightbox's sales efforts are on international markets and the company has signed new distribution contracts in several countries including India and concluded seven new regional OEM agreements in the first six months for its EasiTeach Next Generation product.

Following the launch of RM's joint venture with LEGO – LEGO Education Europe – on 1 January 2011, RM's DACTA related activities were transferred to the new joint venture. As the JV is 51% owned by LEGO and 49% by RM no customer revenues are reflected in RM's group results from 1 January 2011.

RM's Assessment and Data business saw revenue fall 20% to £8.2m (2010: £10.3m) with operating profit down 16% to £1.0m (2010: £1.2m). According to RM, the decline in revenue was a result of change requests falling due to projects being put on hold or cancelled in response to new UK education policies. However, the division was successful in securing four long term contracts, increasing forward committed revenue by 76% to £51m (2010: £29m). These contracts include an e-marking contract with the Scottish Qualifications Authority and contract extensions with Cambridge Assessment and the International Baccalaureate. The business also won an international contract with MeritTrac for e-marking in India. The company's UK Data Solutions business won contracts to conduct research for the Department for Business, Innovation and Skills and to conduct an International Teacher Survey for the Department for Education. RM also extended its contract to provide the English National Pupil Database and school performance tables. RM reports that it is "building an active international pipeline of opportunities and is seeing good growth in the number of long term customers."

At the time of the company's 2010 results announcement, RM announced that it was changing its year end from 30 September to 30 November starting in 2011, partly to separate the close of the financial year from its busiest operational period. Consequently, the results for the 14 months to 30 November 2011 will be announced by the company in February 2012.

www.rm.com

Tutor2u takes minority stake in Zondle

Tutor2u, the digital publishing and revision events company covering business, economics and the humanities, has taken a minority stake in Zondle, a specialist in games-based learning. The terms of the investment have not been disclosed.

Established in January 2010 by Wayne Holmes and Doug Lapsley, Zondle offers schools a unique approach to education gaming covering a range of subjects from KS1 to GCSE. Zondle's online technology enables teachers to select their topic (a set of questions – an average of 12 per topic) and run the topic in lots of different games which according to Zondle results in around 387,000 possible educational game and topic combinations. At the end of May Zondle had around 9,700 registered users to its free service, up 41% from the 6,800 users registered at 31 March 2011. According to Zondle around 18,000 games have been played since the beginning of this year and a further 4,500 games have been played using Zondle Connect where teachers embed the product in their own blog or school home page.

Jim Riley, Tutor2u's MD, plans to use Zondle's games-based learning platform to develop a wider range of e-learning resources for Tutor2u's existing subjects and also to expand the range of qualifications that the company supports. Tutor2u provides a range of free subscription-based learning materials to around 90% of secondary schools and colleges in the UK and claims to have over 2.6m unique website visitors every month.

News of Tutor2u's investment in Zondle coincides with Mangahigh.com's decision to make its content free to schools despite claiming on its website to have more than 25,000 schools already signed up to use the online maths gaming site. The move signals a significant shift away from Mangahigh.com's subscription business model which initially offered discounted site licences at £250 for primary schools and £500 for secondary schools. Launched in

2009 by Toby Rowland, Mangahigh.com's parent company Blue Duck Education last year raised £1.38m from Pearson's $10m education innovation venture fund which is managed by Learn Capital (formerly Revolution Learning) and a further £690k from PROfounders Capital LP.

www.zondle.com
www.tutor2u.net
www.mangahigh.com
www.learncapital.com
www.profounderscapital.com

UK companies win CODiE 2011 Awards

Three UK companies were successful at last month's CODiE 2011 Awards announcement – the education technology industry's equivalent of the Oscars. Pearson won three awards for Best Education Game or Simulation (Hospitality and Tourism Interactive), Best Mathematics Instructional Solution (MyMathLab Algebra I and II) and Best Professional Development Solution (Words Their Way Online Workshop). Promethean won two awards for Best Education Community Solution (Promethean Planet) and Promethean Planet won again in the Supercategory: Best Non-Traditional Education Solution. RM's podcasting software, RM Podium tied with SMART Technologies in the Best Education Technology Solution for Productivity/Creativity category.

Funding uncertainty impacts renewals at It's Learning

The UK business of It's Learning has reported an EBIT of £175k (2009: £791k loss over 17 months) on revenue of £3.2m (2009: £5.0m – 17 months) for the year ended 31 December 2010.

It's Learning's UK business was created following the Norwegian company's acquisition of Netmedia Education from Espresso Group for £2.8m in May 2009. The company reports that 2010 continued to be challenging and the acquisition of new business fell below expectations due to funding uncertainty which also impacted in-year renewals. To improve its financial performance in 2011 It's Learning has migrated around 700 schools to the company's own learning platform, reduced overheads including staff, expenses and office costs and has changed the company's sales focus to target individual and clusters of schools.

According to It's Learning's accounts the company is continuing to invest in the development of its authentication and interoperability products with a view to supporting the UK and international markets. The company is also building on the growth in training revenue in 2010 by expanding its team of full-time e-learning consultants to support user adoption and active use and thereby improve renewal rates.

Headquartered in Bergen, Norway, It's Learning AS has offices in London, Birmingham, Paris, Mullhouse, Malmo, Amsterdam and Boston and according to its website the company has more than two million users worldwide. Last month It's Learning acquired a 51% stake in the Dutch educational technology provider Dactique for an undisclosed sum. According to It's Learning, the deal will make the company the largest learning platform provider in the Netherlands. Dactique provides two products for the Dutch market with a total of around 400k users – an ePortfolio system and a learning platform. This acquisition follows December 2010's purchase of a 66% stake in InfoStance, a French learning platform provider, from Hachette Livre in a deal aimed at integrating InfoStance's school administration system into the It's Learning platform. InfoStance has around 900k users and revenue in 2010 of €1.6m.

www.itslearning.co.uk
www.dactique.nl
www.infostance.fr

ImJack's creditors agree variation to CVA

ImJack, the troubled AIM-listed provider of a secure social learning network for schools, last month reached agreement with its creditors to vary the terms of its Company Voluntary Arrangement (CVA) which the company entered into on 21 January 2011. The original terms of the CVA required ImJack to make a single distribution of around £499k by 30th April 2011 or an amount equivalent to enable the payment of a dividend of 100p in the £ to unsecured creditors. At the time of entering the CVA the company stated the £449k contribution was "dependent on the company being able to implement a new business plan by the 30th April 2011 in order to allow it to raise the funds to complete the CVA and continue trading." The company now expects the contribution to be paid into the CVA "no later than 30 June 2011."

ImJack's shares have been suspended on AIM since 15 December 2010 following a court order against the company brought by ImJack's previous nominated adviser for £63k plus costs of £25k.

www.imjack.com

Qualifications and Assessment

AQA acquires Doublestruck and Teachit

AQA, the market leading GCSE and A-level awarding body, last month signalled its intention to broaden its range of services with the acquisition of Doublestruck Limited - a provider of assessment databases - and Teachit Limited - a provider of online teaching resources. The terms of both transactions have not been disclosed.

