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Pearson Buys EmbanetCompass for \$650 Million in Education Push

By Simon Thiel October 16, 2012

Pearson Plc (PSON) agreed to buy EmbanetCompass, a provider of online learning services to North American colleges and universities, for \$650 million in cash to expand its education business.

Pearson, which gets most of its revenue from education services in the U.S., is buying the company from an investor group led by Technology Crossover Ventures and Knowledge Universe, the London-based company said in a statement today.

Pearson, the publisher of the Financial Times newspaper and owner of the Penguin book publisher, has been expanding its education business to counter stagnating sales of print products. EmbanetCompass provides services such as learning program design and development, marketing and student recruitment, faculty training and support, data-driven student retention and learning analytics as well as counseling, tutoring and mentoring of students.

“Institutional services are one of the fastest growing areas of the U.S. higher education market,” Pearson said. “Out of 6,700 degree-granting institutions in the U.S., approximately 175 institutions engage third-party vendors to power online programs.”

The company said the acquisition will boost adjusted earnings per share and generate a return on invested capital above Pearson’s weighted average cost of capital from 2014. EmbanetCompass is predicted to have sales of about \$130 million in 2012, Pearson said.

Pearson already offers online education services in the U.S. through partnerships with institutions such as Arizona State University, California State University Online and the community college systems in West Virginia, Kentucky, Tennessee, Iowa and Colorado.

The company this month said Chief Executive Officer Marjorie Scardino will step down after 16 years to be replaced by the head of its international education business, spurring speculation the company may sell the Financial Times newspaper.

John Fallon will replace Scardino starting January 2013. The Financial Times Group accounted for 7 percent of sales at Pearson last year, while education made up 75 percent, and 18 percent came from Penguin.

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