



Houlihan Lokey

# Higher Education and Alternative Credentials: Market Trends and Investment Opportunities

October 2024

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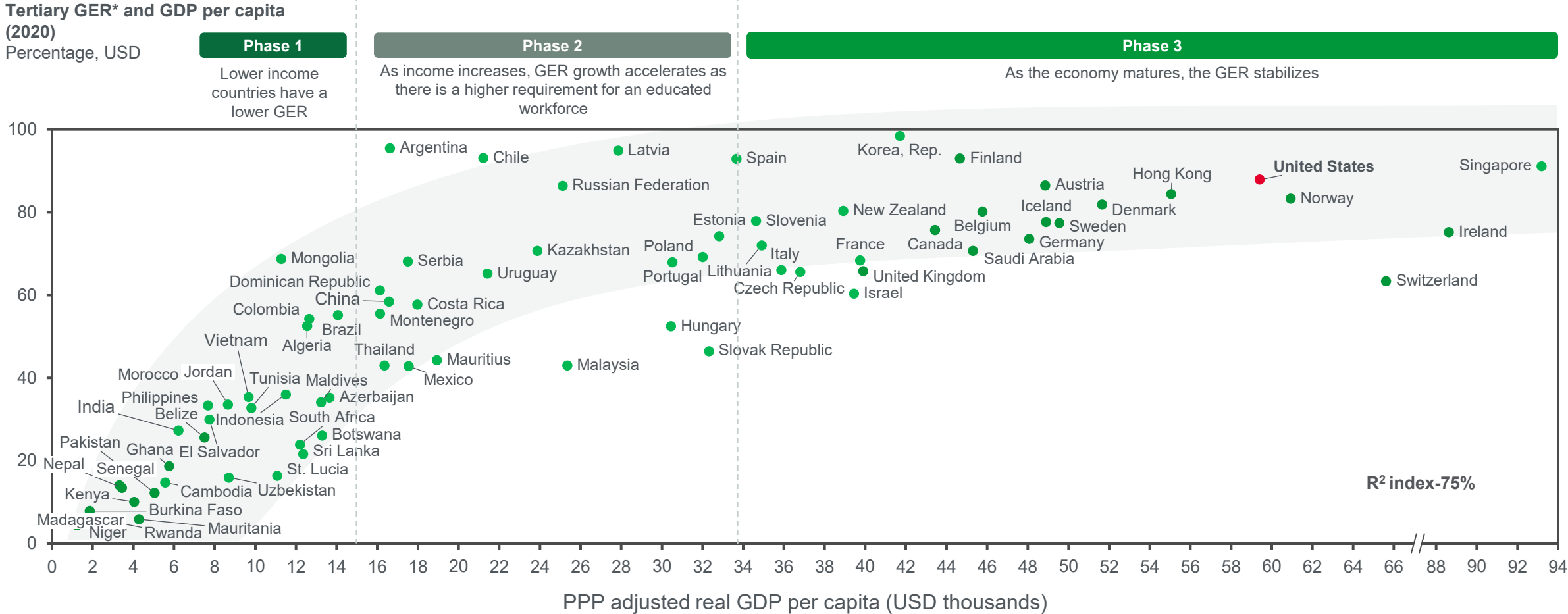
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## Agenda

- **State of higher education**
- Investment areas in higher education and alternative pathways
  - Higher ed services and software
  - Alternative adult learning
  - For-profit higher education

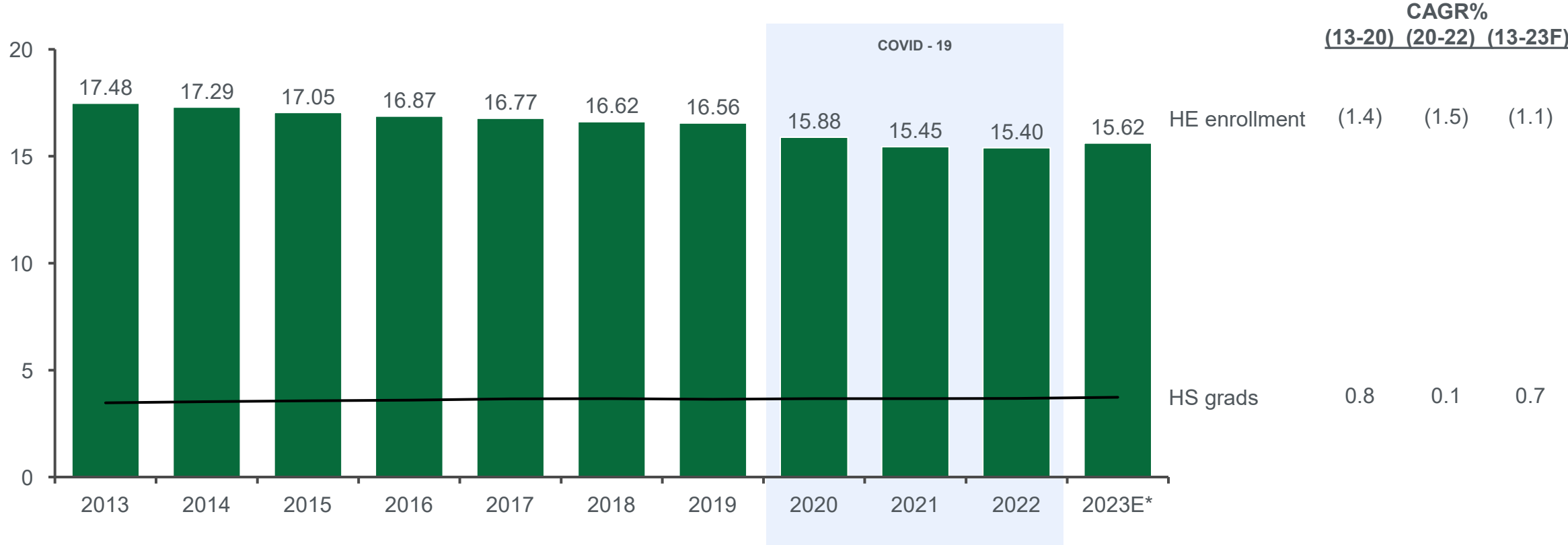
# Higher education adds a tremendous amount of value to the economy – richer economies have higher gross enrollment rates; the US has historically been among the leaders in the space



\*Gross enrollment ratio represents total enrollment in tertiary education expressed as a percentage of the population in the official age group corresponding to this level of education  
 Note: GER=gross enrollment ratio; GDP=gross domestic product; PPP=definition; R2=definition  
 Source: Oxford Economics; L.E.K. research and analysis

# However, after decades of growth, higher education has seen declining enrollment over the past 10 years...

**Total US undergraduate fall enrollment in degree-granting postsecondary institutions vs. high school graduates (AY2013-23E)\*\***  
Millions of students



\*Based on National Student Clearinghouse YoY growth applied to 2022 NCES enrollment figures; \*\*Years in chart correlate to first year of the academic year (i.e., 2021 refers to the academic year that starts in fall of 2021)  
Note: AY=academic year; CAGR=compound annual growth rate; HE=higher education; HS=high school; NCES=National Center for Education Statistics; YOY=year over year  
Source: NCES; National Student Clearinghouse; L.E.K. research and analysis

...with headlines suggesting the demise of higher education due rising to costs, poor value perceptions and demographic trends

News outlets and journals report Americans losing confidence in the value of higher education

**Forbes** February '24

Higher Ed's Public Opinion Struggles Are Tied To The Cost Of College

**The New York Times** September '23

Is College Worth It?

The new economics of higher education make going to college a risky bet.

**THE WALL STREET JOURNAL.** January '24

Why Americans Have Lost Faith in the Value of College

Three generations of 'college for all' in the U.S. has left most families looking for alternatives.

**THE CHRONICLE OF HIGHER EDUCATION** February '24

Colleges Were Already Bracing for an 'Enrollment Cliff.' Now There Might Be a Second One.

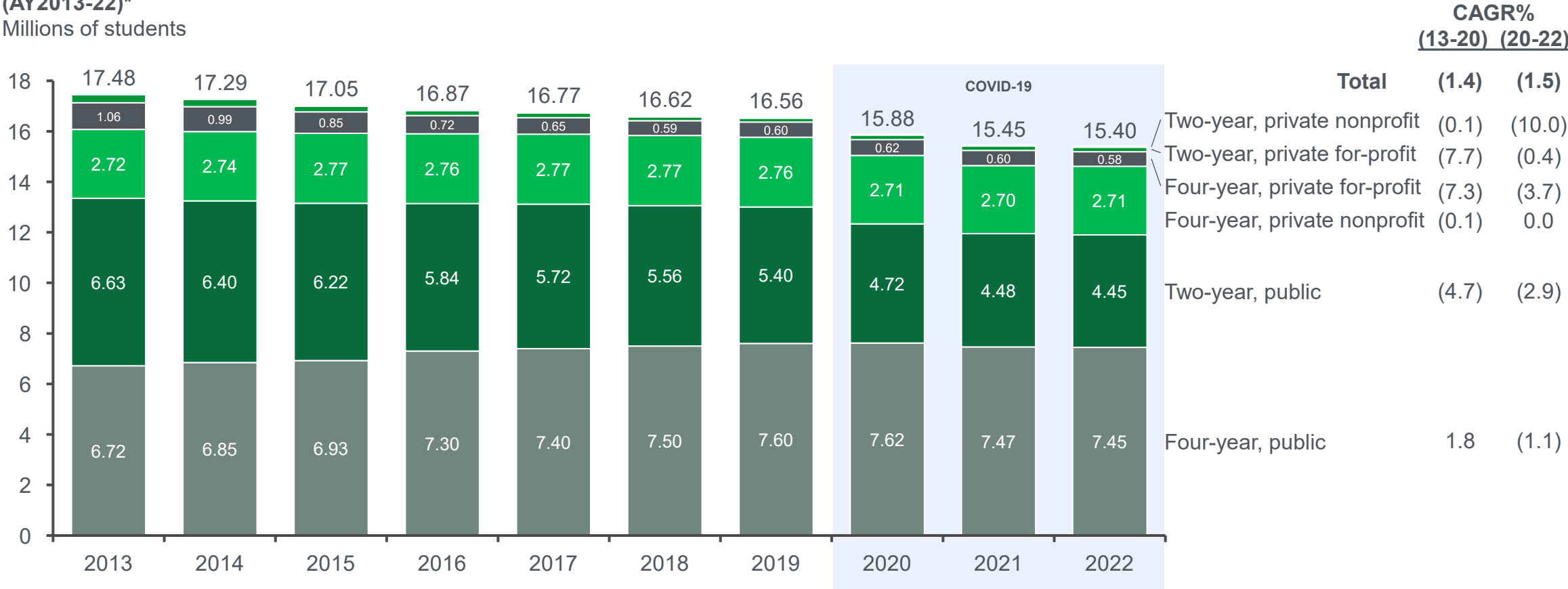
However, the real story of what is happening in higher education is much more nuanced

Source: The Wall Street Journal; The Hill; The New York Times; The Chronicle of Higher Education; Forbes; L.E.K. research and analysis

# Underneath the topline, enrollment at public and private four-year colleges has remained relatively stable, while two-year colleges and for-profit colleges have seen persistent declines over the period