Based in London, Doublestruck provides assessment databases that teachers use to design their own formative progress tests, tailored to the particular needs of their students. The company's principal product, Testbase, contains questions and resources taken from past National Curriculum Assessment (SATs) papers. Using the Testbase software teachers can compile diagnostic, formative and summative assessments and create class and homework assignments. According to Doublestruck over 15,000 schools have used the Testbase software since 1997. Doublestruck also provides a gateway to examination materials produced by AQA and other awarding bodies. Doublestruck was set up by Laura Lassman and Jerry Podmore in 1989. In its last filed accounts for the year ended 31 August 2010, Doublestruck had net assets of £749k including cash of £990k.

Teachit specialises in English, drama and media studies resources from primary to post-16. The Teachit library offers around 15,000 pages of classroom materials, schemes of work, lesson plans and teaching tools principally focused on English. Subscriptions range from £50 for individuals to £500 for a department and the company shares a proportion of its subscription revenue with the teachers who contribute materials. The company claims to have over 260,000 active users across its sites. AQA and Teachit have previously collaborated on the development of AQA's digital anthology for GCSE English and All About Maths for GCSE Maths. The expectation is that AQA will aim to extend Teachit's business model into more subject areas. Teachit was founded in 1999 by English teacher Siobhain Archer who together with MD Garry Pratt owned 88% of the equity share capital of the company. In its last filed accounts for the year ended 31 August 2010 Teachit had net assets of £115k.

The two acquisitions are part of AQA's strategy under CEO Andrew Hall to move the not-for profit charitable organisation into teacher and learner support services. Later this month, AQA is launching mytutor.co.uk, its online tutoring service for KS2 and KS3 learners.

www.aqa.org.uk
www.doublestruck.co.uk
www.teachit.co.uk
www.mytutor.co.uk

Pearson extends offer for EDI

Pearson's has extended its £112.7m offer for Education Development International plc (EDI) to 3 June having received acceptances from shareholders representing around 80.21% of the issued share capital of EDI. Pearson's offer remains subject to the Office of Fair Trade issuing a decision in terms satisfactory to Pearson.

www.ediplc.com
www.pearson.com

Revenue up 14% at NCFE

NCFE, the charitable vocational qualifications awarding body, has reported revenue up 14% to £11.7m (2009: £10.2m) for the year ended 31 August 2010, according to accounts filed recently at Companies House. Net incoming resources before transfers and exceptionals increased 50% to £2.1m (2009: £1.4m) and exceeded budget despite "significant" expenditure on qualification development and enhancements to the organisation's ICT systems. According to NCFE, expenditure on ICT systems is continuing in 2010-11 particularly in relation to business continuity and data security. At 31 August NCFE had cash and investments totalling £5.5m.

The Newcastle-based awarding body offers over 400 qualifications across a number of subject areas and the key skills. In the 2009-10 academic year NCFE had 400,000 candidate registrations (2009: 300,000) spread across over 1,500 active centres (2009: 1,300). Although NCFE's core customer base remains FE colleges in England, the organisation has continued to expand its customer base to encompass schools, private training providers and employers.

In recent years changes to the government's skills priorities have moved funding away from some of NCFE's products that have historically provided the organisation with the greatest share of its income. To remain competitive NCFE has had to re-focus it product portfolio and in the current academic year the organisation launched a number of new products. The key vocational product areas for NCFE include Health and Social Care, Child Development and Well Being, Leisure, Travel and Tourism, Arts, Media and Publishing, Retail and Commercial Enterprises and Business and Administration.

www.ncfe.org.uk

Support Services

CORE acquires ITN Mark for £15.2m

CORE Projects & Technology, the Bombay Stock Exchange-listed education services company, is spending £15.2m ($25m) to acquire the UK-based supply teacher business, ITN Mark Education from recruitment company Ochre House. According to CORE, ITN Mark has annual revenue of around £21m with EBIT margins of 12% and is the eighth largest operator with a 5% share of the £430m supply teacher market. CORE believes the acquisition will provide opportunities to sell the company's other products and services to ITN Mark's customer base of 1,600 primary and secondary schools. ITN Mark operates through a network of 16 offices and has approximately 3,600 teachers and 1,300 teaching assistants on its books.

Recruitment company Ochre House is 60% owned by NBGI Private Equity who invested £5.4m in August 2006 as part of an £11.2m MBO from Trinity Mirror plc. The company reported a £2.0m loss on revenue of £31.7m for the year ended 31 December 2009. In March 2010 the company received further funds from NBGI Private Equity via the issue of £500k of deep discount bonds and also agreed with HSBC to reduce its 2010 loan repayments from £700k to £450k. Net debt at 31 December 2009 was £11.5m and the disposal of ITN Mark for £15.2m will enable the company to repay some or all of its debt.

Last month CORE reported revenue of around £146m for the year ended 31 March 2011 up 28% from £114m in FY2010. The company reported an EBIT up 41% to £47m (2010: £33m). The company's business is divided into three business lines: technology enabled education solutions, ERP services, primarily for data integration for US customers and education consulting, mainly dealing with ICT implementation.

CORE's acquisition of ITN Mark is the company's first acquisition in the UK since the company acquired Azzurri Education and its Talmos learning platform for a reported $12m in September 2007. At around the same time CORE also acquired the UK software business Hamlet Computer Group.

In April 2010 CORE raised $75m in foreign currency convertible bonds to fund acquisitions in the US and UK and for other capital expenditure. $25m of this was spent in September 2010, acquiring two US companies – Technical Systems Integrators (TSI), a Georgia-based education solutions business and Keenan and Keenan Group (KKG), a New York-based education consulting

company. This acquisition followed the company's $9.5m acquisition of the Princeton Review's K-12 test services in March 2009.
The company reports that it is looking to raise $100m in the next two to three months either through private equity funding or an institutional placing to fund its expansion plans which include Asia-Pacific, Africa and West Asia.

www.coreprojectstech.com
www.itnmark.com
www.nbgipe.com

Tribal "no longer in discussions"

Tribal announced last month that it is no longer in discussions with any party regarding a potential offer for company's remaining education business. The announcement follows Tribal's disposal of its government and health businesses to Capita for a total consideration of up to £15.9m in April, a transaction that is now being reviewed by the Office of Fair Trading.

The company also announced that its education business has grown revenue by five per cent in the four months to 30 April 2011 partly as a result of the company's early years' inspection contract with Ofsted which commenced in September 2010. However, Tribal reports that the demand for its schools advisory activities has slowed although its technology revenues "continue to be resilient". At the end of April 2011, Tribal's total committed income stood at £181m, compared to £186m at the start of the year. And at 1 May 2011, the company had delivered or secured 78% of planned revenue for 2011 (2010: 81%).

At the end of April, following Capita's initial £12.5m payment net of expenses, Tribal's net debt was £20.5m and the company has agreed amendments to its banking arrangements, reducing its borrowing facilities to £35m of which £30m is committed until February 2015.

Post disposal of its health and government businesses, Tribal is implementing a programme of cost reduction to reduce overheads and the company expects to see the benefits of operating with a lower cost base in the second half of the year. An early departure was Jonathan Garnett, CEO of Tribal's education business, who left the company at the end of April.

www.tribalgroup.com
www.capita.co.uk

Babcock's education and training business "has continued to perform well."

