



Enterprise Assessments Deep Dive

DISCUSSION MATERIALS

Q2 2023



Houlihan Lokey

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Houlihan Lokey Is a Leading Corporate Finance Advisor

THE LEADING M&A ADVISOR, DRIVEN BY INDUSTRY EXPERTISE

- No. 1 global M&A advisor for global transactions under \$1 billion*
- Closed 1,800+ M&A deals in the past five years

2022 M&A Advisory Rankings Global Transactions Under \$1 Billion

Advisor	Deals
1 Houlihan Lokey	381
2 Rothschild & Co	369
3 JP Morgan	217
4 Lazard	206
5 Goldman Sachs & Co	203

Source: Refinitiv. Excludes accounting firms and brokers.

2022 M&A Advisory Rankings U.S. Transactions Under \$1 Billion

Advisor	Deals
1 Houlihan Lokey	181
2 Generational Equity	129
3 Piper Sandler & Co	124
4 Jefferies LLC	121
5 Lincoln International	103

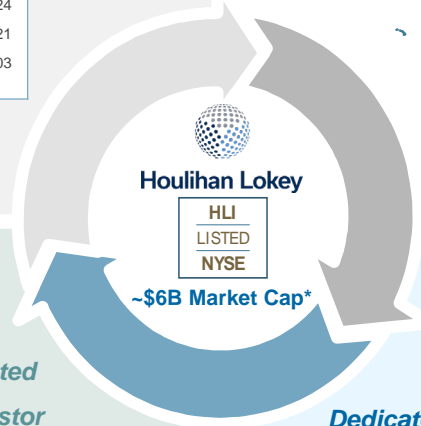
Source: Refinitiv.

GLOBAL SELLSIDE M&A EXECUTION BOLSTERED BY LOCAL PRESENCE

- 36 offices in the Americas, Europe, and Asia
- 370+ cross-border deals since 2011
- Outstanding track record with international investors, both on sellside and buy-side transactions



● Houlihan Lokey Locations



FULLY INTEGRATED DEBT CAPITAL MARKETS COVERAGE TEAM

- Global team of ~90 professionals across 11 offices in five countries
- Senior-level contact into all major credit investors
- \$25~ billion capital raised over the past two years

Largest dedicated alternative investor coverage team in the industry, with unique intelligence to optimize Houlihan Lokey sellside processes

FULLY INTEGRATED FINANCIAL SPONSORS COVERAGE TEAM

- 24 senior officers dedicated to the sponsor community in North America and Europe
- Worked on more than 2,000 engagements for financial sponsors in 2022

Dedicated coverage of 1,000+ funds provides proprietary data and knowledge of buyer behavior

Since 2015, 700+ private equity firms have chosen Houlihan Lokey to advise on M&A or capital raising for their portfolio companies

Our integrated project teams work hand-in-hand from day one and are fully aligned to deliver outstanding results for our clients

* As of April, 2023.

Source: Refinitiv.

*Excludes accounting firms and brokers.

Professional Learning Market Leadership

Global Footprint Across Core Professional Learning Segments

Houlihan Lokey's global team continues to demonstrate leadership across all components of the professional learning segment.

Compliance

VESTAR
has made an investment in

360 TRAINING
a portfolio company of

GREYLION

Buyside Advisor

Colibri
a portfolio company of

GRIDIRON
has acquired

Becker and **OnCourse Learning**
from

ADTALEM
GLOBAL EDUCATION

Buyside Advisor

Ridgmont EQUITY PARTNERS
has made a minority investment in

TEACHERS of TOMORROW
TEACHER CERTIFICATION

Buyside Advisor

TAILWIND CAPITAL
has acquired

ISSA

Buyside Advisor

LRN Inspiring Principled Performance
has received an investment from

LEEDS Equity Partners

Sellside Advisor*

alchemy
a portfolio company of

Riverside
has been acquired by

intertek

Sellside Advisor

Skills-Based

SEG
ACCELERATE GROWTH
a portfolio company of

RFE
has acquired

ACTION SELLING

Buyside Advisor

ATAIROS
has acquired

LifeLabs Learning

Buyside Advisor

Educate 360
Professional Training Partners
a portfolio company of

Morgan Stanley CAPITAL PARTNERS
has acquired

UNITED TRAINING

Buyside Advisor

SANDLER
has received an investment from

BLUE MARLIN

Sellside Advisor

corporate visions
conversations that win[®]
a portfolio company of

Sentinel
CAPITAL PARTNERS
has been acquired by

Riverside

Sellside Advisor

skillsoft
has merged with

CHURCHILL CAPITAL II

Sellside Advisor

Post-Secondary

BPP
a portfolio company of

TDR Capital
has acquired

FIREBRAND

Buyside Advisor

TDR Capital
has acquired

BPP

Buyside Advisor

EducationDynamics
a portfolio company of

Prudential Private Capital and

MUIRLANDS capital
has been acquired by

RENOVUS CAPITAL

Sellside Advisor

Assessments

question mark
a portfolio company of

FPE CAPITAL
has been acquired by

Learnosity
a portfolio company of

Battery

Sellside Advisor

AIR
AMERICAN INSTITUTE FOR RESEARCH
has divested its Assessment Division to

Cambium LEARNING Group
a portfolio company of

VERITAS CAPITAL

Sellside Advisor

IPAN
Performance - Assessment - Network
has been acquired by

psi

Sellside Advisor

*Tombstones included herein represent transactions closed from 2018 forward.