Total undergraduate fall enrollment in degree-granting postsecondary institutions, by level of institution (AY2013-22)\*

Millions of students



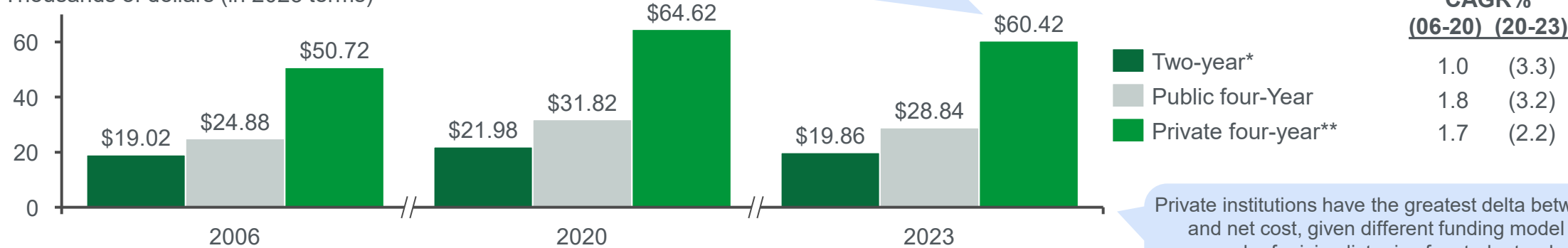
\*Years in chart correlate to first year of the academic year (i.e., 2021 refers to the academic year that starts in fall of 2021)  
 Note: AY=academic year; CAGR=compound annual growth rate; NCES=National Center for Education Statistics  
 Source: NCES; L.E.K. research and analysis



# While list prices of college have increased meaningfully in recent decades (consistently above inflation), the net cost of attendance has been much steadier (even decreasing in recent years)

**Listed cost of attendance, by control and level of institution (AY2006, 20, 23)<sup>^^</sup>**

Thousands of dollars (in 2023 terms)

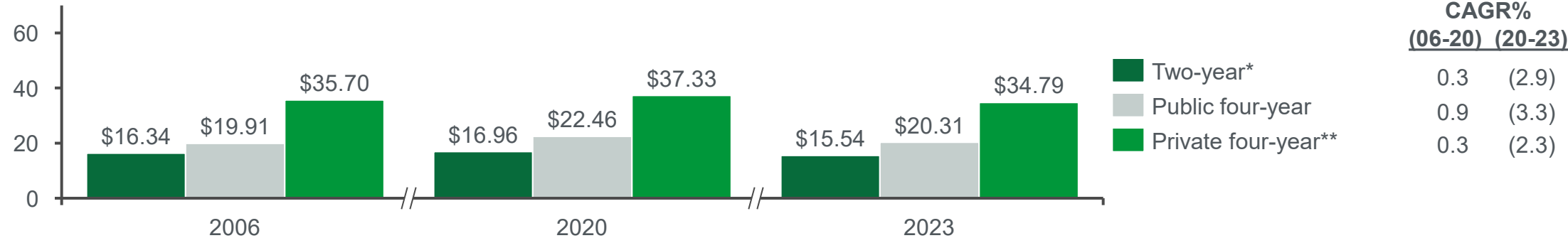


Since COVID-19, institutions have found reliable ways to reduce operating expenses and have passed on those cost decreases to students to reignite interest in higher education

Private institutions have the greatest delta between list and net cost, given different funding model and approach of raising list price for students who have ability to pay in order to help fund financial aid for students who don't

**Net<sup>^</sup> cost of attendance, by control and level of institution (AY2006, 20, 23)<sup>^^</sup>**

Thousands of dollars (in 2023 terms)



\*Represents public two-year schools, data unavailable for private, but assumed to be a smaller part of the market; \*\*Nonprofit schools; <sup>^</sup>Net cost of attendance factors in grants and scholarships students receive to lower the listed cost of attendance; <sup>^^</sup>Years in chart correlate to first year of the academic year (i.e., 2021 refers to the academic year that starts in fall of 2021)

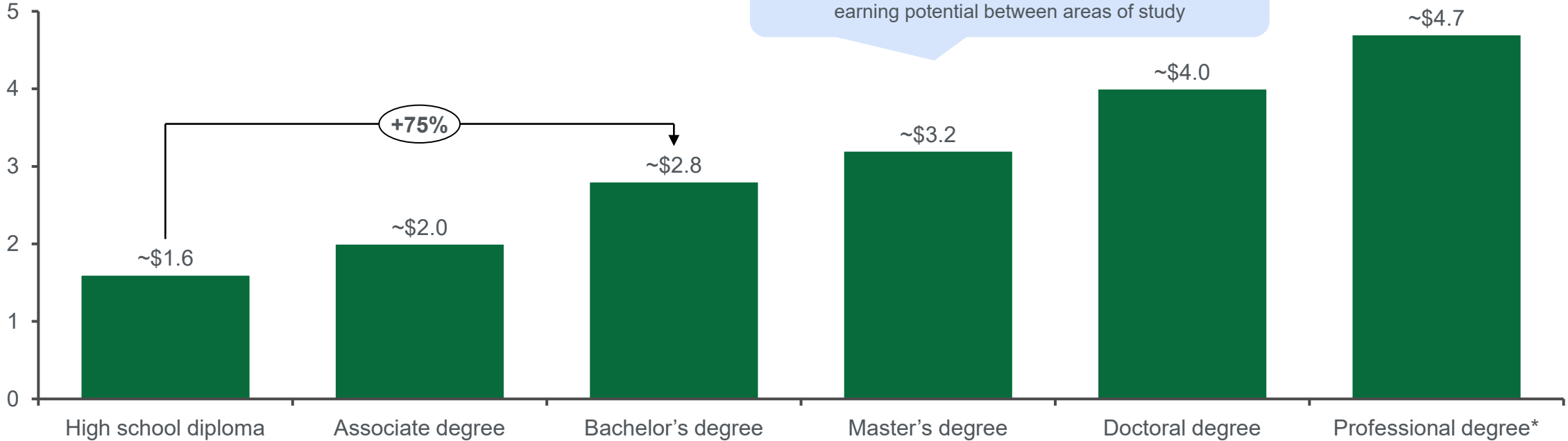
Note: AY=academic year; CAGR=compound annual growth rate

Source: College Board; L.E.K. research and analysis

# Further, attaining a bachelor's degree or higher is associated with a meaningful increase in lifetime earnings (above the cost of attendance)

Median gross lifetime earnings by educational attainment (2021)

Millions of dollars



~25% of workers with a bachelor's degree outearn ~50% of workers with a master's degree given differences in earning potential between areas of study

Percentage of degree programs w/ positive ROI	57%	77%	57%	77%

\*Professional degrees include medical, law and business degrees that represent terminal education advancement outside other master's or doctoral programs  
 Note: ROI=return on investment  
 Source: [Social Security Administration](#); [Forbes](#); [Georgetown University](#); [Freopp](#); L.E.K. research and analysis

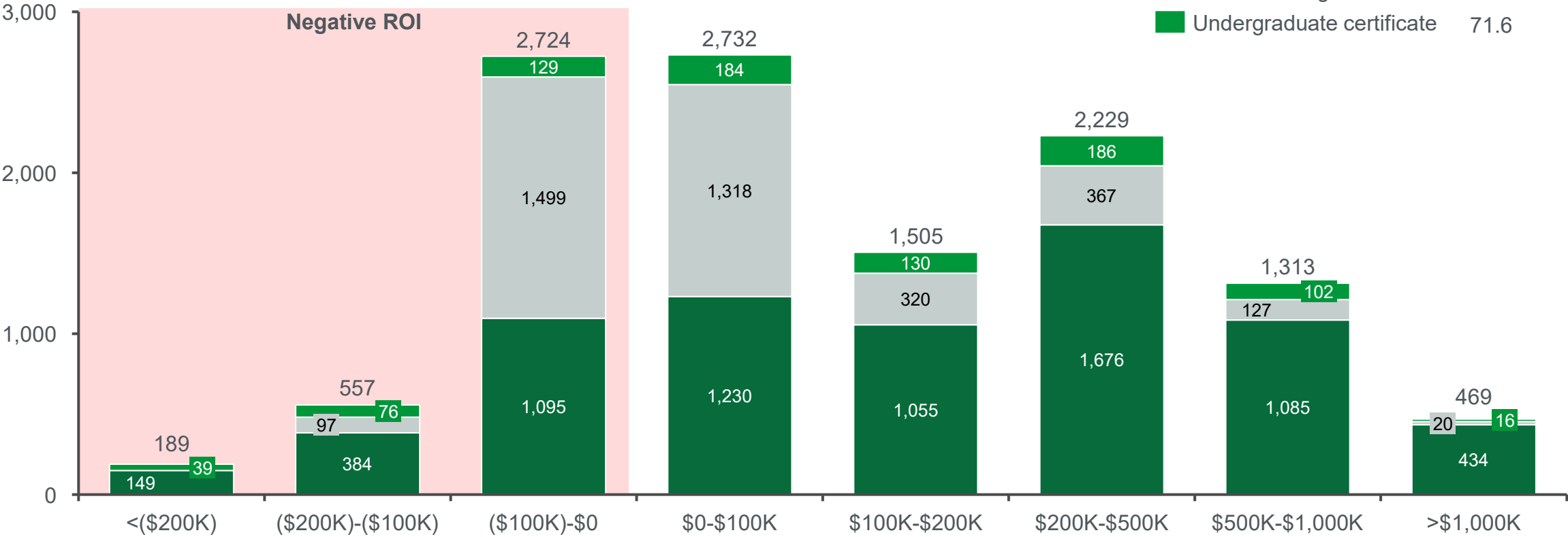
# There can be meaningful variance by program of study, but seven in 10 undergraduates are pursuing positive-ROI credentials; associate degrees are somewhat less likely to have positive returns

Distribution of expected ROI for undergraduate programs, weighted by enrollment (2024)

Thousands of students in each range of returns\*

(% positive ROI)

