



HOULIHAN LOKEY

TRAINING SERVICES AND EDUCATION

INDUSTRY UPDATE | **Spring 2018**



Houlihan Lokey Training Services and Education Update

Houlihan Lokey, Inc. (NYSE:HLI) is pleased to present its Training Services and Education industry update for Spring 2018.

In this issue, we have included interviews with two of the industry’s marquee executives: Jonathan Satchell, CEO and President of Learning Technologies Group, and Tom Davidson, Founder and CEO of EVERFI, Inc. Jonathan and Tom offer unique insights on issues facing the industry and discuss the evolution of their companies in the sector. As in previous issues, you will also find important news stories, transaction announcements, and a public markets overview to help you stay ahead in our dynamic and constantly evolving industry.

We hope you find this update to be informative and that it serves as a valuable resource to you in staying abreast of the market. If there is additional content you would find useful for future updates, please don’t hesitate to call or email us with your suggestions. We look forward to staying in touch with you.

Regards,
The Houlihan Lokey Training Services and Education Team

Training Services



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Industry Sectors Covered

 AUTHORING TOOLS	 CLASSROOM TOOLS	 CODING BOOT CAMPS	 CONTENT	 CORPORATE UNIVERSITY	 EARLY CHILDHOOD EDUCATION	 ED-TECH
 FOR-PROFIT	 GAMIFICATION	 IT	 K-12	 LEADERSHIP	 LMS/LCMS	 MISSION-CRITICAL
 POST-SECONDARY	 PUBLISHING	 SALES	 SIMULATION	 TECH-ENABLED SERVICES	 VOCATIONAL	 WORKFORCE

Spotlight Interviews



JONATHAN SATCHELL
CEO and President
Learning Technologies Group



Learning Technologies Group (LTG) is a leader in the high-growth workplace e-learning industry. The company offers end-to-end learning solutions ranging from strategic consultancy through a range of content and platform solutions to analytical insights that corporate and government clients use to meet their performance objectives.

Jonathan Satchell is the CEO and President of LTG, based in London. Through a series of strategic acquisitions, Jonathan has built LTG into a leading, end-to-end training software and services company that has a market cap of approximately £400 million. LTG is listed on the London Stock Exchange Alternative Investment Market (LTG.L). The company has offices in Europe, the United States, the Asia-Pacific region, and South America.

Jonathan has worked in the education and training industry since 1992. In 1997, he acquired EBC, which he transformed from a provider of training videos into a bespoke e-learning company. The company was sold to Futuremedia in 2006. In 2007, Jonathan became interim Managing Director of Epic, a leading e-learning agency delivering global solutions to corporate and public sector customers, and the following year he acquired the company with Andrew Brode. He oversaw the transformation of Epic from a custom content e-learning company to LTG, an international and growing learning technologies service provider.

Interview on Page 12



TOM DAVIDSON
Founder and CEO
EVERFI



EVERFI, Inc., is a leading SaaS-based online education platform offering critical skills training for K-12, higher-ed, and adult training. To date, EVERFI is reaching more than 16 million learners across all 50 states and Canada.

Tom Davidson is the Founder and CEO of EVERFI, based in Washington, D.C. Tom started the company in 2008 after a career in government. He has led EVERFI from a startup in a Georgetown apartment to an organization with more than 4,300 corporate customers and financial institutions.

Tom has been a thought leader in education technology for over 20 years. While a senior at Bowdoin College, he ran for the Maine House of Representatives, was elected in an upset, and served three consecutive terms before deciding not to pursue reelection. Tom served as one of the youngest committee chairs of the Utilities and Energy Committee, where he led efforts to expand the wiring of schools and libraries across the state. He introduced and passed major legislation on health policy, government ethics, and economic development. He also served as a senior member of the Taxation, Banking Insurance, and Business and Economic Development committees.

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Significant News Stories

WORKFORCE

Health & Safety Institute Acquires Vivid Learning Systems (*Training Industry*, March 8, 2018)

“Health & Safety Institute (HSI), the leader in Environmental Health and Safety (EHS) software, training, and compliance services, today announced it has acquired Vivid Learning Systems, one of the nation’s fastest-growing providers of online safety training. The combination brings the market strength of HSI’s Summit Training Source and CLMI brands together with the diverse training options of Vivid Learning Systems, creating an unmatched provider of online workplace safety training.”

LMS

Grace Hill acquired by Stone Point Capital from Riverside Company (*Mergermarket*, March 5, 2018)

“Grace Hill, the leading provider of online training courseware, administration, and mystery shopping for the multifamily property management industry, was recently acquired by funds managed by Stone Point Capital LLC. The sale was finalized on Feb. 28, 2018. The transaction follows a three-year period of significant growth by Grace Hill, during which time the company was owned by its founders and The Riverside Company. Today, Grace Hill serves more than 1,300 customers that manage approximately 6.2 million housing units ... Grace Hill offers a suite of valuable training offerings that are available immediately online, allowing property managers to train employees quickly to ensure compliance with extensive rules and regulations on topics such as Fair Housing, OSHA, sexual harassment, and more.”

WORKFORCE

Hula Partners Rebrands as Kahuna Workforce Solutions; Expands Customer Base by 300 Percent (*Training Industry*, March 1, 2018)

“Hula Partners, a leading provider of competency management solutions, today announced it has officially rebranded as Kahuna Workforce Solutions. Customers will see the company’s new name, logo, and website starting today. ‘This part of the business is ready to stand on its own,’ said Kahuna Workforce Solutions CEO Jai Shah. ‘We wanted a name that would reflect the growth among our Kahuna customer base, as well as our exclusive focus on the Kahuna platform.’ In addition to expanding its customer base by 300 percent year-over-year, the company’s flagship product, Kahuna, has been deployed in more than 80 countries. Over one million competency assignments have been made through the solution.”

LMS

SAP to Acquire Callidus Software Inc., Will Offer Comprehensive “Front Office” Suite (*PR Newswire*, January 29, 2018)

“The acquisition gives SAP immediate leadership in the Lead to Money space that includes sales performance management (SPM) and configure-price-quote (CPQ). CallidusCloud offers a full suite of SPM and CPQ solutions, including sales enablement, sales analytics, and customer engagement. The combination of SAP’s assets with CallidusCloud’s will deliver the most complete, end-to-end, fully cloud-based ‘Lead-to-Cash’ offering. CallidusCloud has been a partner of SAP for several years, based on a joint selling agreement ... CallidusCloud’s solutions are tailored to the specific needs of sales people on the ground and link sales-related information, such as pricing, incentives, and commissions, to Enterprise Resource Planning (ERP) systems. CallidusCloud, as part of SAP, will seamlessly link front and back offices, align sales, compensation, and corporate goals, and ensure real-time data flow between the field and finance department.”

ED-TECH

Silver Lake and LinkedIn to invest \$300 million in Cornerstone OnDemand (*PE Hub*, November 9, 2017)

“Cornerstone OnDemand (NASDAQ:CSOD), a global leader in cloud-based learning and human capital management software, today announced that Silver Lake, the global leader in technology investing, together with LinkedIn, will make a \$300 million strategic investment in Cornerstone. Cornerstone intends to use the proceeds of the new investment to fund growth initiatives and manage its capital structure, including repaying existing convertible debt and repurchasing common shares.”