*Selected transactions were executed by Houlihan Lokey professionals while at other firms acquired by Houlihan Lokey or by professionals from a Houlihan Lokey joint venture company.

Training & Education Practice

Core Coverage Pillars

The Training & Education team serves businesses that, broadly, help individuals and companies achieve growth through learning.

Training

Learning content, programs, and services, helping professionals and businesses remain compliant, develop skills and competencies, and improve performance

- *B2B Career-Elevating Soft Skills*
- *B2B Career-Elevating Technical Skills*
- *B2B Compliance: White Collar*
- *B2B Compliance: Blue Collar*
- *B2P Certification and Licensure Training*

Assessments

Technology, intellectual property (IP), and infrastructure that create or administer proprietary tests, examinations, and/or performance reviews (collectively, "assessments")

- *Enterprise Assessments: Pre-Hire*
- *Enterprise Assessments: Post-Hire*
- *Enterprise Assessments: OKR⁽¹⁾*
- *Educational Assessments and Credentials*
- *Delivery and Enablement*

Education

Curriculum creators, brick-and-mortar institutions, and service providers that support schools, from early childhood through post-graduate institutions

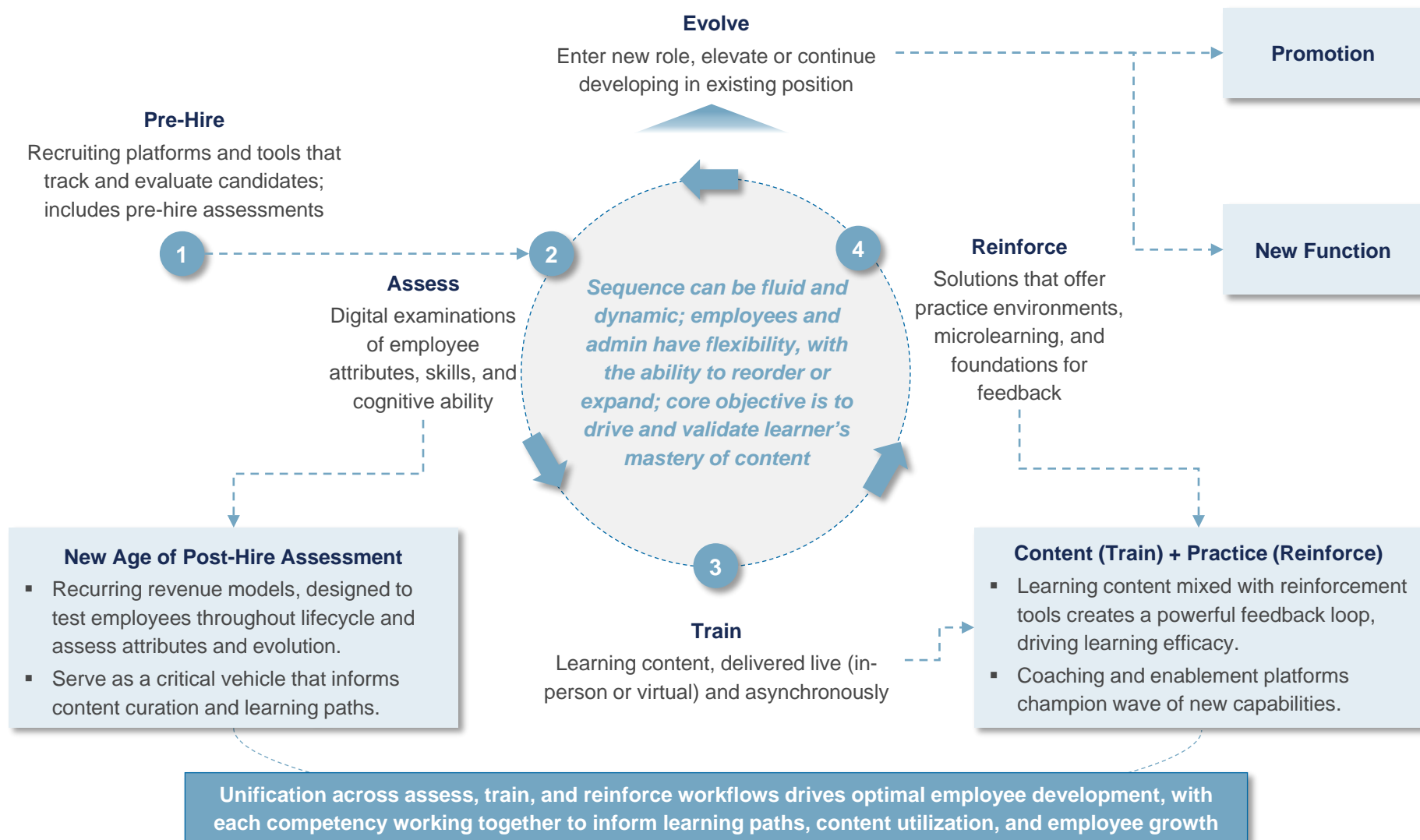
- *Early Childhood Education*
- *K-12 Learning Content*
- *K-12 Services*
- *Extracurricular Learning*
- *Higher Education Learning Content*
- *Higher Education Services*

