



INVESTORS

ETS Launches New Arm for Global Edtech Investments and Acquisitions

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Over the past decade, the world’s largest educational assessment nonprofit has been **testing the waters** of education technology investments. Now, it is taking the plunge.

ETS, short for Educational Testing Service, has set up a new investment arm to make more— and bigger—deals in this space. It’s looking to acquire some companies as well. The organization says these activities are part of a broader effort to expand its portfolio of services beyond the second word in its name.

“Traditionally, ETS has been focused on assessments in K-12 and higher education,” says Ralph Taylor-Smith, managing director of ETS Strategic Capital, the name of the

new division. This new effort “aims to drive ETS into newer areas of the educational landscape, particularly in teaching and learning,” he adds.

ETS has dabbled in edtech deals before. It has provided financial support for LearnLaunch, a business accelerator program for education startups. It’s invested alongside social-impact investment groups like Village Capital. And it’s acquired three technology companies since its founding in 1947.

ETS Strategic Capital is “an extension and expansion of those earlier initiatives,” says Taylor-Smith, who joined last year and is building an investment team across the Silicon Valley, Washington, D.C. and Princeton, N.J., where ETS is based. Instead of writing small checks for early-stage companies, his team is looking to invest up to \$15 million in more established ones raising Series B or subsequent rounds. For acquisitions, it’s targeting companies making at least \$20 million in revenue.

Taylor-Smith declined to disclose the size of his war chest, only sharing that the funds come from ETS’s operating capital.

Founded in 1947, ETS has a hand in many of the world’s most commonly taken exams. Its biggest client is the College Board, which contracts with ETS to deliver high-stakes tests including the SAT and Advanced Placement examinations. It administers the NAEP and PISA tests, which are commonly used as benchmarks for measuring educational achievement. ETS also develops and delivers the GRE for graduate admissions and TOEFL, an English proficiency exam for non-native speakers.

That alphabet soup of exams contributed to \$2.1 billion in revenue for its fiscal year ending September 2018, according to its [990 filing](#). Today, ETS claims it develops, administers and scores over 50 million tests a year in over 180 countries.

But some tests are falling out of favor. Most notably among them: the SAT, which a growing number of colleges and universities say is now [no longer mandatory for admissions](#).

That move away from high-stakes exams is “certainly one of a number of trends that will drive the education industry, and we are looking to capitalize on opportunities to grow new business areas for ETS,” says Taylor-Smith. Demographic shifts in emerging markets, particularly in Africa, which has the largest youth population in the world, creates demand for new services.

Workforce training, in particular, has piqued Taylor-Smith’s interest. “Even before the pandemic, there has been a lot of focus on reskilling and upskilling, and we are looking to do more deals in that sector,” he adds.

Still, ETS Strategic Capital is casting a wide net across the K-12, higher-ed and workforce training sectors. There are no geographic limits either, as the firm will entertain opportunities in any region of the world.

Already, ETS Strategic Capital has closed several deals. In May, it contributed to a [\\$71 million funding round for Applyboard](#), a Canadian startup behind an online student recruitment platform for study-abroad programs at colleges and universities. It has also provided seed funding for [EdAgree](#), another company serving international students, and Capti, a K-12 literacy diagnostic tool that uses ETS technology to power its service.

The group also recently made two acquisitions: [Pipplet](#), a Paris-based language assessment service for employers, and Atlanta-based [Gradschoolmatch](#), a company that helps students find graduate programs.

The establishment of ETS Strategic Capital adds more fuel for deals in an industry awash in new private funds. Earlier this month, Owl Ventures announced it had [raised \\$585 million for two new edtech investment funds](#).

The disruption to schools and educational services has attracted a windfall of private capital as investors eye opportunities for technology to meet new demands. In the U.S., education technology companies [raised \\$803 million](#) in the first half of 2020, according to EdSurge data.

ANNUAL EDTECH FINANCING ACTIVITY

\$100M+ mega-round deals drive funding in 2020

2015 – 2020 YTD (8/31/2020)

Thirteen mega-rounds (deals worth \$100M+) have taken place through August 2020, including China-based unicorns Yuanfudao's \$1B Series G round in March and Zuoyebang's \$750M Series E round in June.



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Abroad, the deals are even bigger, especially in China, which currently claims eight of the world's top 10 highest privately-funded education companies, according to a [report](#) from investment research firm CB Insights. Across the globe, edtech companies have already raised \$4.8 billion through August 2020—surpassing 2019's full-year tally.

“We’re seeing investors make bigger bets in later-stage startups,” says Kenya Watson, an intelligence analyst at CB Insights. “When the pandemic hit, investors flocked to platforms that were already well established in the edtech space.”

That observation is consistent with ETS's strategy—and one that Watson expects will keep investors in the education market. “Even after the pandemic is over, tech-enabled learning will be here to stay.”

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