Training Services Public Comparables

(\$ in millions)									
	Enterprise	LTM			'17E-'18E	Enterprise Value/		Enterprise Value/	
Company	Value	Revenue	EBITDA	Margin	Growth	LTM	2018E	LTM	2018E
Corporate Training									
Traditional Training									
CAE Inc.	\$5,483 ⁽¹⁾	\$2,171	\$432	19.9%	6.4%	2.5x	2.4x	12.7x	10.8x
GP Strategies Corporation	391	509	47 ⁽²⁾	9.3%	0.3%	0.8x	0.8x	8.3x	8.6x ⁽³⁾
Franklin Covey Co.	376	185	32	17.3%	14.7%	2.0x	1.8x	11.8x	11.5x
BTS Group AB	223	142	17	12.1%	18.5%	1.6x	1.3x	13.0x	10.0x
Traditional Training Average				14.6%	10.0%	1.7x	1.6x	11.4x	10.2x
Learning Management/Technologies									
Cornerstone OnDemand, Inc.	\$2,517	\$482	\$54 ⁽⁴⁾	11.1%	5.1%	5.2x	5.0x	NM	NM
Learning Technologies Group ⁽⁵⁾	789	71	16	22.0%	12.2%	11.1x	9.9x	NM	33.9x
Computer Modelling Group Ltd.	549	58	23	40.1%	(1.8%)	9.5x	9.6x	23.6x	24.4x
Learning Management/Technologies Average				24.4%	5.1%	8.6x	8.2x	NM	NM
Emerging Markets									
Tarena International	\$460	\$312	\$42	13.4%	21.8%	1.5x	1.2x	11.0x	9.0x
NIIT Limited	293	179	11	6.4%	(28.4%)	1.6x	2.3x	25.7x	23.7x
Aptech Limited	167	32	5	15.3%	12.0%	NM	NM	NM	NM
Emerging Markets Average				11.7%	NM	1.6x	1.8x	18.3x	16.4x
Training and Other									
Informa plc ⁽⁶⁾	\$10,281	\$2,419	\$805	33.3%	0.3%	4.3x	4.2x	12.8x	12.2x
Pearson plc	9,998	6,211	1,016	16.4%	(8.1%)	1.6x	1.8x	9.8x	10.0x
John Wiley & Sons, Inc.	4,087	1,771	326	18.4%	(0.3%)	2.3x	2.3x	12.5x	10.2x
Tarsus Group plc	577	162	62	38.1%	7.1% ⁽⁷⁾	3.6x	3.1x	9.3x	8.4x
Wilmington plc	362	170	31	18.4%	2.7%	2.1x	2.1x	11.6x	9.4x
GSE Systems, Inc.	44	80	5	6.0%	NM	0.5x	NM	9.1x	NM
Training and Other Average				21.8%	0.3%	2.4x	2.7x	10.9x	10.0x

Source: S&P Capital IQ, Bloomberg, Company filings, and WallStreet Research
Note: Market data as of April 30, 2018

(1) Adjusted for minority interest and investments in equity accounted investees

(2) EBITDA includes adjustments for deferred revenue

(3) Gives credit for run-rate EBITDA based on fully converted business model

(4) Adjusted for stock-based compensation

(5) Pro forma for NetDimensions

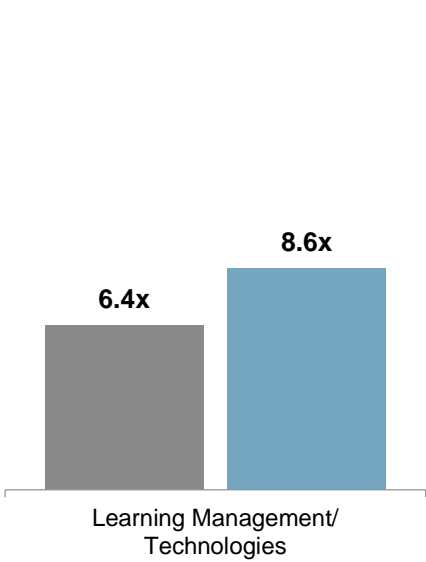
(6) Standalone shown; not pro forma for UBM acquisition

(7) Growth shown is '16A-'18E to account for the biannual revenue cycle of the exhibitions business

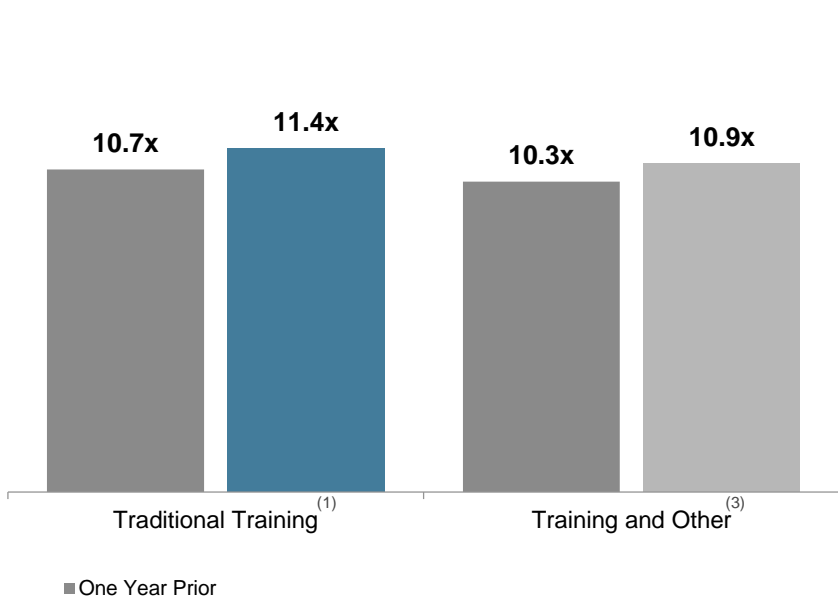
Training Services Public Markets Overview

Valuation

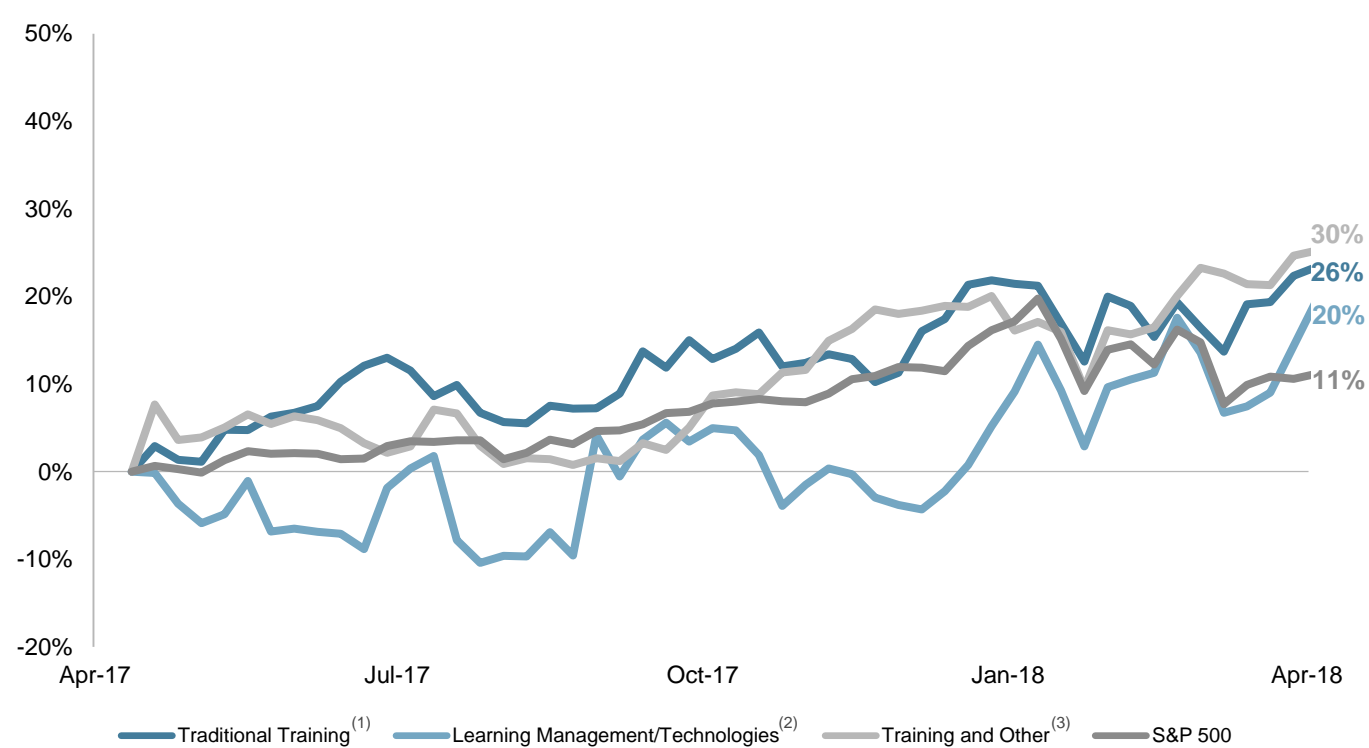
Median TEV/LTM Revenue



Median TEV/LTM EBITDA



12 Months Indexed Stock Price Performance



Source: S&P Capital IQ

Note: All data as of April 30, 2018

(1) Traditional Training includes CAE, Franklin Covey, GP Strategies, BTS Group AB

(2) Learning Management/Technologies includes Cornerstone OnDemand, Learning Technologies Group, Computer Modelling Group Ltd.

