

Provident Perspectives: Transformative Landscape within Healthcare Education

*Significant demand for innovation and advancement in technology drive momentum
in the healthcare education space*

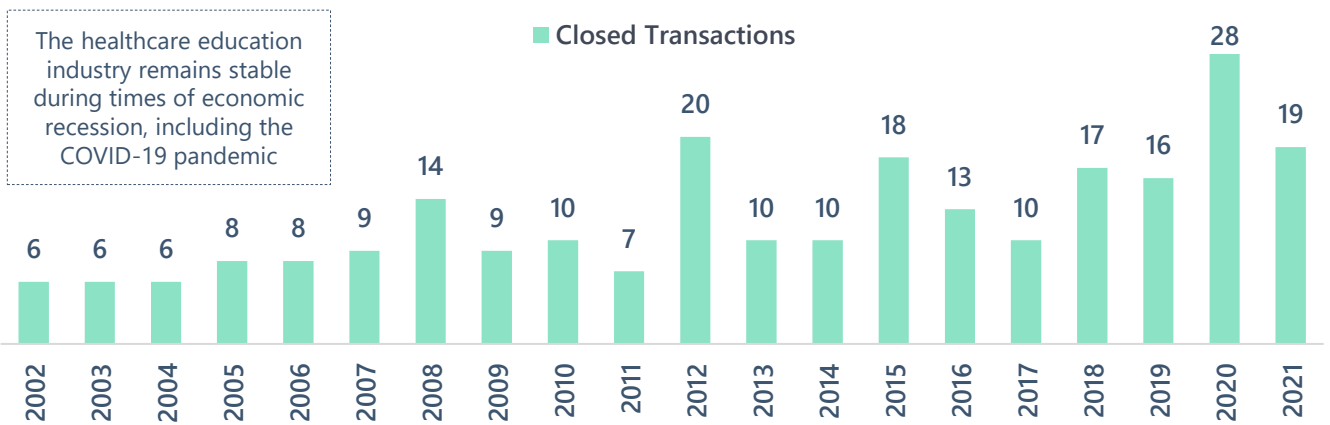


Introduction

Healthcare is one of the highest employing industries in the country with growth expected to eclipse 16% over the next ten years. Maintaining education for healthcare providers is an integral component of the American healthcare system, contributing significantly to improved patient outcomes and overall quality of care. The importance of education in healthcare has contributed to a growing share of spend within the

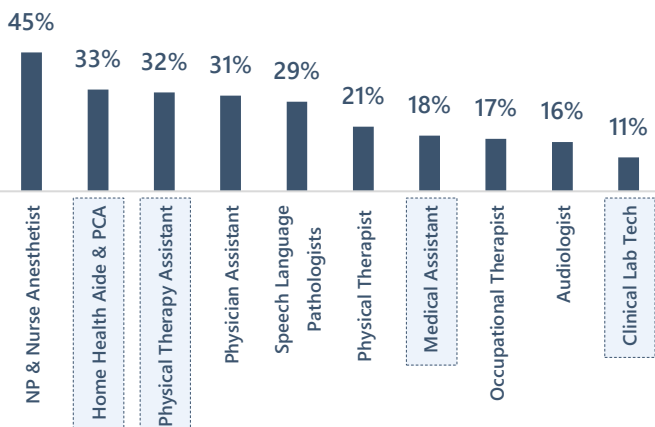
industry, which is projected to grow at an 8.4% CAGR over the next five years.⁽¹⁾ The \$85 billion market encompasses three distinct categories across a provider's career path: exam preparation, educational institutions, and continuing education. Provident tracks investor interest in all three verticals given an abundance of growth opportunities and synergies with adjacent services.

Healthcare Education Transaction Activity ⁽²⁾



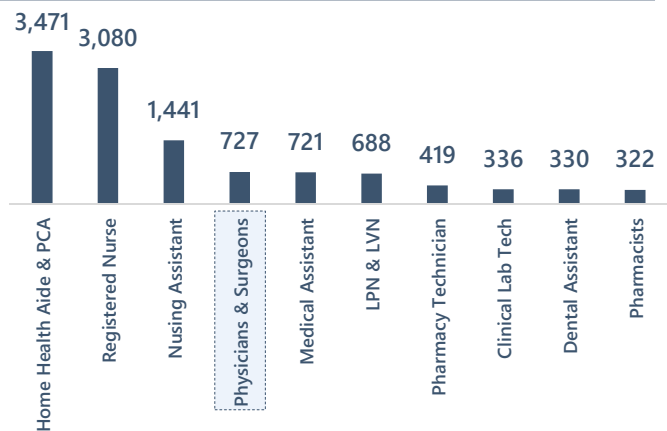
Healthcare Occupation Outlook

Healthcare Occupation Growth Rate 2020-2030 ⁽³⁾



Healthcare support occupations such as aides, assistants, and technicians are among the highest growing in the nation with a projected growth of 1.5M jobs by 2030.