Bachelor's degree	77.1
Associate degree	57.4
Undergraduate certificate	71.6



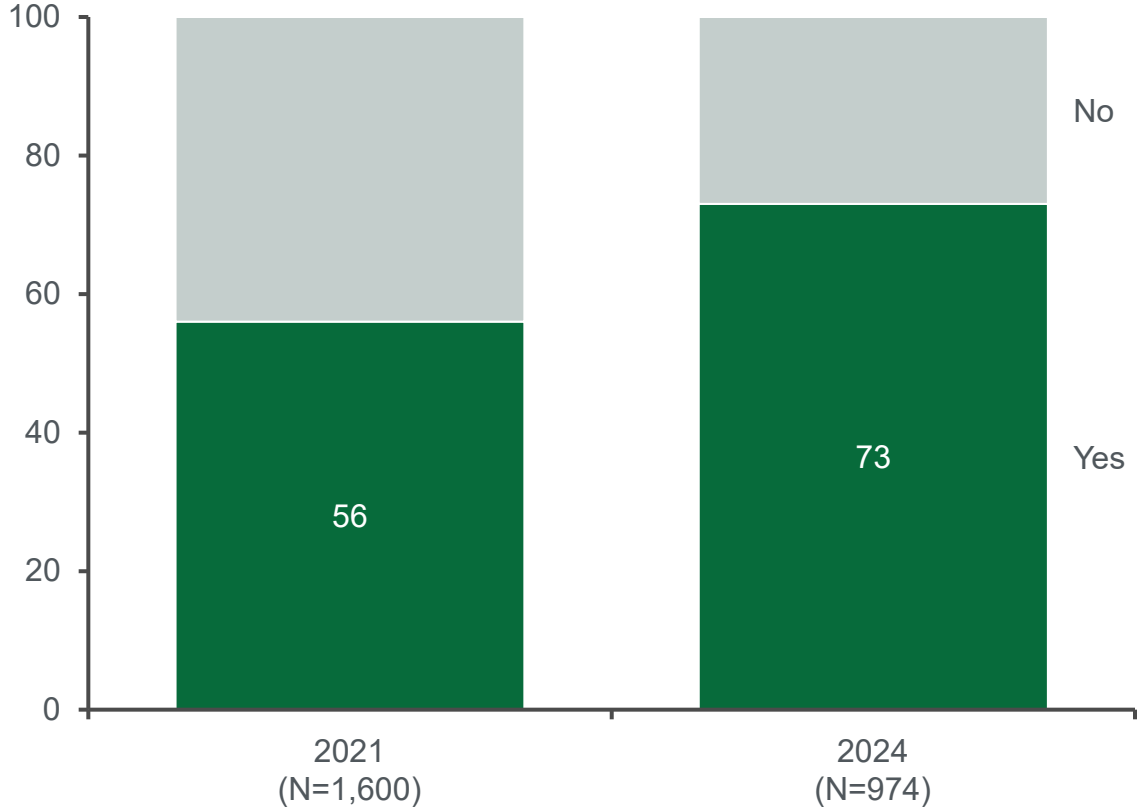
Based on unweighted mean of returns earned by an individual within a specific area of study and based on degree type and public or private college type  
 Note: ROI=return on investment  
 Source: [Freopp](#)

# A recent study by Cengage Group suggests that some of the efforts being made by colleges are paying off, with perceptions changing among recent graduates

## New graduate perception of education ROI (2021, 24):

“Was your education worth the cost?”

% of respondents



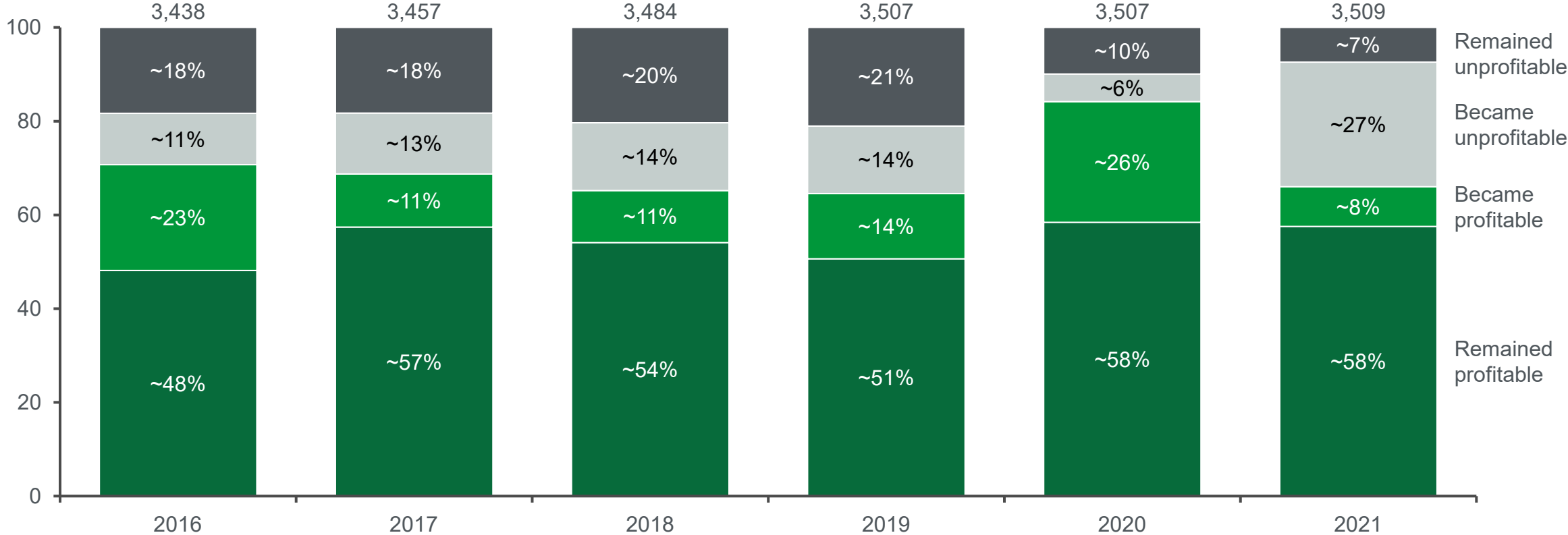
Note: ROI=return on investment  
Source: [Cengage Group](#); L.E.K. research and analysis

- Graduates across two-year, four-year and alternative postsecondary schooling reported perceived positive ROI at least 70% of the time, a strong increase across all college/institution types
- Furthermore, graduates across the board indicated a lower overall regret in terms of pursuing secondary education (down to 23% from 30% the year prior) and graduates also more prominently believe that postsecondary education is a necessity in today’s job market (51% up from 42%)
  - Those with more education expressed even stronger belief in the need for postsecondary education (e.g., bachelor’s degree holders held this belief 63% of the time versus the 51% average)
- **One major driving force behind these shifts in sentiment is the expectation that postsecondary institutions are more rapidly evolving to meet the educational needs associated with entering a rapidly changing, highly technical workforce**

# That being said, many higher ed institutions are facing declining financial health, with 27% becoming 'unprofitable' in the most recent financial data

## YoY profitability shifts for all undergraduate-degree-granting colleges (AY2016-21)\*

Percentage of colleges



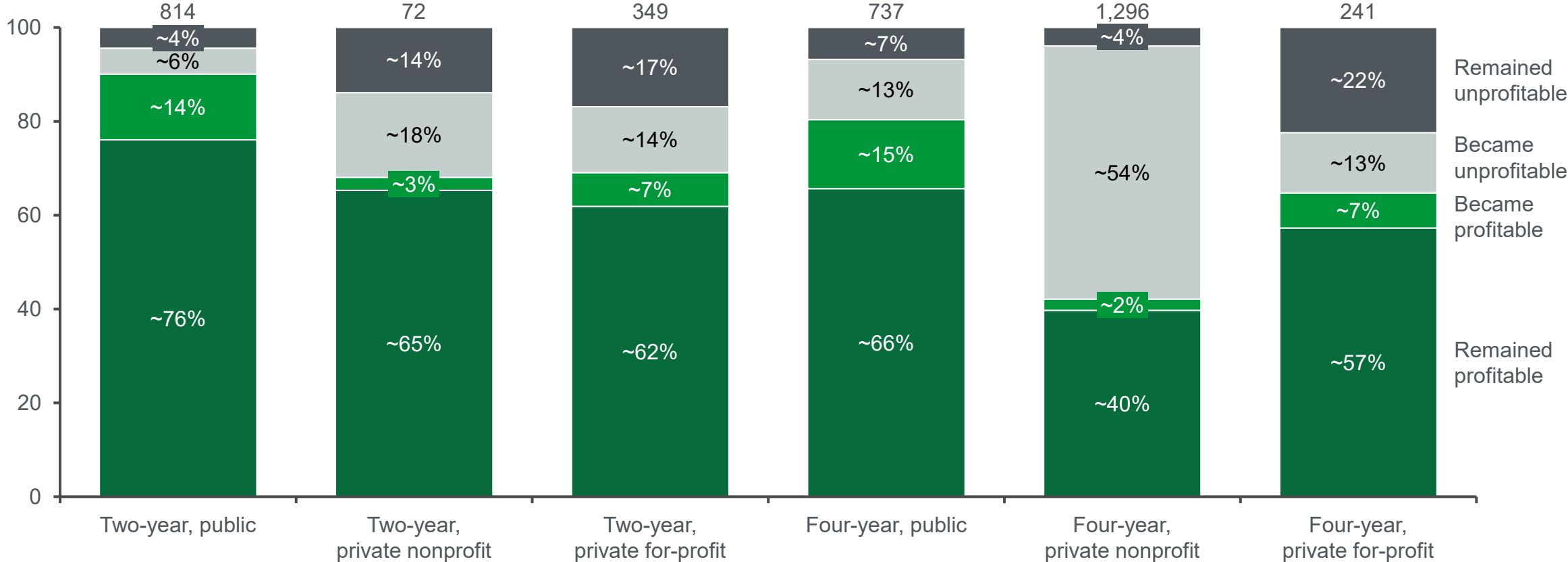
Meaningful decline in 2021 performance likely partially due to COVID-19 impact on enrollment and increased costs (new remote learning models, extra safety precautions, etc.)

\*Years in chart correlate to first year of the academic year (i.e., 2021 refers to the academic year that starts in fall of 2021)  
 Note: AY=academic year; YoY=year over year; IPEDS=Integrated Postsecondary Education Data System  
 Source: [IPEDS](#); L.E.K. research and analysis

# Financial difficulties are particularly strong for private colleges of all types, with a meaningful decline in performance for four-year private, nonprofit colleges

**Profitability for all undergraduate-degree-granting colleges, by type (2021-22 academic year)**

Percentage of colleges



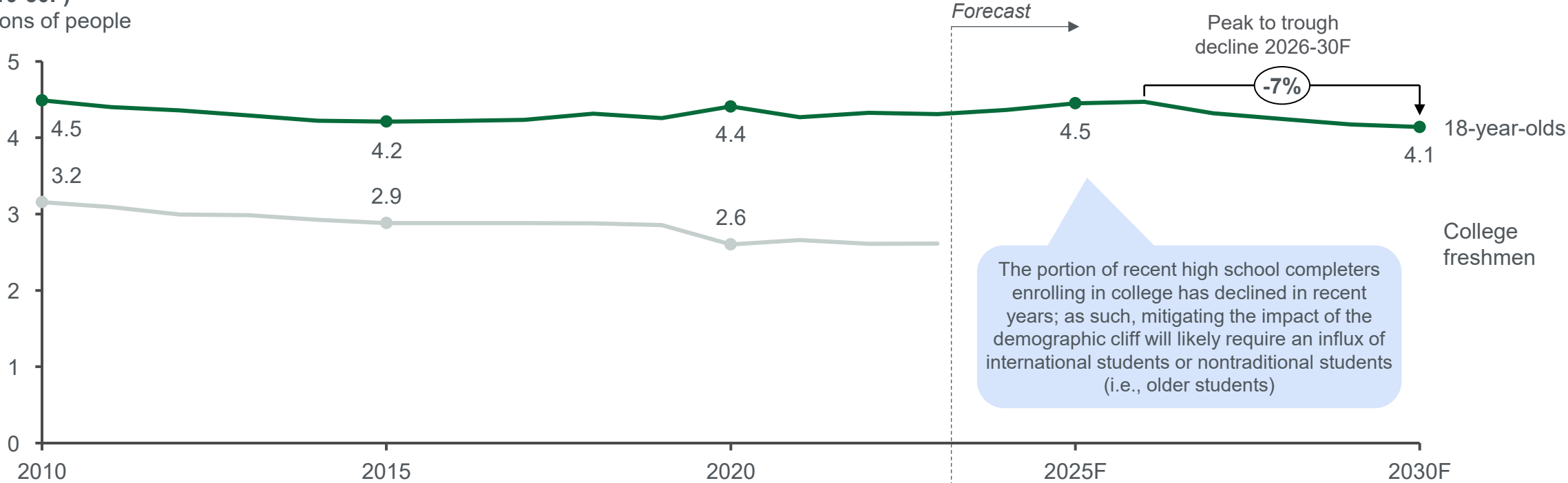
Some of this shift may be a temporary impact of COVID-19 as schools reacted to changing environments/needs