Babcock International Group has reported that the education and training business which formed part of the company's £1.3bn acquisition of VT Group in July 2010 "has continued to perform well" although the company does not provide financial details in its preliminary results for the year ended 31 March 2011.

Babcock's training business delivers around 10% of all UK apprenticeships and is the largest provider of training in the UK. In 2010 the company had contracts worth around £42m with the Skills Funding Agency (SFA) making the company the second largest direct contract holder with the SFA. Babcock is focusing on growing its training business in the aerospace and defence, automotive, Energy, nuclear and rail sectors – areas linked to Babcock's core business sectors.

In education Babcock reports that "the appetite for outsourcing is increasingly strong and the pipeline for schools improvement services is growing." The company's Babcock Education and Skills business is the school improvement partner for the London Borough of Waltham Forest and also provides consultancy and professional development services to schools in Surrey through its subsidiary Babcock Four S in which Surrey County Council retains a 19.9% share. Babcock's £32m school improvement contract with Waltham Forest ends in March 2012.

Babcock's Education and Training business forms part of the company's Support Services division which represents the most significant combination of former Babcock and VT businesses and also includes the company's rail, civil nuclear and infrastructure business units. The Support Services division reported an operating profit of £79.6m on revenue of £946.6m for the year ended 31 March 2011.

www.babcock.co.uk

Media

Revenue down 3.4% at TSL Education

TSL Education Group (TSL), owner of the TES and Times Higher Education, has reported a 3.4% fall in revenue to £69.2m (2009: £71.7m) for the year ended 31 August 2010 according to accounts filed recently at Companies House. The majority of this revenue was derived from the advertising of teacher and academic vacancies in its publications. In addition the company runs education-related events (TSL Events) and provides a specialist search and selection recruitment service (TES Prime). The gross profit was £53.0m (2009: £55.0m), a gross margin of 76.5% (2009: 76.7%).

The Charterhouse-backed company reported an EBITA of £6.7m (2009: £7.9m) after restructuring costs of £1.7m (2009: £0.4m debt write off). However, the company has made a provision of £217.5m (2009: nil) for the impairment of intangible assets following a reassessment of the company's cash flow projections over the next five years due to the impact of the current recession on teacher turnover. As a result of the impairment charge the company has reported an EBIT loss of £210.8m (2009: £7.9m profit) with goodwill written down from £372m on 1 September 2009 to £134m at 31 August 2010. The company, however, expects teacher turnover "to return to historical levels in the long term."

And after net interest charges of £42.0m (2009: £43.8m), TSL recorded a pre tax loss of £252.8m (2009: £35.9m loss). £18.2m (2009: 21.5m) of these interest charges related to bank loans and were satisfied in cash. The balance includes £17.1m (2009: £15.4m) of accrued preference share dividends and £5.6m (2009: £5.4m) of rolled over interest on the company's mezzanine and PIK facilities.
The company had net debt of £469.1m (2009: £457.9m at 31 August 2010 which includes fully drawn bank loans of £318.4m (2009: £311.9m) and preference share capital

and accrued preference share dividends of £179.4m (209: £162.3m). £209.5m of the company's bank loans are due for repayment in June 2015. During financial year 2010 the business generated net cash of £12.4m (2009: £6.1m). *The Assignment Report* understands that the company's debt structure has recently been restructured by Charterhouse to provide TSL with more financial flexibility.

During the year TSL spent £500k acquiring two businesses. In November 2009, TSL acquired Englishteaching.co.uk Limited – a provider of online English teaching resources to secondary school teachers - for a cash consideration of £180k. And in December 2009 TSL acquired Electronic Blackboard Limited - the publisher of interactive whiteboard resources for Key Stage 1 and the Foundation Stage under the i-board brand – for £320k. Both acquisitions have been integrated into the company's free online TES Resources business.

In March this year TSL acquired a 50% stake in BrightSpark Education, a provider of online tutoring services into schools and the home, for an undisclosed sum. TSL plans to roll out BrightSpark Education's services across the UK.

TES Resources is part of the company's TES Connect website which has developed into one of the largest online social networks for teachers. TES Resources has around 68,000 user generated teaching resources and the company reports that these resources were downloaded on a weekly average of 745,500 times during the last 12 months, an increase of 83% over the prior year. TSL believes that the sharing of teaching resources and of best practice – the company last month added the Teachers TV archive to its TES Connect website – is a key component in raising classroom standards. And it is no coincidence that TSL's disruptive business model has forced several content providers to look at their own business models. Earlier this year the Guardian moved its Teacher Network service comprising lesson plans and curriculum materials from a paid to a free service for schools.

In February 2009 TSL launched TES HireWire to help secondary schools manage their recruitment process more efficiently. The launch of HireWire was in part a defensive move by TSL in response to the DCSF's (now Department for Education) own plans for a school recruitment service which was subsequently launched in September 2009. But with the latter service failing to ignite the interest of schools, TSL can claim victory for its own free service with around 3,100 secondary and academy schools in England and Wales (around 95% of the total population) adopting TES HireWire. According to TSL 110,000 candidates are registered with TES HireWire to find teaching positions.

In October 2010, TSL launched a version of HireWire for FE and HE institutions and the company reports that this version has now been adopted by the sector as the preferred Applicant Tracking System for colleges.

According to TSL its financial performance in a recession hit 2010 "demonstrates the strength of its brands." In the short-term TSL's future financial performance will continue to be influenced by the strength of advertising revenues in the TES. However, the strength of the company's growing digital offering and its recent investment in BrightSpark Education suggests that TSL is looking to develop new income streams built on its expanding online social network for teachers.

www.tsleducation.com
www.brightsparkeducation.com

Q1 revenue up 38% at Archipelago Learning

Archipelago Learning, the Dallas-based company that acquired EducationCity in June 2010, has reported a 37.9% increase in revenue to $17.3m (2010: $12.5m) for the first quarter ended 31 March 2011 despite "the challenging K-12 funding environment and regulatory uncertainties." The increase in revenue was driven by the company's acquisition of EducationCity ($2.6m) and from its core Study Island business. $1.5m (2010: nil) or 8.7% of Archipelago's first quarter revenue was generated in the UK through EducationCity. Invoiced sales in the period increased 45.7% to $15.4m (2010: $10.6m) of which $3.9m 25.3%) was generated from new customers. The company reports deferred income up 66.7% to $57.5m (2010: $34.5m) at 31 March 2011. In the first quarter, operating costs were up 73% to $14.8m (2010: $8.6m) and net income fell 52% to $1.0m (2010: $2.1m). The company reported a cash EBITDA of $3.3m (2010: $3.1m).

Subscriptions to the company's Study Island (covering K-12) and EducationCity (covering K-6) products generate the vast majority of Archipelago's revenue. According to last month's investors conference in New York, the average invoice per new customer in 2010 was $2,365 (2009: $2,687) with existing customers spending 38% more at $3,269 (2009: $3,000). The addition of Education City and Reading Eggs which are lower priced compared to Study Island are increasing exiting sales per customer. In the US, Archipelago has positioned its offer to schools as providing a "high impact, low cost" solution to support personalised learning and improve school performance. The company reports an average renewal rate of 77-78%. At the end of March 2011 Archipelago had around 37,600 subscribing schools. Education City's share was 15,300 subscribing schools with around 9,200 UK schools and 6,100 in the US.

