



Capstone Partners

ELEARNING, CORPORATE & PROFESSIONAL TRAINING

Q2 2017

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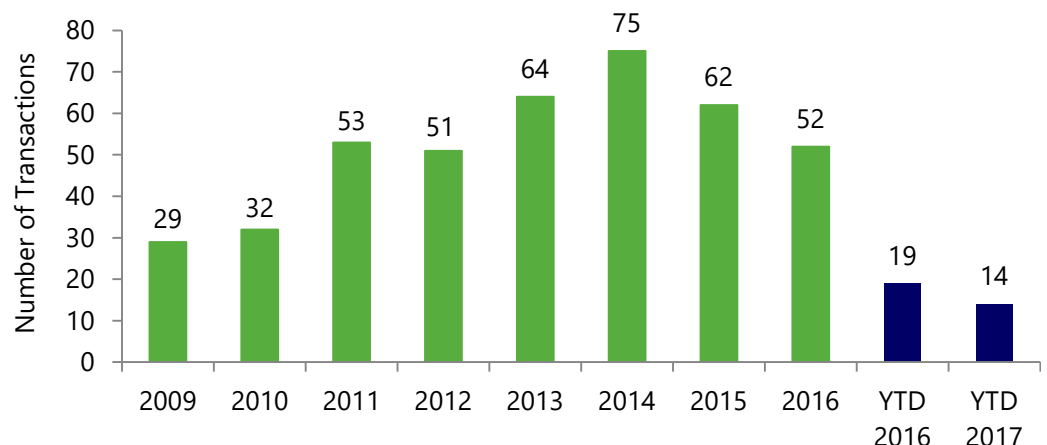
MERGER & ACQUISITION OVERVIEW

The eLearning, Corporate & Professional Training industry continues to see healthy levels of merger and acquisition activity through the first quarter of 2017. Deal activity is slightly down compared to the same time frame as last year, but that is true for the overall middle market as uncertainty surrounding the election put deals on hold. Capstone expects that volume will gather momentum through the end of 2017.

Private equity groups have shown increased interest in making acquisitions in this industry. Year-to-date (YTD), they've accounted for seven deals, or 50% of total transaction volume. If private equity groups maintain this level of activity through the end of the year, they will account for a significantly higher percentage of deals than in either 2015 or 2016, which both saw approximately 40% of deals attributed to private equity buyers. In addition, the majority of deals announced or completed by private equity groups in 2017 have been through portfolio companies, indicating a preference for making smaller add-on acquisitions.

Major trends that have driven merger and acquisition activity include an improving economic climate, stable business models and the adoption of technology. The strength of the US economy has decreased the unemployment rate to 4.5%, according to the Bureau of Labor Statistics, which is the lowest level since May 2007. Businesses are now looking for training solutions to strengthen, retain and provide growth opportunities for their workforce. eLearning and corporate training organizations have taken advantage of this trend by shifting to lucrative and stable business models that focused on recurring revenue. This is enabled and further supported by the adoption of technology in services. In fact, corporate training providers with a focus on technology have been highly sought after acquisition targets, accounting for seven deals in this industry over the past six months. An expanded look at trends and drivers can be seen on the following page.

eLearning, Corporate & Professional Training: M&A Transactions



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INDUSTRY TRENDS AND DRIVERS

There are a number of trends and drivers that have had significant impact on recent eLearning, Corporate & Professional Training deal activity. Capstone has identified a few of these key factors and has outlined them below.

- ▶ **Bolstered training budgets** – There is consensus among industry analysts that organizations' training budgets will face a significant increase in coming years due to a broadening of the scope of training programs, additional training staff and an increase in the number served learners. As corporate budgets for training enlarge, so will spending on eLearning solutions. Healthy budgets are expected to bolster M&A activity in 2017 as buyers look to expand their portfolio of service offerings.