Note: IPEDS=Integrated Postsecondary Education Data System  
Source: [IPEDS](#); [Forbes](#); L.E.K. research and analysis

# Going forward, a projected decline in the number of 18-year-olds may only exacerbate these financial difficulties

**US population of 18-year-olds and college freshman enrollment (2010-30F)\***

Millions of people



The portion of recent high school completers enrolling in college has declined in recent years; as such, mitigating the impact of the demographic cliff will likely require an influx of international students or nontraditional students (i.e., older students)

68.1%	69.2%	62.7%	<b>Percentage of recent high school completers enrolled in college**</b>
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\*Years in chart correlate to first year of the academic year (i.e., 2021 refers to the academic year that starts in fall of 2021); \*\*Represents percentage of individuals ages 16-24 who had completed high school earlier in the calendar year who are enrolled in two or four-year college

Note: NCES=National Center for Education Statistics

Source: The Chronicle of Higher Education; College Transitions; NCES; Open Doors; U.S. Census; L.E.K. research and analysis

## Agenda

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  - **Higher ed services and software**
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## The state of higher education tees up three potential focus areas for investors interested in the space

### Higher education technology-enabled service and software providers



A robust ecosystem of service and software providers exists to help higher education institutions grow enrollment, expand their program offering and operate more efficiently

### Alternative adult learning companies



An array of alternative credential providers have capitalized on technological advancement, declining two-year college enrollment and broader skepticism of higher ed to give students access to the workforce without traditional higher ed degrees

### Private for-profit higher education institutions

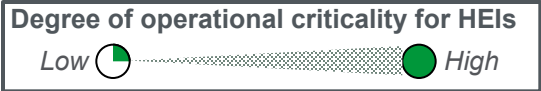


While enrollment declines and school closures have been common in for-profit higher education since the industry became more regulated, the set of schools remaining is generally more financially stable and there are several attractive investment assets, particularly in areas of the market tied to growing occupations

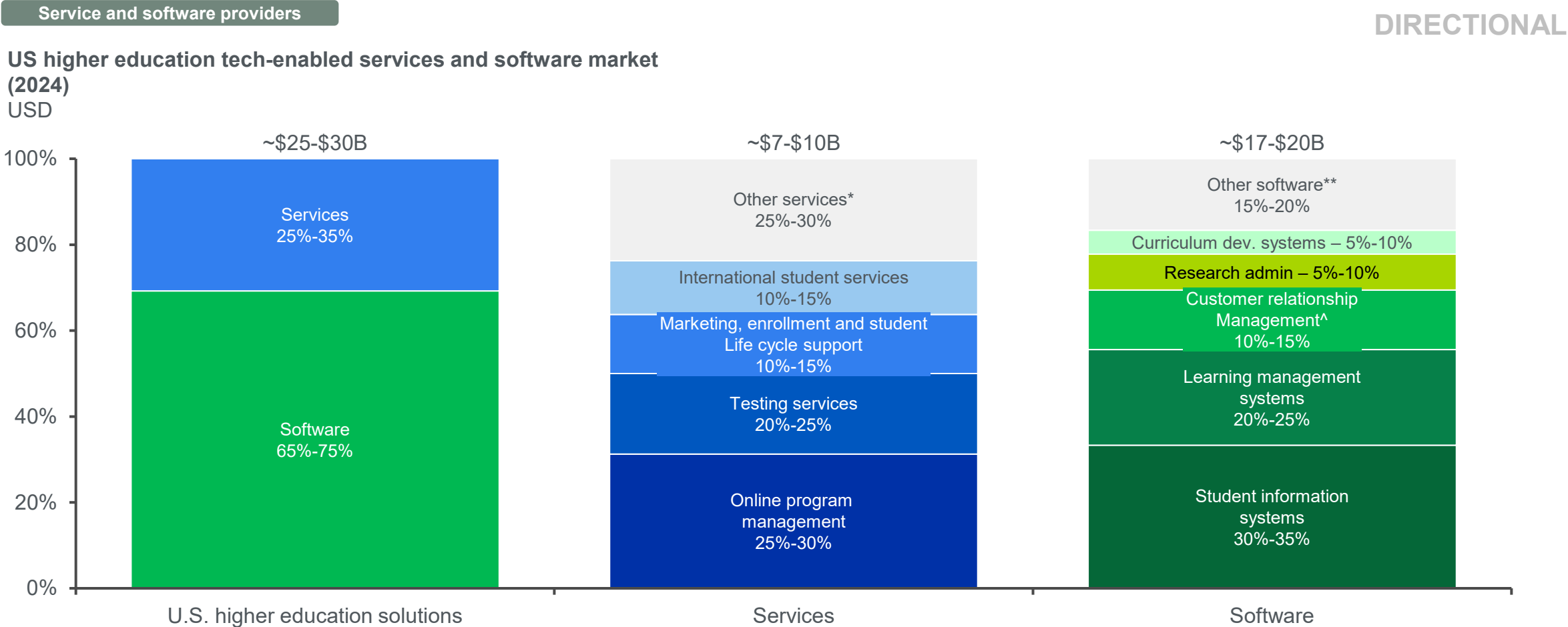
# Institutes of higher education can leverage third-party technology-enabled service providers and software across the student value chain to enhance enrollment and seek operational efficiencies

Service and software providers			
Back end		Front end	
IT support	Institutional and operational support	Enrollment management	Academic and student learning support
<b>Services</b>			
<ul style="list-style-type: none"> <li>Information systems management (including cybersecurity)</li> </ul>	<ul style="list-style-type: none"> <li>Finance and accounting</li> </ul>	<ul style="list-style-type: none"> <li>Marketing and lead generation</li> </ul>	<ul style="list-style-type: none"> <li>Student life cycle support (career guidance and placement, etc.)</li> </ul>
	<ul style="list-style-type: none"> <li>Business intelligence and reporting</li> </ul>	<ul style="list-style-type: none"> <li>Student enrollment and retention</li> </ul>	<ul style="list-style-type: none"> <li>Research administration</li> </ul>
<ul style="list-style-type: none"> <li>Document and data storage</li> </ul>	<ul style="list-style-type: none"> <li>Campus management (facilities management, foodservice, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>International student services (agents, pathway and language providers, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Testing services</li> </ul>
		<ul style="list-style-type: none"> <li>Online program management (course design, online hosting, instruction and student support)</li> </ul>	
		<ul style="list-style-type: none"> <li>Certification, microcredential, executive education partners</li> </ul>	
<b>Software solutions</b>			
<ul style="list-style-type: none"> <li>IT asset management</li> <li>Alert notification systems</li> <li>Website, content and communication management systems</li> <li>Conferencing systems</li> <li>Email systems</li> </ul>	<ul style="list-style-type: none"> <li>Finance and accounting systems</li> <li>Reporting systems (student and other university metrics)</li> <li>Campus management systems</li> <li>Faculty information systems</li> <li>HR systems</li> </ul>	<ul style="list-style-type: none"> <li>Admissions - CRM</li> <li>Student information systems</li> <li>Scheduling systems</li> <li>Student engagement platforms</li> </ul>	<ul style="list-style-type: none"> <li>Learning management systems</li> <li>Curriculum and catalog management</li> <li>Library management systems</li> <li>Financial aid, grant management and student loans systems</li> <li>Resume and career readiness tools</li> <li>Proctoring systems</li> <li>E-portfolios</li> <li>Alumni management – CRM</li> </ul>

Note: IT=information technology; CRM=customer relationship management; HEI=higher education institution; HR=human resources  
 Source: L.E.K. research and analysis



# The US higher education solutions market is ~\$25B–\$30B with 65%–75% of spend on software, while outsourced services represents 25%–35%



\*Includes services like institutional and operational support and IT support services; \*\*Includes software solutions for other back-office administrative functions like HR, communications, payroll, etc.; ^CRM software solutions can support incoming student relationship management and alumni relations solutions

Note: HR=human resources; CRM=customer relationship management; IT=information technology

Source: Technavio; Research and Markets; Grand View Research; International Trade Administration; Fortune Business Insights; Transparency Market Research; Business Research Insights; Markets and Markets; Inside Higher Ed; Legislative Analyst's Office of California; HolonIQ; L.E.K. research and analysis



# Higher education institutions commonly leverage marketing, international recruitment and online program management third-party service providers to drive enrollment and topline growth

## Service and software providers

### Student marketing, enrollment and life cycle support

- Accessing and retaining domestic and international candidates is mission critical for HEI admissions departments
- Third-party service providers can help institutions target addressable students, facilitate enrollment through marketing and application support, and drive retention via sustained student engagement

### Online program management

- In an increasingly flexible educational landscape, online education programs can attract a broader range of students to traditional higher education institutions
- OPM providers help HEIs develop, launch and manage online degree programs to expand enrollment and create additional, diversified revenue streams without having to build out the needed infrastructure in-house

### Testing services

- Third-party testing service providers enable HEIs to access platforms that can remotely proctor exams and facilitate distance learning programs and online courses
- These service providers often also facilitate maintenance of academic integrity through identity verification, screen monitoring, and recording

### International student services

- International candidates are more likely to pay the “sticker price” for higher ed and the ROI potential for those candidates going well beyond the typical definition of financial returns
- Specific providers offer pathways for institutions and international students to reach each other to find mutually beneficial opportunities to increase international student enrollment

## Example third-party providers



Note: HEI=higher education institution; ROI=return on investment; OPM=online program management  
 Source: L.E.K. research and analysis

# HEIs are also utilizing software and managed services designed for the higher education market to digitize academic programming and streamline back-end operations (1 of 2)

















Service and software providers

	Solutions	Description	Example providers
Enrollment and engagement mgmt.	Student information systems	<ul style="list-style-type: none"> <li>Student data management, including financial aid, grades, schedules, etc.</li> </ul>	
	Customer relationship management systems	<ul style="list-style-type: none"> <li>Manage interactions/communications with prospective and current students and alumni</li> </ul>	
Academic and student learning support	Learning management systems (LMS)	<ul style="list-style-type: none"> <li>Software platform, on-premises or cloud, for end-to-end course content delivery</li> </ul>	
	Curriculum development systems (CDS)	<ul style="list-style-type: none"> <li>Platforms to help HEIs create, organize and manage educational curricula</li> </ul>	
	Research administration	<ul style="list-style-type: none"> <li>Prepare grant proposals, run funding searches, and ensure legal and ethical checks are in place</li> </ul>	
	Career services management	<ul style="list-style-type: none"> <li>Facilitate connections between students, career services and employers</li> </ul>	