(1) Objectives and key results.

Summarizing the B2B Learning Universe

Houlihan Lokey B2B Learning Framework | Assess. Train. Reinforce. Evolve.

Houlihan Lokey's proprietary "Assess. Train. Reinforce. Evolve." framework paints a long-term picture for the B2B professional learning space.



Note: The above depiction is illustrative and aspirational for many enterprises.

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The Professional Assessments Ecosystem

Two Core Segments

The professional assessments ecosystem is separated into two core verticals: (a) delivery and enablement and (b) IP and technology.

	Delivery and Enablement Regulatory		Segment of Focus IP and Technology Enterprise		
Description	Regulatory and compliance services that test, administer, report, and sometimes create assessments for government agencies and regulatory bodies		Service providers that author, administer, and track proprietary assessments, which evaluate (a) job candidates and (b) active employee competencies and performance; data and technology capabilities inform long-term enterprise hiring objectives		
Typical Customers	Government agencies; regulatory bodies; education institutions		Small, medium, and large enterprises		
TAM⁽¹⁾	\$2.5B+(²)		\$3.0B+		
Segment Attributes	Long-term contracts; consistent and stable growth; exceptional barriers to entry		Highly scaled; large and faster growing market; technology can serve as key differentiator		
Challenges	Capital intensive; large-scale contracts can create lumpiness; limited TAM opportunity		Competitive, especially in pre-hire space; gaps persist between tech and IP players; early innings of connectedness across segments (as defined below)		
Select Market Leaders					
Segmentation	In-Person	Virtual	Pre-Hire	Post-Hire	OKRs⁽³⁾
Competitive Intensity					
Vertical Momentum					

Note: The K-12 assessments segment represents a separate portion of the broader assessments ecosystem. The K-12 segment is excluded from this set of materials, which focuses only on professional assessments.

(1) Based on proprietary Houlihan Lokey data.

(2) Reflects professional learning delivery market (excludes K-12 and HE market).

(3) Objectives and key results.

The Enterprise Assessments Segment

Long-Term Thesis

The enterprise assessments segment delivers clear value for enterprises and is in the early innings of achieving its value-creation potential.

Thesis Summary

The enterprise assessments segment reflects a core pillar of the broader human capital management (HCM) development ecosystem; the segment is experiencing significant disruption, with developments driving ROI for enterprise customers.

- ✓ Tech-enablement has powered alignment between assessments, data, and customer strategy.
- ✓ In many cases, assessments help quantify, measure, and analyze qualitative skills and attributes.
- ✓ Data and analytics have turned assessments into a predictive mechanism, at scale.
- ✓ Technology has improved the scalability and usability of assessments across organizations, proliferating assessments across the employee lifecycle, from pre-hire to long-term OKRs.

We are in the early innings.

- ✓ Technology and IP are still converging, with leaders either winning with technology or IP library depth and efficacy.
- ✓ Use cases are still divided, starkly, between candidate vetting (pre-hire) and employee development (post-hire), with limited linkage between pre-hire and post-hire assessments or learning content that is responsive to assessment performance.
- ✓ Long-term connectedness across (a) assessments verticals and (b) assessments, learning, and performance management are poised to drive clear customer value and ROI, paving multiple paths for further innovation from and growth for enterprise assessments leaders.