(3) Other Training includes Informa, Pearson, John Wiley & Sons, Tarsus Group, Wilmington, GSE Systems

Recent Training Services M&A Transactions

Close Date	Target	Acquiror	Target Description	TEV (\$M)	EV/ Revenue	EV/ EBITDA
Pending	Prometric	Baring Private Equity Asia	Provides education-based test development and delivery solutions for organizations worldwide	\$1,000	-	-
Apr-18	Environmental Risk Management & Safety	KPA Services	Provides EHS solutions to assist businesses in obtaining and maintaining compliance with state and federal regulations	-	-	-
Apr-18	Bluepoint Leadership Development	Simplify Compliance	Provider of leadership training and content in the U.S. and internationally	-	-	-
Apr-18	General Assembly	Adecco Group	Provides employer-focused, practitioner-taught technical skills training and development in business-critical areas such as coding, data science, user experience design and digital marketing	\$413	4.1x	-
Apr-18	Callidus Software	SAP	Provides cloud-based human resource software, sales, Lead to Money (Quote-to-Cash) systems, marketing, and customer experience solutions globally	\$2,400	9.5x	-
Apr-18	CEB Talent Assessment	Exponent Private Equity	Provides talent assessment technology solutions globally	\$400	-	10.5x
Apr-18	Jade Learning	Renovus Capital Partners	Provider of continuing education training, serving the electrical code, electrical safety and security alarm segments	-	-	-
Apr-18	TPC Training	Renovus Capital Partners	Provides maintenance, repair, and operator training solutions for workforces	NP	-	NP
Mar-18	CPL Online	CGA Group	Provider of e-learning, business solutions and interactive services	-	-	-
Mar-18	Cerico	Dow Jones	Provides online compliance tools	-	-	-
Mar-18	CESVI Brasil	Solera Technology Centre	Provides automotive repair testing and training solutions in Brazil	-	-	-
Mar-18	360 Stay Safe	OmniGo Software	Provides an online training platform that offers personal safety information	-	-	-
Mar-18	Vivid Learning Systems	Health & Safety Institute	Provides Environmental Health and Safety (EHS) software, training, and compliance services, including training for emergency care and managing chemical inventories	-	-	-
Mar-18	Grace Hill	Stone Point Capital	Provides online training, credentialing, and mystery shopping solutions for property managers	NP	-	NP
Mar-18	Wombat Technologies	Proofpoint	Provides computer-based security awareness training	\$225	-	-
Feb-18	CANLink Global Inc.	Exchange Income Corporation	Provides flight training programs in Canada	\$55	-	7.2x
Feb-18	360Training	PWP Growth Equity	Provides online training courses primarily for regulated industries	-	-	-
Jan-18	Northwest Lineman College	Quanta Services	Provides educational and training services to the electric power industry	-	-	-
Jan-18	North American Crane Bureau Group, Inc.	ProBility Media Corp.	Provides safety training courses, materials, and certifications for operators, inspectors, and trainers within the crane and lifting industries	-	-	-
Jan-18	Roadway Worker Training	RailPros	Provides safety, compliance and technical training, targeted services, and videos for the railroad industry	-	-	-
Jan-18	Area9 Lyceum	The Danish Growth Fund	Develops personalized, adaptive online learning modules for schoolchildren, students, and professionals to be trained	\$30	-	-
Jan-18	Contech	Groupe Constructo	Provides training, trade show planning, networking events, and competitions for construction professionals online	-	-	-
Jan-18	Continuing Education Alliance, LLC	Renovus Capital Partners	Provides education for nurse practioners and physician assistants in the U.S.	-	-	-
Jan-18	Coach in A Box	BTS Group AB	Provides workforce coaching services on a global scale	-	-	-
Jan-18	TrainingTeam	Freight Transport Association	Provides specialist training courses at venues across the country and online, which focus on air cargo security and the movement of dangerous goods by air, road and sea	-	-	-
Jan-18	Hula Partners	GP Strategies	Provides human resource training software worldwide	-	-	-
Dec-17	Focused Management Solutions	Public Consulting Group	Provides workforce development and training services	-	-	-
Dec-17	ClearSlide, Inc.	Corel Corporation	Provides web-based sales management and online presentation tools	-	-	-
Dec-17	DSG	Stone-Goff Partners	Provides outsourced sales training and enablement services	-	-	-
Dec-17	Being Human	Prosci	Provides change management services	-	-	-
Oct-17	Flatiron School	WeWork	Provides a coding education platform that offers both online and offline classes	-	-	-

Education Landscape

Education Market Ripe for Consolidation

Early Childhood Market Is Highly Fragmented

- Market remains highly fragmented, with no player having a market share of more than 2.5% of capacity
- Strong foreign interest in North American centers illustrated by BusyBee's acquisition of BrightPath Early Learning and Primavera Capital's acquisition of Stratford Schools
- Most firms remain focused on U.S. market
- Private equity extremely active in space

Top Childcare Providers by Number of Centers

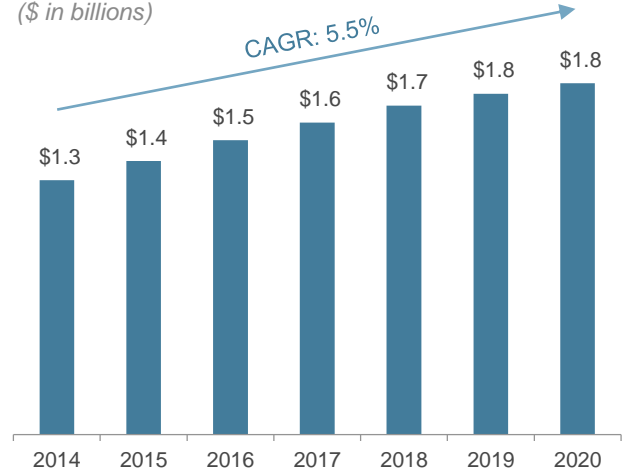
Rank	Company	Ownership	Centers	Mkt. Share as a % of Center-Based	
				Capacity	Centers
1	KinderCare Education	Partners Group	1,500	2.4%	1.4%
2	Bright Horizons Family Solutions	Bain Capital	1,030	1.4%	0.9%
3	Learning Care Group, Inc.	American Securities	880	1.6%	0.8%
4	Goddard Systems	Wind River Holdings	462	0.7%	0.2%
5	Primrose Schools	Roark Capital	339	0.6%	0.1%
6	Childcare Network	Glencoe Capital	255	0.5%	0.2%
7	Nobel Learning Communities Inc.	Investcorp	207	0.4%	0.2%
8	The Learning Experience	NVP, Quad Partners	188	0.3%	0.1%
9	Kiddie Academy	Essential Brands	175	0.3%	0.1%
10	Kids'R'Kids Learning Academies	Private	159	0.4%	0.1%

Roll-Up Opportunities in Ed-Tech

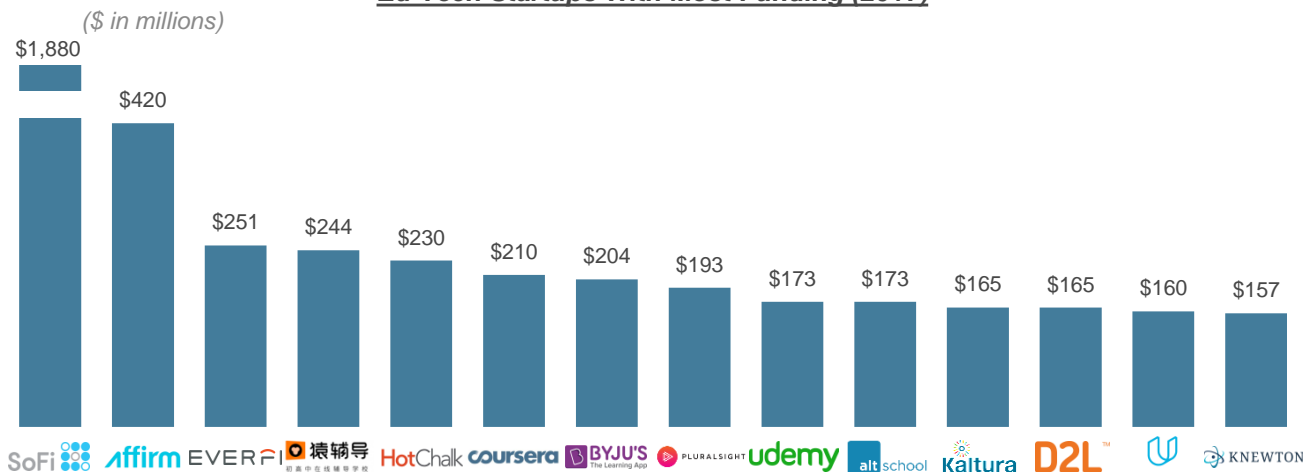
- K-12 market dominated by public school budgets and weighed down by long sales cycles
- Market remains highly fragmented with a number of profitable, subscale players
- Center for Digital Education estimates \$14 billion of K-12 spending on technology-enabled products and services in 2018
- New players seeking to find alternative business models that are less reliant on school budgets
- Increasing amounts of private capital being deployed