Note: HEI=higher education institution  
 Source: L.E.K. research and analysis

# HEIs are also utilizing software and managed services designed for the higher education market to digitize academic programming and streamline back-end operations (2 of 2)











Service and software providers

	Solutions	Description	Example providers
Enrollment and engagement mgmt.	Human resources	<ul style="list-style-type: none"> <li>Hiring, training, development, benefits and performance management of employees</li> </ul>	 
	Finance and accounting	<ul style="list-style-type: none"> <li>FP&amp;A functions mimic corporate environments as HEIs require software solutions for revenue and cost accounting and management, with the added complexity of financial aid</li> </ul>	  
	Campus management systems	<ul style="list-style-type: none"> <li>Physical facility management digital solutions that facilitate services, including upkeep, foodservice, etc.</li> </ul>	 
Academic and student learning support	Communications	<ul style="list-style-type: none"> <li>Internal and external multichannel communication tools and strategies</li> </ul>	   
	Managed IT services	<ul style="list-style-type: none"> <li>Outsourced IT operations that equip HEIs with fit-for-purpose solutions while streamlining operations</li> </ul>	    

Note: HEI=higher education institution; FP&A=definition; IT=information technology  
 Source: L.E.K. research and analysis

## Select company profiles (1 of 2)











### Service and software providers

Company	Overview	Ownership	#EEs	Year founded	HQ
 <b>archer</b>	Provider of organizational development, enrollment marketing and recruitment and retention services to higher education institutions	Private	~180	2006	California, US
 <b>EDUCATION DYNAMICS</b>	Provider of enrollment management and inquiry generation services designed to make student admission processes for schools targeted and efficient	Sponsor-Backed (Renovus Capital)	~450	2005	Kansas, US
 <b>RNL</b>	Provider of enrollment management, student success and fundraising solutions for higher education institutions, helping improve student recruitment/retention and overall institutional effectiveness	Sponsor-Backed (Summit Partners)	~6,000	1991	Virginia, US
 <b>CARNEGIE DARTLET</b>	Provider of marketing and enrollment management services aimed at helping higher education institutions enhance their visibility, engage prospective students and improve enrollment outcomes	Sponsor-Backed (Shamrock Capital)	~400	1984	Massachusetts, US
 <b>NICHE</b>	Provider of a school search platform designed to make researching and enrolling in K-12, colleges and graduate schools efficient and transparent	Sponsor-Backed (Consortium)	~400	2002	Pennsylvania, US
 <b>BOUNDLESS LEARNING</b>	End-to-end online program manager for higher education institutions; assisting with learner acquisition, learning solution design and digital marketing to drive enrollment and program success	Sponsor-Backed (Regent LP)	~100	1993	England, UK
 <b>NOODLE</b>	Provider of training-related solutions, including course design, technology support, engagement measurement tools and brand marketing	Sponsor-Backed (Spring Lake Equity Partners)	~480	2013	New York, NY
 <b>Honorlock</b>	Supplier of on-demand online exam proctoring services for schools, universities and corporations that are looking to expand online without sacrificing academic integrity	Sponsor-Backed (Consortium)	~200	2014	Florida, US
 <b>PROMETRIC</b>	Provider of technology-enabled testing and assessment solutions to many of the world's most recognized licensing and certification organizations, academic institutions and government agencies	Sponsor-Backed (EQT Private Capital Asia)	~3,000	1990	Maryland, US
 <b>KEYSTONE EDUCATION GROUP</b>	Provider of international student recruitment services intended to connect universities and educational institutions with students	Sponsor-Backed (Viking Venture and Verdane)	~800	2002	Oslo, Norway

Source: L.E.K. research and analysis

## Select company profiles (2 of 2)

### Service and software providers

Company	Overview	Ownership	#EEs	Year founded	HQ
 ApplyBoard	Operator of an online platform that helps international students navigate the process of applying to study abroad, connecting students with educational institutions globally	Sponsor-Backed (Consortium)	~1,500	2015	Ontario, Canada
 ellucian.	Developer and operator of integrated software solutions for higher education, including student information systems, finance and HR, and recruiting and retention systems	Sponsor-Backed (Blackstone, Vista)	~4,000	1968	Virginia, US
 LIAISON	Supplier of technology solutions for admissions offices in higher education, including CRM, marketing technology and admissions workflow	Sponsor-Backed (Meritage Group)	~300	1992	Massachusetts, US
 modern campus	Provider of student engagement software solutions that help higher education institutions attract, engage and retain learners for life	Sponsor-Backed (Riverside)	~300	1999	Ontario, Canada
 echo360	Educational platform focused on video content management and interactive learning, providing tools for recording, managing and sharing lecture videos and other educational materials	Sponsor-Backed (Centre Lane)	~100	2002	Ohio, US
 Collegis EDUCATION	Assists colleges and universities in enhancing their operations, improving student outcomes and adapting their operations to ensure they implement cutting-edge technology	Sponsor-Backed (Consortium)	~400	2013	Illinois, US
 OculusIT	Provider of strategic and operational IT support to higher education institutions, including cost-effective, responsive and flexible IT leadership; managed ERP, security and infrastructure services; and 24x7 operations	Sponsor-Backed (ElevenX Capital)	~150	2007	Florida, US
 Pathify	Digital experience platform for higher education institutions, designed to enhance the student experience and streamline institutional operations via a combination of technology and data-driven insights	Sponsor-Backed (PSG Equity)	~200	2011	Colorado, US
 HelloCAMPUS	Developer of analytics and visualization platform for higher education institutions with the aim of improving enrollment, retention and operational performance of their clients	Sponsor-Backed (Pamlico Capital)	~150	2015	Maryland, US
 RE UP	Supplier of education consulting services designed to reenroll students who have taken a break from college and require credits to graduate	Sponsor-Backed (Consortium)	~140	2015	Texas, US

Note: HR=human resources; CRM=customer relationship management; IT=information technology; ERP=enterprise resource planning  
Source: L.E.K. research and analysis



## Agenda

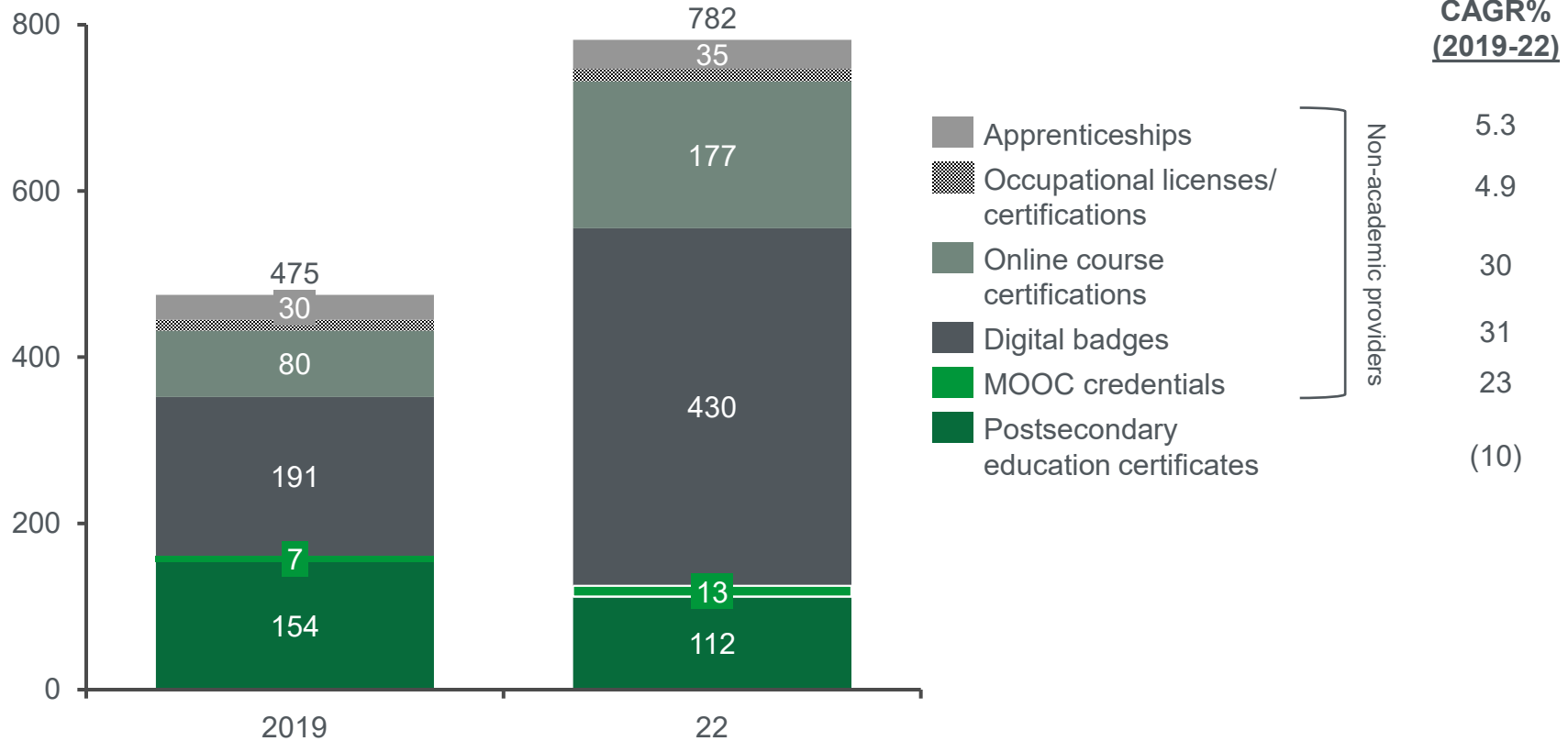
- State of higher education
- **Investment areas in higher education and alternative pathways**
  - Higher ed services and software
  - **Alternative adult learning**
  - For-profit higher education

# The alternative adult learning space has grown significantly in recent years, supported by a number of macro trends

## Alternative adult learning

US non-degree credentials offered by provider/credential type (2019, 2022)

Thousands of credentials



- Increased job mobility, technological disruption changing workforce needs and skepticism about the value of traditional higher education have led more Americans toward alternative educational credentials
- Growing acceptance of alternative credentials by employers, in part due to labor demand in industries such as healthcare and skilled trades, also contributes to category growth
- Investment in non-degree credential programs by both higher education institutions and independent companies has expanded access to these opportunities

Note: CAGR=compound annual growth rate; MOOC=massive open online course  
Source: Credential Engine