Clear Value Creation for Customers



Better Candidates



Higher Retention



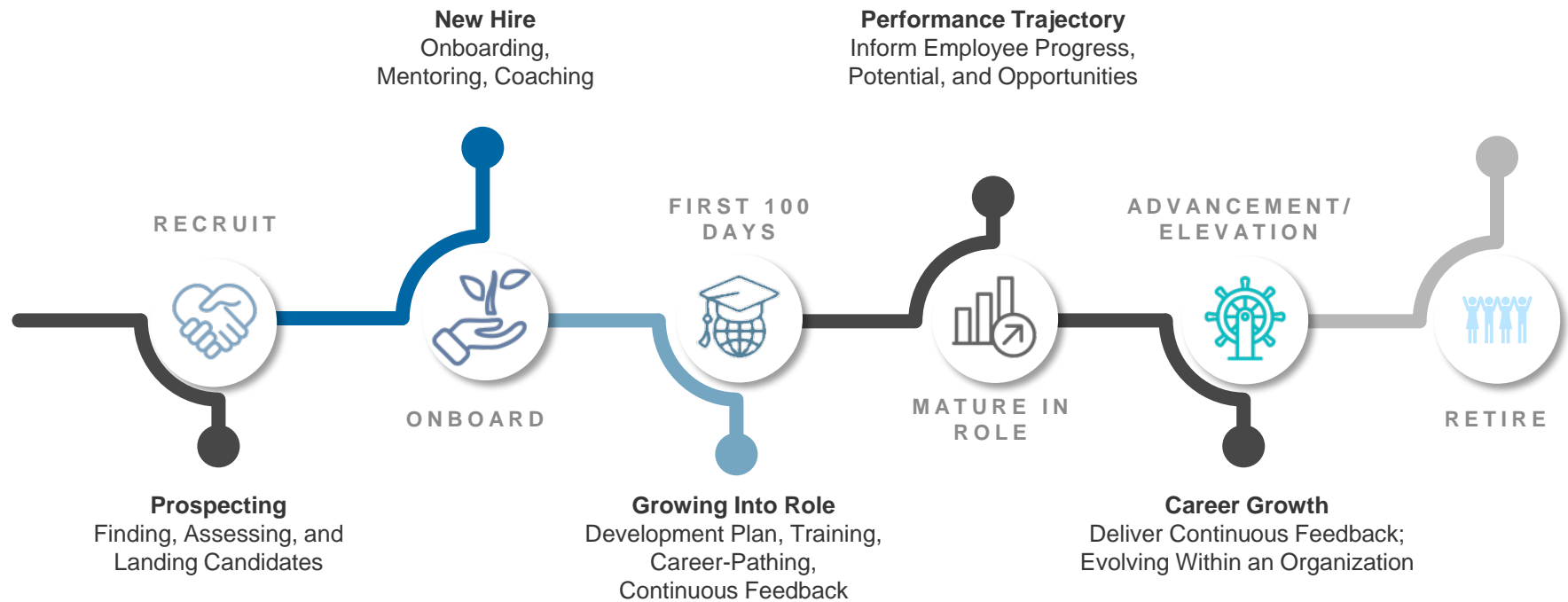
Improved Performance

The Enterprise Assessments Segment

Mission-Critical Measurement Instrument

Assessments possess a foundational presence across all stages of the employee lifecycle and serve as a mission-critical measurement instrument that can improve employee and, consequently, enterprise performance.

