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New owners, growth plans at eInstruction

Classroom technology company predicts four-fold revenue hike

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A leading maker of classroom technology based in Denton, eInstruction, has changed ownership and has plans to tweak its market strategy and increase its revenue almost four-fold.

A group of investors led by Chicago Growth Partners acquired the company in July from majority owners who were affiliated with The Staubach Co. The investors included the private equity group of Goldman Sachs Asset Management, PPM America Capital Partners, CapitalSource and management. Dallas' MHT Partners acted as the exclusive adviser to eInstruction.



WARD

The company develops response-pad systems that consist of computer software and multiple wireless remote devices to be used by students in a classroom or training environment. Students use the devices to anonymously respond to questions posed by educators.

The software collects data from the wireless remotes, tracks it and produces reports. Teachers then can, for example, use a laptop computer and an overhead projector to project material generated by the software onto a white screen.

Each system costs about \$2,000.

Darrell Ward, eInstruction's president, founder and CEO, said the systems reduce the effects of peer pressure by allowing students to respond in class discussions anonymously. Teachers and school districts also can use the system to track student participation.

Revenue goal

"Our primary owner was The Staubach Co., and they are involved in commercial real estate," Ward said. "It was advantageous for us to have a private equity group get involved that could

support us from a management and growth standpoint and offer a strategic perspective in this huge marketplace."

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Shawn Terry
MHT

universities in the United States, Canada and abroad. The company also has systems aboard U.S. Navy submarines and in U.S. Army ROTC courses for use in military training.

Carrollton-Farmers Branch Independent School District, Denton High School, Southern Methodist University Law School and Tarrant County College are among the North Texas institutions that use eInstruction's classroom performance system.

Ward predicts that support and perspective will help eInstruction reach revenue of \$100 million in the next three to five years, an estimated 400% increase over the company's 2004 revenue of more than \$20 million. Ward declined to give specific information about the company's profits, but said eInstruction has been profitable for almost five years with the response pad products.

The company, according to Ward, holds the leading position in both the K-12 and higher education markets, with more than 50% market share in K-12 and 45% in higher education. At the time of its sale to the CGP-led consortium, eInstruction had more than 1 million systems on the market in 5,000 K-12 schools and 700

Financial resources

MHT said eInstruction's sale provided substantial liquidity to eInstruction's owners, management, individuals and affiliates of The Staubach Co., and provided eInstruction with the financial resources to continue penetrating the fast-growing educational response-pad market.

Darin Beamish, president of eInstruction competitor Qwizdom Inc., said response-pad companies like eInstruction and Qwizdom helped create the market by promoting their products. "People really didn't know what all they could do," he said. "They can be interactive, tracking data for the district and providing accountability measures."

Beamish said partnership arrangements like one that allows eInstruction to bundle system discounts with McGraw-Hill textbooks at the higher-education level, have helped generate demand. The increasing affordability of radio frequency systems preferred by the higher education market also have helped to grow the market, he said.

Another contributing factor, according to Don Knezek, CEO of the Washington D.C.-based International Society for Technology in Education, is educators' increasing interest in ways to engage children in classroom discussions and activities. "Recent research indicates too much of the instruction is not engaging enough, and the courses of study are not very interesting," Knezek said.

For CGP, the acquisition falls well in line with CGP's investment criteria, said MHT managing director Shawn Terry, as the company is education-related with approximately 100 employees. CGP's criteria calls for minimum revenue of \$20 million for a buy-out, with a transaction value range of \$20 million to \$300 million. It targets businesses in health care, business and consumer services, industrial growth and information technology.

"Chicago Growth Partners has experience owning and managing businesses like this, helping them to better serve their customers," Terry said, "and eInstruction had a desire to build the business, to grow it more rapidly than it was growing under the previous ownership."

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