Healthcare Occupation Count 2020 ⁽³⁾⁽⁴⁾

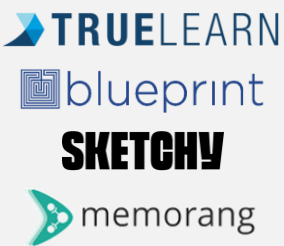





With physicians still one of the largest occupations in healthcare, investment into quality healthcare education may also help rectify an impending physician shortage.

⁽¹⁾ Markets and Markets; ⁽²⁾ Transaction statistics based on research completed by Provident; excludes non-publicly available transactions; ⁽³⁾ Bureau of Labor Statistics; ⁽⁴⁾ Figures in thousands

Understanding the Healthcare Education Landscape

Healthcare Education Industry Matrix

	Exam Preparation	Educational Institutions	Continuing Medical Education & Training
Services	<ul style="list-style-type: none"> • Study materials and plans for exams • Live classes, private tutors, question banks, practice exams, flashcards, outlines 	<ul style="list-style-type: none"> • Universities and colleges such as medical school and nursing school • Certification programs for roles such as assistants, aides, and technicians 	<ul style="list-style-type: none"> • Required CME courses to maintain licensure • Non-accredited courses for training and professional development
Sample Private Equity Backed Platforms			
Sample Strategic Acquirers			

Healthcare Education Verticals

Educational Institutions

At the core of the healthcare education process lies educational institutions. Institutions officially induct new healthcare providers and includes medical schools, nursing schools, certification programs, and similar businesses. Overall, educational institutions are experiencing enrollment growth driven by broader demand for healthcare services and an existing labor shortage.

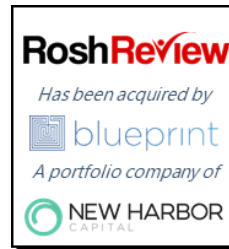
As the keystone of healthcare education, institutions often provide a partnership opportunity for other types of healthcare education companies by sharing access to its consumer base, enrolled students. Investors recognize the significance of the centralized role played by these institutions. For example, Unitek Learning has undergone two successful private equity investments, first with Cressey & Company in 2013 and later with The Vistria Group in 2020. Unitek offers an array of programs including Masters Degrees, Bachelors Degrees, and certifications for a variety of assistant and technician positions, having exposure in all levels of healthcare education.

Understanding the Healthcare Education Landscape (cont.)

Exam Preparation

Before future physicians, nurses, and other providers officially enter the workforce, they face the rigorous process of medical school and board exams. Exam preparation for these standardized tests can drastically improve students' retention and performance on exams. Common services offered include live courses, online classes, flashcards, practice exams, and tutoring. Exam preparation companies are asset-light businesses typically burdened with very little operating expenses due to long shelf-life content developed by subject matter experts.

Recent Industry Transactions



November 2021



June 2021

Continuing Medical Education & Training

Continuing medical education (CME) is the final pillar of the healthcare education sector, offering accredited classes for medical professionals to maintain licensure. As compared to the broader healthcare education industry, continuing education is uniquely attractive to investors due to its strong margin profile and predictable, recurring revenue streams. This segment within the broader healthcare education space services the largest market over the longest period of time.