K-12 Spending on Software Continues to Grow

(\$ in billions)



Ed-Tech Startups With Most Funding (2017)



Education Public Comparables

(\$ in millions)									
	Enterprise	LTM			'17E-'18E	Enterprise Value/		Enterprise Value/	
Company	Value	Revenue	EBITDA	Margin	Growth	LTM	2018E	LTM	2018E
Education									
Early Childhood Education									
Bright Horizons Family Solutions	\$6,657	\$1,782	\$309	17.3%	9.4%	3.7x	3.5x	21.5x	18.6x
China Maple Leaf Educational Systems	1,872	195	79	40.7%	34.1%	9.6x	8.5x	23.7x	20.7x
AcadeMedia	967	1,222	109	9.0%	5.2%	0.8x	0.8x	8.8x	9.1x
G8 Education	963	621	131	21.1%	3.2%	1.5x	1.5x	7.3x	7.4x
RYB Education	325	141	16	11.4%	17.4%	2.3x	2.0x	20.3x	27.1x ⁽¹⁾
LIKE Kidsnext	142	155	9	5.6%	21.8%	0.9x	0.9x	16.3x	NA
Think Childcare	87	51	7	14.7%	23.5%	1.7x	1.4x	11.6x	8.3x
Early Childhood Education Average				17.1%	16.4%	2.9x	2.6x	15.7x	15.2x
K-12									
TAL Education	\$16,998	\$1,715	\$243	14.1%	62.6%	9.9x	10.0x	NM	NM
New Oriental	11,735	2,233	319	14.3%	35.0%	5.3x	4.8x	36.8x	33.2x
Virscend Education	1,960	146	69	46.8%	26.1%	13.4x	10.6x	28.6x	21.1x
Hailiang Education	1,945	152	50	32.7%	NA	12.8x	NA	39.2x	NA
Bright Scholar	1,479	232	51	22.1%	NA	6.4x	NA	28.8x	21.9x
Internationella Engelska	286	266	30	11.4%	7.8%	1.1x	1.1x	9.4x	10.3x
K-12 Average				23.6%	32.9%	8.1x	6.6x	28.6x	21.6x
Higher Education									
Laureate Education	\$6,493	\$4,378	\$832	19.0%	(10.0%)	1.5x	1.6x	7.8x	8.3x
Kroton Education	6,198	1,678	599	35.7%	(7.3%)	3.7x	4.0x	10.4x	9.3x
Grand Canyon Education	4,838	1,002	351	35.1%	8.4%	4.8x	4.6x	13.8x	12.9x
Higher Education Average				35.4%	0.6%	4.3x	4.3x	12.1x	11.1x
Traditional Education									
Pearson plc	\$9,998	\$6,211	\$1,016	16.4%	(8.1%)	1.6x	1.8x	9.8x	10.0x
John Wiley & Sons, Inc.	4,087	1,771	326	18.4%	(0.3%)	2.3x	2.3x	12.5x	10.3x
IDP Education	1,449	349	62	17.9%	18.9%	4.2x	4.0x	23.2x	21.7x
HMHC	1,373	1,408	204	14.5%	(0.7%)	1.0x	1.0x	6.7x ⁽²⁾	6.8x ⁽²⁾
Navitas	1,308	729	115	15.7%	(7.6%)	1.8x	1.9x	11.4x	12.3x
3P Learning	167	44	12	28.6%	5.7%	3.8x	3.9x	13.4x	11.8x
Traditional Education Average				18.6%	1.3%	2.4x	2.5x	12.9x	12.1x
Ed-Tech									
Blackbaud	\$5,403	\$807	\$140	17.4%	11.6%	6.7x	6.1x	38.5x	24.6x
2U	4,042	287	(11)	NM	40.0%	14.1x	10.1x	NM	NM
Chegg	2,414	269	5	0.0x	19.1%	9.0x	7.9x	NM	30.9x
Instructure	1,254	172	(46)	NM	30.8%	7.3x	6.0x	NM	NM
K12	430	895	110	12.3%	2.2%	0.5x	0.5x	3.9x	3.5x
Ed-Tech Average				NM	20.8%	7.5x	6.1x	NM	NM

Source: S&P Capital IQ, Bloomberg, company filings, and WallStreet Research

Note: Market data as of April 30, 2018

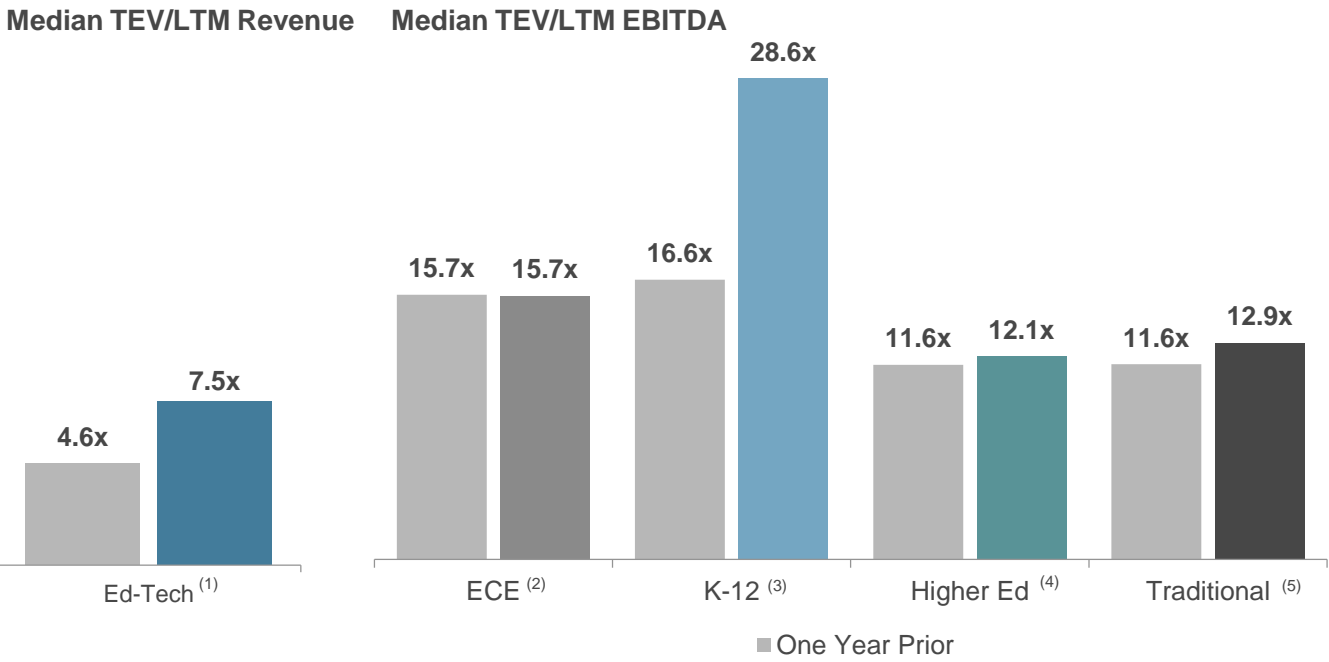
Note: "NM" represents multiples that are greater than 40.0x EBITDA or cases where EBITDA is less than 0

(1) Estimates for 2018 EBITDA show decline from 2017 due to ongoing financial impact from recent alleged abuse incident

