

European EdTech: Trends and future

EdTech, or educational technology, refers to the use of technology to support and enhance teaching and learning. These technologies are designed to make learning more accessible, interactive, and engaging for students.

The main benefits of EdTech are:

- Improved access to education: Technology can make education more accessible, especially for students who may not have the opportunity to attend traditional schools or classes.
- Enhanced engagement and motivation: Many EdTech tools and platforms are designed to be interactive and engaging, which can help to motivate and inspire students to learn. This can be especially beneficial for students who may find traditional methods of teaching to be uninteresting.
- Increased collaboration and communication: Technology can also facilitate communication and collaboration among students and teachers. This can help to create a more connected and collaborative learning environment.

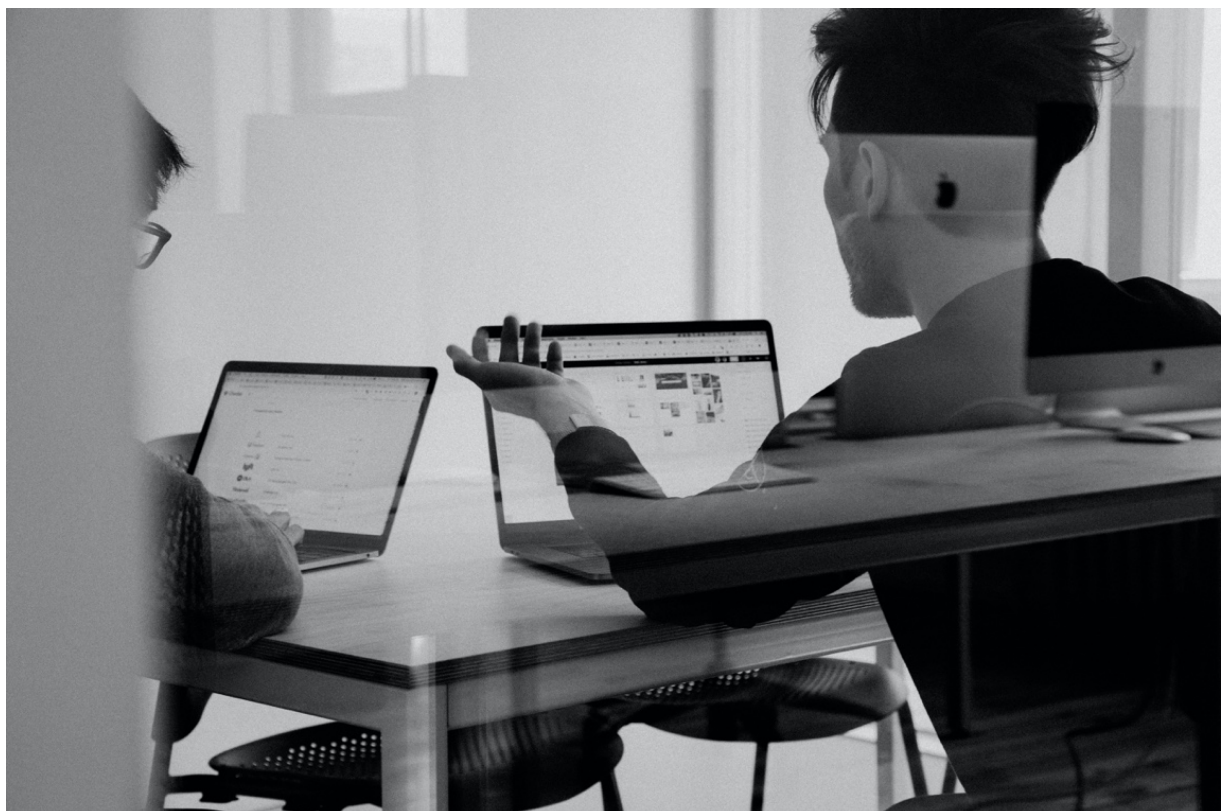


The pandemic has made it clear that colleges and universities must improve their response time to market changes. When the pandemic started and students were forced to stay home, the educational system was not ready to provide online learning to students. Many were left for weeks and even months without access to any learning material. The pandemic showed that Educational Technology (EdTech) is crucial and not neglectable.

EdTech experienced an inflexion point during the pandemic which led to an unusual global rise in revenue and popularity. Many solutions raised to help students and companies working from home were used. Switching to fully online classes changed completely the way of learning and teaching.

The good news is that educational technology never left and is now fully integrated into the daily life of school and university students. It is no anymore a niche market but an essential part of the learning experience. Edtech's rise in popularity is no anymore associated with the pandemic, there is a real long-term interest in digital learning tools. Classrooms have drastically changed since 2019. It is important to keep in mind that the purpose of EdTech is not to replace the teaching staff but to help them by providing them with valuable tools that will support them. Teachers have now access to software and hardware that was not available a decade ago; recorded lectures available 24/7, online classes, language apps, interactive apps etc.

