



Titans in education

Few firms know the global education market as well as Boston-based Tyton Partners. **Kirsten Noben** talks to founder Chris Curran about current trends

There are only a few education deals in the US which Tyton Partners are not familiar with. The investment banking and strategy consultancy firm, first launched in 2010 in Boston by Chris Curran and Adam Newman as Education Growth Advisors, changed its name to Tyton in 2015. Since its inception, they have managed to become one of the dominant advisory firms in the industry.

The firm is currently involved in a number of deals and is mostly active in international pathways, language learning, student housing and student services, K12 and the postgraduate space. Most recently, it advised private equity firm Francisco Partners on the acquisition of digital reading platform MyOn and advised Inside Track, a student success coaching firm, in its sale to Strada Education Network.

“Breaking it down in numbers, 75% of our business is domestic, 25% is international,” Curran says. Anglophile markets such as the US, Canada, Australia and Singapore are a priority but the firm also focuses on other countries in Asia, including China, Vietnam and Thailand. For now, it is focusing less on the UK as there is some “regulatory risks” involved and growth is limited, Curran says.

Dry powder

Domestically, the strategic side of business is more and more in demand. “In this marketplace, with so much transition, strategic players need solid advice on where and what to divest before making decisions,” Curran explains.

“The market is at an all-time high. This primarily has a lot of to do with the unprecedented amount of dry powder and flood of capital focusing on the global knowledge segment that has witnessed exponential growth over the last five years. Private equity sponsors are on the sidelines waiting to be deployed in this asset class,” Curran claims.

The more promising spaces are artificial intelligence, machine learning, emerging assessment technologies and software as a service models, with deal volume assured to tick up among K12, higher education and human capital optimisation segments. “Whereas before traditional private equity had little interest in investing behind inconsistent growth and the volatility associated, the market has now become high quality and bears high tolerance for anything of scale. Scarcity economics for picture perfect revenue growth and IP profiles is driving enterprise values higher in order to expand to a true platform investment,” Curran says.

In fact, companies are sometimes a bit too eager to acquire, Curran mentions a large administrative software deal where

a significant part of the company’s ebitda consisted of acquisitions that had yet to be completed.

He adds that the administrative K12 and higher education market is opening up and refers to national exam provider, ACT, investing in non-cognitive and social emotional assessment professional credentialing firm ProExam this year. “This signals the nature that how, when and why you test and the data you use to evaluate students’ potential for success is becoming more sophisticated and evolving to be much more than just a static exam,” Curran says.

But the deal that has so far stood out this year is the acquisition of Hero K12 by Boston Ventures for \$150 million (£110.6 million). This is a “bold move” for traditional growth equity investors in tech, “which traditionally don’t like to roll up their sleeves to aggressively buy assets, but if you can build up extra values through finding and creating comprehensive administrative solutions, you can create a crossover with all the benefits,” Curran says.

Higher education

Ed tech might be booming but the US higher education market – traditionally one of the strongholds for Tyton – has seen some rocky years and it remains to be seen how it will recover.

Under Barack Obama’s tenure as president, the US government implemented stricter regulations on financial aid for students and this has had severe consequences on the sector. Corinthians, one of the largest for-profit colleges, had to file for bankruptcy in 2015 while other providers have also been struggling financially. This year, Indiana-based public university Purdue bought for-profit provider Kaplan Education for \$1, to much consternation within the industry.

But with – somewhat controversial – Betsy DeVos at the helm as the country’s new education secretary, Curran is optimistic about opportunities under this administration and believes for-profit players will see some improvement. DeVos has already been hinting towards that direction through hiring a former associate dean of DeVry University (now Adtalem) to lead federal student aid activities.

“We see free enterprise for-profit education as a healthy sector, which means not enabling the bad actors of the past and a return to the days of uncomfortable marketing practices, racketing students with debt and schools not providing a warranty of skills attainment,” Curran says.

He also thinks for-profit providers can play their part in the bootcamp market place. These firms, in order to ►



Chris Curran, founder
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► remain viable, are expanding into data sciences and skills training for students with university degrees.

On the other hand, bootcamps have also been in hot water recently with several companies being forced to close, such as Dev Bootcamp and Iron Yard – the latter with which Tyton has worked with in the past. In September, news came out provider Galvanize had to cut 11% of its workforce.

Again, Curran defies the odds and is convinced of its potential, saying there is a “flight to quality” occurring within the industry right now. “There are a lot of middle markets players that are making money, contrary to some larger ones, with high quality programmes, that are doing things creatively within universities and enterprises and that will continue to generate significant growth and profit.”

Skills gap

For the near future, Curran pinpoints the workplace development space as its “biggest industry focus”. Indeed,

the skills gap is a recurring issue that keeps education providers busy globally. In the US, the National Federation of Independent Business found that as of the first-quarter of 2017, 45% of small businesses reported that they were unable to find qualified applicants to fill job openings.

“There’s a huge need to scale up the service economy in the US and help deliver the skills creation we’re in shortage of,” Curran warns. He refers to online school Smart Horizons who help people through competency-based learning to achieve a high school degree through servicing large economy players such as Walmart and McDonalds. These firms acquire enterprise and set licenses to enable employees and retain them effectively.

“Education as an employee compensation benefit is the future: it helps the corporation, society, employee and the individual learners. What you are seeing in the US will become a global phenomenon and an inherent success story,” sums up Curran. ■