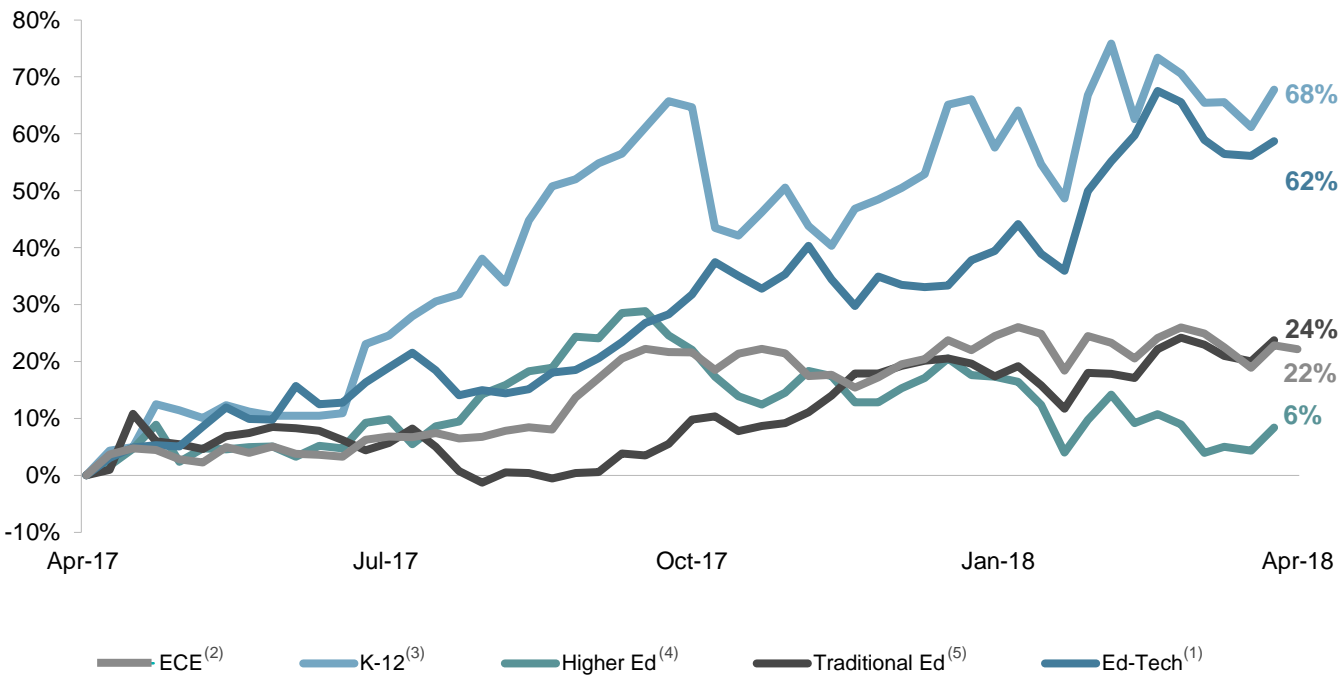
(2) Multiple of Adj. EBITDA rather than Post-Plate Cash Adj. EBITDA

Education Public Markets Overview

Valuation



12 Months Indexed Stock Price Performance



Source: S&P Capital IQ
Note: All data as of April 30, 2018

(1) Ed-Tech includes Blackbaud, 2U, Chegg, Instructure, and K12
(2) ECE includes Bright Horizons, China Maple Leaf, G8 Education, AcadeMedia, RYB Education, LIKE Kidsnext, and Think Childcare
(3) K-12 includes TAL Education, New Oriental, Kroton Education, Bright Scholar, Virscend Education, Hailiang Education, and Internationella Engelska
(4) Higher Ed includes Kroton Education, Laureate Education, and Grand Canyon Education
(5) Traditional Education includes Pearson, John Wiley & Sons, Navitas, HMHC, IDP Education, and 3P Learning

Recent Education M&A Transactions

Announced Date	Target	Acquiror	Target Description	TEV (\$M)	EV/ Revenue	EV/ EBITDA
Mar-18	myON	Renaissance	Provider of cloud-based digital literacy solutions for the K-12 market	NA	NA	NA
Feb-18	Discovery Education	Francisco Partners	Provides digital content for grades K-12 and community colleges	\$120.0	NA	NA
Feb-18	Endeavor Schools	Leeds Equity Partners	Ow ns and operates private preschools, K-5 schools, and Montessori schools in the U.S.	NA	NA	NA
Jan-18	Prometric	Baring Private Equity Asia	Provides test development and test delivery solutions for organizations worldwide	\$1,000.0	NA	NA
Jan-18	Weld North	Silverlake	Group of digital education technology companies	\$950.0	NA	NA
Dec-17	Stratford School	Primavera Capital	Private school operator in Northern California from pre-K to middle school	\$500.0	NA	14.5x
Dec-17	EduClimber	Illuminate Education	Cloud-based data system that increases efficiency and accuracy of data analysis to improve student outcomes	NA	NA	NA
Dec-17	Kids & Us	Corpin	Operates English learning schools in Spain	\$99.0	1.2x	NA
Nov-17	Wall Street English	CITIC Capital, Baring Private Equity Asia	Provides English language training services for adults in China	\$300.0	1.4x	34.7x
Nov-17	Studienkreis	IK Investment Partners	Leading provider of tutoring services for primary and secondary school students	\$99.0	NA	NA
Nov-17	Career Partner Group	Oakley Capital	Provides HR development and private higher education	\$146.0	NA	NA
Oct-17	Capella Education Company	Strayer Education	Provides online post-secondary education and job-ready skills services in the U.S.	\$953.0	1.8x	11.5x
Sep-17	Globaloria	Carnegie Learning	Operates a K-12 learning platform with courses in STEM, computing, game design, and coding	NA	NA	NA
Sep-17	Kiddi Caru	Grandir	Nursery operators in the U.K.	\$47.9	1.6x	10.4x
Aug-17	Trade Skills 4U	Palatine Private Equity	Offers electrical and renewable energy training courses	\$99.0	NA	NA
Aug-17	Education Advisory Board	Vista Equity Partners	Provides research and practical advice to academic, business, and student affairs leaders at a number of universities in the U.S.	\$1,550.0	NA	NA
Aug-17	Frontline Education	Thoma Bravo	Develops and delivers cloud-based K-12 education software to school districts in the U.S.	NA	NA	NA
Aug-17	Impero	Investcorp	Develops school network management and monitoring software	\$36.6	3.6x	12.6x
Jul-17	Inspired Learning (Educas)	TA Associates, Oakley Capital	Independent school group with schools from pre-K to 12	\$99.0	NA	NA
Jul-17	School Improvement Network	Frontline Education	Provides professional development products and services in the U.S., Canada, and internationally	NA	NA	NA
Jun-17	QA Ltd.	CVC Capital Partners	Provides training and learning solutions for individuals and businesses in the U.K.	\$886.0	NA	NA
May-17	Vircend Education Company Limited	China First Capital Group	Provides K-12 private education services in China	\$1,776.5	14.8x	31.5x
May-17	BrightPath Early Learning	Busy Bees	Provides childcare services in Canada	\$73.6	1.9x	17.4x
May-17	Schuelerhilfe GmbH	Oakley Capital	Leading provider of after-school tutoring to primary and secondary students in Germany and Austria	\$141.0	NA	NA
Apr-17	Nord Anglia Education	CPPIB, Baring Private Equity Asia	Operates premium international schools in China, Europe, the Middle East, Southeast Asia, and North America	\$4,349.0	4.9x	24.8x
Apr-17	Ascend Learning	Blackstone, CPPIB	Provides technology-based educational, curriculum, and assessment solutions	\$2,000.0	NA	NA
Apr-17	Academicworks	Blackbaud	Cloud-based scholarship management software for public institutions, private institutions, community colleges, and community foundations	\$50.0	NA	NA
Mar-17	Vietnam Australia International School	TPG Capital	Offers K-12 education programs to students in Vietnam	NA	NA	NA
Mar-17	Treetops Nurseries	Busy Bees	Operates a chain of nurseries in the U.K.	\$148.0	NA	12.3x
Feb-17	Questar	ETS	Offers solutions for the assessment market, including flexible, customizable services and complete products for states, school districts, and other clients	\$127.5	NA	NA
Feb-17	NACE Schools	Providence Equity Partners	Operates 21 primary and secondary schools in Spain, France, India, and the U.K.	\$371.0	NA	NA
Jan-17	EduServices	Capzantine, Grassaud Family	Provides vocational courses and training in sales, accounting, communication, and hospitality	\$74.0	0.7x	NA

Spotlight Interview: Jonathan Satchell



Learning Technologies Group (LTG) is a leader in the high-growth workplace e-learning industry. The company offers truly end-to-end learning solutions ranging from strategic consultancy through a range of content and platform solutions to analytical insights that enable corporate and government clients to meet their performance objectives.

LTG is listed on the London Stock Exchange Alternative Investment Market (LTG.L) and headquartered in London. The company has offices in Europe, the United States, the Asia-Pacific region, and South America.

Jonathan Satchell
CEO and President
Learning Technologies Group



Jonathan Satchell has worked in the education and training industry since 1992. In 1997 he acquired EBC, which he transformed from a provider of training videos to a bespoke e-learning company. The company was sold to Futuremedia in 2006. In 2007, he became interim Managing Director of Epic, a leading e-learning agency delivering global solutions to corporate and public sector customers, and the following year he acquired the company with Andrew Brode. He oversaw the transformation of Epic from a custom content e-learning company to LTG, an international and growing learning technologies service provider.