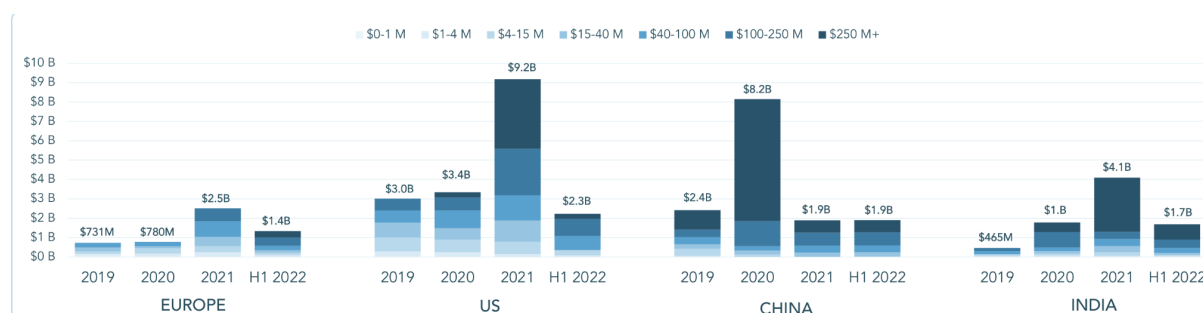
Investors are showing real interest in Edtech. In 2019, global EdTech investments were valued in the tens of billions of dollars. These figures are expected to rise as online learning continues to shape the future of education. The market for online education is expected to be worth several hundred billion dollars by 2025.



Current situation of European EdTech

In the past months, the venture capital market has seen some surprises as the valuations of many promising companies have fallen. Regardless, the EdTech sector appears to be thriving in Europe, which is surprising taking in mind that global reports of the first half of the year show less investment from EdTech VCs all around the world.

In H1 2022, European VC was 40% higher than in H1 2021 (\$1b vs \$1,4b). European share in global EdTech funding is also increasing (6% in 2020 vs 22% in H1 2022), another proof that European EdTech is in its momentum.



Source: dealroom.com

The Rise and potential of European EdTech

In the last years, the number and size of Edtech deals have increased in the European continent. It's significant to say that these companies built within and from Europe are not competing in the European market, they are competing to be the global leaders within their categories. This is something new and was not the case in the last decade.

10 years ago, EdTech entrepreneurship was not really a thing, there was no ecosystem and it was very difficult to raise rounds. In other words, nothing was really designed to be able to start an Edtech company. The narrative completely changed two years ago due to the pandemic. Nowadays, it is way easier to raise rounds and tech start-ups are very popular, even in mainstream media. In-person education entirely switched to online education which led many companies to raise significant amounts.

Historically, the biggest EdTech companies in the world have all originated in China with a huge addressable market which meant they were in no need to scale their core business to other markets, which is the exact opposite of European EdTech start-ups. That is a clear advantage for European start-ups because they are in need of thinking globally since the beginning because the TAM in their home countries is very small. Having this very large TAM makes it very attractive for investors.

During the pandemic, the whole awareness of digital education has accelerated and we see that a lot of the later-stage growth investors have been more active in the Edtech industry.

Another strength of European tech companies is being able to access a theoretically, very diverse and wide-ranging pool of talented people. For example, important tech hubs like London or Berlin have the advantage that they can hire very talented engineers from all of continental Europe.



Boost of demand for Edtech solutions due to the pandemic and labour shortage

At the beginning of the pandemic, the usage in B2C significantly increased because most of the population had free time due to the lockdown which derived in an increase in their time on online courses and online training.

In addition, we saw governments and companies investing massively in training their employees. In the past year, companies started to massively inject money into upskilling and reskilling because of the current shortage, they're desperate to hire talent. We had for example a big announcement from PWC stating that they will invest "\$3bn globally in digital training and technology to support clients and communities"

<https://www.pwc.com/bb/en/press-releases/2019/3bn-investment-in-digital-upskilling.pdf>

Due to the shortage, companies are desperate and need to invest massive amounts of money in upskilling their employees which is consequently booming EdTech companies' revenue and valuations.

On the other hand, for schools and universities, there has been an important mindset shift. One of the challenges that EdTech has had for a long time is trying to compete against human resources for budget allocation and also battling this perception that EdTech is nice to have but not need to have, which completely changed with the pandemic.

Directors and heads of schools started to allocate time and money to consider EdTech for the first time, recognizing that it is not just nice to have a set of tools that can supplement the learning process but that it can actually be crucial to the school's ability to maintain continuity during a period of ups and downs like the pandemic and giving them necessary flexibility.

Successful European EdTech Start-ups

In Europe, examples of successful start-ups are Kahoot and Perlego

Kahoot is an interactive learning platform that has been growing rapidly since its start in 2012. It has become one of the most popular educational tools for teachers and students, with over 50 million active users and reaching unicorn status. It is used by educators to create quizzes and polls that can be used in the classroom or online. The Norwegian start-up has raised over \$50 million in total funding from investors such as Creandum, Northzone, and Microsoft Ventures.

Perlego is an online learning platform that provides access to over 1 000 000 audiobooks and other educational resources. The platform was founded in 2018 by Gautham Radhakrishnan and Andrew Brem, two Belgian entrepreneurs with the mission of making learning more accessible and affordable by providing students with access to a wide variety of educational content. This year, Perlego has raised \$50 million to become the “Spotify for textbooks”, its book catalogue has increased by 166% this last year. Perlego is continuing to grow and is well-positioned to become a key player in the online learning market.

The logo for Perlego, featuring the word "Perlego" in a bold, black, sans-serif font. The letters "Per" are on a yellow rectangular background, and "lego" is on a white background.The logo for Kahoot!, featuring the word "Kahoot!" in a white, bold, sans-serif font on a solid purple rectangular background.

Conclusion

To conclude, EdTech experienced an inflexion point during the pandemic, leading to an unusual global rise in revenue and popularity. It is clear that EdTech is a growing sector worldwide, especially in continental Europe, where it seems that even under an economic slowdown, European Edtech is still in its momentum.