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Higher Education Finding Investment Opportunities in the Disruption

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The U.S. higher education sector is in the midst of unprecedented transformation. Once defined by expansion and access, the industry now finds itself at a crossroads, shaped by sweeping federal policy changes, heightened demand for workforce-aligned credentials, and rapid advances in artificial intelligence (AI).

Nicholas Kent, the recently installed Under Secretary of Education, stated upon assuming office that “President Trump has entrusted me with a weighty task: to restore the greatness of American higher education and ensure that our taxpayer-supported colleges, universities, vocational schools, and other postsecondary programs are genuinely helping young Americans launch and grow their careers.” He added, “The ‘higher education industrial complex’ must be shaken up by competition, accountability, and a future-focused mindset.”

These changes bring existential risks for traditional colleges and universities—particularly those dependent on tuition revenue, graduate enrollment, and expensive programs that lack student return on investment (ROI). For investors and innovators, however, the disruption is a unique opportunity to create value in institutions and companies by reshaping learning and job and career preparation.

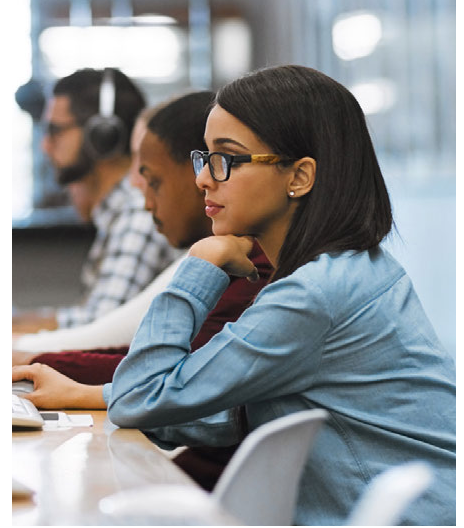


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—Nicholas Kent, U.S. Under Secretary of Education



“One Big Beautiful Bill”: A New Era of Reduced Funding and Accountability

The transformation of higher education accelerated on July 4, 2025, when President Trump signed into law [H.R. 1](#), the “One Big Beautiful Bill”.

This sweeping legislation, which includes several hundred billion dollars in cuts to higher education funding over the next decade, ushers in a new era of performance-based funding, accountability, and market-driven reform.

The Act eliminates Graduate PLUS loans for new borrowers, imposes new annual and lifetime borrowing caps on unsubsidized graduate and professional loans, and provides annual and lifetime caps on loans to parents of undergraduates (Parent PLUS). These changes will present challenges to institutions that enroll significant numbers of students from low- and middle-income backgrounds, working adults, and graduate students.

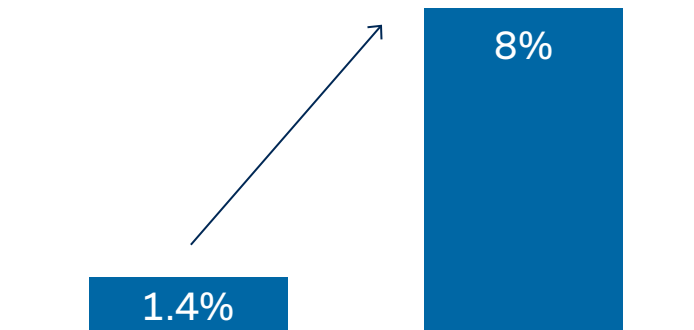
One of the Act’s more consequential changes is the introduction of a new “earnings premium” accountability framework, which applies equally to degree programs at all institutions of higher education—public, private nonprofit, and private for-profit. If a program’s graduates consistently earn too little compared to a baseline group, the program could lose access to federal student loans. For undergraduate programs, the rule compares graduates’ earnings four years after finishing to the earnings of working adults with only a high school diploma or GED. For graduate programs, it compares earnings four years after enrollment to those of working adults with only a bachelor’s degree. This metric is intended to hold all colleges and universities accountable for the economic value that they deliver to students.

If a program’s graduates consistently earn too little compared to a baseline group, the program could lose access to federal student loans.



Finally, the Act imposes much steeper excise taxes on the investment income of private colleges and universities with large endowments, raising the rate from the previous flat 1.4% rate to a range that tops out at 8%.

EXCISE TAX INCREASE



Increase applies to taxable years beginning after December 31, 2025.