Lifetime Learning and Development | Enterprise

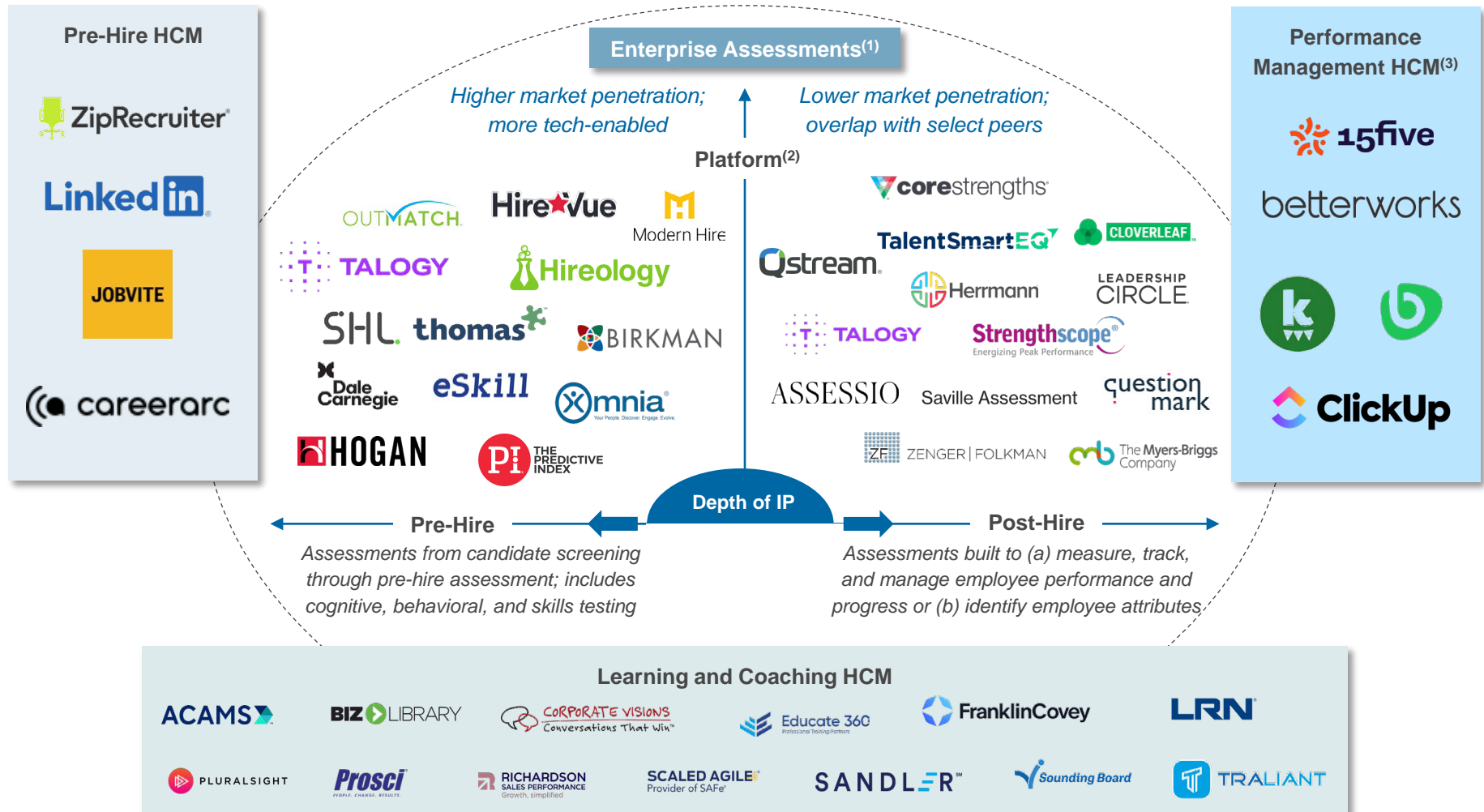


Assessments provide an essential data pillar for long-term development and improvement and build harmony between all stages of an employee's journey, from candidacy to retirement

The Enterprise Assessments Segment

Illustrative Market Map

The enterprise assessments segment sits in the broader HCM universe and serves as a critical connector to three massive HCM pillars: pre-hire, performance management, and learning. The assessments segment provides critical measurements, markers, and insights as enterprises assess hiring strategies, mechanisms, and services to develop talent and long-term HCM performance goals.



(1) Logo locations are representative and for discussion purposes.

(2) Reflects tech enablement and capabilities beyond IP.

(3) Includes OKR software.

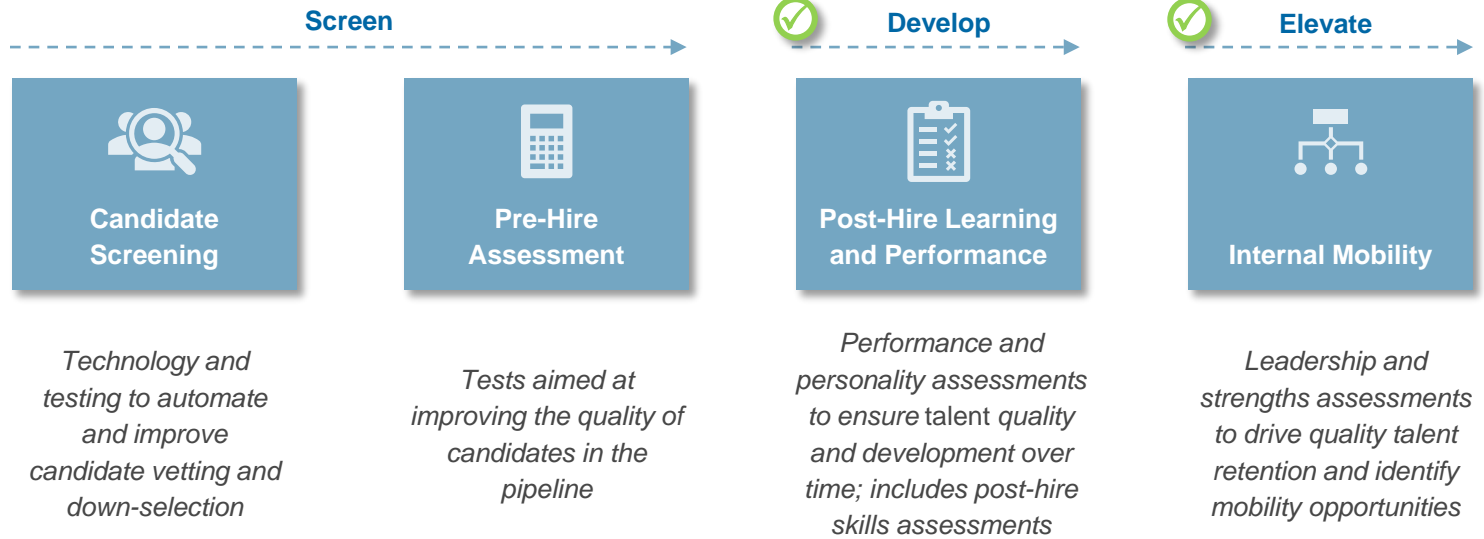
The Enterprise Assessments Segment

Use Cases and Customer Value Creation

Assessments are leveraged across the talent recruitment, management, and development lifecycle and deliver clear, quantifiable benefits.