HL: *What are the major factors that you believe are driving client demand for outsourced corporate e-learning services? How does LTG distinguish itself from its competitors in addressing this demand?*

Jonathan: The drivers creating demand for digital learning are the same as those for digital-first thinking across all corporates and government—speed and complexity. You can't expect people to learn in old ways in the modern workplace. It's too slow and does not meet the expectations of how people now learn. The other main drivers are globalization and the need to transform most businesses to satisfy the demands of future customers.

Learning Technologies Group distinguishes itself by having the scope, scale, and expertise to be able to focus on measurable business impact results for its clients. The fact that we don't have to sell a particular solution (for instance, if you are a learning games business, you can only offer games) means that we can be far more strategic for our clients.

The business is now balanced between license-based and service-based revenue. This means we can either equip businesses to create, distribute, and measure learning themselves, or we can provide a full service with content, delivery, and support as a completely outsourced solution.

Each of the LTG businesses offers best-in-class solutions in its area of expertise. The total adds up to a full-service offering:

- **LEO Learning:** specialists in learning content (blended learning and all types of digital learning), strategy and consulting, learning platforms, delivery, and support
- **Preloaded:** BAFTA (British Academy of Film and Television Arts) winning games, VR and AR studio providing “play with purpose” solutions
- **NetDimensions:** the world-leading Learning Management System for high-consequence industries where compliance and licence-to-operate are essential
- **Rustici Software:** seamless technology working in the background of e-learning platforms to enable interoperability
- **Eukleia:** e-learning services and learning technologies provider specializing in governance, risk management, and compliance (GRC) training
- **gomo:** complete SaaS-based authoring suite for creating and distributing multi-device, “responsive” content
- **Watershed (27% stake):** learning analytics specialists enabling full business impact with measurement dashboards

Spotlight Interview: Jonathan Satchell (cont.)

We are now delivering multiple services all over the world, mainly through LEO Learning as the market face of LTG strength. So, for example, we are working for an oil company in the Middle East. They're rolling out a strategy and values program that is using LEO Learning for services such as advisory, blended design, workshops, video, animation, e-learning with assessment, and gallery and poster design. Our solution uses NetDimensions for the secure platform to register participants, record progress, and measure results and uses gomo to create and update mobile content to reach many thousands of people in multiple languages. This breadth is a big differentiator from most of our competitors.

Focusing on the "outsource" part of the question, we believe that, for most large organizations, it is essential to keep a core team within the business in order to maintain the required standards. However, there is no hope of having the large range of skills required to execute a full blended learning strategy in-house. What LTG/LEO Learning offers is a collaborative approach, which means we supplement capacity and capability as required. This is sometimes known as "rightsourcing."

LEO Learning now has a full Learning Technology Maturity Model, which enables us to diagnose the best route forward to get the best strategic results, so we also know what capability and capacity to deliver at each moment. We are experienced in working alongside internal learning teams to support the outsourcing of learning, enabling organizations to put learning at the heart of their business strategy.

HL: LTG successfully competes with large firms as well as thousands of smaller e-learning specialists. What are the benefits of LTG's size and business mix that allow you to compete with the diverse variety of competitors?

Jonathan: While we have the scope and scale to offer all lines of service necessary to make the learning process as efficient and effective as possible, we still organize the businesses in small, customer-focused account teams. These teams then draw in cross-group expertise or technology as required.

This gives clients the best of both worlds: a dynamic team that understands their sector and business combined with access to the full technical and creative studio.

Because we have maximized productivity, we are able to offer the highest quality output for the same price that our competitors offer mid-scale programs. This means we can add huge value and business impact.

HL: How do you think the structural shift to online and blended learning, coupled with the potential role of virtual/augmented reality, will impact the learning technologies space over the next five years?

Jonathan: We believe that the learning revolution we are seeing at work is fundamentally connected to the future success of business. The ability to scale learning will become the defining factor for future business prosperity. This means that businesses need to connect learning into the DNA of the operating model. (This is probably the opposite of the current situation, where L&D is an isolated department in many organizations.)

So, this implies the need for blended learning and use of technology, but it also shows the need for providing performance support so that people can learn while they're being productive. This is what we call "just-in-time" learning (information at the learner's moment of need), in contrast with more formal learning (when the learning schedule and content is dictated by the L&D department).

Over the next few years, augmented and virtual reality will be used to "shrink" the world and minimize the effect of distance.

Technicians (or any kind of learner) on the other side of the world can be in the same space as their colleagues, learning from each other and via media in ways that are both traditional and new.

Spotlight Interview: Jonathan Satchell (cont.)

The time spent traveling to sit in a classroom will become a thing of the past. It is likely to take another four or five years for the technology to be properly ready, so this may be a 10-year outlook rather than five.

HL: *What are the major challenges to the corporate e-learning market that concern you? Have any recent innovations mitigated these concerns?*

Jonathan: Cybersecurity has to be the biggest risk for the corporate e-learning market and beyond.

Aside from our first concern, the main challenge is to move fast enough to meet the needs of corporate learners—both in terms of systems and technologies as well as the services we provide. Our whole strategic aim is geared toward speed, quality, scale, and impact.

Our second concern is that no corporate (with the possible exception of IBM) is deriving overall strategic benefit from the use of learning technology. It's a patchy picture, and this patchy picture is slowing growth because leadership is not taking learning technology seriously enough.

This is emphasized by our research (a collaboration between LEO Learning and Watershed) looking at measuring the business impact of learning. The results show a marked upward trend in the interest of executive leadership to measure learning's impact.

So, LTG itself is an innovation that we believe is providing part of the mitigation.

HL: *LTG has had remarkable success employing a buy-and-build strategy. What types of acquisitions are you looking for in the U.S.?*

Jonathan: There are three main kinds of acquisitions we're looking at. The first is acquisitions to broaden our capability and geographical reach as well as increase our group presence in the U.S.; these will also aim to increase custom content/services capacity. Secondly, we're interested in domain-specific businesses in key sectors (such as pharma, energy, and aviation), where learning is highly mandated. Lastly, we're looking at software-based and platform-based businesses with recurring revenues.

HL: *How important is the mix of project-based revenue versus recurring or subscription-based revenue?*

Jonathan: The group's revenue streams are currently split between 55% services and 45% subscription from platforms. Further acquisitions will naturally skew the ratio of services-to-platforms revenue, and our medium-term goal is to retain a balanced portfolio with a bias towards recurring software license revenue.

HL: *How can you distinguish LTG from other buyers that may be competing for the same assets?*

Jonathan: LTG has spent the past four years assimilating a group of assets that are truly market-leading in their segments. This means we offer magnificent cross-fertilization and selling opportunities to any acquired business. This is significantly different from a purely financial buyer. We also share a passionate ethos of delivering high-quality learning interventions, in many different formats, with the vendors of any potential targets.

Note: After this interview was conducted, Learning Technologies Group announced on April 25, 2018, the acquisition of PeopleFluent, a leading independent provider of cloud-based integrated recruiting, talent management, and compensation management solutions.

Spotlight Interview: Tom Davidson



EVERFI, Inc., is a leading SaaS-based online education platform offering critical skills training for K-12, higher-ed, and adult training. We spoke to Tom Davidson, CEO of EVERFI, about his business and some of the major trends in ed-tech.

Tom Davidson
Founder and CEO
EVERFI
www.everfi.com

EVERFI

Tom Davidson is the Founder and CEO of EVERFI, based in Washington, D.C. Since starting the company in 2008, Tom has led EVERFI from a startup in a Georgetown apartment to an organization with more than 4,300 corporate customers and financial institutions.

Tom has been a leader in education technology issues for over 20 years. While a senior at Bowdoin College, Tom ran for the Maine House of Representatives, was elected in an upset, and served three consecutive terms before deciding not to pursue reelection. He served as one of the youngest committee chairs as Chairman of the Utilities and Energy Committee, where he led efforts to expand the wiring of schools and libraries across the state. He introduced and passed major legislation on health policy, government ethics, and economic development. He also served as a senior member of the Taxation, Banking Insurance, and Business and Economic Development committees.

HL: *What do you see the classroom looking like five to ten years from now, and what do you think are the next major changes?*

Tom: There's been a lot of discussion about personalized learning happening in the classroom, which had previously been thought of as students walking into the classroom and using the same platform that will ultimately direct them in different places based on cadence, timing, or learning level.