Recurring Model

CME provides naturally recurring revenue given nationwide requirements for continuing education

48

State Boards Requiring CME for Physicians ⁽¹⁾

Commercial Partners

Many CME providers partner with pharmaceutical sponsors creating stable relationships and reliable revenue streams

37%

American ACCME Providers with Commercial Sponsorship ⁽²⁾

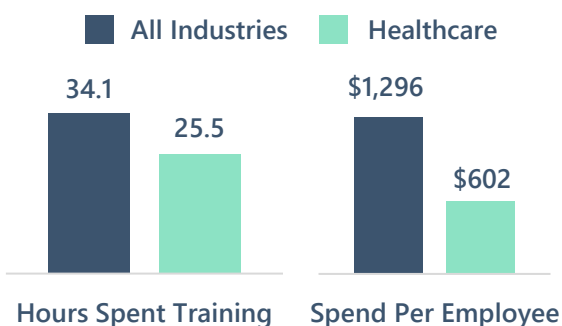
Accreditation Requirements

Accreditation by organizational bodies creates a barrier to entry for new players which further stabilizes the market

56

Newly Accredited ACCME Providers in 2020-2021⁽³⁾

Healthcare Training Averages ⁽⁴⁾



Professional Training: Continuing education can also include unaccredited training companies with programs for practice management, compliance, pharmaceutical sales, and more. The healthcare industry underspends on employee training compared to other industries, creating a growth opportunity in the development of non-clinical skills. While these trainings are not mandated by a governing body, their services are still of high value to healthcare organizations and their workforce.

⁽¹⁾ Federation of State Medical Boards; ⁽²⁾ ACCME, exclusive of ACCME providers with probation accreditation status; ⁽³⁾ ACCME;

⁽⁴⁾ Association for Talent Development

Healthcare Education Market Dynamics

Healthcare Education Thesis

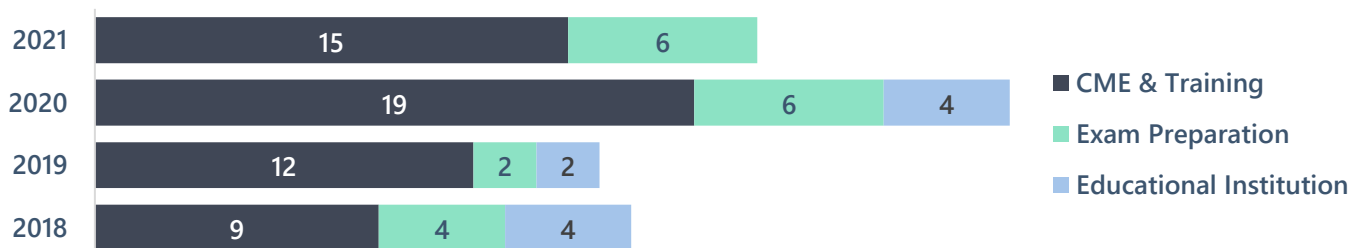
Renewed consideration in the healthcare education sector has been primarily driven by opportunities for integration, waves of digitization, focus on student outcomes, and the broader adoption of technology platforms in healthcare organizations. As contemporary education companies focus on these new strategies, experienced platforms look to diversify into tangential and complementary service areas. In 2021, the CME & Training vertical experienced the most M&A activity, accounting for approximately 70% of deal flow. The revitalization of education brings new attention to a still highly fragmented market.

Digitization of Services

Emphasis on Engagement & Outcomes

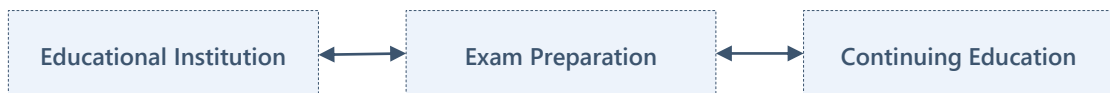
Enduring Role of Technology Platforms

Healthcare Education Transaction Volume by Vertical ⁽¹⁾



Synergies & Integration

As healthcare education exists along a continuum of a provider's career, several opportunities present themselves to vertically integrate. Overall, the healthcare education space is poised for continued innovation in years to come.



Exam preparation businesses partner with educational institutions effectively accessing a broad customer base and implementing favorable institutional contracts. This dynamic has led to innovative new service lines directly for institutions, such as student outcome data analytics. TrueLearn, a portfolio company of LLR partners, has modeled their exam preparation platform around this mutually beneficial relationship.

Integration of continuing education providers and exam preparation services continues to grow in popularity. Marketing to healthcare students for exam preparation services helps build brand equity with its consumer base years before they become addressable market participants for their core CME services. This expands the longevity of customer relationship and promotes customer retention. NexPhase Capital's portfolio company KnowFully Learning Group has established meaningful brand recognition employing this model.