✓ High-Growth Segment

Top Use Cases



Tangible Results



(1) The ROI of pre-employment assessments, and criteria.

(2) AON pre-hire assessments case study, Elkjøp stores.

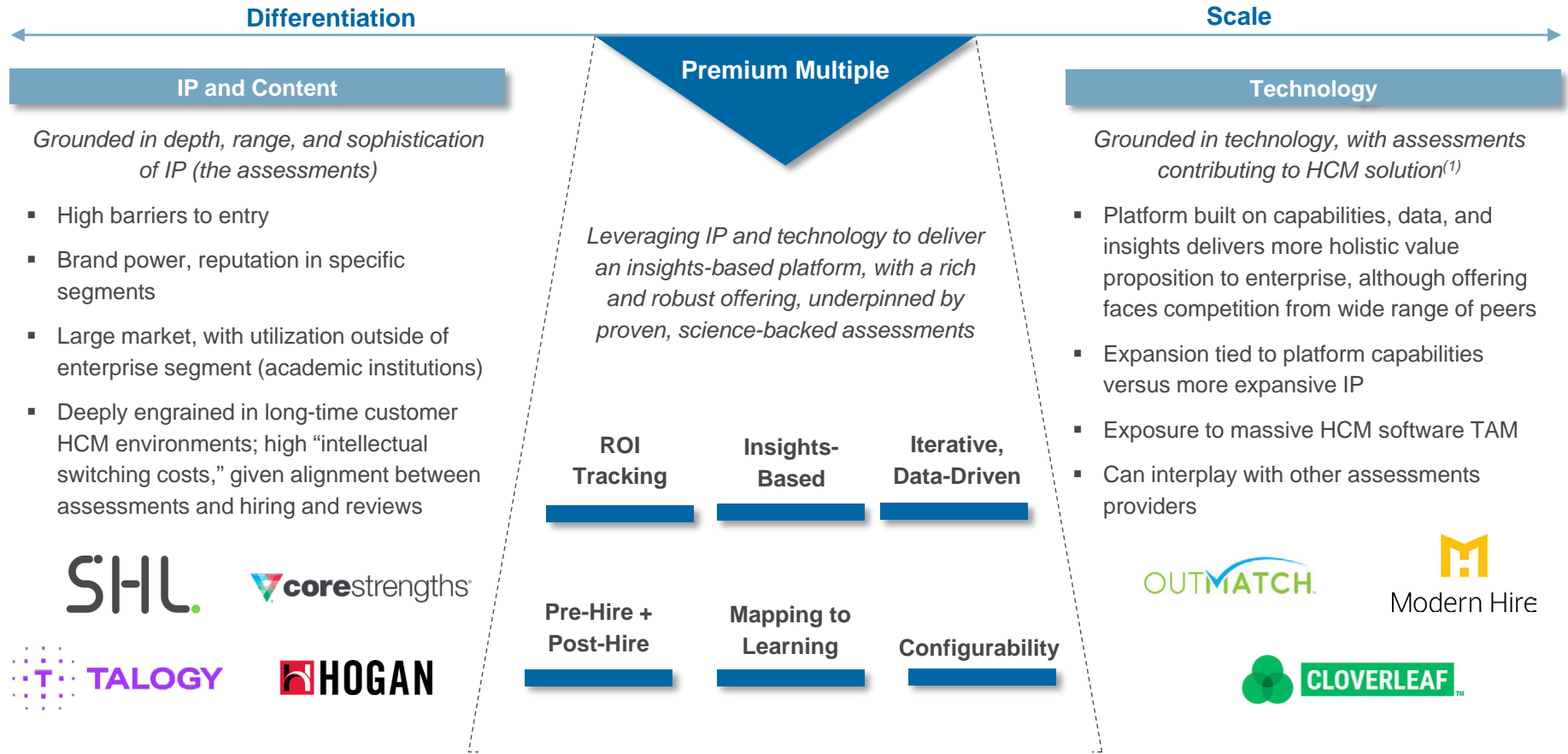
(3) Employee Engagement, Clear Company (July 2022).

(4) Booz Allen case study by Qz Magazine (October 2022).

The Enterprise Assessments Segment

Pillars of Valuation | IP and Technology

IP serves as the foundational differentiator for most assessments players; technology provides players with scale, data capabilities, and configurability, enabling assessments to interplay with the broader HCM ecosystem and inform key strategic HCM decisions.



