

Private equity firms embrace corporate shift to lifelong learning

By **Alex Hicks** Published August 17 2018, 8:00am EDT

From **Starbucks** to **Walmart**, companies are discovering they must provide lifelong learning opportunities to attract and retain the best employees, including millennials. Private equity firms are investing in companies that can provide corporations with a mix of online, virtual and face-to-face learning experiences to revitalize what used to be called the “corporate university.” The added benefits are increased employee satisfaction, engagement and retention.

Recent deals confirm this activity. In March, **Stone Point Capital** bought **Grace Hill**, a South Carolina-based provider of online training and credentialing for property managers. A month earlier, **PWP Growth Equity** acquired an interest in **360Training**, a provider of online training courses aimed at fueling its growth in new and existing markets. Terms of those transactions were not disclosed.

The range of courses are also helping to bridge a workforce skills shortage. But the traditional, in-person seminar is no longer the primary model for this type of professional development. The digital revolution has ignited new ways to provide corporate education, and at the same time blurred the boundaries between post-secondary education and employment, according to **EdSurge**.

It’s easy to understand the growing demand for corporate learning. The pace of technological change is dizzying and companies should help employees stay current with the latest knowledge.

In May, **Walmart** announced it would subsidize education for workers who have yet to earn a college degree, joining companies like **Starbucks** and **Chipotle** in offering tuition perks in an effort to retain workers.

A **Harvard Business Review** report noted that workers want their companies to invest in them, but millennials, who make up a third of the U.S. workforce, in particular, “need to be convinced why and how an organization will help them learn, grow, and develop, and further their careers.”

With robots and artificial intelligence becoming more of a reality, companies need engineers with the right skills to control the bots. Similarly, the rising demand to leverage data to gain insights, identify trends and improve efficiency is supported by ongoing corporate learning.

In healthcare, too, staff have a constant need to refresh skills as the market changes and clinical best practices evolve. Other sectors of the economy face similar challenges, boosting demand for the companies that sell diverse online classes and can develop custom courses for corporate partners.

Investors are attracted to this growing segment of education since companies in this space can potentially grow faster than those in traditional education: A corporate agreement can be inked in a number of months, whereas doing a deal with a K-12 public school district can involve a protracted sales cycle complicated by regulatory hoops at the local and state level, slowing revenue growth.

Private equity investors are particularly interested in buying majority interests in companies selling subscriptions under multi-year contracts with companies in diverse sectors of the economy. Investors will pay a premium for firms where annual contracts have customer retention rates

exceeding 90% and revenue growth at or exceeding 10%. Companies generally meeting that benchmark can attract valuations of 10-times EBITDA or more.

For example, last June, Europe's biggest private equity group, **CVC Capital Partners**, bought majority ownership in UK training company QA Limited for £700 million. QA offers 1,500 corporate training courses on such hot topics as cyber security, cloud computing and big data.

Other investors see value in the sector, too. In April, staffing giant **Adecco**, for example, acquired coding boot camp firm General Assembly for \$412.5 million. And research and advisory company **Gartner Inc.** bought talent management firm CEB Inc. in 2017, in a deal valued at \$3.7 billion, or 18.7-times CEB's LTM EBITDA.

With that M&A market perspective in mind, Harvard Business School Professor Amy Edmondson and Bror Saxberg of the Chan Zuckerberg Initiative last September published an open letter to America's chief executives, making the case that lifelong learning is a "competitive necessity" that should be a corporate priority.

"A new emphasis on lifelong learning is going to become increasingly central to (the CEO's) job: maximizing the value and impact of your organization," they wrote.

As employees increasingly demand workplace learning opportunities as a benefit, the sector is primed **for growing interest from private equity investors and others.**

Alex Hicks is a director of MHT Partners where he focuses on providing financial advisory and transaction execution services to business services and education companies.