

The background of the slide features a person's hands in a white shirt typing on a laptop. The scene is overlaid with various futuristic digital elements: glowing blue circular interfaces with icons (a lightbulb, a person, a globe, and a brain), connecting lines, and floating data points. The overall color palette is dominated by deep blues and bright whites, creating a high-tech, digital atmosphere.

# M&A Trends in Learning & Development Tech

July 2022

# M&A in Online Learning & EdTech is Increasing

According to 451 Research's Macroeconomic Outlook, Business Trends, 2022 Outlook survey, the labor and skill shortage (32%) is one of the top threats to organizations' overall sales, second only to supply chain disruptions (33%).

While there many ways in which companies are meeting the challenge of a lack of skilled resources, they are also looking at their current workforce's inventory of skill sets. In many cases, companies are deploying training programs to upskill their current team via various types of learning and training content provided through an LMS (learning management solution) or LXP (learning experience platform) solution. Analysts believe content to be an undervalued asset that will soon be a hot commodity and have forecast that M&A activity in the space will soon ramp up.

LMS and LXP solutions can be accessed from anywhere and lend themselves well to remote and hybrid work models.

Source: S&P 451 Research

# Learning Tech & Training Market

- Recent TrainingIndustry research found that spending on learning technologies increased in 2020 by 22.5%, bringing the total spend to about \$6.5 billion
- Total spend on learning technologies is estimated to reach about \$7.4 billion in 2022
- The rise in remote and hybrid work over these periods has helped to drive interest in online learning solutions as they can be easily adapted to dispersed employees
- M&A deals took place across a number of segments in the corporate training market:
  - Learning Technologies
  - Behavioral Health & GRC (governance, risk, and compliance) solutions
  - IT and Technical Training
  - Workforce Development
  - Professional Development
  - Performance Management
  - Content Development
  - Sales
  - Onboarding