Combination of (a) deep, proven, and science-backed IP with (b) data and insights that inform hiring and employee development delivers premium multiple, underpinned by scale, barriers to entry, and potential embedded growth from land-and-expand opportunity

(1) Typically reflects pre-hire solution.

The Enterprise Assessments Segment

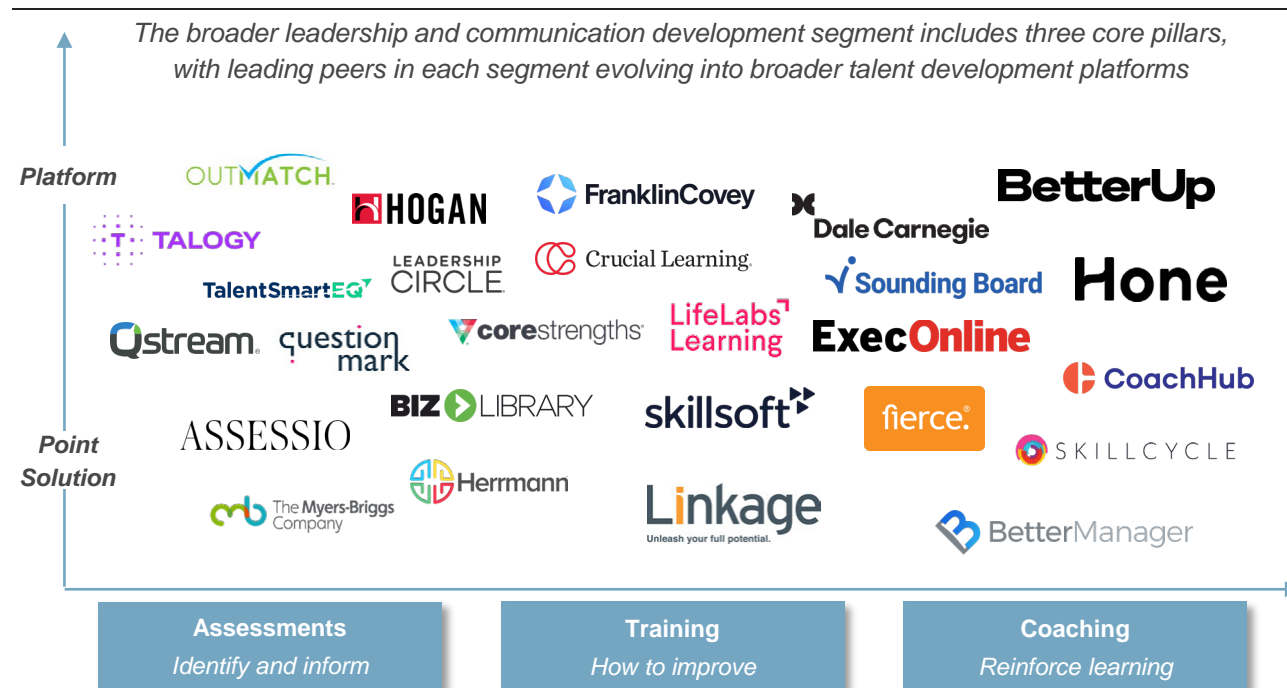
Proximity to Leadership and Coaching Offerings Support Momentum

Leadership training and coaching platforms have received material capital investment over the past three years; tight alignment between assessments offerings (identify) and training and coaching (improvement and reinforcement) suggests momentum in assessments segment.

Notable Investment in the Leadership and Coaching Segment

						
Acquired by Atairos	\$631M raised to date	\$47M raised to date	\$93M raised to date	\$87M raised to date	\$75M raised to date	\$352M raised to date

Illustrative Leadership and Communication Learning Ecosystem












Key Opportunities

- ✓ The leadership development segment taps into functions across an organization, increasing the market opportunity.
- ✓ Capital continues to be deployed in the segment, validating the segment's long-term trajectory.
- ✓ Assessments sit firmly within the ecosystem, identifying skills and gaps and complementing both training and coaching.
- ✓ **The market is ripe for long-term M&A**, given few platforms and a large mix of players across all three markets.

