

Gamification in education is a growing target for PE

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By [peHUBlogger Network](#)



Alex Hicks of MHT Partners. Photo courtesy of the firm.

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Not long ago, it was common to think that kids should stay away from computer or tablet screens, much the way we thought about television. Now, screens are being embraced as educational tools for younger and younger students as parents and educators begin to realize the benefits of the interactivity that gamified learning can offer.

Because of this trend, private equity investors have recently been showing real interest in investing in educational apps for kids and in the technology companies that are facilitating the gamification of early learning.

Investors consider pre-K to 5th grade to be underserved in the edtech market. The global game-based learning market is expected to **explode**, to \$8.1 billion by 2022 from \$3.2 billion in 2017, a 20.1 % annual growth rate, according to **Metaari**. The primary-education sector is estimated to represent a quarter of that market.

Also feeding this potential growth are advances in augmented reality, virtual reality and mixed reality technologies — collectively called xR — that are creating increasingly compelling classroom experiences.

AR uses a device's camera to overlay digital aspects onto the real world — think Pokémon GO. VR uses a wearable headset to create an immersive, digital environment, while MR goes further by combining AR and VR to overlay holographic images onto the real world using a headset or glasses.

These technologies have been around for years, but lately they have become more affordable. As a result, they are finally being used effectively in classrooms for younger students as a teaching tool that can significantly boost student engagement.

This new edtech market has been made possible by the pioneering work of companies like **LeapFrog**. For years they have been selling educational games directly to parents and teachers for their preschool kids, making a new generation receptive to using such technology-enabled tools in their earliest years in a classroom setting.

The technology can create a paradigm shift in classrooms, enhancing learning and outcomes and potentially personalizing the learning experience for students.

These tools also help teachers make real-time formative assessments of student comprehension, learning needs and academic progress so they can ensure that students are learning the right things at the right pace.

The goal of the best technology is to make learning more experiential and accessible. Instead of reading about Galileo in a textbook, a student could stand next to him and look through his telescope as he discovers Jupiter's four moons.

Kids can now use VR headsets for [virtual visits](#) to the pyramids in Egypt or to outer space. Or they can use an app like [Unimersiv](#) to connect with other students for immersive language learning.

It's the same principle that put Minecraft on the map as a learning tool. For example, [Scientific American](#) wrote, "not only is Minecraft immersive and creative, but it is an excellent platform for making almost any subject area more engaging."

That was among the reasons **Microsoft** paid [\\$2.5 billion to acquire Mojang](#) in 2014.

Now, the promise of xR and the enhanced educational opportunities it can bring has stoked significant interest among PE investors, especially since early edtech has been neglected by investors in favor of solutions that appeal to the broader K-12 market.

That investor interest is spurring deal activity. In March, digital literacy platform [myON](#) was [bought](#) by **Renaissance Learning**, just one year after being bought by PE firm **Francisco Partners**.

In February, Francisco [paid \\$120 million](#) for a majority of **Discovery Education**, a deal that Discovery executive Scott Kinney says will give the firm the "ability to create the next generation of digital services and initiatives for educators worldwide."

Last year, **JumpStart**, which makes learning-based games for kids, was [bought by Japanese firm NetDragon Websoft](#).

Unfortunately, not much has been publicly disclosed about many of the transactions. But some experts say the valuations are strong and are being bid up for quality assets across the edtech sector.

Big money is flowing into the sector. In 2017, venture capital firms committed about \$3 billion to the xR technology.

In addition, public companies are ploughing cash into the sector. **Google** has [Expedition Kits](#) that enable an entire classroom of kids to visit coral reefs, Mars or hundreds of other far-flung locations. And Microsoft's HoloLens enables students to explore 3D models of buildings or machines.

As these technologies become more accessible and affordable and more companies develop apps for these platforms, they bring the virtual world within reach for more students.

Private equity investors say they expect investment in this specialty to remain hot as investors seek out niche, early-education gamification companies that can grow rapidly or can be add-ons for companies in this highly fragmented early-learning specialty.

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