More interestingly than that, you'll not only see a technology-driven change in the classroom but also an expanded ability for students to choose and provision the type of content they're interested in. And you'll see teachers teaching students individually by pulling together a number of different sources and platforms. Students get out of bed in very different situations, and the idea that you would treat them the same, teach them the same, and serve them the same content is not the most effective. Kids also have different learning patterns, reading patterns, and different language skills. They can get out of bed hungry or not have coats to wear to school—something we just dealt with in a school district this week.

Applying the time machine test to education is also an interesting exercise: If you went back in time 50 to 100 years with heart surgery, production lines, transportation, etc., they all looked radically different than they look today. The classroom has maintained the same model with the teacher in front and 40 students sitting at desks. The overall construction of the classroom is going to change as technology continues to grow more and into the daily scheme of things.

HL: The time machine test is a pretty interesting analogy. So, to summarize, yes, learning is going to be adaptive and individualized, but it might become more two-way and not just driven by the teacher, and, as a result, might incorporate more open-source content and content from different sources.

Tom: I've even started to see it with my children where they're studying certain topic areas—the teachers become students, as they need to learn digital literacy and navigation, while the students learn the ability to trust and not trust sources and to understand where to find content. Both sides are teaching each other how to best find content, understand it, digest it, and learn from it. In conclusion, students are going to be given more choice to go out and find the right answers and content to serve the learning path that teachers are trying to put them on.

Spotlight Interview: Tom Davidson (cont.)

HL: *When you get to a point when learning is personalized, how do you measure improvement and success?*

Tom: At the end of the day, I doubt schools are going to move away from standardized gates that everyone has to cross through. Teachers will still need to hold students accountable for information that they're supposed to learn. The key point is that the pathways to get there might be different than the normalized textbook or one-size-fits-all content, because the journey on how to best learn material will vary as students discover how to navigate that content and understand and trust it.

HL: *That makes a lot of sense and brings us to a key area of concern for parents and teachers regarding the efficacy of high-stakes testing and how that might change in a more personalized setting. Are you utilizing data that you're gathering from students using the platforms to better tailor future lessons, or is that something that you're planning on doing in the future?*

Tom: We do, and we hope to continue to have the data to inform better types of learning for students. We also want to be able to understand the best pathways that students will learn and solve problems like summer learning loss, as well as continue to see what general trends we can find to improve the system over time. We are light on how much data we collect, but we do try to find the best learning paths for each student.

HL: *Without collecting a large amount of data, how do you assess the best learning paths, and what informs your process?*

Tom: In our higher-ed courses, we've done numerous control studies for our sexual assault prevention and software alcohol responsibility courses that we've been able to learn a lot from. We also have survey metrics built into the software that help us use analytics to gauge behaviors of college students on campus, which we're able to build into the software and improve over time.

HL: *So there's A/B testing, there's opt-in response, and there's observation of the outcomes on a campus level to see what's moving the needle in specific areas.*

Tom: Yes, and also comparing campuses to each other and particularly in those areas for older students.

HL: *How do you think about the content offered on your platform?*

Tom: In our K-12 market, our largest course is financial literacy, which trains students in hundreds of different topics around finance. Everything from compounding interest, to building up your credit, to tearing it down, to understanding mortgages—the basic plumbing of your financial life. It's a huge missing piece of the puzzle in American life and has had a devastating effect. It's usually something that we learn by a pain rather than in a positive and instructive way. I have yet to meet someone who hasn't had their multiple boneheaded finance moments at best, and, at worst, there are some who can get stuck in a tough cycle of poverty as a result of a lack of knowledge around things like ridiculous high-yield products and payday lenders, student loans, or crushing amounts of credit card debt.

It's crazy that students will graduate understanding biology, physics, or history but not understand the key financial things that they're going to get hit with the day they graduate or get their first job. That is our largest course in K-12; it's our fastest growing course and we think rightfully so.

Another area we find interesting is the problem of summer learning loss, which is one of the great white spaces in the ed-tech market. It holds kids back the most, as it compounds to a devastating 35%+ drop in vocabulary as well as study and math skills over the course of the summer for elementary school students. It can compound itself over years and put kids in third through fifth grade way behind as they're going into a pretty tough time in their education.

Spotlight Interview: Tom Davidson (cont.)

HL: On the financial education side, while I agree that it is a critical skill for everybody, the cynical side would say, “Well, that’s most widely distributed because there’s a lot of financial companies that want to support that to get new, better customers.”

Tom: I hope that’s the case. I’ve never looked at that as a downside, and if you go talk to any bank or financial services firm and ask them, coming out of the 2008 crisis, whether they wish there had been a broader financial education set, including about the way they deploy their products, you would get a pretty strong answer.

Nearly everyone has agreed that financial institutions should be getting behind financial education and doing a better job of wrapping real third-party–developed, research-oriented financial education around their products or as part of their education processes.

There’s also an obligation on schools to implement this as a required part of the curriculum. It’s absurd that we don’t require financial literacy as part of K-12 schools, with everything that we require kids across a 12-year landscape of their education. The fact that they would not learn that and get thrown into the deep end day one is scary, and it’s great if financial institutions step up and pay for it because there isn’t money in school districts to pay for it.

HL: *Could you talk more about summer learning loss and how your programs work?*

Tom: One of the analogies we use at EVERFI is the crop dusting versus farming analogy. We are strong believers that the ed-tech space has been crop dusted, where you have people mass-sending logins or CDs, or throwing over pamphlets to teachers with the hope that they can one day use it. Completion rates are low, and there isn’t much measurement. So what we did was went out and hired about 140 former full-time teachers to help implement our programs in local schools—because it is so hard to do so unless you have people on the ground. It can’t be done from a distance—you need people who understand the street signs and know what the halls of these schools look like. We were in a wonderful school today, H.D. Woodson High School in Southeast D.C. Until you go there and talk to Miss Myers and look at the kids in the face, you don’t know the difficulties of implementing these programs. Many ed-tech companies have made the decision not to build an on-the-ground implementation team, and it’s one of the reasons many have remained small. It’s a long answer to the question explaining what informed us about the summer learning loss piece. Most people would say, “Let’s send logins to a teacher June 1 and hope the kids will finish by August 20 when they go back to school.” In our approach, you begin the process in class starting in March, because it needs to be bolted into both sides of the school year through the summer. Ultimately, it runs for a five-month period versus the two to three months of vacation. Major League Baseball has gotten behind this in a big way and has gone out in partnership with the teams in cities across the country.

HL: *And on the financial literacy component, do you do those same programs as adult learning programs, as well? How does the implementation for that look different than some of your other strategies?*

Tom: Absolutely, we have hundreds and hundreds of major financial institutions that license the software for adult customers, and it’s important because the same problems, challenges, and education issues exist with grade school students, middle school students, college students, adults, and seniors. We made a significant decision a couple of years ago to invest heavily in an adult-based platform that is able to serve up content in hundreds of different areas ranging from the basics of credit cards and mortgages to military-family specific training to senior elder-abuse training. It’s a big part of our business now. Our products are all private label to the financial institutions so you never see us, but we power the platforms for many major financial institutions.

HL: *Looking at the three areas in which you operate—K-12, higher-ed, and adult learning—how do you think about how these sectors differ and why does offering across sectors make sense, given that you see most ed-tech companies focusing on one age group. How does it fit into your strategy to offer products for everyone, and how do you think about the different markets?*

Spotlight Interview: Tom Davidson (cont.)

Tom: I think that it came from a pretty specific/intentional place in that a lot of these areas—particularly our largest areas, like financial literacy and sexual violence down to bullying and compassion—are intricately tied across the age spectrum, so we didn't want to be just a moment-in-time high school financial literacy program or just a college orientation program around sexual violence. We wanted to get with kids in fourth grade and start teaching them about values and continue that education for the rest of their lives. We're doing this amazing project right now with Jeff Weiner from LinkedIn on compassion at a very young age. The education for these skills is tied together across ages, so even though they are different regarding implementation and strategy, the key is that we're agnostic as to what age it plays out at, as long as we're making sure that we're covering a large skill/group, because we don't think moment-in-time education works.

HL: *Given EVERFI's recent acquisitions in the adult education space, can you talk about how EVERFI thinks about education among different age groups?*

Tom: Where we sit in the Gartner/McKinsey world is a shade muddy because we think about it across the board in a manner that is based on our partners. When you look at our major bank sponsors like BB&T Bank or Bank of America, when they license our software, they are playing across every age and are amazing about sponsoring things in high-poverty areas across the country. They are licensing it for K-12 and large universities as well as to their adult customers, seniors, and military families. So, we think of it more from this perspective: How does our product best serve our large enterprise customers? How can we help Google with three/four different things that matter to their business? So we've got over 4,000 major blue-chip customers that license our software for everything from conduct and harassment to diversity and inclusion at adult levels in the workplace, all the way down to sponsoring third-graders and summer learning loss. We've got one software platform called Foundry, which serves up all this content, measures it, does analytics around it, and creates dashboards around it for all age group products.