The company expects to achieve revenue of between $68m and $72m in 2011 compared to $58.7m in 2010 and a cash EBITDA of between $30m and $34m. For 2012, Archipelago is forecasting continued double digit top-line growth and an incremental cash EBITDA margin in the range of 60% to 70%. Chairman and CEO Tim McEwen sees Archipelago being a leader in the K-12 digital education transformation and in the long term sees Archipelago as a "$250m invoiced sales business" achieved through 10% to 20% year-on-year organic growth and through further acquisitions.

www.archipelagolearning.com
www.educationcity.com

Hobsons achieves 15% revenue growth

Hobsons, the US high schools and universities digital information and services business, owned by the Daily Mail and General Trust plc (DMGT), achieved 15% growth in its revenues for the half-year ended 3 April 2011. The business made a loss in the first half of the year due to the timing of its revenues but DMGT expects "strong full year growth" in profits and full year revenue growth of between 15% and 20%.

Hobsons provides products to education professionals to assist in the preparation, recruitment, management and advancement of students and according to DMGT continues to increase market share in the US. The company claims to have around 2,100 HE institutions in the US and Europe using Hobsons' technology to manage the entire student lifecycle including recruitment, enrolment and retention. The company's K-12 division, Naviance, has around 4,300 middle and high schools mainly in the US using its web-based solution to help students with their course and career selections to support college and career readiness.

Hobsons is part of DMGT's information division which in the half year to 3 April 2011 delivered an operating profit of £15m (2010: £15m) on revenue of £105m (2009: £103m). Detailed financials relating to Hobsons are not published by DMGT.

www.hobsons.com

Bloomsbury's Academic and Professional division reports revenue of £10.7m

Bloomsbury's new Academic and Professional division has reported an operating profit of £810k on revenue of £10.7m for the fourteen months 28 February 2011. Comparative prior year numbers are unavailable.

Headed by MD Jonathan Glasspool, the Academic and Professional division is home for several of Bloomsbury's recent acquisitions including law publisher Tottel Publishing (now Bloomsbury Professional), acquired in 2009, Hodder Education's Higher Education Humanities list, also acquired in 2009, Berg Publishers and Bristol Classical Press and Duckworth Academic, which were acquired in November 2010 for £1.1m. According to its latest statement, Bloomsbury has identified academic and professional publishing as a growth area for the company.

In July 2010, Bloomsbury Academic won the contract to digitise and publish online on a subscription model the archive of Sir Winston Churchill which will be launched in the second half of 2012. In April this year Bloomsbury purchased the National Archive Book publishing programme from the National Archive that includes an academic as well as a trade history list.

The other divisions within Bloomsbury following the company's restructuring from 1 March 2011 are Adult; Children's & Educational; and Information.

Overall, Bloomsbury reports revenue of £103.4m for the fourteen months ended 28 February (2009: £87.2m – 12 months) and a profit before tax of £4.2m (2009: £7.1m). The latest set of numbers includes a £1.5m impairment charge relating to Berlin Verlag and £313k in aborted acquisition costs in connection with an acquisition which did not go ahead following the due diligence process. The company had cash balances of £36.9m (2009: £35.0m) at 28 February 2011.

www.bloomsburyprofessional.com
www.bloomsburyacademic.com

Good start to the year for Informa's academic business

Informa has reported a good start to the year for it academic information business which provides books and journals to university libraries and the wider academic market. According to the company, organic revenue growth in the first quarter was 5% and is ahead of expectations partly due to phasing around some journal receipts. Informa expects its academic information business to grow in 2011 despite government funding constraints in the company's largest markets. The academic information division reported revenue up 5.4% to £310.2m (2009: £294.4m) for the year ended 31 December 2010 of which £170m or 55% of revenue was generated by academic journals. The company's principal academic information imprints are Taylor and Francis, Routledge, CRC Press, Garland Science and Psychology Press.

Overall, Informa reported organic revenue growth of 4.6% in the first quarter with events and training recovering from the recent slumps and delivering revenue growth of 6.7%. In April this year Informa refinanced its bank facilities signing a new £625m five year revolving credit facility with a core syndicate of lenders, supplementing the private placement loan notes which the company issued last year. No changes to the company's lending covenants were required. The company reports that with "strong operating cash flow, net debt to EBITDA remains well within the ratio of 2.0 to 2.5 times". Informa's net debt at 31 December 2010 was £779m.

www.taylorandfrancisgroup.com
www.informa.com

Intellego acquires PIXELearning

Intellego Holdings, the AIM-listed regulatory and compliance focused, digital learning business, has acquired PIXELearning, the provider of game-based business and management skills development products, from Milamber Investments Limited in an all-share transaction.

The initial consideration is £160k is to be satisfied by the issue of 40m new ordinary shares at a price of 0.4 pence per share with further issues dependent on performance after the end of FY2012 and FY2013. The maximum total consideration is £1.1m. In April this year Intellego raised £140k before expenses through the placing of 40m new ordinary shares at 0.35p per share with clients of Rivington Street Corporate Finance.

Established in 2003, the Coventry-based PIXEL has developed and owns proprietary technology called 'Learning Beans' which is used in-house to create immersive learning simulations. Recently, the company has developed a library of off the shelf products including the Business Game, the Finance Game and the Entrepreneurship Game. In the year to 28 February 2011 PIXEL reported an EBITDA loss of £57k on revenue of £208k and had net liabilities of £32k. Intellego believes its corporate client base will accelerate PIXEL's sales in the UK.

Andy Hasoon, a director of PIXEL, has been appointed an executive director of Intellego. In February 2011 Andy Hasoon sold the assets of 50 Lessons Limited, a provider of over 1,000 leadership videos, to e-learning SaaS provider, SkillSoft. Intellego's directors see opportunities to grow both the PIXEL and Intellego businesses organically and through further acquisitions within the highly fragmented e-learning market and Hasoon's role will "help execute that strategy".

www.intellego.co.uk
www.pixelearning.com

Teachers TV re-launches on two websites

The 3,500 videos of Teachers TV (TTV) are once again available for teachers to view with two companies providing free access and a third company planning to launch its service shortly. As reported in May's *Assignment Report*, TSL Education is providing the 3,500 videos as part of its free TES Resources offer.

The second company, Teachers Media, set up by TTV's former executive management team, has re-launched the TTV archive and plans to offer a suite of paid-for professional development services to UK schools. Internationally, Teachers Media is planning deliver a 'Teachers TV style' service to a number of provinces in Canada as well as developing other international partnerships. The founder investor and chairman of Teachers Media is Colin Rutherford, the Edinburgh based former chairman of AIM listed fund management firm Midas Capital. Teachers Media Canadian business is being developed by Angela Ney who until recently was director of business development at Castlerock Research, an education content company based in Edmonton, Canada. The editorial direction of Teachers Media is being led by David Libbert, Content and Education Director, who was previously Creative Director for TTV.

