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What the waning of standardized testing means for education firms

The new model of distance learning has not only made traditional testing impractical, it's exposed deep disparities. By [Alex Hicks](#)

Among the many knock-on effects of the coronavirus pandemic, chalk up the end of the singular focus on standardized testing that has dominated US education policy for nearly two decades. Pushback against the high-stakes testing craze had been growing for years, with critics pointing to the flat-lining or decline in US student performance metrics and arguing that it stifles kids' creativity and critical thinking skills.

But the pandemic has drastically accelerated the shift away from the "test, test, test" mentality ushered in under the Bush administration's 2002 No Child Left Behind Act. The new model of distance learning has not only made traditional testing impractical, it's exposed deep disparities based on income and region that have amplified calls for assessments that can help identify and remediate learning gaps.

In addition to the postponement of state-wide testing this year, many colleges have announced they will waive SAT and ACT requirements for 2021-22 school year admissions. Worries about the quality of remote education and assessments were among the top concerns of education leaders about the reopening of K-12 schools in a recent survey by WhiteBoard Advisers.



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In a letter to state school chiefs in early September 2020, former Education Secretary Betsy DeVos quietly accepted the new reality and signaled openness to alternative forms of assessment, such as those based on competency and mastery. While stressing that states were expected to administer tests for the 2020-21 school year, she added that "now may be the perfect time for you to rethink assessments in your state."

This shift has big implications for education companies, which have hitched

their wagon over the years to the system of high-stakes, summative testing.

Companies that are entirely focused on assessments, such as Illuminate Education and Certica, are going to come under pressure to broaden their offerings and are likely to attract acquisition interest from firms looking to offer an integrated portfolio of education services.

The trend is likely to be for content companies like McGraw-Hill and HMH, and supplemental content providers like Renaissance, Edgenuity, Edmentum and DreamBox to continue to integrate their offerings and be on the look-out to buy assessment firms in order to provide broader, tech-based offerings to school districts. Buying, rather than innovating, has been the preferred growth option in the sector.

While traditional testing may be on the wane, it's still going to be a big part of the education landscape. High-stakes testing is very entrenched by now, with federal funding tied to results and the achievement of benchmarks.

In this environment, education companies will need to be flexible to adjust to an increasingly fragmented market. Some states and districts will demand more alternative assessments that enable them to create the

outcomes-based data they need while others will persist with a more traditional testing approach.

There will be a greater focus on tech tools that enable students to show competency and mastery rather than just answering questions to pass a test. AI tools being deployed by firms like Fine-Tune Learning, have reached the stage where they can help educators deliver consistency and speed in rubric-based assessments of written assignments, removing a long-standing obstacle to this form of evaluation.

Education Galaxy is an example of a firm that is supplying standards-aligned content to districts in a form that is more interactive and engaging than the usual multiple-choice answer format. Augmented Reality and Virtual Reality tools are also set to become a bigger part of the tech mix, allowing students

to conduct lab experiments and other collaborative projects from their homes.

Target companies that can position themselves well in this environment are set to be richly rewarded. EBITDA multiples well into the double digits are realistic, particularly for those that have continued to grow through the pandemic and that have conviction on their budgets in the next couple of years.

An example came last month when Instructure struck a deal to purchase Certica Solutions, an industry leader in K12 assessment and analytics. The purchase amount was not disclosed. But investors will likely be hungry for providers that can demonstrate revenue growth, profitability and good technology solutions as well as customer stickiness with their respective school districts.

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