The Enterprise Assessments Segment

Attributes and Areas of Focus

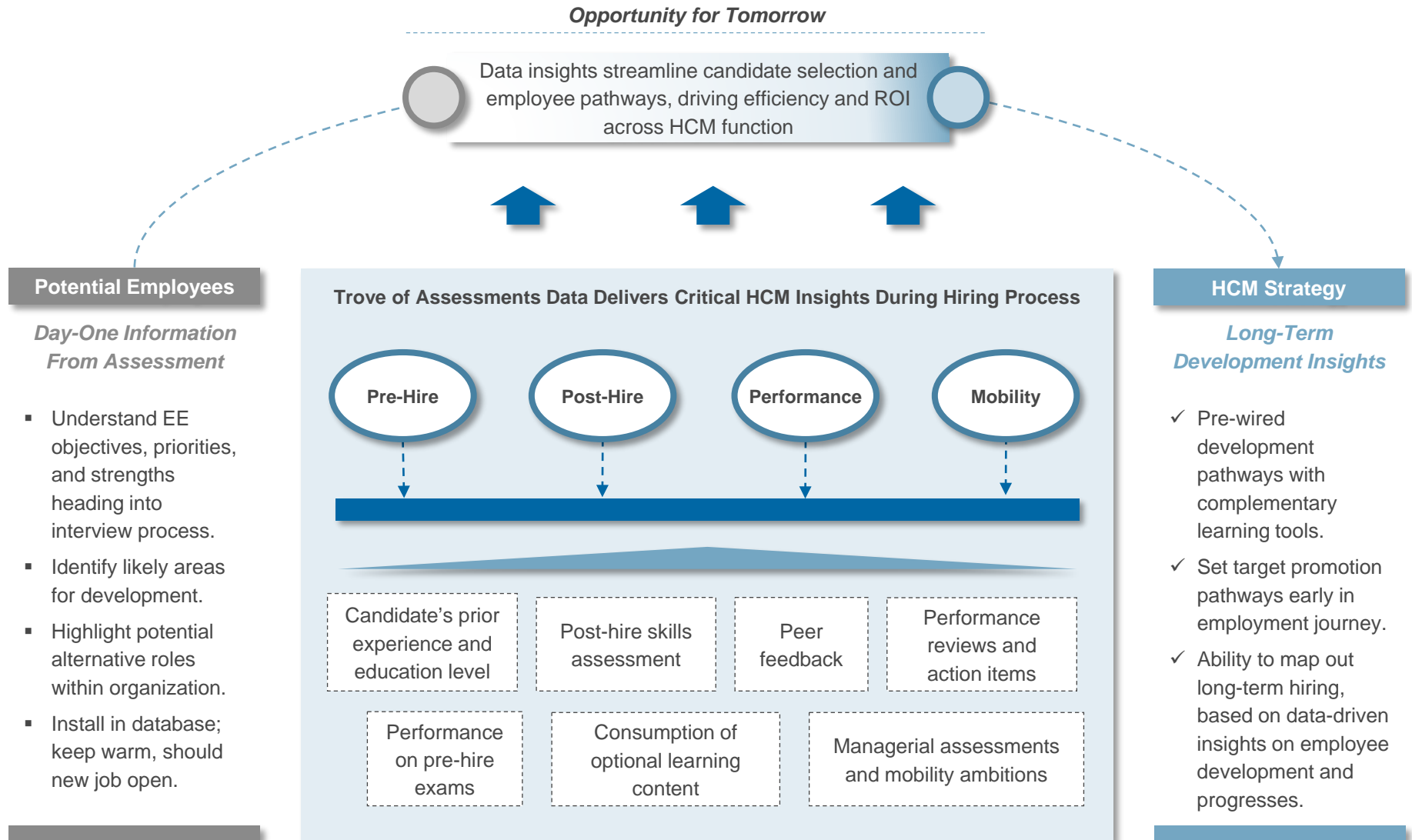
The below reflects core business attributes and top investor areas of focus when assessing the enterprise assessments space.

	Theme	Description	Priority
Attributes	IP Depth	<ul style="list-style-type: none"> Depth and range of IP portfolio (assessments) 	
	Business Model ARR vs. Bulk	<ul style="list-style-type: none"> Recurring vs. nonrecurring model “All you can eat” vs. bulk purchases 	
	Core Use Case Creates Customer Beachhead	<ul style="list-style-type: none"> Pre-hire, post-hire, performance-based, or mobility-related use cases IP offers beachhead into learning or talent management verticals, supporting sizeable cross-sell opportunity 	
	ROI	<ul style="list-style-type: none"> Can the customer—at the job function level—link utilization of assessment to business unit ROI? 	
	Integrations and Data Capabilities	<ul style="list-style-type: none"> Data tracking and insights, informing broader HCM insights Integration with workflow tools and core HCM applications, linking assessment takeaways to business performance 	
	Scalable	<ul style="list-style-type: none"> Digital delivery, tracking, and reporting, enabling delivery at scale Gross margin and EBITDA margin potential 	
Areas of Focus	Exposure to New Hires	<ul style="list-style-type: none"> Is revenue model tied directly to new hires per year? 	
	Configurability	<ul style="list-style-type: none"> Does the platform configure with counterparts in an enterprise’s HCM environment and deliver broader, actionable insights? 	
	Capex	<ul style="list-style-type: none"> How much capex is required to refresh and expand IP and tech stack? 	

The Enterprise Assessments Segment

Long-Term Vision and Opportunities

Early innings of long-term opportunity, with assessments delivering data-driven insights that drive tangible value for the HCM function.



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