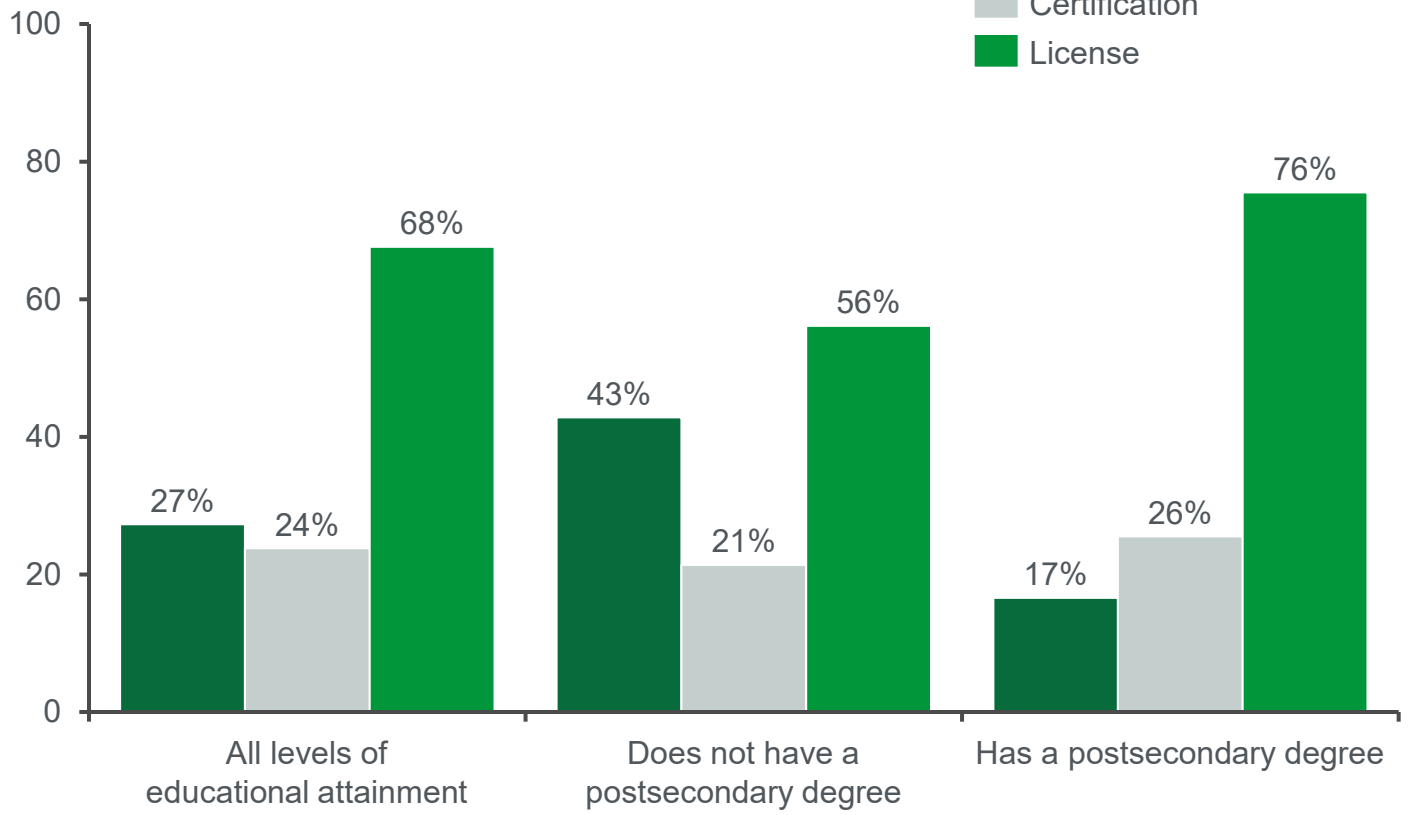
# In 2016, nearly 70% of working adults had a non-degree license; alternative education pathways play a critical role in the US education and employment ecosystem

## Alternative adult learning

### Adults in the labor force with a non-degree credential (2016)

Percentage of working adults aged 16–65

- Postsecondary certificate
- Certification
- License



- While non-degree credentials do not necessarily replace traditional degrees, they provide value to adults both with and without secondary degrees
- Credentials in high-demand labor industries are particularly sought after; the most common field for non-degree credentials is healthcare, offering career access to numerous roles in the field (e.g., registered nurse, pharmacy technician)
- These platforms/programs also offer flexibility to cater to the schedules and demands of skilled and unskilled adult learners and can accelerate entry into the workforce relative to more traditional educational routes

Note: NCES=National Center for Education Statistics  
Source: [NCES](#)

# The alternative adult learning services landscape can be segmented into five groups with varying levels of direct linkage to employment opportunities

Alternative adult learning					
Segment	Non-degree online courses/certificates	Unskilled adult training programs*	Bootcamps and hire-train-deploy programs**	Apprenticeships/ apprenticeship services	Licensure and certification
<b>Description</b>	Non-degree online courses and certificates are often pursued voluntarily to increase a person's marketable skills in high-growth areas or for personal growth/passion; these courses may be offered by traditional degree-granting institutions or alternative providers, but are often not directly linked to specific employment opportunities	Programs that provide opportunities for learners without secondary-level qualifications to gain skills and/or credentials for entry-level positions, e.g., adult basic education, GED preparation/high school equivalency, employability skills/workforce readiness, career skills and industry introductions	Intensive, short-term training programs designed to teach specific technical skills, e.g., coding, data science, in a practical, hands-on manner for participants to gain access to related roles; these programs are commonly viewed as ways to improve chances of hiring in certain fields (e.g., tech, computer science, marketing)	Programs that train future industry participants in the necessary skills for employment in a defined field, generally through in-person programs offered by employers or labor organizations; apprenticeships may leverage intermediaries to help set up programs	Credentials that validate an individual's qualifications and competencies in a specific field or occupation and are regulated by industry licensing bodies; relevant for a broad range of industries (e.g., healthcare, transportation, education, skilled trades)
<b>Example providers</b>					

\*Several of the providers referenced here are primarily focused on career and technical education for K-12 students, but also provide adult education options; \*\*Also includes similar models (e.g., Design, Build, Deploy)

Note: GED=General Educational Development

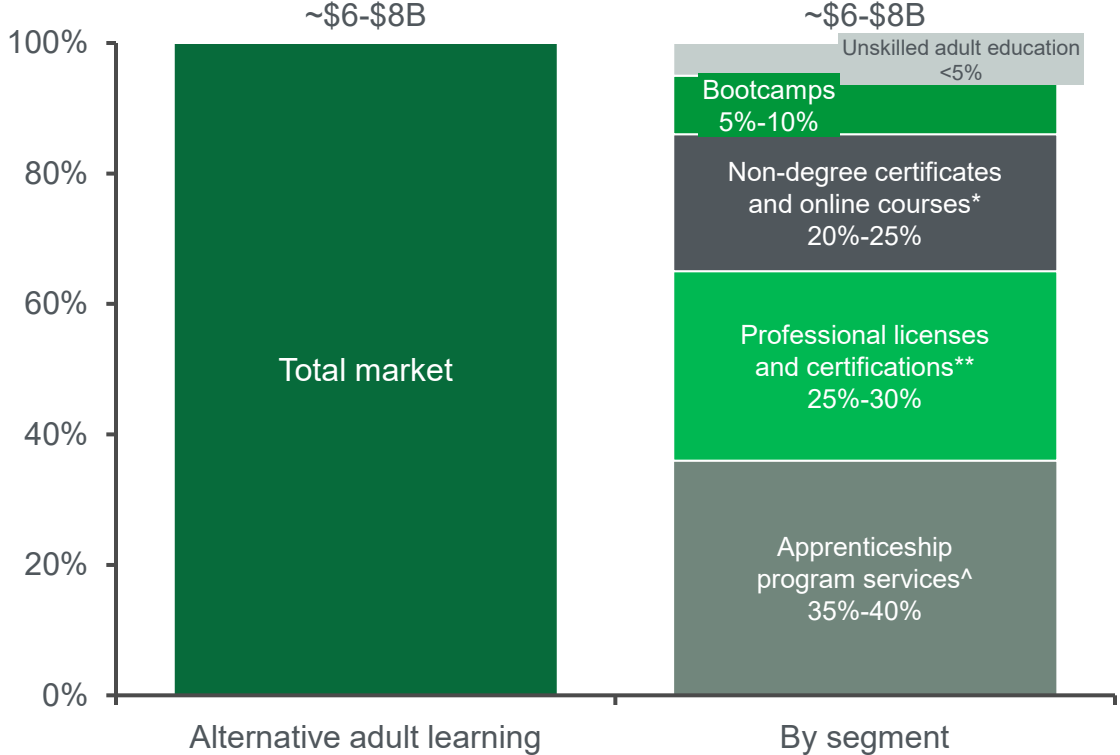
Source: L.E.K. research and analysis

# The US alternative adult learning market is estimated to be \$6B–\$8B of annual spend

**Alternative adult learning**

DIRECTIONAL

US alternative adult learning market, by segment (2024)  
USD



- While the total alternative adult learning market is large, each segment has varying levels of spend and accessibility to private investors
- There are ~600K active registered apprenticeships annually; however, much of this spend is in the context of employers, labor organizations and public investors; there are, however, several private companies that facilitate the development and management of apprenticeships for these entities
- Professional certifications/licenses and non-degree certificates represent the second-largest market segment and one that is rich with both for-profit education providers and courseware/curriculum developers
- Online courses and non-degree certificates vary both in their degree of monetization (i.e., many courses are free) and in the provider – both alternative providers and traditional higher education institutions are active in this space
- Unskilled adult education has more limited private pay spend by consumers relative to some other segments, but there can be public funds available to support alternative education solutions for specific populations (e.g., incarcerated individuals)

\*Segment includes MOOCs, non-degree certificates/badges, and lifelong and hobby-based learning; \*\*The professional licenses market size includes licenses that require traditional degrees (CPA, financial licenses, etc.);

^This is an estimated spend by the public sector for apprentices and is unadjusted for the share of private providers

Note: MOOC=massive open online course; CPA=certified public accountant

Source: HolonIQ; Maryland.gov assessment; Capital IQ; company websites; L.E.K. research and analysis











## There are a number of market dynamics that make certain areas of the alternative adult learning market attractive

### Areas to assess when evaluating alternative adult learning opportunities

- Are the skills and knowledge taught relevant to in-demand and growing occupations?
- Is a certification, licensure or other industry-recognized credential required for employment in the field?
- How direct and immediate is the ROI from program completion?
- Is there public funding available? If so, what requirements and reporting are associated with accessing it?
- Are there incentives/mechanisms in place to encourage student retention and course completion?
- What is the level of participation/competition from traditional higher education institutions (both two-year and four-year)?
- Is there opportunity to add on additional acquisitions to expand the TAM?