This increased tax will not only affect elite institutions but also many smaller institutions, potentially reducing the funds available for scholarships, research, and student support services.

The message from Washington is not just a matter of budget tightening. Institutions must prove their value or risk losing funding. Providers that can align closely with labor market needs and demonstrate measurable employment outcomes are poised to capture a larger share of students and federal support. Expect investments to target high-demand fields requiring either a college degree or trade school education, including roles in healthcare, technology, engineering, and advanced manufacturing and skilled trades like medical technology, aviation maintenance, HVAC, and welding. In addition, education models that rely on employer funding and other nonfederal funding sources—bypassing federal bureaucracy altogether—will continue to be in high demand.



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“Workforce Pell”: The Rise of Nontraditional Providers

The Act advances the skills-first agenda, introducing a new “Workforce Pell Grant” for accredited short-term credential programs—those lasting just eight to 15 weeks and offering between 150 and 600 clock hours of instruction.

These programs are not only more affordable and flexible, but also faster to market, appealing to working adults and those seeking to upskill quickly. Accredited providers that can quickly align with labor market needs and demonstrate measurable employment outcomes are poised to capture a growing share of students and funding with workforce relevance. Under Secretary Kent recently stated that he looks forward “to embracing alternatives to the traditional four-year degree—promoting vocational training, apprenticeships, and innovative credentials that align education with the in-demand needs of today's workforce.”





Accreditation Reform: Lowering Barriers for New Entrants

In tandem with legislative changes, President Trump's April 23, 2025, executive order on [reforming accreditation](#) is set to disrupt the status quo further.

The order directs the Secretary of Education to resume recognizing new accreditors to increase competition and accountability in promoting high-quality, high-value academic programs focused on student outcomes and to prioritize outcome-based measures—such as graduation rates and post-graduation earnings—over traditional input metrics. This reform lowers barriers for new and innovative educational institutions that have previously struggled to gain recognition under the current accreditation system. For investors, it signals a more open regulatory environment where high-performing newcomers can compete on equal footing.

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AI: The New GenEd Requirement

At the 2025 ASU+GSV Summit in April, attended by more than 7,000 education leaders, edtech entrepreneurs, investors, and policymakers, AI emerged as a dominant theme.

There was broad consensus that AI literacy has become a foundational skill, similar to reading or math. Colleges and edtech companies are hyper-focused on integrating AI into curricula, support services, and administrative operations. Institutions that can offer AI-enhanced learning experiences, predictive student support, and automated administrative functions can vastly improve outcomes and reduce costs. Companies providing AI-based tools—from virtual tutors to enrollment bots to predictive analytics dashboards—are strategically placed for increased demand from institutions seeking to modernize.

President Trump's April 23, 2025, executive order on [AI education](#) and workforce development reinforces this trend, directing federal agencies to use existing funding mechanisms, such as Workforce Innovation and Opportunity Act (WIOA) grants, to promote AI skill-building for high school students, including through dual enrollment to earn postsecondary credentials, and to expand registered apprenticeships in AI-related occupations. Public-private partnerships and B2B platforms that can deliver scalable AI training solutions are especially well-positioned for growth.



Companies providing AI-based tools are strategically placed for increased demand from institutions seeking to modernize.



The current environment is fertile ground for companies offering:



Operational efficiencies.



Improved student outcomes.



Technology enablement.



Workforce-aligned programs.



Revenue-sharing or performance-based contracts.

Partnership and Private Capital: The Search for Efficiency, Competitiveness, and Solvency

As financial pressures mount from the need to adapt to new accountability measures, tighter federal aid, and political scrutiny, institutions will be actively seeking partnerships to offset costs and mitigate risks.

The current environment is fertile ground for companies offering operational efficiencies, improved student outcomes, technology enablement, and workforce-aligned programs, such as shared-service platforms, online program managers (OPMs), public-private partnerships (P3s) in infrastructure and student services, and revenue-sharing or performance-based contracts. However, as institutions face tighter budgets and higher taxes, spending on less mission-critical third-party services and partnerships will likely decline.

The Act's new federal borrowing requirements and caps and elimination of Grad PLUS loans are expected to significantly expand the private student loan market, as students and families seek financing from private lenders to cover shortfalls in their ability to fund their education. However, these changes will leave behind many low-income and high-risk borrowers, who may be unable to qualify for or afford private loans, impacting enrollments at institutions that serve these students.

