

Improving operating efficiency, maximising cash flow and expanding sales.

SHL

About SHL

SHL is the global market leader in talent assessment. It drives improved business results, for its clients, by providing better intelligence about their people - from recruiting to employee development and succession planning.

In January 2011, SHL merged with PreVisor, a leading provider of on-demand employment assessments in North America. The merger gave SHL improved access to the North American market as well as access to a new set of complementary products.

This new SHL Group carries out more than 25 million assessments per year, in 150 countries and 30 languages for over 10,000 clients. The SHL Group provides behavioural and ability assessments and tools and services to enterprises and governments globally. Its solutions include over 1,000 assessments delivered by Software-as-a-Service based solutions, PC, paper-and-pencil and face-to-face.

“We received great support from the Hg team, enabling us to drive significant positive change and producing a stronger, more attractive and more valuable business. It was a real partnership.”

David Leigh, CEO of SHL

Why did we invest in SHL?

The values of psychometric testing were becoming more recognised across corporate world, driven by a move to online testing. As a result SHL's market was growing at over 9% p.a.

Protected repeat revenue came from high levels of intellectual property and customer loyalty but we felt SHL also had opportunities to expand into new markets, through acquisitions and organic growth.

Finally, during our due diligence process, we identified that opportunities to increase operating efficiencies and cost control (the reason for poor performance in the early 2000s), as well as generation of a quick cash repayment, through the disposal of non-core assets.

The investment process

We met SHL's management and key stakeholders in 2002 and continued to monitor the business over the next four years.

The adviser appointed to sell SHL had a strong relationship with us, which ensured an early invitation to the auction process. We were able to offer a swift transaction completion plan, as well as strong credentials, up-front work and an active portfolio management approach.

How did we support them and create value?

We worked with management to implement a number of projects designed to improve operating efficiency, maximise cash flow and expand sales.

These included: accelerating SHL's focus on web-based products; investing in technology and implementing best in class sales processes; taking advantage of EBITDA margin improvement opportunities as the business moved away from low margin Assessment-to-Product programmes; delivering increased focus on operating efficiency; selling non-core assets; introducing strategic business planning; implementing a cost reduction exercise; recruiting a new Chairman, CEO, Sales Director, Chief Commercial Officer and Chief Technology Officer; and creating a shared service centre, delivering a more centralised approach to both the front and back office.

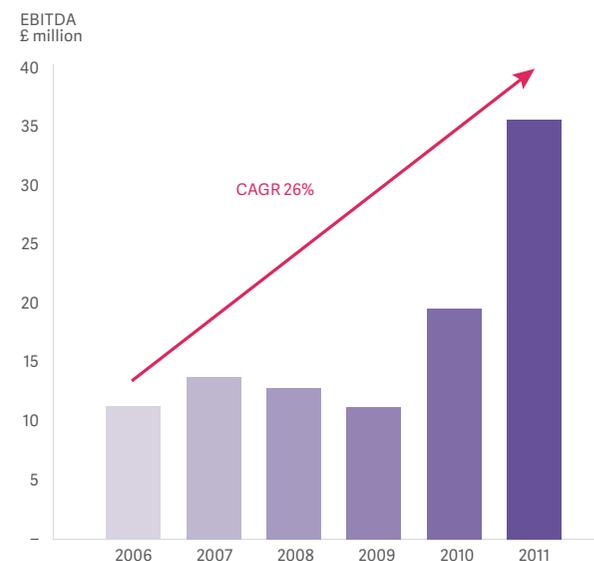
We also completed a merger with PreVisor, a leading provider of on-demand employment assessments in the North American market. This helped to expand the business geographically, while also bringing a new range of products into the business. Linked to this we undertook an acquisition market-mapping and a pricing study, to identify opportunities for M&A, as well as synergies across the business.

What was the result?

Despite experiencing challenging trading conditions during 2009 (and being written down to 0.4x), SHL performed well overall during our investment period, delivering revenue and EBITDA growth of 80% and 200% respectively, both organically and via acquisition.

What was the exit?

SHL was sold to a listed US trade buyer, The Corporate Executive Board Company in July 2012, for \$660 million returning 3.1x original cost and a gross IRR of 26% p.a.



3.1x – Investment return multiple of cost
26% p.a. – Gross IRR