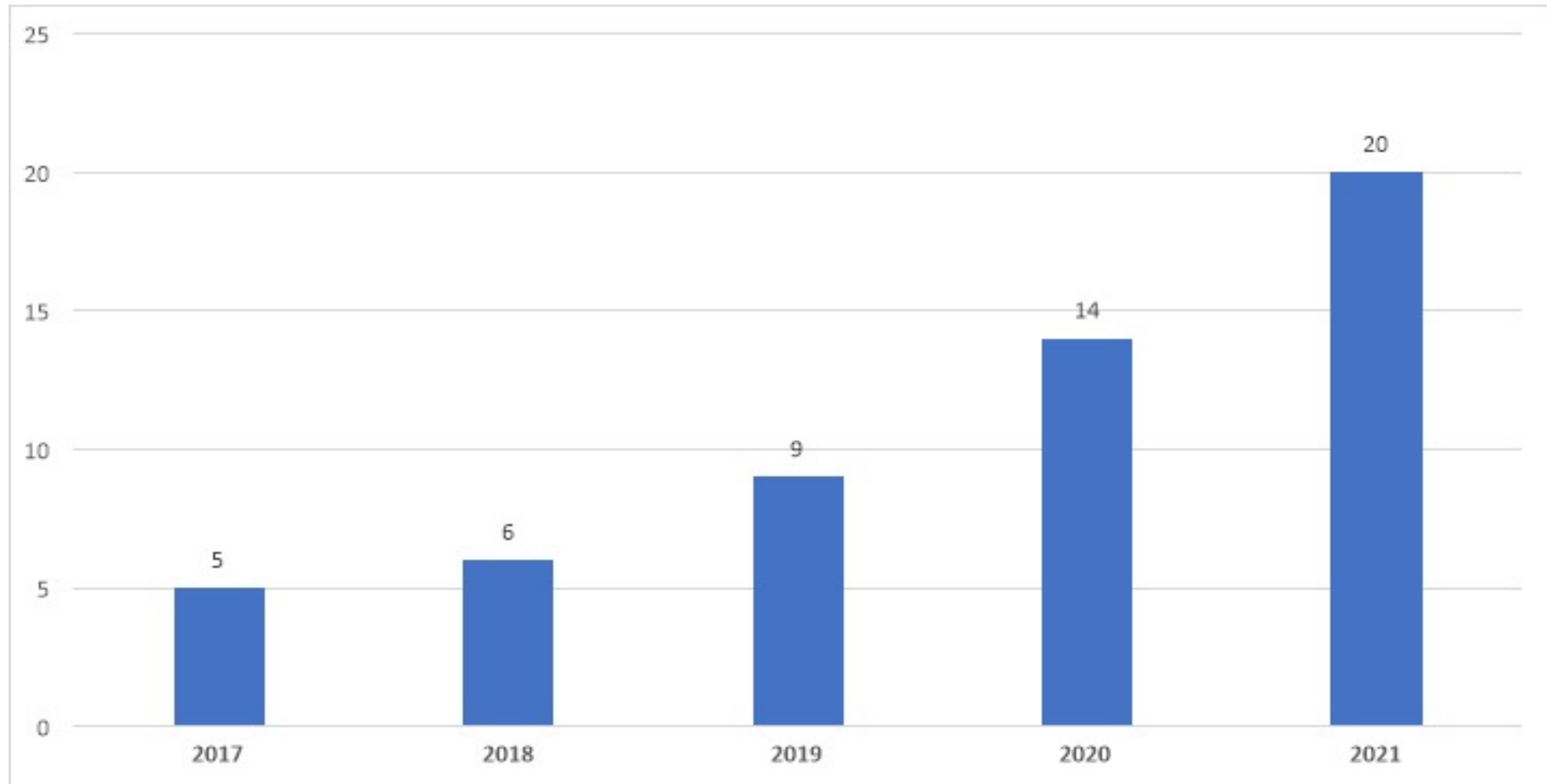


# Drivers Behind this Activity

- The recent "Great Resignation" spurred companies to look at how they could retain their people and bridge widening skills gaps to stay ahead of the ever-accelerating pace of change
- Online learning is a convenient way to upskill employees and has a direct effect on an organization's performance, in addition to impacting how well a company can adapt to the scarce resources available in the current environment
- In 42% of LMS transactions\*, the buyer came from outside this market, underscoring that companies are seeing the value in these systems to combat skills shortages, improve business outcomes, and create better environments for their employees
- In other cases, LMS firms are pursuing acquisitions to better position their companies in the market and address gaps in solution offerings or technology
- We are starting to see strong interest from the private equity sector as well
- Recent deals include large transactions (> \$275m) and small ones (< \$5m), pointing to companies pursuing accretive or platform acquisitions as well as add-on point solution plays