The third company aiming to provide the full video content from TTV is Ten Alps plc, the former producer of TTV. Ten Alps intends to deliver the 3,500 videos through a new service called Schoolsworld. The company aims to develop Schoolsworld into not only a continuing professional development provider to UK teachers but also as a provider of educational videos to pupils and parents. Ten Alps also plans to develop Schoolsworld internationally, on an advertising sales and subscription-driven business model. According to Ten Alps, sponsorship-driven models will also be explored, particularly in African countries. The new business will operate within Ten Alps online education unit DBDA.

www.tes.co.uk
www.teachersmedia.co.uk
www.schoolsworld.tv
www.dbda.co.uk
www.tenalps.com

Higher Education

Sovereign Capital invests in Greenwich School of Management

Sovereign Capital, the "buy and build" private equity firm last month invested in Greenwich School of Management, a private-sector provider of University-accredited under-graduate and post-graduate programmes in business, law and management. Additional finance for the transaction was provided by Lloyds Bank Corporate Markets Acquisition Finance and Sovereign has committed further funding to develop the business through its "buy and build" strategy. The financial terms of the transaction have not been disclosed.

Established in 1973, student enrolment at Greenwich School of Management doubled between 2007 and 2010 and currently stands at around 1,500 students. Greenwich has partnerships with the University of Plymouth and the University of Wales and alongside its full-time and part-time degree programmes, Greenwich offers accelerated or 'Fast-Track' two-year degrees. In addition to degrees, Greenwich also offers travel and tourism courses and professional diplomas.

Greenwich reported a 157% increase in pre-tax profit to £2.1m (2009: £800k) on revenue up 42% to £5.4m (2009: £3.8m) for the year ended 30 September 2010. Dr William Hunt, the pre-deal owner of 50% of the equity, continues as a director and Principal of the college and Sovereign Capital has brought in Paul Brett as Group Chairman and Alex Sheffield as Finance Director.

According to Investment Director, Mark Williams, Sovereign "plans to develop Greenwich into a multi-site higher education group with strong employer links." Sovereign's investment follows last year's £10m investment in the Brighton and Bristol Institute of Modern Music and subsequent bolt-on acquisition of Tech Music Schools.

The transaction is Sovereign Capital's first since the departure of co-founder Ryan Robson in April to pursue his political career.

www.greenwich-college.ac.uk
www.sovereigncapital.com

INTO signs up St George's, University of London

INTO University Partnerships (INTO), the provider of university-based study centres for overseas students preparing for undergraduate and postgraduate study in the UK and US, last month reached agreement with St George's, University of London to offer four new degree-level and pre-university courses in medicine and biomedical sciences, aimed at international students. Places on courses offered through the joint venture, called INTO St George's, University of London, will be additional to those offered by existing programmes at St George's, where international student numbers are currently capped by the government.

Two of the courses offered as part of the venture – a degree in biomedical sciences, and a foundation-level programme, which prepares applicants for a university medical degree – will begin in September 2011. The two medical degree options – one for undergraduate students and one for students already holding a first degree – will begin in September 2012.

Set up in 2005 by Andrew Colin, the founder of Study Group, INTO now has partnerships with eight UK universities and two US universities. INTO recruits international students and through its JVs delivers foundation programmes, first year programmes and pre-master courses. According to the company more than 7,000 students commenced their studies at INTO centres in the UK and US in 2011-12 and across the group there is an 89% progression rate of students from academic programmes into higher education. INTO's UK partnerships are normally structured through joint venture limited liability partnerships and the company's business model does not expect profitability until the third year of operation. Evidence of the success of INTO's business model is revealed in the latest individual accounts of its JVs which were filed last month at Companies House.

INTO's partnership with the University of Exeter – set up in 2006 - was the company's most successful JV in 2010. The partnership reported a profit of £2.4m (2009: £1.1m) on revenue up 50% to £13.6m (2009: £9.1m) for the year ended 31 July 2010. The improvement in performance reflects a significant increase in student numbers. And last month, INTO Exeter moved its operations into a new £53m study centre for international students on the main University of Exeter campus. The new development provides added capacity to support further student growth.

INTO Newcastle University LLP also delivered a profit in the year ended 31 July 2010, reporting an operating profit of £1.1m (2009: £381k) on revenue up 36% to £10.7m (2009: £7.8m). According to the members' report student numbers showed strong growth during 2010 from the 700 in 2009.

INTO's partnership with UEA recorded a £378k profit (2009: £97k loss) on revenue up 61% to £11.6m (2009: £7.2m - 9 months) for the year ended 31 July 2010. And its London campus venture which launched in June 2009 reported a loss of £2.7m on revenue of £929k.

INTO's partnership with Glasgow Caledonian University, INTO Scotland LLP, reported an operating profit of £29k (2009: £881k loss) on revenue of £2.7m (2009: £909k) over the same period. And the more recently established partnerships all reported losses in 2010 – INTO City LLP (£2.6m loss on revenue of £582k) and INTO Queen's LLP (£1.5m loss on revenue of £595k).

Details of INTO Manchester's financial performance are limited by the information contained in the company's abbreviated accounts which indicate that the venture delivered a small post tax profit of £35k in 2010 (2009: £504k loss).

www.into-corporate.com

First quarter revenue up 11% at Kaplan International

Kaplan International has reported revenue up 11% to $148.7m (2010:£134.0m) for the first quarter of 2011 due to enrolment growth in the company's pathways and other higher education programmes in Singapore. The company reports that the rise in revenue is also due to increased English-language programme revenue and favourable exchange rates in the UK, Singapore and Australia. Operating income declined in the first quarter of 2011 to $547k (2010: $4.5m) due to up-front spending for admission and occupancy at the company's Asian and UK businesses to support expanding operations.

Kaplan International includes the professional training and postsecondary education businesses of Kaplan Inc. outside the US, as well as English-language programmes. Last month the company's Australian unit acquired Franklyn Scholar, a national provider of work-based vocational training in Australia.

Kaplan International's first quarter performance contrasts with the first-quarter decline in revenue at the company's core Kaplan Higher Education (KHE) business which has been impacted by regulatory pressures on the US for-profit sector. KHE first-quarter operating income fell 45% to $50.5m (2010: $91.6m) on revenue down 18% to $390.3m (2010: $478.8m). The company reports that KHE revenue and operating results are expected to continue to be adversely impacted going forward.

Kaplan Inc is a division of the Washington Post Company.

www.kaplaninternational.com
www.washpostco.com

UNITE finalises contract with London 2012

UNITE Group, the developer and manager of student accommodation, last month finalised its contract with the London Organising Committee of the Olympic Games ('LOCOG') to provide 3,600 rooms for an eight-week period up to and including the Games in 2012. As a result, sales of London rooms to students for the 2011-12 academic year which according to UNITE are stronger than last year, are being sold on 43 week contracts rather than the typical 51 weeks. However, the company reports that the resulting reduction in 2011-12 rents at these properties will be more than offset by LOCOG revenues.

UNITE also reported that reservations at the middle of May across its managed portfolio of 41,000 beds for 2011-12 were 73% compared with 71% 12 months ago and, based on this current performance, the company expects to maintain expected rental growth levels of between 3% and 4% for the next academic year.