One specific area in this industry that should see growth and heightened M&A activity is in leadership development. According to a 2016 study by the Brandon Hall Group, companies are spending more money on senior leadership development (over \$1,000 per learner) compared to training for lower managers and employees. One recent deal that exemplifies this trend is the acquisition of Accelerated Business Results (ABR) by TiER 1 Performance in February.

- ▶ **Empirical evidence on the effectiveness of edugames and other eLearning platforms** – According to numerous surveys and studies, it is abundantly evident that the use of games and other eLearning platforms in employee training results in improved retention, higher-order thinking, improved employee confidence, increased employee productivity and higher revenue generation. This empirical evidence has helped drive high levels of gamification and platform adoption in the corporate training market. Companies that provide game- and platform-based learning tools will be highly sought after by potential acquirers.
- ▶ **Positive return on investment (ROI) profile** – Enterprises have increasingly begun to view eLearning as a viable solution to their budget and productivity-related issues. Due to changing business needs and technology improvements, the adoption of eLearning solutions is encouraged as providing heightened ROI when compared to legacy products. As the connection between training and ROI becomes clearer, demand for training solutions will grow, spurring M&A activity.
- ▶ **Product substitution as buyers migrate away from legacy products** – Three factors that contribute to product substitution are lower-cost substitutes, higher quality in the substitutes and low "barriers-of-switching" to the substitute. In the global learning technology industry, all three of these factors are now present and a pronounced degree of product substitution is underway. "Sticky" solutions that are able to capture and hold onto a strong client base will be highly sought after by buyers.

ELEARNING, CORPORATE & PROFESSIONAL TRAINING: SELECT M&A TRANSACTIONS

Ann. Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM Revenue	EBITDA
04/14/17	Ascend Learning	Blackstone, Canada Pension	Provides eLearning solutions for nursing schools, EMS, pharmacy technicians and other professions.	-	-	-
04/12/17	Inside Sales Bootcamp	Sales Bootcamp	Offers young professionals professional training and coaching through its part-time sales bootcamps.	-	-	-
04/12/17	Media 1 Interactive	eLearning Brothers	Delivers training to develop new hires, leadership and sales talent in organizations.	-	-	-
04/05/17	Learnlite	Beech Tree Private Equity	Provides virtual corporate language and skills training services for employees.	-	-	-
04/05/17	APS	Relias Learning	Provides assessment, education and analytics to help clinicians learn.	-	-	-
04/04/17	Emantras	GP Strategies	Offers eLearning management systems and eLearning training solutions.	-	-	-
03/13/17	ChildCare Ed. Institute	Excelligence Learning	Provides online training and certificates for the early care and education industry.	-	-	-
03/08/17	Navis Learning	Business & Legal Resources	Develops optimum learning and training solutions for organizations.	-	-	-
02/28/17	Don Sayers & Associates	University of Fredericton	Offers professionals training and development services.	-	-	-
02/22/17	ABR & NewKnowledge	TiER1 Performance	Provides training and online learning services for management and leadership development.	-	-	-
02/07/17	ITSCO	WOSU Public Media	Provides professional development training and resources to K-12 teachers and administrators.	-	-	-
01/24/17	Chrysallis	Aduro	Develops a transformational learning mobile platform designed to build employee behavioral micro-skills.	-	-	-
01/10/17	Software Secure	PSI Services	Develops testing solutions for distance learning programs and certification organizations.	-	-	-
01/04/17	ARP Technologies	NterOne	Offers Cisco wireless and call center training services.	-	-	-
01/03/17	Learncaregmp	Azzur Group	Develops a training and education platform for biotech, pharma and medical device companies.	-	-	-
12/08/16	Learnsmart	VectorLearning.com	Provides online IT and security, project management and business training lessons.	-	-	-
11/21/16	TechSkills	MyComputerCareer.com	Provides training and career placement programs for IT, business and healthcare sectors.	-	-	-
11/16/16	Crisis Prevention Institute	FFL Partners	Offers training and consulting in behavior management and dementia care for human service professionals.	-	-	-
11/15/16	TRAIND	AlwaysHired	Provides sales training on best practices in prospecting, cold calling and the utilization of the latest sales tools.	-	-	-
11/14/16	Polestar Performance	American Institute For CPCU	Provides sales training and organizational development services.	-	-	-
10/11/16	Swank HealthCare	Relias Learning	Provides online healthcare education courses for hospitals, clinics and medical treatment facilities.	-	-	-
09/16/16	FIRE Solutions	National Regulatory Services	Provides online compliance, education and training solutions for professionals in the financial industry.	-	-	-
09/14/16	Learner's Edge	Avante Mezzanine & L Squared Capital	Provides professional development and continuing education graduate courses for teachers.	-	-	-
09/14/16	IPCed	OnCourse Learning	Provides training and certification solutions for caregiving professionals.	-	-	-
09/12/16	Proformative	Argyle Executive Forum	Operates an online learning platform for corporate finance professionals worldwide.	-	-	-