In the Disruption Lies Opportunity

The past three decades of higher education in the U.S. were about expansion and access.

The next decade will be about performance, accountability, and economic value. Federal policy reforms, technological advances, and workforce alignment are converging to create a more dynamic, outcomes-driven market. While many legacy institutions are at risk if they fail to adapt, agile incumbents and new players can step in and prosper with responsive models that scale. For investors, the opportunity lies in looking beyond the headlines and focusing on institutions and companies that prioritize outcomes, leverage technology, and deliver economic mobility to their graduates.



Globalization: Opportunities Abroad

While visa uncertainties and political headwinds are impacting international student enrollments at domestic institutions, international demand for high-quality, U.S.-style education remains. Cross-border education ventures, transnational campuses, and online programs with global relevance are poised to capture displaced international learners.



About Our Education Technology and Services Team

The education technology and services team operates within Houlihan Lokey's Business Services and Technology groups, which have earned a reputation for providing superior service and achieving outstanding results in M&A advisory, capital-raising, restructuring, and financial and valuation advisory services.

Our clients run the gamut from early-stage businesses and mid-sized companies to large, publicly traded corporations. We understand that an industry driven by innovation and change requires the sophistication of an advisor who can think ahead of the market and utilize solid industry relationships to help advance your vision. We optimize client outcomes by running executed, competitive processes, by focusing on deep domain knowledge to position for synergy and scarcity value, and by leveraging our world-class strategic and private equity access to bring the right senior decision-makers to the negotiation table.