With 70% of universities in England indicating they will set their fees at or above £8,500 next year, the HE sector is anticipating a reduction in applications for 2012-2013 – applications for 2011-12 are 2.1% above last year indicating that with no increase in funded places 210,000 applicants will not obtain a place at university this year. However, UNITE does not anticipate a significant reduction in actual student numbers in the university cities in which the company operates. Looking ahead the company also expects international students, who will not be affected by the changes in tuition fees, to increase as a proportion of UNITE's customer base – international students currently represent around 46% of UNITE's customer base (70% in Greater London).

www.unite-group.co.uk

Vocational and Professional Education

Uncertainty over overseas student visa impact AEC's UK business

AEC Education, the Singapore based AIM listed provider of educational programmes and English language training (ELT) in Asia and the UK, has reported revenue up 44% to £18.1m (2009: £12.6m) for the year ended 31 December 2010. The increase in revenue largely reflects the benefits of a full year's contribution from AEC's acquisitions, principally Malvern House – the UK based English language college - which was acquired in July 2009 and Kasturi College in Malaysia which was acquired in October 2009. However, AEC reports an underlying pre-tax loss, excluding the cost of share options, of £222k (2009: £1.1m profit). Cash at the year end stood at £3.1m (2009: £3.2m) and the company believes this together with its enhanced banking facilities will support AEC's return to profitability in 2011. As a result AEC aims to pay a dividend of 0.20p per ordinary share (2009: 0.15p).

2010 was a challenging year for AEC in the UK as a result of the uncertainty surrounding changes to the regulations for student visas. AEC's restructuring of Malvern House's cost base impacted the company's cash reserves by £0.9m and the business recorded a pre-tax loss for the year of £603k. As a result of the restructuring, AEC believes the business is now better positioned to respond to the forthcoming changes to overseas student visas. The UK delivered £9.2m or 50% of AEC's total 2010 revenue.

However, in Asia, regulatory changes in the private education markets in Singapore and Malaysia which resulted in additional one-off costs in 2010 relating to accreditation, have presented AEC with further business development opportunities for its pathway programmes. The company's flagship AEC College in Singapore is one of only 17 private education institutions to have gained the EduTrust Certificate which AEC believes will help in the recruitment of students for business and management under- and post-graduate programmes as the local market consolidates. AEC is also increasing its marketing efforts in China and India to recruit students. AEC College has relationships with UK universities including Manchester Metropolitan University and the University of Wales and this year is launching a new law programme with Birmingham City University.

According to AEC, Kasturi College degree programmes "achieved robust growth" with overall volumes increasing by 9%. Uptake from students in Central Asia, North Africa and the Middle East, for whom Malaysia is an attractive destination, has "remained strong" and the company is actively recruiting in these regions. The College has now been expanded to three locations in Kuala Lumpur to meet the growing demand for its programmes.

Total revenue in AEC's South East Asia market increased 25% to £9.0m (2009: £7.2m)

During the year, AEC continued with its strategy to unroll the Malvern House brand and model across its Asian centres which teach English language. The company's existing English language centres in Singapore, Malaysia and Vietnam have now all been rebranded and according to AEC their approach to teaching English now conforms to the Malvern House instructional model.

Educational Resources Ltd, the company's LCCI examination operation, reported a 10% increase in gross profit on revenue down 2% principally due to a decrease in contribution from Hong Kong because of changes to the schools system. However, AEC reports that all of its other LCCI markets performed well with a total of 149k (2009: 145k) individual exams taken by students across Asia in 2010 at both Certificate and Diploma levels. And according to AEC, recent agreements with universities in Asia to accept Level 3 LCCI students into the first year of Business, Accounting and Finance courses, along with the company's new initiatives in India, will provide AEC examinations business with new opportunities. This will be good news for Pearson as LCCI is part of Education Development International plc who in turn own 7% of AEC Education.

David Ho, Chief Executive, also reports that AEC is returning to its strategy to acquire businesses with a focus on growth in Asia and "given the evolving landscape for UK universities" is continuing with its search for suitable university partners in the UK with a view to forming partnerships in London, Singapore and Malaysia.

www.aeceducationplc.com

Revenue down 4% at ESG

ESG Holdings – the vocational and employability group created by Sovereign Capital – has reported a 4% fall in revenue to £44.6m (2009: £46.5m) for the year ended 31 July 2010 according to accounts filed recently at Companies House. The company reported an EBITA of £10.1m (2009: £1m) and a profit before tax of £5.8m (2009: £9.6m). The company's operating activities generated £15.1m (2009: £13.7m) in cash. During the year the company completed a refinancing exercise through which ESG raised £25m via a new loan which in part was used to repay an existing £7.5m loan. As a result net debt at the year end was £18.4m (2009: £11.2m). Dividends of £15.0m were paid to shareholders in 2010.

According to ESG the business had a challenging year although the company's employability business performed strongly due to the impact of major contract wins during the year. In April this year ESG was named a preferred bidder for the West Midlands for the Department of Work and Pensions' Work Programme which begins in July 2011. The company reports that the government's commitment to upskill the UK workforce will continue to present significant opportunities for the company to grow both organically and via acquisitions. The company is also aiming to diversify into other markets "with funders that are new to the group."

ESG was formed by Sovereign in 2007 by merging the Sencia Group, acquired in 2004 with the Sheffield Trainers Limited business, acquired in October 2006. Two other acquisitions - Orient Gold and Triangle Training – were added in 2007.

www.esggroup.co.uk
www.sovereigncapital.co.uk

Kaplan Ventures invests in iProf Learning Solutions

Kaplan Ventures, the venture arm of Kaplan, has invested a reported $1.1m in the New Delhi based e-learning technology company iProf Learning Solutions. Founded in 2009, iProf offers a personal education tablet which delivers content in multiple formats. The company owns and operates a chain of e-learning centres across India for IIT, CAT, PMT and other high-stake tests. A distribution agreement has also been signed between iProf and Kaplan Test Prep to offer test preparation in GMAT and GRE. Kaplan's investment follows recent investments from Norwest Venture Partners and IDG Ventures India, increasing the total amount raised by iProf in recent months to $6.0m.

www.iprofindia.com
www.kaplan.com
www.nvp.com
www.idgvcindia.com

Becker Professional Education acquires ATC International

Becker Professional Education, the accounting and finance training arm of US for-profit HE provider DeVry Inc. has acquired ATC International, a UK-based provider of professional accounting and finance training with centres in Central and Eastern Europe. ATC International provides training for ACCA, CIMA and the Diploma in International Financial Reporting. The acquisition expands Becker's global accounting training platform and should provide the company with an opportunity to expand its accounting offer into the ACCA and CIMA markets. The terms of the transaction have not been disclosed.

Last month DeVry also announced that it had entered into a new $400m revolving credit agreement to replace its existing $175m agreement that was due to expire in January 2012. The new five year agreement also includes an option to request an increase of an additional $150m in the future.

www.becker.com
www.devryinc.com
www.atc-global.com

Schools

Revenue up 17% at WCL Group

WCL Group – the operator of international schools owned by Sovereign Capital - has reported revenue up 16.7% to £38.7m (2009: £33.2m) for the year ended 27 August 2010. EBITA was down to £2.6m (2009: £4.3m) partly due to a foreign exchange loss of £1.0m (2009: £2.2m gain) and the company reported an EBIT of £0.9m (2009: £2.6m). After interest payments of £5.8m (2009: £5.3m) the company recorded a loss before tax of £4.9m (2009: £2.7m). Net debt at 27 August 2010 was £33.2m (2009: £31.5m). North America accounted for £28.0m (2009: £25.0m) or 72% (2009: 74%) of WCL's revenue. Revenue from the company's operations in the Middle East increased 32% to £6.4m (2009: £4.8m) and UK revenue was up 14% to £4.3m (2009: £3.8m).