CAPSTONE PARTNERS: EDUCATION TRANSACTIONS IN MARKET

CONFIDENTIAL, (In Market) Project Sabal:

The Company is a leading provider of adaptive learning, algorithmic driven learning content with artificial intelligence to promote student learning in over 20 English and math courses.

CONFIDENTIAL, (In Market) Project Tango:

The Company is a leading provider of online-based computer programming education geared to the high-end software engineer track with multi-year offerings.

CONFIDENTIAL, (In Market) Project Radix:

The Company provides a SaaS platform that enables online, live and interactive student engagement throughout the college enrollment process to a customer base of over 200 private, public and non-profit universities.

CONFIDENTIAL, (In Market) Project Glengarry:

The Company develops and markets a unique suite of on-demand sales performance improvement SaaS applications for enterprise clients built on the Salesforce platform.

CONFIDENTIAL, (In Process) Project Timberlake:

The Company provides blended learning and virtual corporate classrooms to financial, government, healthcare, IT, manufacturing, medical devices, oil and gas, software development, and telecommunications industries.

CONFIDENTIAL, (In Process) Project Rockstar:

The Company is an e-learning platform that offers a complete portfolio of custom e-learning and curriculum building solutions with advanced capabilities such as authoring tools, gaming and augmented reality.

CONFIDENTIAL, (In Process) Project Usul:

The Company is the largest regionally accredited university providing computer science degrees and corporate training focused on high-end software/network engineer instruction and cybersecurity.

CONFIDENTIAL, (In Process) Project Martin:

The Company is an online provider of certifications in the healthcare and business fields, primarily providing services to active military personnel and their families.

CONFIDENTIAL, (In Process) Project Triangle:

The Company is a developer of critical and creative thinking methodologies focused on visualization and eight specific thought processes that are integrated into lesson plans and curriculum of K-12 districts.

CONFIDENTIAL, (In Process) Project Antler:

The Company is a provider of classroom based instruction in the fields of automotive technician, HVAC technician and physical training.

*If there is interest in learning more about these opportunities, please contact Jacob Voorhees at:
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CAPSTONE PARTNERS: A SAMPLING OF TRAINING & EDUCATION TRANSACTIONS

 AIRINC

has been acquired by

 RELO GROUP

 DISTI®

has partnered with

 AKOVA
DOS RIOS
PARTNERS

 NEUMONT
UNIVERSITY

has been acquired by

 Caltius
Equity Partners

 PENNFOSTER

has recapitalized with

 VISTRIA

 NTT
Workforce Development Institute

has been acquired by

 ecpi UNIVERSITY

 expression
college

has been acquired by

 navitas

 OxBRIDGE
ACADEMIC
PROGRAMS

has been acquired by

 WORLD STRIDES®
a portfolio company of
THE CARLYLE GROUP

 TRIUMPH
HIGHER EDUCATION GROUP

has received
growth capital from

 CAMDEN
PARTNERS

 BrightStar
EDUCATION GROUP

has been acquired by

 GREYBULL
STEWARDSHIP

 Tricore®
Educate. Influence. Motivate.

