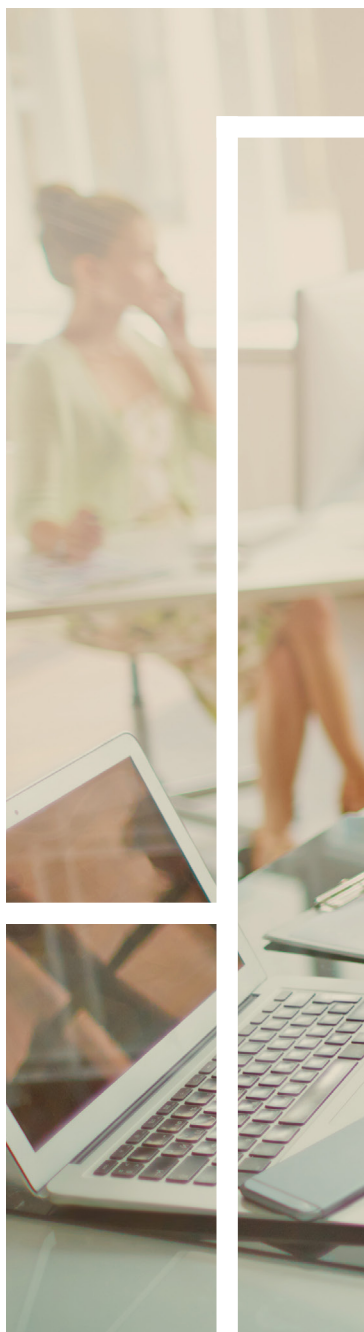


Pandemic Heralds New Generation of Investment Opportunities in Human Capital Management

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Few would disagree that 2019 was a candidate driven market when it came to hiring. With low unemployment and the underlying health of the economy sound, employers had to compete not only on salary, but also benefits, perks and culture to attract skilled talent. In the space of just a few weeks, COVID-19 has reversed the balance of power—giving the employer the upper hand—and caused many employers to completely reevaluate their established workplace practices.

Many believe this shift will accelerate ongoing market trends in Human Capital software and services: influencing the prevalence of remote working and distance learning; revolutionizing hiring, onboarding and employee engagement; and increasing technology adoption to maintain employee collaboration and connectivity. In turn, this new climate will alter the type of candidates employers will hire, presenting an exciting market backdrop for investing.

On the candidate supply side, with the academic year behind us, post-secondary educational institutions face the daunting prospect of their latest cohort of graduates entering the most challenging job market in a generation. They will be the first to experience the potent combination of rapidly evolving employer needs and priorities—alongside limited resources.

With this turn of the tide comes opportunities for private equity and strategic investors to invest in the next generation of technology, products and services supporting the supply side of human capital management (HCM). Areas of interest include:

1. Education and Talent Acquisition Come Together with HCM Supply/ Demand Switch Hitters:

Some companies in the talent acquisition space have recognized that to ensure viability in any job market, there are benefits to not only serving corporate hiring managers' hunt for talent, but also the job candidates themselves. One such example is [Revature](#), a staffing company turned learning company which not only offers businesses tech talent delivery, but also offers programming skills courses to help individuals, as well as universities, position graduates for available jobs. Another example straddling the needs of both job hunter and hirer is [VMock](#), an AI-powered skills-matching talent ecosystem that not only helps candidates accelerate their careers and higher education institutions get students and alumni hired, but also supports companies' ability to automate internal mobility processes. Because of their versatility and viability in a variety of job markets, companies that service both the talent pipeline and corporate hirers are particularly attractive.

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2. Accelerated Skills Gap Creates Need for Employee Reskilling, Upskilling: As companies contend with the dramatic changes that the pandemic has brought to their industries, many have been forced to rapidly adjust their business models and go digital to survive. This disruptive change to the business climate requires a new mix of employee skills both for those currently employed and those now out of work. While the skills gap was an issue pre-COVID-19 due to the digital transformation of business, the present climate has accelerated the problem, creating a larger chasm between the workers available and the skills needed to make the economy function. With this trend at play, we see opportunity for digital native training solutions for asynchronous learning as well as companies like [Trilogy Education Services \(subsidiary of 2U, Inc.\)](#), a workforce accelerator which aims to close the skills gap by designing market-driven curriculum and delivering in conjunction with post-secondary institutions.

3. Vertically Specialized, Short-Term Online Programs Boom as Unemployment Rises: Historically, post-secondary education has been viewed as countercyclical. When unemployment rises, candidates need to invest in improving their hireability. The present moment is unique with many colleges and universities planning on a drastically different campus experience in the fall, with a larger portion of (if not all) classes being delivered online. In the near term, we expect to see a larger draw for vertically specialized, short-term fully online programs offered by healthcare education providers like [Carrus](#) and [Medcerts](#) to help professionals regain employment in their current field or transition to a more secure long-term career path. Additionally, many of these providers are now building relationships with employers to form a workforce solution continuum for lifelong skills training.

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As unemployment rises and people need to enhance job prospects, we expect M&A and investment activity tied to the supply side of the talent pipeline to grow. Market dynamics driving M&A opportunity include:

Significant fragmentation: With significant fragmentation of providers, there is ample opportunity for PE and corporates alike to deploy capital in the space. Aggregating “point solution” providers across geographies provides an opportunity for multiple arbitrage with a scale supply-side HCM platform.

No lumpy sales: With candidates driving the purchase decision instead of corporates, there is limited concentration of customers, potentially shorter sales cycles and a technology-based solution which creates multiple enhancement. This avoids lumpier sales where one client loss translates into a big hit to the P&L.

Potential opportunity for holistic supply side platform: On the demand side we have seen consolidation with players like Korn Ferry, Adecco and Randstad building a continuum of offerings from skills building, to talent acquisition, to talent management, to outplacement to help corporate hirers. Both corporate strategics and PE firms have rolled up these consolidated solutions. Yet, on the supply side, there is an open playing field for investors to bring talent assessment, bootcamps and upskilling/reskilling together with a bridge to employers.

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