HL: *It sounds like you have this idea again of critical skills that should be taught over a lifetime, starting off by generally teaching values and then expanding to adult-specific applications like sexual harassment, which should also ultimately reinforce those core values learned in third grade.*

HL: *What do you think are the major challenges that EVERFI is facing and that other ed-tech companies have to overcome? What are the major industry pain points right now or the problems that need solving?*

Tom: The ed-tech market has been challenged by having thousands of \$1 million to \$2 million companies that work in a couple of school districts and are great companies, but you can name on one or two hands the de novo companies of scale that have reached critical mass—so north of \$100 million in revenue domestically. I came into this market as a former state legislator, and it was clear to me that trying to obtain funding from school districts that were already under incredible amounts of budgetary pressure was impossible. Unfortunately, people walk into the space and see there's \$33 billion a year on content to spend in K-12 but only realize later that it's almost entirely the federal budget; there's very little that is discretionary and is not locked up in long-term contracts with publishers. There's not a lot of room, so one of the things that we were good at was figuring out creative ways to get around that, so, broadly, you have a lack of companies that have scaled in the ed-tech space, which makes it difficult for us to learn from each other.

I was on a call today with CEOs of three of the companies that had that and have scaled to north of \$100 million in this business, because we're the only people we can learn from. The lack of an established path is one of the things that holds the space back. And then you've got funding that's flooded in and made it easy for companies to pursue those small, local budgets. I joke that it's easy in the ed-tech space to start and grow a company to be generating \$500,000 to \$1 million in profit.

Spotlight Interview: Tom Davidson (cont.)

When we get to that level, we can sustain ourselves on localized grants and two-district charter implementations, so what we've wound up with is thousands of small ed-tech companies that never go away. It doesn't create a TAM or a marketplace that people feel confident in. That's why I look at leaders like Chip Paucek at 2U, Aaron Skonnard at Pluralsight, Ryan Smith at Qualtrics, Jake Schwartz at General Assembly, and these folks who have built significant, important enterprises and draft off of what they do and what they've learned.

HL: I totally agree; we've seen it over and over again that there are these little pockets of money that people tap but never have the ability to scale outside of, creating an incredibly fragmented market. And we do have another thesis internally that you've had these big guys dominate for so long because, for years, the revenue came down from federal mandates. Now that more powers have been given to the states in the new administration, it will be interesting to see how the landscape shifts. Common Core was supposed to unify everything but ended up fragmenting the market because no one could agree on the standards. Ironically, a bunch of the centralization happened under former U.S. presidents George W. Bush with the No Child Left Behind Act and then Barack Obama with the Race to the Top Fund, which worked out well with these big, centralized companies. Now that the states have more money, and Common Core has become much more state-oriented and everyone has their own view, it's going to be interesting to see what happens because it takes away some of the advantage for the big players. It's possible that a bunch of those \$500,000 to \$1 million companies will be able to grow significantly, but the question is, as you said, will they become those \$100 million+ revenue companies of scale. But it's an exciting time, and people believe that, all of a sudden, these oligopolies are dissipating for a bunch of reasons, some of which have to do with the political structure, and, as a result, more money is flowing into education these days.

HL: *Could you walk us through the EVERFI business model and how you were able to navigate the challenges in the space to reach scale?*

Tom: While we've added content areas over time, we've kept the model exactly the same all the way through. In our K-12 business, we wanted to build this system that the private sector would support and license the software for schools. That's never changed. We love the model that we've had, and there have been a few important things we hold at our core. Number one was that we never cared about ever building a brand for EVERFI and, rather, wanted to focus on being the intel inside of a big network of companies and institutions that are trying to solve financial education, financial literacy, or sexual violence. We never waver from that.

We set high expectations and then held a constant mentality of trying to raise the bar in terms of the size of deals. In a way, we are a fully, wholly, completely mission-driven company. We wake up every day trying to stop women from being assaulted on campuses, trying to have kids think differently about racism and bullying, and trying to stop kids from falling into a cycle of poverty. It's entirely mission driven. I also joke to everyone on our team that if you ever describe this business as a "mission driven" or "socially responsible" business, it's the only fireable offense. We had this strong feeling that education and social impact companies often use their mission as a crutch and are apologetic about not being a nonprofit or feel they have to compensate by donating products or funds. I've always said that this business is hard enough—you don't have to create artificial barriers.

What we've been successful with is maintaining focus on trying to be one of the great software-as-a-service companies. Every day we look at metrics like net retention, cohort renewals, and gross margins. How are we doing on that front compared to Workday and Salesforce, the great SaaS companies out there? So that's been a differentiator—we haven't chosen to pick fights that are unnecessary for ed-tech companies.

HL: A couple of summary points. Clearly, there is a big SaaS element that you tied that back to your platform and that you've always stuck with. Two, because you stuck with that platform, in a way, that brand wasn't particularly important, and the questions of being mission driven or branding became irrelevant, as your core mission is really about espousing values and doing so in a consistent way. And you were able to manage by KPI and have a consistent focus on those KPIs in addition to your values.

Spotlight Interview: Tom Davidson (cont.)

HL: *What other emerging ed-tech companies or technologies do you admire right now, and if you weren't running this business, in what space would you be especially interested?*

Tom: Chip Paucek is building a special business at 2U that's going to be around for a long time. Another interesting one is RaiseMe, which is trying to disintermediate the college scholarship and also address how students begin to think about that earlier in life. PresenceLearning is another good one that is trying to help students in rural areas and underserved communities find a path to therapists and assistance for kids who have special needs.

There is a unique opportunity for someone to come in and roll up these companies that are not yet big enough. I'm expecting some great operator to begin to consolidate the couple million-dollar businesses that are adding value to school districts and can get the efficiencies and the scale to take on some of the big publishers—my sense is you'll see something like that pretty soon. We're seeing a lot of movement in that area. There's also a big conversation around the workplace, and learning in the workplace, that people are reimagining in a big way.

Obviously, the international market is intriguing, particularly in India and China, with the enormous size of those markets and the companies that are getting built into such significant scale quickly. It's impossible not to pay attention to that if your goal is to develop a company of scale.

HL: *Have you started to do things internationally?*

Tom: We're limited to North America right now for our K-12 and higher-ed businesses. I joke with people all the time and say, "I haven't even figured out our implementations in Mississippi yet, so we may need a little time before we're ready for international." We do feel the pressure beginning to mount, particularly in financial education, sexual assault, and conduct in the workplace, because these are truly international issues. We are international in our adult business.

HL: *These are global issues, and you have a longitudinal approach, so I understand. We'll see what happens, but I agree it's a fragmented market. There's a lot to do here in the United States.*

Tom: The last thing that is important is that when you look at the innovation in transportation, healthcare, drug delivery, and energy, you see that one of the things that has been missing from the education space is a lack of a thriving private sector that can innovate. What's exciting about the last 10 years or so is the inflow of private capital into the market. When we raised \$191 million in our last round, most people thought, "Oh my gosh, that's an enormous amount of money," but my point was, "Oh my god, that is such a minuscule amount of money when you put it against the intractable problems that we're trying to go after."

So, I think there's a little bit of a joke's-on-us, where we're all going to need to step up our demands for capital and stop messing around with small-dollar deployments against problems that have been around for hundreds of years.

HL: *Learn Capital has this great chart on its website that compares the total market cap of media & entertainment, healthcare, and education companies to the expenditure in each sector. The market caps for both media & entertainment and healthcare come in at around 80% of total expenditures, but education comes in at just 2%. So, it is a public expression of that same phenomena you described.*

Tom: Agreed. I came out of my last job in the venture capital community, and one of the challenges is we have a lot of entrepreneurs in this space who come at this in such a cool way from only a mission perspective. They're former teachers who know exactly what needs to happen in the classroom and are a huge benefit to the space, but we also need to make sure that we're encouraging people to come with the mindset that important companies take a lot of capital and time to build. Particularly in the software world, everybody needs to get their head around the fact that you don't build an important SaaS company with \$5 million to \$10 million; you need \$70 million to \$100 million. This is because it's a technical endeavor, and to build a business model to make that happen takes some time. And if the industry stepped back, the perspective would shift from, "Wow, we just raised \$2 million to go after student loan defaults," to realizing that these are literally trillion-dollar exposure businesses, and we will see that it's a place where hundreds of billions of dollars should be deployed by the private sector.

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