## Select company profiles (1 of 2)

### Alternative adult learning

Company	Overview	Ownership	#EEs	Year founded	HQ
 Aztec	Creator of career and technical education, high school equivalency and college readiness-focused content aimed at preparing and upskilling entry-level learners for the workforce and college alike	Sponsor-Backed (NexPhase Capital)	~80	1980	New York, US
 execonline	Provider of online executive education and leadership development programs designed for business leaders and professionals seeking to enhance their skills and advance their careers	Sponsor-Backed (ABS Capital, ONEX)	~250	2012	New York, US
 Ziplines. Education	Partners with universities to provide high-impact, digital-first career-oriented training to help individuals obtain real-life and relevant training in pursuit of employment or career progression	Sponsor-Backed (Consortium)	~20	2015	California, US
 NexusEdge	Creator of an online training and education platform targeting young adults, equipping them with skills to increase workforce preparedness	Sponsor-Backed (Consortium)	~10	2016	California, US
 orijin	Provider of education, workforce training and reentry support for justice-involved persons	Sponsor-Backed (Consortium)	~60	2014	New York, US
 PENN FOSTER	Provider of online courses for adult learners enabling them to obtain a high school diploma or professional, work-related education	Sponsor-Backed (BayPine, FoW)	~1,000	1890	Pennsylvania, US
 SLTC	Provider of vocational training services for utility and communications lineworkers, including programs providing participants with the necessary skills to install and repair electrical equipment and telecom network assets	Sponsor-Backed (Warren Equity Partners)	~100	1999	Georgia, US
 transfr	Provider of virtual-reality-based skills training for middle-skilled careers, offering alternative pathways to employment for those without an undergraduate degree or equivalent qualification	Sponsor-Backed (Consortium)	~200	2017	New York, US
 IRON HACK	Provider of intensive boot camps and immersive courses in web development, UX/UI design, data analytics and cybersecurity, with both remote learning options and campus locations	Sponsor-Backed (Consortium)	~200	2013	Madrid, Spain
 le wagon	Provider of immersive boot camps in web development and data science, enabling anyone to acquire the necessary skills to land their dream job in tech, launch their startup or change careers	Sponsor-Backed (Cathay Capital and AfricInvest)	~200	2013	Paris, France









Note: UX=user experience; UI=user interface; EE=employees

Source: L.E.K. research and analysis



## Select company profiles (2 of 2)

### Alternative adult learning

Company	Overview	Ownership	#EEs	Year founded	HQ
 SKILLSTORM	Leading provider of purpose-built, US-based, enterprise technology solutions for government and corporate clients; designs, builds and deploys custom teams of enterprise application and cloud-technology-focused talent	Sponsor-Backed (Achieve Partners)	~550	2002	Florida, US
 multiverse	Platform aims to identify, close and prevent skills gaps, through personalized, on-the-job learning, namely apprenticeships, matching talent to professional services and digital roles	Sponsor-Backed (Consortium)	~800	2016	London, UK
 OPENCLASSROOMS	Developer of an online educational platform designed to offer a wide range of professional certifications and various degree courses	Sponsor-Backed (Consortium)	~300	2007	Paris, France
 TEACHERS of TOMORROW	Provider of teacher services, including accredited precertification training, research-based test preparation and ongoing professional development, helping teachers excel in the classroom and beyond	Sponsor-Backed (TPG and Ridgemont)	~200	2005	Texas, US
 eDynamic Learning CAREER & ELECTIVE COURSES	Provider of online career and elective courses serving virtual, blended and brick-and-mortar US middle and high school markets with the aim of guiding students in their career discovery	Sponsor-Backed (Gauge Capital)	~150	2008	Texas, US
 iCEV	Provider of digital career and technical education solutions serving learners, educators and administrators across the K-12, higher education, workforce and corrections ecosystems	Sponsor-Backed (The Riverside Company)	~170	1984	Texas, US
 Study.com®	Provider of short, animated online courses and video lessons, study tools (such as flashcards), and tutoring services across multiple subjects from art to business	Private	~150	2015	California, US
 you science	Operator of a comprehensive online platform helping students uncover and connect aptitudes to potential careers and educational pathways	Sponsor-Backed (Consortium)	~130	2012	Utah, US



## Agenda

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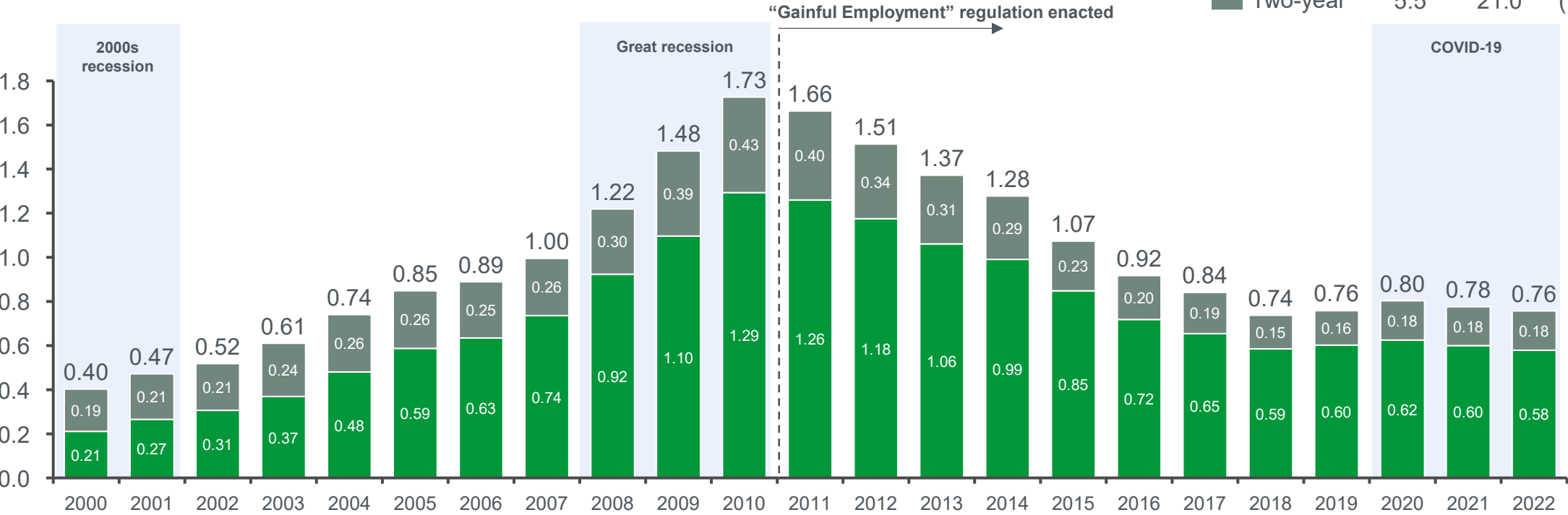
# For-profit Title IV institution enrollment peaked in 2010 as nontraditional students sought higher education options with more flexible scheduling and job placement promises following the recession

## For-profit HE institutions

Undergraduate fall enrollment in 'for-profit' institutions, by level of institution (2000-22)\*  
Millions of students

CAGR%  
(2000-08) (08-10) (10-19) (19-22)

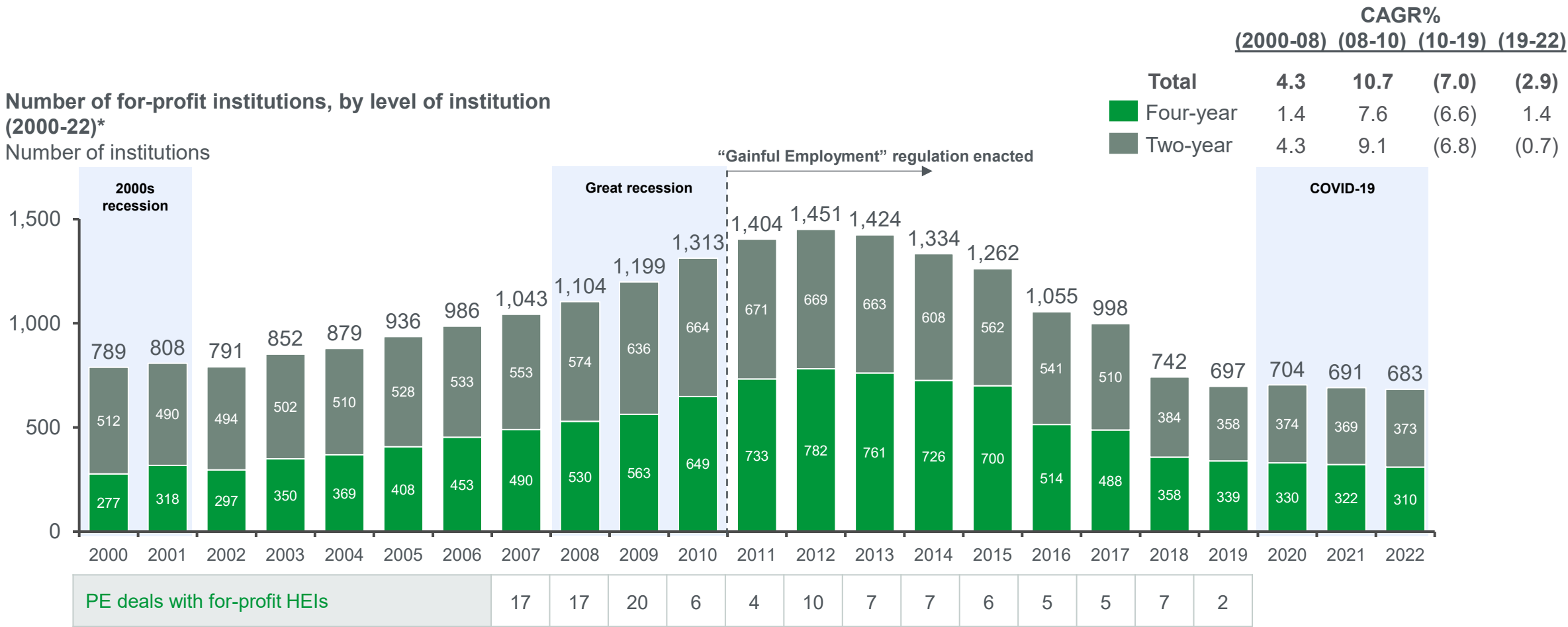
	Total	14.8	19.0	(8.7)	(0.1)
Four-year	20.3	18.4	(8.1)	(1.3)	
Two-year	5.5	21.0	(10.7)	4.3	



\*Years in chart correlate to first year of the academic year (i.e., 2021 refers to the academic year that starts in fall of 2021)  
Note: CAGR=compound annual growth rate; HE=higher education; NCES=National Center for Education Statistics  
Source: [NCES](#); L.E.K. research and analysis