⁽¹⁾ Transaction statistics based on research completed by Provident; excludes non-publicly available transactions

Healthcare Education Growth Drivers

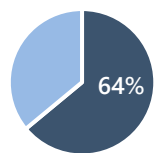
Healthcare Education Thesis

Digitization of Services

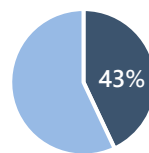
Provider education is the latest sector of healthcare to embrace modern digital practices. The swift onset of the COVID-19 pandemic and subsequent lockdowns forced healthcare education providers to adapt to online solutions quicker than expected. Despite the abrupt change, most physicians now prefer online courses over face-to-face events citing saved expenses, time efficiency, flexibility, and greater accessibility.⁽¹⁾ Education companies also reap the benefits of online classes with access to a larger audience and lower expenses. Besides efficiency, the nature of online interactions will soon allow companies to generate and

leverage large quantities of internal data. Investor interest is driven by lower operating expenses, increased accessibility, and the ability to harness data.

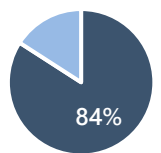
Consumer Preference for Online Education ⁽¹⁾



Believe medical education is lagging in online learning



Believe online learning should play a more prominent role in medical education



Prefer completing CME online

Emphasis on Engagement & Outcomes

Focus on student engagement and effectiveness has spurred the development of new teaching methods. Simulation, conducted as a live patient interaction, gives practitioners holistic, hands-on experience without risking the safety or time of actual patients. Simulation tests providers' reaction time, critical thinking, and emotional responsiveness, ideally improving impact of education and eventual patient outcomes. Gamification is an adjacent service offering that has evolved in tandem with technology and emphasis on engagement. Gamification products incorporate educational content with game-like design. Novel approaches to content have rapidly emerged and have garnered investor attention.

Recent Industry Transactions



July 2021



February 2021

Enduring Role of Technology Platforms

More broadly, the adoption of technology in other areas of healthcare accelerates the market's adoption of healthcare education technologies. As consumer and investor communities become more partial to other digital products, such as medical records, remote patient monitoring, and revenue cycle management systems, investors have increasingly turned to education solutions that promote healthcare's shift to technology-based services.

Digital Transformation ⁽²⁾

52% Hospitals using three or more connected health technologies

47% Companies expected to expand use of health technologies

⁽¹⁾ Meddata, PLOS One; ⁽²⁾ HIMSS

A New Wave of M&A Activity

Despite the maturity of the industry, healthcare education is still a fragmented market. The historically stagnant field of healthcare education has undergone a phase of innovation and, subsequently, investor interest. The emergence of new service delivery models complemented by powerful forces of growth creates an appealing industry dynamic with unwavering demand and opportunity for differentiation.

In 2021, there were nineteen transactions in the space. Fifteen of those deals were existing platform add-ons and four were new platform creations or secondary platform transactions. The add-on activity has followed the creation of new platforms in recent years and the diverse nature of strategic investors.

M&A strategy in the healthcare education space is

centered around synergy opportunities. Most transactions have been completed with the purpose of introducing new, accretive service lines to an existing platform. Value drivers for add-on opportunities include service differentiation and sponsor relationships.

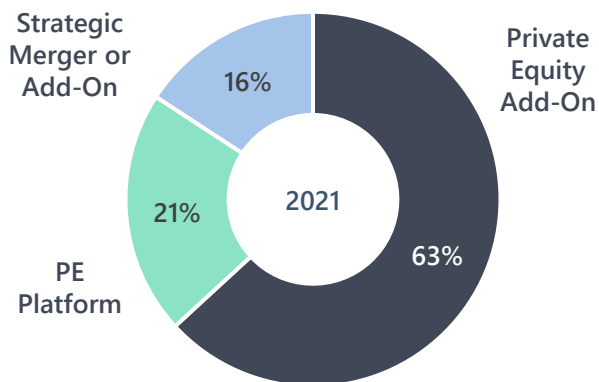
Many private equity investors maintain a thesis in healthcare education and actively look for platform investments. Private equity firms will look to healthcare education companies with a stable customer base and revenue model operated by an experienced management team.

Despite the aggressive valuations in the healthcare education space, competition and interest remains strong, signaling confidence from the investor community.