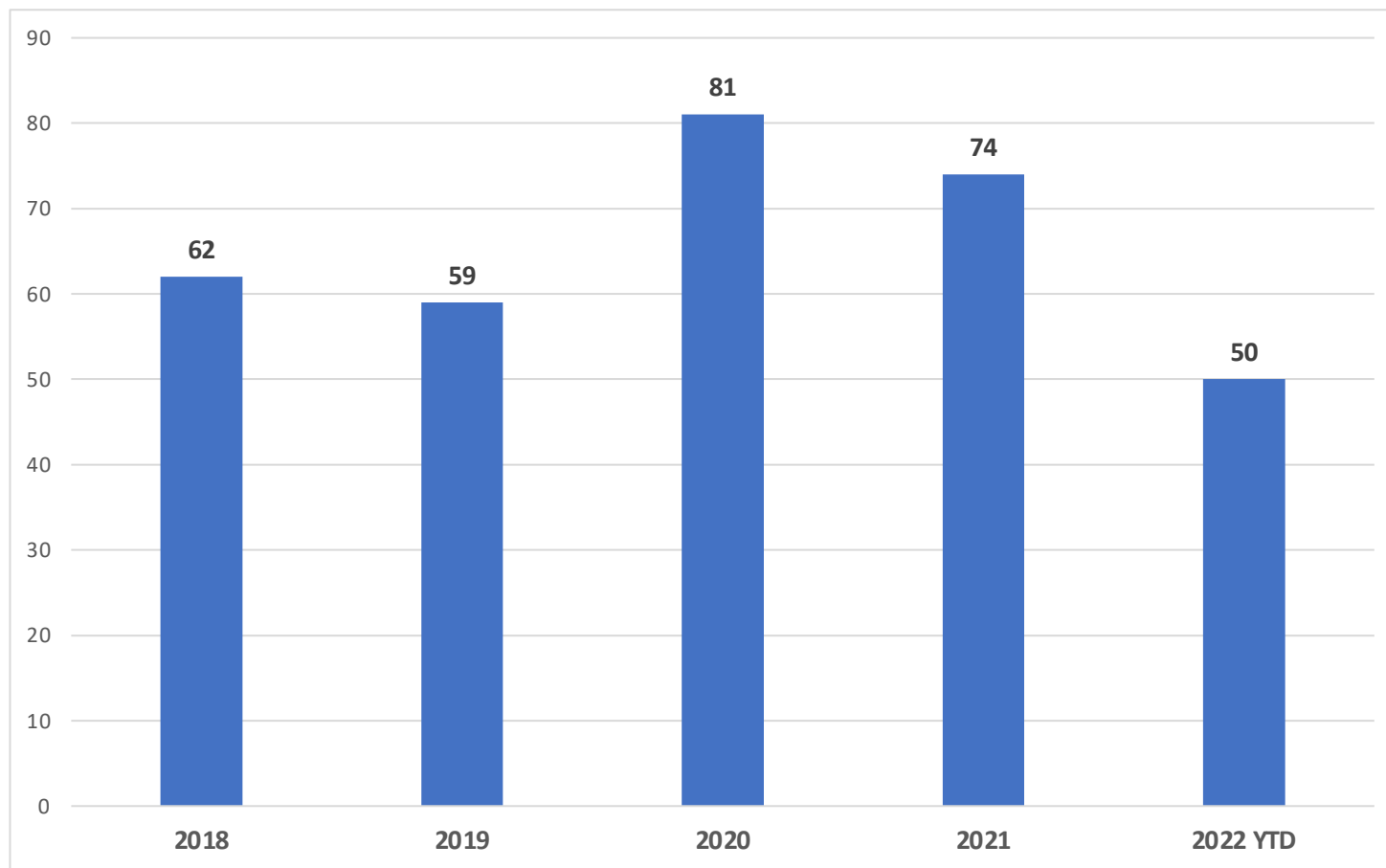
\*Source: S&P 451 Research

# Number of LMS Transactions by Year



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