Our Experience

 OCEAN Oakley Capital Ocean Technology Group, a portfolio company of Oakley Capital, has been acquired by Lloyd's Register Self-Advised	 Colibri NEUBERGER BERMAN Colibri Group, a portfolio company of Golden Capital, has received an equity investment from Neuberger Berman Exclusive Financial Advisor	 Colibri TREC Healthcare Colibri Group, a portfolio company of Golden Capital, has acquired TREC Healthcare Physical Preferred Equity & Convertible Preferred Equity Acquisition Financing Buy-Side Advisor & Exclusive Financial Agent	 RelyOnNutec POLARIS MUBADALA CAPITAL RelyOn Nutec, a portfolio company of Polaris, has been acquired by Mubadala Capital Self-Advised
 trainor EV opave Trainor Group AS, a portfolio company of EV Private Equity, has been acquired by Opave Group Self-Advised	 THE inflexion Times Higher Education has been acquired by Inflexion Private Equity Partners Buy-Side Advisor	 bartleby Student Brands BARNED LEARNEO Bartleby & Student Brands, subsidiary companies of Barnes and Noble Education, Inc. have been acquired by Learneo, Inc. Self-Advised	 totara Five V Capital TENZING Totara, a portfolio company of Five V Capital, has been acquired by Tenzing Private Equity LLP Self-Advised
 SPARTA GLOBAL inflexion Sparta Global has sold a majority stake to Inflexion Self-Advised*	 everdriven PALLADIUM Charlesbank EverDriven, a portfolio company of Palladium, has been acquired by Charlesbank Self-Advised	 VESTAR GREYLIION Vestar Capital Partners, Inc. has made an investment in 30thAnalytics.com, Inc. a portfolio company of GreyLion Buy-Side Advisor	 TDR Capital BPP TDR Capital has acquired BPP Buy-Side Advisor
 BNED Barnes & Noble Education, Inc. Amended Asset-Based Revolver and Second Lien Term Loan \$410,000,000 Exclusive Financial Advisor & Placement Agent	 alchemy Riverside intertek Alchemy Systems, a portfolio company of Riverside, has been acquired by Intertek Self-Advised	 ISSA TAILWIND empowered education International Sports Science Association (ISSA), a portfolio company of Tailwind Capital, has acquired Empowered Education Buy-Side Advisor	 Colibri Becker ADTALUM Colibri Group, a portfolio company of Golden Capital, LLC has acquired Becker & OnCourse Learning from Adtalem Global Education Buy-Side Advisor
 inflexion MARLOWE Inflexion has acquired the Governance, Risk & Compliance software and services assets ("GRC") of Marlowe Buy-Side & Financing Advisor	 VITRUVIAN Vitruvian Vitruvian Limited has received an investment from Vitruvian Partners Self-Advised	 ICS Learn PRIMARY skill&you. IK Partners ICS Learn, a portfolio company of Primary Capital, has been acquired by Skill & You, a portfolio company of IK Partners Self-Advised	 Circus Street QA CVC Circus Street London Limited has been acquired by QA Limited, a portfolio company of CVC Capital Partners Self-Advised
 Ridgemoor TEACHERS OF TOMORROW Ridgemoor Equity Partners has made a minority investment in Teachers of Tomorrow Buy-Side Advisor	 TAILWIND CAPITAL ISSA Tailwind Capital has acquired International Sports Science Association (ISSA) Buy-Side Advisor	 skillsoft CHURCHILL CAPITAL II Skillsoft Corporation has merged with Churchill Capital II Self-Advised	 EPOMEC RAPTOR TECHNOLOGIES THOMASBRADY JMI EPOMEC, a portfolio company of ECI, has been acquired by Raptor Technologies, a portfolio company of Thomas Bradway and JMI Equity Self-Advised*
 Challenger TRUENING CAPITAL Challenger Optimization Inc., a portfolio company of Main Equity Partners, has been acquired by Richardson Sales Performance, a portfolio company of TrueNorth Capital Self-Advised	 RICHARDSON SALES PERFORMANCE KARTESIA TRUENING CAPITAL Richardson Sales Performance, a portfolio company of Kartesia, has been acquired by TrueNorth Capital Management, LLC Self-Advised	 Future Learn Seek Investments FutureLearn Limited, a portfolio company of The Open University & Seek Investments, has been acquired by Global University Systems Self-Advised	 The London Institute iu GROUP OC Oakley Capital London Institute of Banking & Finance has been acquired by IJ Group N.V., a portfolio company of Oakley Capital Self-Advised
 iLearn EQT EQT iLearn, a portfolio company of EQT, has been acquired by Sanoma Group Self-Advised	 thi investments Corniel Thi Investments has invested in Corniel Buy-Side Advisor	 BPP TDR Capital SPECTRUM EQUITY BPP Holdings Ltd., a portfolio company of TDR Capital, has acquired Digital Marketing Institute Ltd., a portfolio company of Spectrum Equity Buy-Side Advisor	 Educate 360 Morgan Stanley UNITEC Educate 360, a portfolio company of Morgan Stanley Capital Partners, has acquired United Training Buy-Side Advisor
 ATAIROS LifeLabs Learning Atairos Management, LP has acquired LifeLabs Group Inc. Buy-Side Advisor	 Corporate Visions Sentinel Riverside Corporate Visions, a portfolio company of Sentinel Capital Partners, has been acquired by The Riverside Company Self-Advised	 SEG RFE ACTION Sales Empowerment Group, a portfolio company of RFE Investment Partners, has acquired Action Selling Buy-Side Advisor	 SANDLER BLUE MARLIN Sandler Training has received an investment from Blue Marlin Services, LLC Self-Advised

Tombstones included herein represent transactions closed from 2018 forward. *Selected transactions were executed by Houlihan Lokey professionals while at other firms acquired by Houlihan Lokey or by professionals from a Houlihan Lokey joint venture company.

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- 2,000+ Annual Valuation Engagements

2024 M&A Advisory Rankings
All Global Business Services Transactions

Advisor	Deals
1 Houlihan Lokey	86
2 Rothschild	62
3 Goldman Sachs	54
4 Benchmark International	49
5 JP Morgan	46

Source: LSEG (formerly Refinitiv). Excludes accounting firms and brokers.

- No. 1 Global M&A Advisor**
- Leading Capital Solutions Group

2024 M&A Advisory Rankings
All Global Technology Transactions

Advisor	Deals
1 Houlihan Lokey	101
2 Goldman Sachs	98
3 JP Morgan	93
4 Morgan Stanley	81
5 Rothschild	65

Source: LSEG (formerly Refinitiv). Excludes accounting firms and brokers.

*Announced or completed transactions.

**2024 M&A Advisory Rankings—All Global Transactions.

Source: LSEG (formerly Refinitiv).

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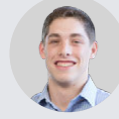
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