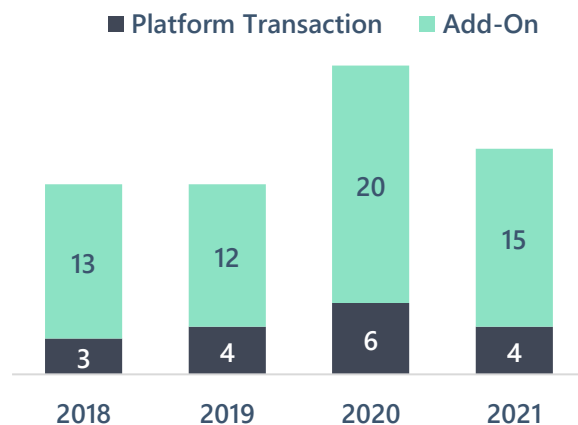
Value Drivers for Healthcare Education Transactions



Transactions by Buyer Type ⁽¹⁾



Transaction by Deal Type ⁽¹⁾



⁽¹⁾ Transaction statistics based on research completed by Provident; excludes non-publicly available transactions

Private-Equity Interest & Key Consolidation Themes

Diverse Buyer Universe

Pure Play Healthcare Education



Active platforms dedicated entirely to healthcare education have largely been established in the past five years and typically offer services across multiple education verticals

Broader Healthcare Services



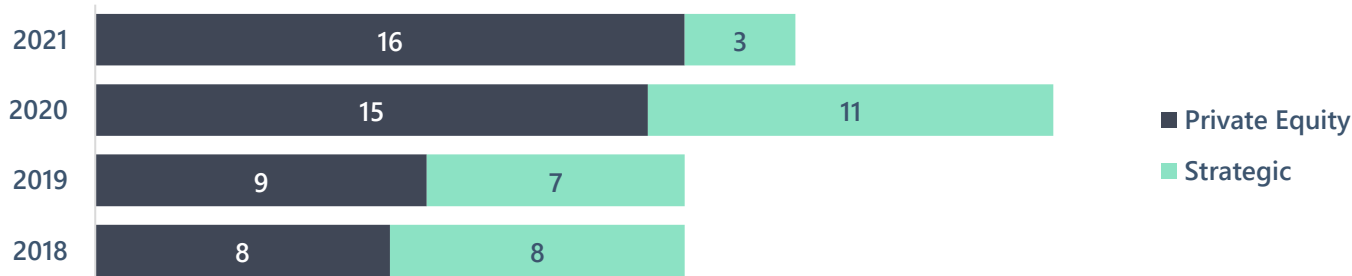
Broader healthcare companies such as communications, media, analytics, and other management platforms look to compliment their existing offerings with education services

Broader Education Services



Education platforms that offer study tools and exam preparation for other sectors such as business and legal find value in adding healthcare as an additional sector

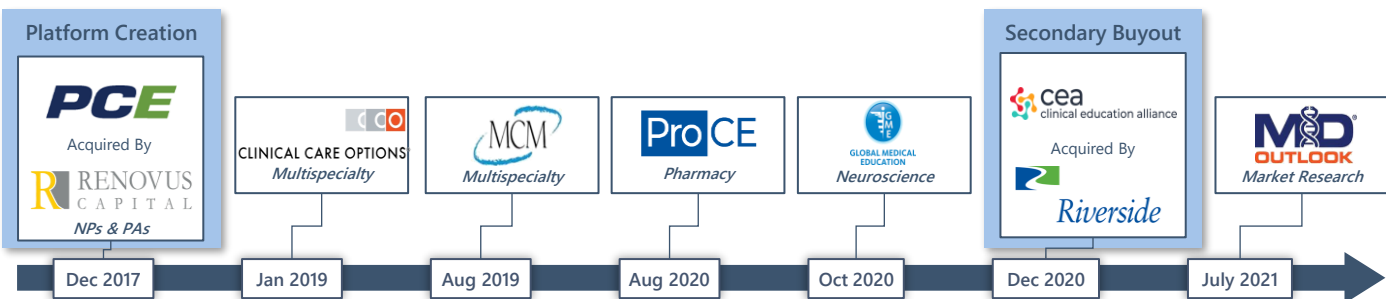
Transaction by Deal Type ⁽¹⁾



Successful Private Equity Add-On Strategy

Clinical Education Alliance (CEA) has realized success through an M&A strategy in the CME sector. In late 2017, continuing education provider Practicing Clinicians Exchange (PCE) received their first investment from Renovus Capital. The platform, now called Clinical Education Alliance, completed four successful acquisitions before its exit to private equity firm The

Riverside Company in late 2020. From its original investment, Renovus added multiple service lines and specialty areas to CEA, realizing over 5x growth. After the secondary transaction, Riverside has also demonstrated an acquisitive strategy as showcased by its latest add-on, MD Outlook. CEA continues to serve as a prime case study for M&A for healthcare education companies.