has been acquired by

 highroad
CAPITAL PARTNERS

 SANDY CORPORATION
An ASD Company

has been acquired by

 GP Strategies Corporation

 SAFETY
SERVICES
COMPANY

has recapitalized with

 Serent
CAPITAL

 AMERICAN
SENTINEL
UNIVERSITY

has secured
financing from

 JLL

 Heald
COLLEGE


has been acquired by

 PALM VENTURES


 TrainingPro

has recapitalized with

 Riverside

 McKissock
Your education solution.

has been acquired by

 ALPINE

 Henley-Putnam University

has secured financing from

 CMS SMALL-CAP
PRIVATE EQUITY FUND

 ECC
maxim
PARTNERS


has acquired

 ROBERTSON
COLLEGE


 ACADEMY OF HEALING ARTS

has been acquired by

 MILAN
MILAN INSTITUTE

 R

has been acquired by

 HURON
CAPITAL PARTNERS

ELEARNING, CORPORATE & PROFESSIONAL TRAINING TEAM



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Jacob is a founding member of Capstone Partners and oversees the Northeast Region. Jacob has a vast amount of experience in the education and training, consumer products and business services sectors. Over the last five years, Jacob's transactional work has resulted in over 50 individual nominations for deal of the year within his sectors, culminating eight wins, including 2015 Private Equity Deal of the Year, 2014 Consumer Services Deal of the Year and 2014 Consumer Goods Deal of the Year. Formerly, Jacob was with Andersen Corporate Finance LLC, where he focused his efforts on the software and direct marketing industries. He started his career in New York City with Rabobank International, a multi-national Dutch investment bank in Utrecht, the Netherlands. While at Rabobank International, Jacob worked in the mergers and acquisitions group focusing on cross-border transactions in South and Latin America in the consumer products, food & beverage industries.

The M&A Advisor named Jacob to its prestigious "40-UNDER-40" deal makers list in 2012. Jacob received an MBA from the Sloan School of Management at Massachusetts Institute of Technology (MIT) and a BS from Cornell University. Additionally, Jacob founded Sophie's Fund which provides college scholarships and financial support to homeless youth. Jacob is qualified as a General Securities Representative.



Sophea Chau, Director
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Sophea specializes in mergers & acquisitions, private placements and financial advisory services. Her responsibilities include providing financial and valuation analysis, performing due diligence, asset positioning and strategy articulation. Prior to joining Capstone, Sophea was an analyst at FTN Midwest Securities, a full-service investment banking firm based in Cleveland. While working in their New York office, she focused on M&A advisory for middle-market companies in a variety of industries, including healthcare, pharmaceutical services and marketing & advertising. Sophea is Vice President of the Columbia Alumni Association of Boston and holds a Bachelor of Arts in Economics from Columbia University.



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ABOUT CAPSTONE PARTNERS

Capstone Partners LLC is an award-winning investment banking firm dedicated to serving the corporate finance needs of middle market business owners, investors and creditors. Over the past 15 years, Capstone has earned a reputation as one of the most innovative firms in the industry, offering corporate sale & divestiture, merger & acquisition, private placement, corporate restructuring, valuation and financial advisory services. The firm maintains seven industry practices, including: Business Services, Consumer Products, Education & Training, Government Services, Health & Medical, Manufacturing & Industrial, and Technology & Telecom. Headquartered in Boston, Capstone has offices in Chicago, London, Los Angeles, New York, Orange County, Philadelphia, San Diego, Silicon Valley and Tampa with an international presence that spans 450+ professionals in 70 offices across 31 countries.

**For more information
about our expertise,
please visit
www.capstonellc.com**



Capstone Partners

World Class Wall Street Expertise. Built for the Middle Market