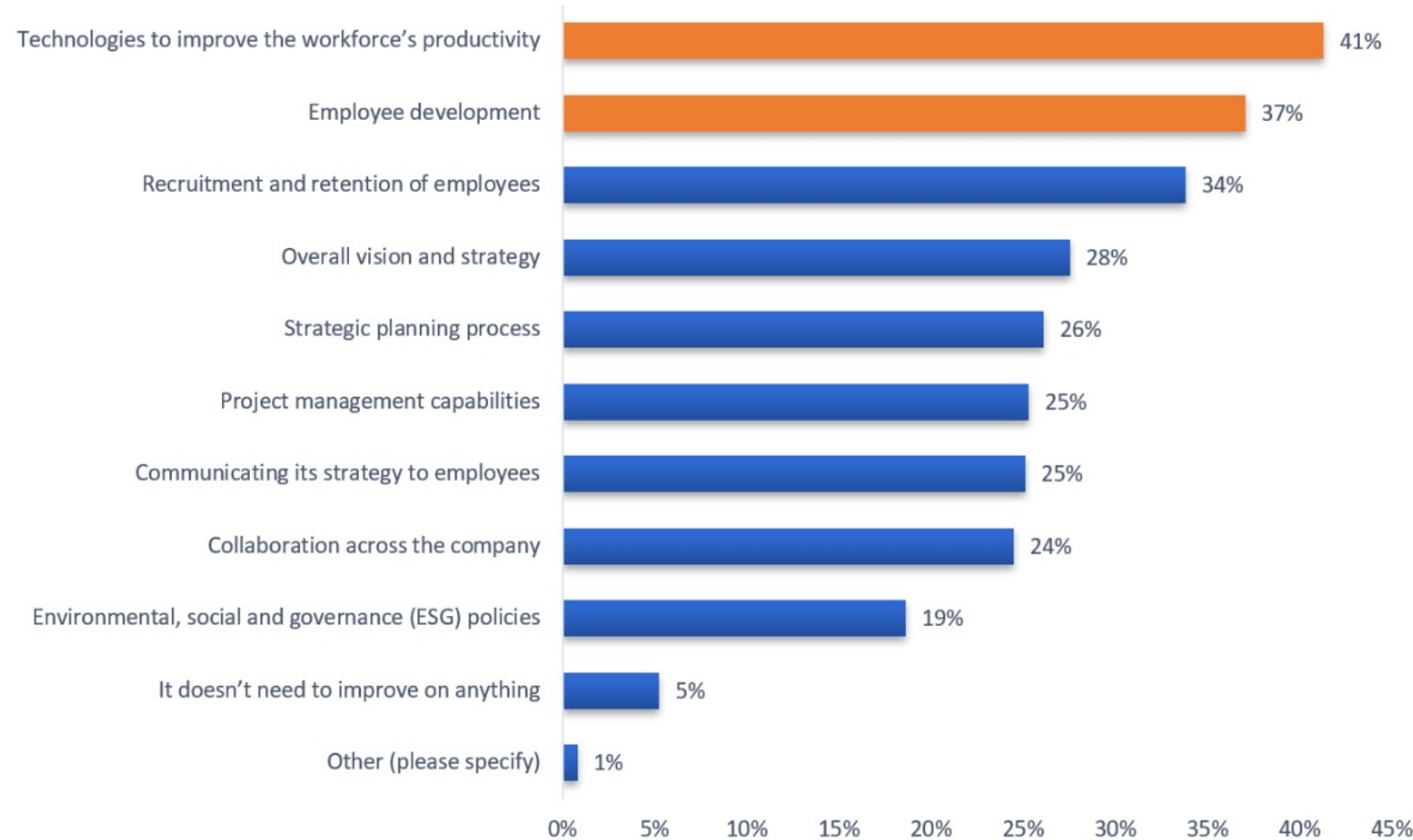
# All EdTech Transactions



As of Jun 30/22

Includes companies with offerings in the broader online education and training market