⁽¹⁾ Transaction statistics based on research completed by Provident; excludes non-publicly available transactions

Partnership Considerations

There are several partnership options afforded to business owners looking to explore a transaction. With a wide array of partnership options in the space, not all opportunities are created equal. It is important to understand the post-transaction goals of potential partners as well as their respective business models to determine likelihood of go-forward success with philosophical and cultural alignment.

	Private Equity Platform	Private Equity-Backed Regional Platform	Strategic Add-On
Pros	<ul style="list-style-type: none"> • Capital and resources to accelerate growth trajectory • Opportunity to spearhead and lead growth initiatives • Ability to retain meaningful equity ownership and benefit from value creation • Allows for most operational and strategic autonomy to retain key staff • Opportunity to leverage private equity firm for board-level strategic support 	<ul style="list-style-type: none"> • Typically, higher valuations than add-on acquisitions • Ability to share operational best practices and leverage platforms centralized back-office resources and infrastructure • More strategic and operational autonomy than being an add-on acquisition • Potential for board representation and meaningful equity within the platform • Rollover equity is shared across a network of agencies, diversifying risk 	<ul style="list-style-type: none"> • Potential for 100% buyout opportunity and succession plan • Access to experienced management teams • Potential to benefit from economies of scale • Ability to share operational and best practices and leverage existing back office and management resources
Cons	<ul style="list-style-type: none"> • No synergies factored into initial valuation • Less certainty and heavier lift to close • Best practice sharing not necessarily available at initial phase • Not an option for all groups due to size and infrastructure parameters • More risk than joining an existing platform 	<ul style="list-style-type: none"> • Existing TopCo management team and infrastructure are already in place • Autonomy is typically less than being a private equity platform investment 	<ul style="list-style-type: none"> • Limited opportunity to have board-level representation and voting power • Existing management team and infrastructure is already in place • Lowest strategic and operational autonomy of the three options • Potential clash of organizational cultures within combined entity

Private Equity Secondary & Tertiary Transactions

Select Healthcare Education Platforms⁽¹⁾

Platform	Transaction History
Carrus (Career Step)	<ul style="list-style-type: none"> • 2021 – Acquired by Penn Foster via its financial sponsors • 2018 – Acquired by Revelstoke Capital Partners • 2009 – Acquired by DW Healthcare Partners, Five Points Capital, Siguler Guff & Company
Clinical Education Alliance	<ul style="list-style-type: none"> • 2020 – Acquired by The Riverside Company • 2017 – Acquired by Renovus Capital Partners
Imedex	<ul style="list-style-type: none"> • 2017 – Acquired by North American Center for Continuing Medical Education • 2015 – Acquired by Vesey Street Capital Partners • 2004 – Acquired by AmerisourceBergen
Prime Education	<ul style="list-style-type: none"> • 2018 – Acquired by Everyday Health Group • 2016 – Acquired by DW Healthcare Partners
Relias	<ul style="list-style-type: none"> • 2014 – Acquired by Bertelsmann • 2012 – Acquired by Vista Equity Partners
TRC Healthcare	<ul style="list-style-type: none"> • 2017 – Acquired by Levine Leichtman Capital Partners • 2012 – Acquired by Francisco Partners
Unitek Learning	<ul style="list-style-type: none"> • 2017 – Acquired by The Vistria Group • 2013 – Acquired by Cressey & Company
University of St. Augustine for Health Sciences	<ul style="list-style-type: none"> • 2019 – Acquired by Altas Partners • 2013 – Acquired by Laureate Education via its financial sponsors

⁽¹⁾ Transaction statistics based on research completed by Provident; excludes non-publicly available transactions