# Regulatory scrutiny led to closures of hundreds of schools after 2012, and PE activity in the space dropped sharply

## For-profit HE institutions

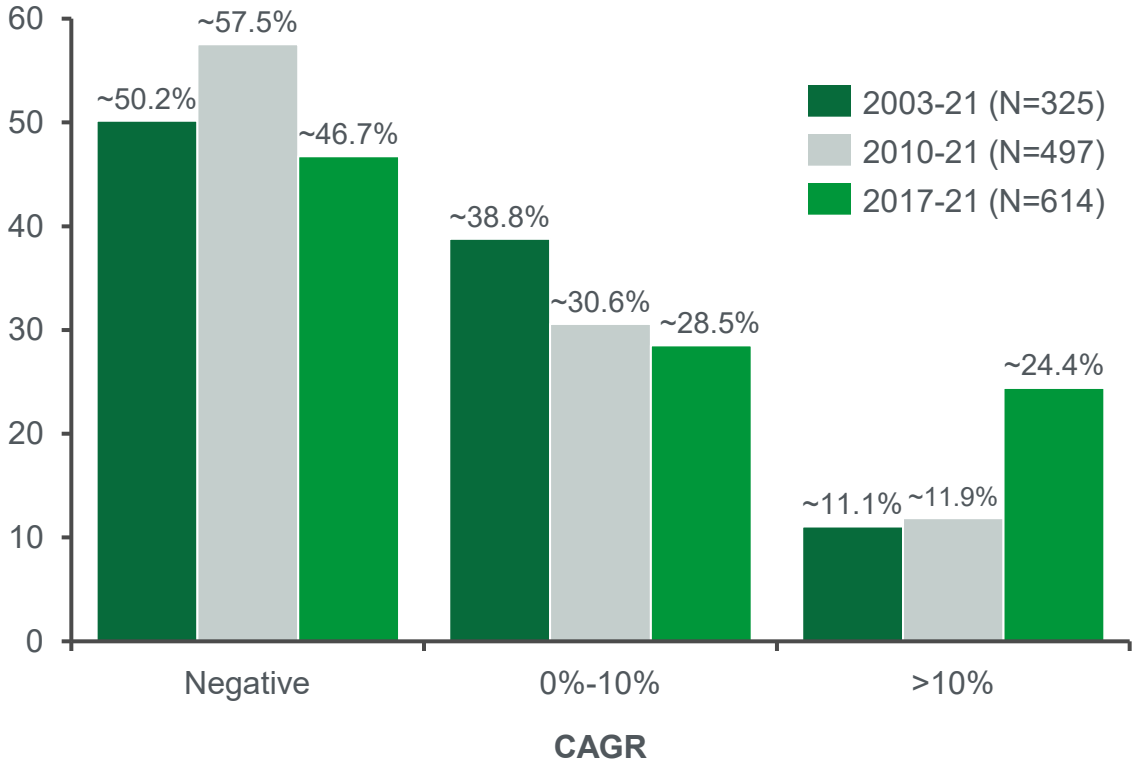


\*Years in chart correlate to first year of the academic year (i.e., 2021 refers to the academic year that starts in fall of 2021)  
 Note: CAGR=compound annual growth rate; HE=higher education HEI=higher education institution; PE=private equity; NCES=National Center for Education Statistics  
 Source: NCES; [Higher Ed Dive](#); L.E.K. research and analysis

# However, not all for-profit colleges have seen negative trends in enrollment; schools with a clear value proposition and alignment to key segments of the labor market tend to perform more strongly

## For-profit HE institutions

For-profit enrollment growth across all for-profit degree-granting colleges (2003-21)\*  
 Percentage of colleges within each range of CAGRs for 12-month FTE enrollment



## Sample of successful for-profit colleges, by area of focus:

### Healthcare and allied health

### IT and computer science

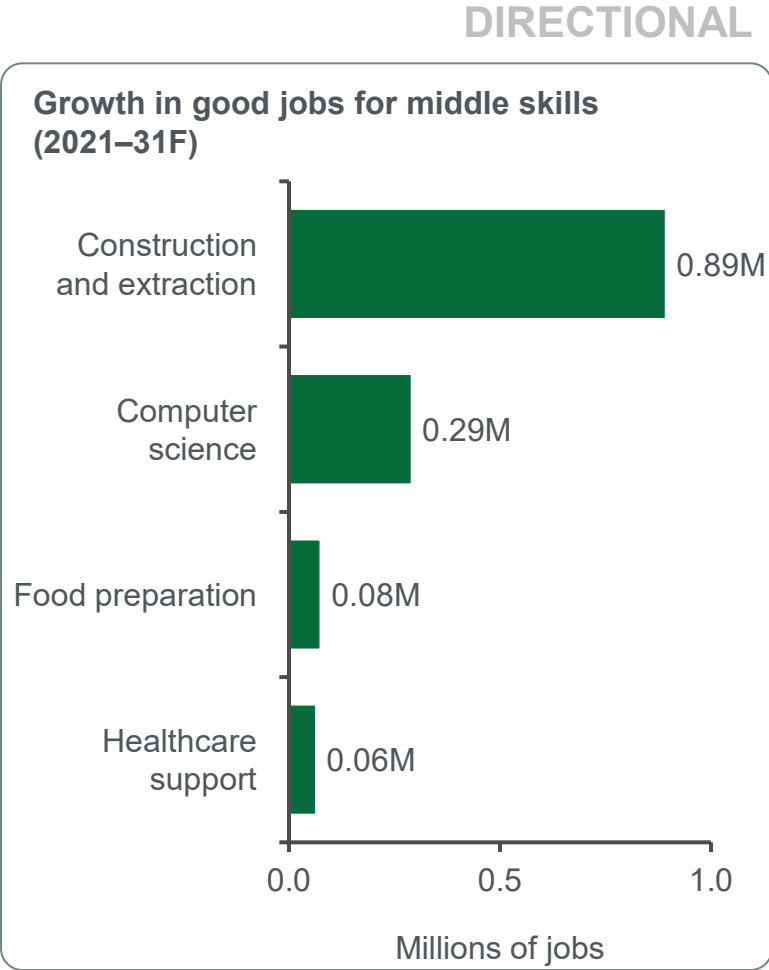
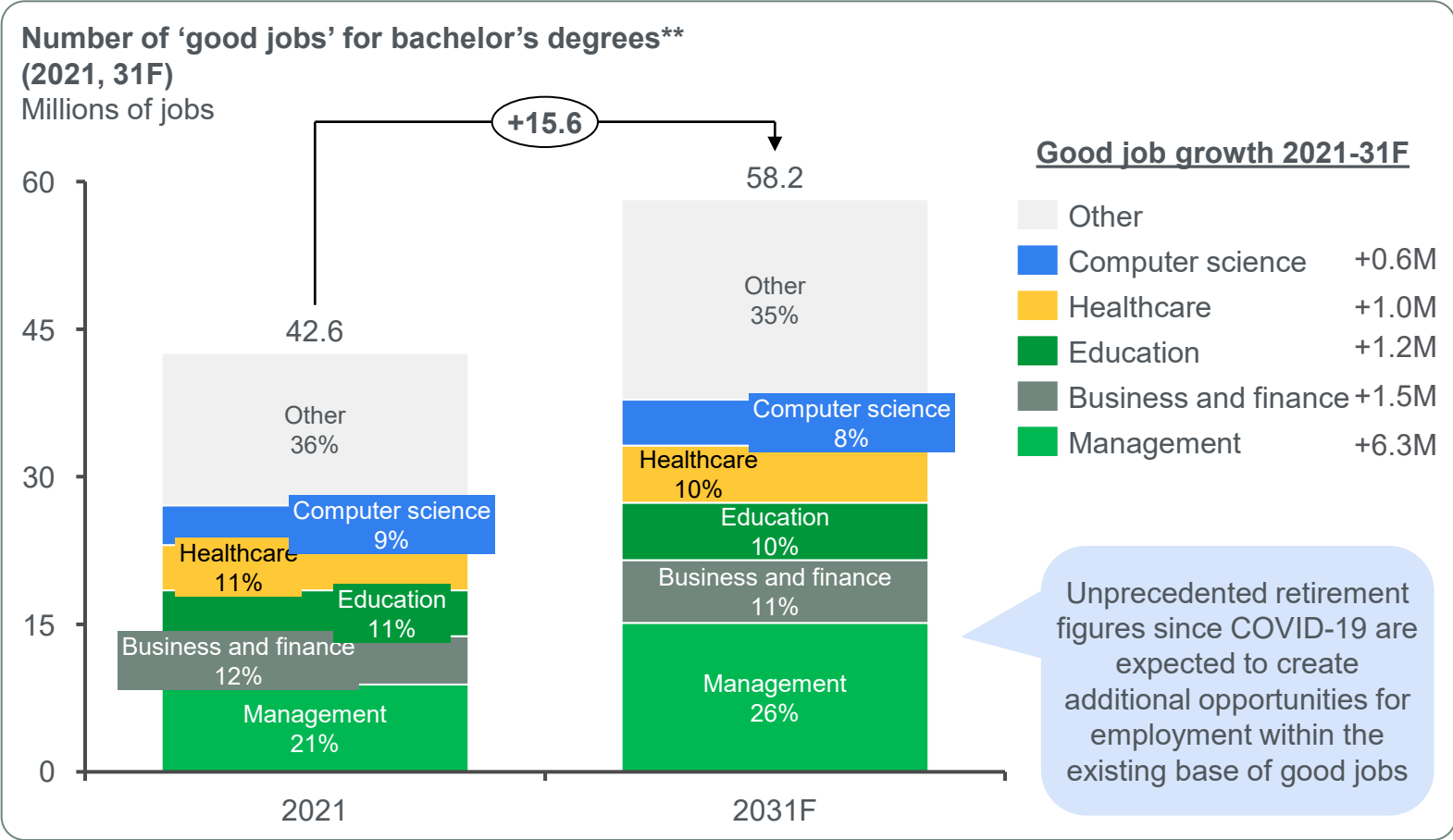
### Business and management

### Other

\* Years correlate to first year of the academic year (i.e., 2021 refers to the academic year that starts in fall of 2021); \*\*Excluding colleges without intermediate year enrollment  
 Note: CAGR=compound annual growth rate; HE=higher education; IT=information technology; FTE=full-time equivalent; IPEDS=Integrated Postsecondary Education Data System  
 Source: [IPEDS](https://www.ipeds.org/)

# These schools tend to specialize in focus areas that align to the projected market for 'good jobs' where there is growing demand and insufficient supply







**For-profit HE institutions**



\*Years in chart correlate to first year of the academic year (i.e., 2021 refers to the academic year that starts in fall of 2021); \*\*Good jobs are defined as ones that pay, nationally, a minimum of \$43,000 to workers ages 25-44 and a minimum of \$55,000 to workers ages 45-64, with a median of \$82,000 for all good jobs based on data captured by the CEW  
 Note: NCES=National Center for Education Statistics; CEW=definition; HE=higher education  
 Source: NCES; Georgetown University Center on Education and the Workforce

## Select company profiles

### For-profit HE institutions

Company	Overview	Ownership	#EEs	Year founded	HQ
	Provider of training for employment in healthcare and IT fields, offering certificates and associate and bachelor's degrees	Private	~150	2001	Florida, US
	Provider of career-oriented education, offering associate, bachelor's and master's degrees in engineering technology, health sciences, nursing, business, criminal justice and culinary arts	Private	~3,000	1966	Virginia, US
	Provider of secondary education for young adults, including technical programs, as well as associate, bachelor's, master's and doctoral degrees	Sponsor-Backed (Renovus Capital)	~1,200	1975	Guaynabo, Puerto Rico
	Operator of an aviation training institution for pilots and technicians, offering certificates and associate and bachelor's degrees	Sponsor-Backed (Sterling Partners)	~500	1928	Oklahoma, US
	Provider of facility-based postsecondary education with a focus on preparing students for careers in the welding and heating, ventilation, air conditioning and refrigeration trades	Sponsor-Backed (Halifax Group)	~100	1949	Arizona, US
	Accredited, 100% online college specializing in high-quality, affordable postgraduate programs in education, business, leadership, healthcare and nursing (non-Title IV, certified public benefit corporation)	Sponsor-Backed (CIC Partners)	~500	2005	Indianapolis, IN

Note: EE=employees; HE=higher education; IT=information technology  
Source: L.E.K. research and analysis

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