The company's schools division currently operates five schools in the US under the British Schools of America brand and a school across two campuses in Qatar – the Compass International School Doha (CISD). A sixth schools in the US – the World Class Learning Academy New York for pupils age 3-11 – opens this autumn. CISD is owned by Education Overseas Qatar LLC in which WCL has a 49% interest but has effective control through its board representation. WCL's growth strategy for its schools division is to expand the capacity of its existing schools, add new schools either as start-ups or through acquisition and bid for school management contracts.

Fieldwork Education, the educational consultancy and professional development arm of WCL, contributed a pre-tax profit of £2.3m (2009: £273k) on revenue up 11% to £4.2m (2009: £3.8m). 29% (2009: 44%) of Fieldwork's revenue is generated outside the UK.

Fieldwork provides curriculum, learning-focused products and professional development to schools in the UK and internationally. The company's International Primary Curriculum is now used in around 1,100 schools (850 in the UK) across 65 countries, serving more than 250,000 children. Last year Fieldwork launched a new curriculum for students aged 11-14, the International Middle Years Curriculum (MYC). The company believes that plans by the UK government to introduce more flexibility into the primary curriculum in England should provide increased opportunities for Fieldwork's IPC and MYC. Teacher resources supporting the IPC and IMYC are available digitally.

The company's professional development offer includes the International Leadership and Management Programme which is delivered in association with the European Council of International Schools and the NAHT. Fieldwork has also developed two products to support learning in schools - Looking for Learning and Assessment for Learning. Looking for Learning helps schools identify, improve and increase learning in the classroom by focusing attention on learning rather than activity. Assessment for Learning is a multi-media programme to support schools and teachers with the introduction and the embedding of assessment for learning.

WCL also works with international school groups advising on school start-ups and on improving school leadership. The company offers school management services based on contracts with a two to three year duration. The company's growth strategy for its educational services division is focused on a combination of development of new products and "synergistic acquisitions."

WCL is owned by funds managed by Sovereign Capital following a £35.5m buy-out in April 2008. CEO Marcel Van Miert resigned as CEO in January this year.

www.wclgroup.com
www.fieldworkeducation.co.uk

Revenue up 14% at Acorn Care and Education

Acorn Care, the holding company set up in January 2010 by the Ontario Teachers Pension Plan (OTPP) to acquire Acorn Care and Education (ACE), the provider of special needs schools and independent fostering services, has reported an EBITA of £9.3m on revenue of £43.0m for the 7½ months to 31 August 2010 according to accounts filed recently at Companies House. In the period from 1 September 2009 to acquisition on 18 January 2010, ACE had revenue of £28.9m. Therefore total revenue for the 12 months to 31 August 2010 was £71.9m (2009: £63.0m), up 14% from the prior year. The new holding company generated positive cash flows in the period and held cash balances of £6.5m at 31 August 2010 but made a loss before tax of £19.0m after charges including amortisation of goodwill (£15.8m), preference share dividends (£1.3m) and interest on loan notes settled by way of PIK notes (£6.3m). Total interest charges in the period were £12.5m.

OTPP's reported £150m acquisition of ACE in January 2010 was financed by a mixture of equity funding (ordinary and preference shares), unsecured loan notes, banking facilities (senior and mezzanine) and operating cash flows. A significant proportion of the company's external funding is not repayable until January 2020. And according to the company the remainder is projected to be repaid from operating cash flows. The company had net debt of £123.2m at 31 August 2010.

The Bolton-based company operates through a network of 13 school and eight fostering agencies. A new day school is scheduled to open in Staffordshire in September 2011. The company's fostering agency business – Fostering Solutions - manages foster placements across the UK.

Rod Aldridge the former Chairman and CEO of Capita was appointed chairman of the holding company in July 2010.

In January this year Advent, a Boston-based private equity group paid around £925m to acquire the Priory Group from the Royal Bank of Scotland. Established in 1980, the Priory Group provides specialist education and fostering services in addition to acute mental health care, complex care and neuro-rehabilitation services and care homes.

www.acorncare.co.uk
www.fosteringsolutions.com
www.otpp.com
www.priorygroup.com

Leeds Equity Partners acquires Nobel Learning Communities for $149m

New York education and training-focused private equity firm Leeds Equity Partners is to acquire US school operator Nobel Learning Communities in a transaction valued at around $149m including consideration paid to holders of outstanding options and warrants.

Under the terms of the agreement, Nobel's shareholders will receive $11.75 in cash for each share, representing a premium of approximately 36% over the company's closing price on the day before the offer was made on 17 May 2011. The transaction is subject to regulatory and shareholder approval and is expected to close before the end of November 2011. In 2009 Nobel rejected a $186m bid from Michael Milkin's Knowledge Learning Corporation.

The NASDAQ-listed Nobel Learning Communities operates a national network of 190 private preschools, elementary schools, middle schools and K-12 online distance learning. The company also offers supplemental educational services, including before- and after-school programmes, the Camp Zone summer programme, learning support programmes and specialty schools.

According to Robert Bernstein, Senior Managing Director and Co-Founder of Leeds Equity, "Nobel Learning provides a unique educational platform for students in the preschool and K-12 markets ... and Leeds Equity looks forward to assisting Nobel Learning in achieving its next stage of success."

Since its formation in 1993 Leeds Equity has raised and managed $1.1bn of capital across five funds. The company's other education investments include Campus Management Corp, a provider of administrative software to around 1,700 US colleges and universities, Education Management Corporation, the for-profit provider of post-secondary education in North America with around 150k enrolled students and eInstruction Corporation, a provider of interactive classroom technology and content-based assessment software principally to the K-12 and HE markets.

www.nobellearning.com
www.leedsequity.com

K12 to purchase K-12 assets of Kaplan Virtual Education

K12 Inc, the listed US provider of proprietary curriculum and online school programmes for K-12 students, last month announced that it had reached an agreement to purchase the credit-bearing K-12 assets of loss-making Kaplan Virtual Education (KVE), a business unit within Kaplan's Ventures division. KVE operates online public schools in eight US states for students in grades 6-12 in partnership with school districts and charter schools. KVE also operates online private schools serving similar grades. At the end of 2010 KVE was providing courses to approximately 3,000 students. In April this year K12 Inc. raised $125m from Technology Crossover Ventures (TCV) through a private placement to support the company's accelerated expansion strategy in the online education sector, particularly outside of the US.

www.k12.com
www.kaplanvirtualeducation.com

Retail

Explore Learning raises a further £550k

Explore Learning, the supermarket based tutorial company for 5-14 year olds has raised a further £550k through the issue of new shares according to documents filed recently at Companies House. This increases the amount raised through equity since the company was established in 2000 to £6.8m. Explore Learning's principal investors are Spectrum Venture Management Fund (SVM), Wittington Investments (the ultimate holding company of Associated British Foods) and Explore Learning founder, Bill Mills. SVM's investors include the Guardian Media Group, Kingston Communications and Syntek Capital. Details of participants in Explore Learning's latest round of funding are not currently available. Previous funding rounds have usually preceded the opening of additional "Maths & English tuition centres." The company currently operates

50 centres, mainly located in Sainsbury supermarkets and shopping centres in the south of England although it does have centres in Cheshire, Edinburgh, Glasgow, Leamington Spa, Leicester, Newcastle and Redditch. In its most recent filed accounts Explore Learning reported an operating loss of £0.3m on revenue of £8.6m for the year ended 31 December 2009.

www.explorelearning.org.uk

Late Easter impacts first half year education revenue at Holidaybreak

Holidaybreak plc has reported a 7% decline in revenue at its education business to £41.0m (2010: £44.0m) for the six months ended 31 March 2011 primarily as a result of the timing of Easter compared to 2010. The education business recorded an EBITA operating loss of £2.3m (2010: £2.5m) - the seasonal nature of the Education businesses means that it generates an operating loss in the first half of the financial year.