Select Private Equity Add-On Transactions

Select Private Equity Platform Investments⁽¹⁾

Date	Target	Acquirer	Transaction Type
Feb-21	Pro-ficiency	NovaQuest Capital Management	Platform Creation
Jan-21	Medbridge Solution	Brentwood Associates	Platform Creation
Jan-21	Minerva Medical Simulation	Prototerra Partners	Platform Creation
Jan-21	Level Education Group	Baum Capital Partners Management	Platform Creation
Dec-20	Clinical Education Alliance	The Riverside Company	Secondary Buyout
Oct-20	US HealthConnect	Morgan Stanley Capital Partners	Platform Creation
Sep-20	Sketchy	The Chernin Group	Platform Creation
May-20	TrueLearn	LLR Partners	Platform Creation
Mar-20	Unitek Learning	The Vistria Group, Onex Falcon	Platform Creation

Select Strategic & Private Equity Add-On Acquisitions⁽¹⁾

Date	Acquirer	Target	Financial Sponsor
Nov-21	Osmosis	Elsevier	
Nov-21	Immediate Action Medicine	KnowFully Learning Group	NexPhase Capital
Nov-21	NSCI Group	US HealthConnect	Morgan Stanley Capital Partners
Nov-21	Rosh Review	Blueprint Test Preparation	New Harbor Capital
Oct-21	Carrus	Penn Foster	BayPine, Everberg, Two Sigma Impact
Oct-21	Med School Tutors	Blueprint Test Preparation	New Harbor Capital
Sep-21	Hippo Education	Perdoceo Education	
Aug-21	ChiroCredit	KnowFully Learning Group	NexPhase Capital
Jul-21	Simbionix	Surgical Science Sweden	
Jun-21	Picmonic	TrueLearn	LLR Partners
May-21	Creative Educational Concepts	KnowFully Learning Group	NexPhase Capital
May-21	Medcon International	US HealthConnect	Morgan Stanley Capital Partners
Apr-21	Archetype Innovations	Carrus	Revelstoke Capital Partners
Mar-21	The Rx Consultant	KnowFully Learning Group	NexPhase Capital
Mar-21	NetCE	TRC Healthcare	Levine Leichtman Capital Partners

⁽¹⁾ Transaction statistics based on research completed by Provident; excludes non-publicly available transactions;

Conclusion

The healthcare education sector recognizes significant investor interest. Educational institutions will remain at the core of the sector while surrounding services such as exam preparation and continuing medical education are poised for significant growth in the coming years.

Provident believes the wide array of services spanning throughout a healthcare provider's career creates a promising opportunity. The healthcare education market remains highly fragmented and is on the verge of a tremendous surge in growth, creating a timely opportunity for investors.

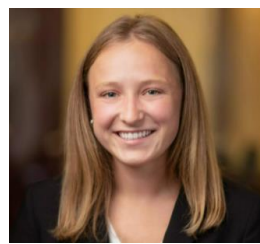
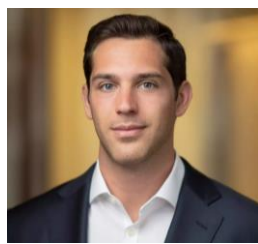
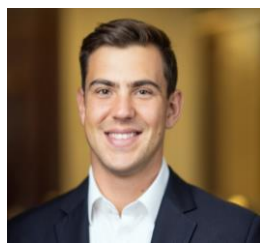
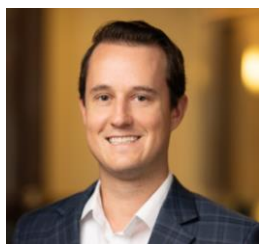
The shift to a technology-based sector allows healthcare education providers to leverage low operating costs and healthy margins. Additionally, scalable access to a large

addressable market invites new synergies with other health technology platforms.

While the industry is in the early stages of consolidation, a handful of private equity-backed platforms have accomplished success in the space via meaningful growth and rewarding exits. These examples both exemplify the potential of healthcare education platforms and outline a large, knowledgeable investor community.

Healthcare education companies are positioned to benefit from consolidation. The overlap of consumers, content development, and service models create unparalleled synergies for operations, knowledge sharing, and cost reduction.

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Provident is one of the leading investment banking firms specializing in merger and acquisition advisory, strategic planning, and capital formation for middle-market and emerging growth healthcare companies.

The firm has a vast network of senior industry relationships, a thorough knowledge of market sectors and specialties, and unsurpassed experience and insight into the investment banking process.

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