# L&D is Emerging as a Core Budgetary Priority

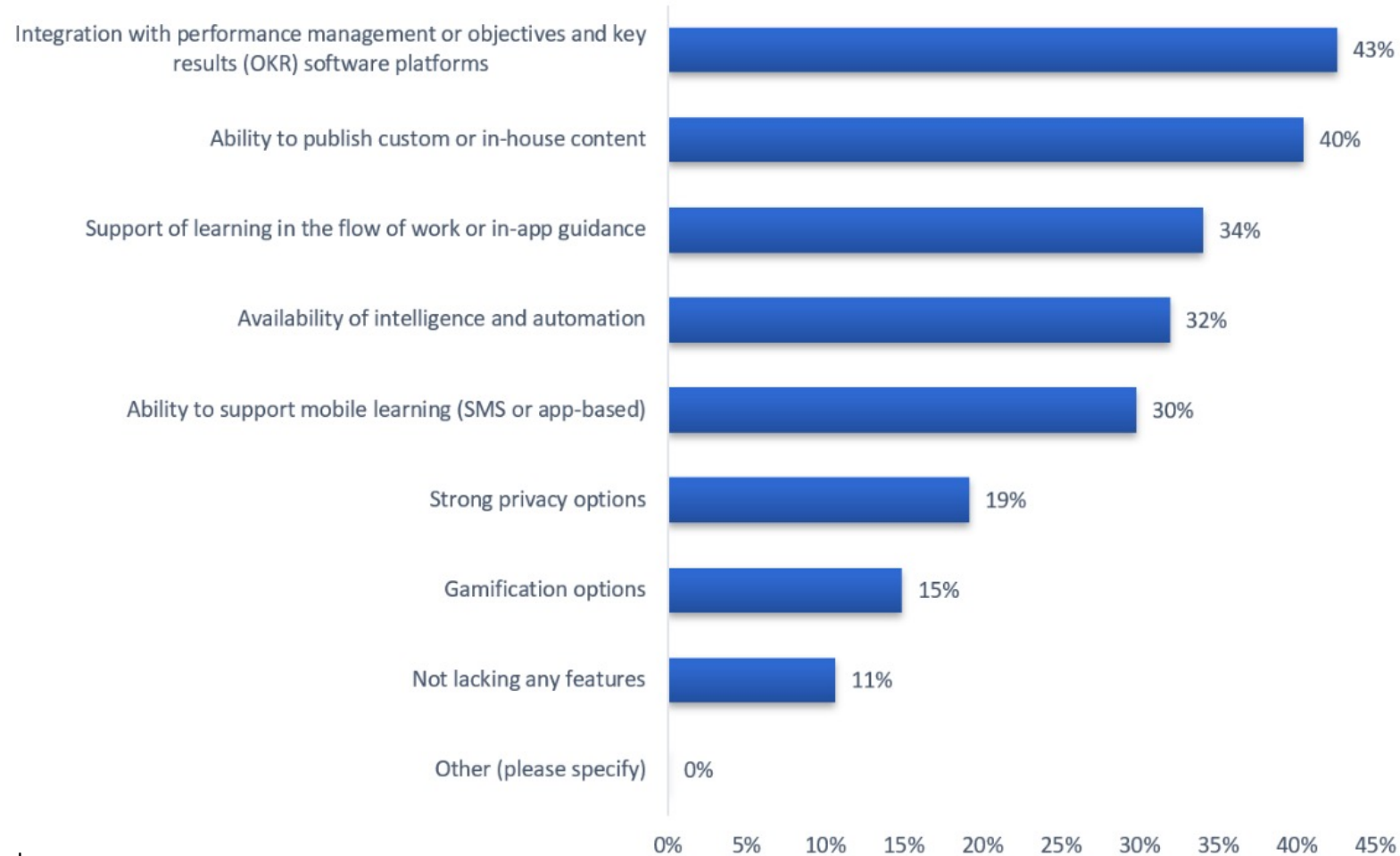


Source: 451 Research, Voice of the Enterprise: Workforce Productivity & Collaboration

*Q. Which of the following, if any, do you believe your organization should prioritize improving over the next two years?*

Base: All respondents (n=494)

# HR Priorities for Learning Management Systems



Source: 451 Research



# Key Factors for L&D

Training modalities will increasingly include AI, mobile applications, learning in the flow of work, in-app guidance, gamification, and social connectivity.

Integration with performance management solutions and OKR (objectives and key results) platforms will help to quantify ROI for learning and development investments. For example, training on company standards and improved call response times, or customer service learning and improved NPS scores.

Frontline and desk workers will each have unique learning requirements, and this gap is a challenge for content providers. Many employers will need to create targeted content inhouse.

An increase in the use of AI and workflow automation in L&D solutions will help to point learners to relevant content, while the use of digital assistants and chat bots are being utilized to create voice-activated applications to create step-by-step guidance to workers in industries like hospitality and industrials.

The addition of Augmented and Virtual Reality training capability provides frontline workers safe and reliable access to the right experts instantly, no matter where they are located, and provides a highly efficient method of training, incidence response, or maintenance.





# Corporate Training cont'd



# Opportunity for Shareholders

- We view the increased interest in this market as an opportunity for shareholders who may be considering exploring acquisition by a larger strategic to accelerate their growth and gain access to resources and market reach they currently lack
- Interest by a variety of strategic and private equity buyers will put pressure on valuations and provides shareholders with the opportunity to evaluate multiple firms and offers
- Founders are weighing the potential economic risk over the next few years vs. exploring an M&A event in the near term while interest in this market is strong
- Access to capital is not as easy as it was 12 months ago, and for some founders, acquisition by a strategic may now be a better option than seeking growth equity
- Firms have recognized that as the market continues to consolidate through M&A activity, it will become more difficult to compete and grow organically

If you are interested in talking about what we're seeing in the market, including what buyers are looking for, valuations, and how to maximize your outcome in a transaction, let's have a call:

<https://calendly.com/dhortontequity/30min>

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