The company reports that its education division is 96% booked for 2011 including PGL's UK outdoor education centres which are 99% booked. However, sales intake for the division is 1% below last year. According to Holidaybreak, PGL UK centres with total capacity of 7,400 beds will be providing over 710,000 bed nights to approximately 6,000 schools in 2011. Capital expenditure for 2011 is anticipated to be £5.9m (2010: £8.0m).

For 2012, Holidaybreak reports that its education division is currently 39% booked, including PGL UK centres with 63% of revenue booked. The company plans to expand its offer to schools and believes it is “well placed to benefit from any consolidation of centres run by local education authorities.”

Meininger, the German student and school tour operator in which Holidaybreak has a 50% share, is 16% ahead of the prior year reflecting strong like-for-like trading and site openings. In May, Meininger opened a new site in Salzburg with another site in Berlin opening later this financial year. These sites will increase Meininger’s bed capacity by 23% to around 4,550 beds. A further six sites have been secured by Meininger with four opening in 2012 and two, in Brussels and Amsterdam, opening in 2013.

Education is Holidaybreak’s largest division and delivered an operating profit of £14.7m on revenue of £121.1m for the year ended 30 September 2010. Overall Holidaybreak’s sales intake for the year to date is 4% below the prior reflecting a difficult trading and operating environment at the company’s traditional non-education travel businesses.

Revenue at TUI Travel’s education business, one of Holidaybreak’s principal competitors, was 9% down to £82m (2010: £90m) for the six months ended 31 March 2011. According to TUI the drop in revenue was partly due to the timing of Easter and the education business reported an operating loss of £3m (2010: nil). The company reports that softer demand for gap-year travel also impacted the company’s education division.

www.holidaybreak.co.uk
www.tuitravelplc.com

Executive Soapbox

The Future of Learning Platforms / Online Learning Spaces in Education

In this month’s Executive Soapbox, Matt Clarke CEO at Uniservity considers the role of learning management systems in today’s schools.

Learning platforms, virtual learning environments and learning management systems have been serving the education sector for around 10 years. 99 percent of schools have them and have been using them in various ways. Some find them useful, others have not had the time to make them work in an efficient way for their school. The industry has also been battling to innovate, take stock of changing government agendas, making use of private sector investment to make killer applications for the education sector. Where’s it all going? Are they really necessary for today’s schools and the education of our first generation of digital natives?

It is in difficult times that our best innovations and products often take shape. Education technology businesses need to think long and hard about their purpose and what their products are ultimately there to do. Do they need them for administration, accountability, extending and enhancing learning, streamlining teacher resourcing, connecting to the global classroom? If these products are to improve the education experiences of today’s students, then give them the tools and opportunities to self discover (think Amazon’s ‘You Might Like’ suggestions), reach out (think Facebook’s ‘Add friend’ function), gather knowledge (think Wikipedia’s ‘Co-Construction of Information’) and apply that knowledge (think vocational skills and self-evidencing of achievements), whilst providing the teaching community with a range of tools to really support their objectives, simplifying the admin burden and improving the quality of teaching and learning. All in all we need to roll up our sleeves and produce technology that works for education, that is appealing to students and that competes for the attention of today’s digital natives.

Innovation is crucial. Online learning spaces provide the link between the formal classroom world, the student’s home and their virtual world. They also provide the glue to bring together the core components of any learning; input (by a facilitator), content (resources and activities), assessment (of, and for learning), student management data (context, progression, and tracking), the classroom (peers) and the global community (purpose and audience). This enables learners to interact and discover new learning opportunities in richer and more meaningful ways, ultimately impacting on attainment standards.

Online learning spaces are in a prime position to really innovate, make sense of what is going on, what students are consuming and where those gaps in their knowledge are, both formally and informally. They can provide the tools to fill those gaps, connecting academic rigour with the ease of social technologies, to help students establish relationships with the right-people at the right-time to help them with their studies and skills, discover new learning opportunities that have traditionally been beyond the scope or possibilities of their school context and above all remove traditional boundaries of time, place, and affordability.

We have seen some huge leaps in the technology infrastructure that is available for us to use in our product - for example, cloud computing, which will reduce running costs and provides more flexibility and choice for us to deliver our product and functionality to schools without expensive upgrades or hardware purchases. We can deploy app store technology in our products so schools can choose what they want and when they want it, ranging from resources, activities, projects, class-spaces, learning partnerships, open tools, and integrations. We can offer intelligence and analytical layers of technology designed to help us understand our learners, understand what content is available and push ideas or inspiration to the desktop. We've seen these kind of intelligent analyses in places like Facebook and Amazon, and now is the right time for these to come to education, to reduce the admin burden for teachers and to empower students to explore and discover for themselves.

The decentralization of learning management, giving the end-user responsibility for their own future, is the core driver of innovation and transformation in what lies ahead for education technology. Show them the route to broaden and acquire new skills. We can provide educators with a view of what is happening, what is trending, if it is making an impact and most importantly improving learning outcomes.

From our own experience we know that online learning solutions, once adopted effectively, get used. Over 7.2 million logins a week make several of the UK's learning platforms some of the largest active online communities globally. So we know they are getting used but we really need to turn our attention to getting the best out of the user community and to fulfilling their needs. It is not just about blogs, assessment, wikis, quizzes or forums anymore. It is about joining the dots, adding intelligence, making the virtual world, the global community, resources that work for the user. Learn from the social world. They work, they attract users and usage, people learn from them. Why? Because they understand human behaviour. They understand human beings and particularly digital natives, ie today's students. It's not what you've got, it's how these things are connected. Think about the self-sustaining nature of user-communities such as Google Apps, Facebook, Twitter, and You Tube. It's interaction, connectedness and intelligent analytics that's driving this.

So the education technology sector needs to stop licking its wounds, stop looking for ways to consolidate its position. It needs to innovate. Understand who its customers are and provide good products and technology that are in tune with its ultimate user base - the students themselves. Out of all technologies within this space, the next generation of learning platforms are closest to meeting the needs of today's learners. Developers just need to understand learners' behaviour and understand how to remove the boundaries placed around those learners. It is in times of hardship that the best innovations come to light and innovation is definitely what is needed in this sector.

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