

# Maximizing the Value of Your Career College





# The Value of a Career College

- Why this is important to you!
  - You can't deposit Legacy in your bank (reality check time)
  - You likely will only ever sell one school in your lifetime
  - Sophisticated Buyers usually have more \$
  - There is a difference in the drivers between Financial Buyers and Strategic Buyers
  - To maximize the value you need to understand the variables, plan, and then execute on the plan
  - Timing is critical – so you need to plan ahead

# The Value of a Career College

- A few great real life stories:
  - Group offered > \$ 10 M by P/E Group
  - DD issues, revised offer, rejection
  - Blown fall enrolments
  - Long term deterioration
  
- NDAs and LOI signed based on 3 month closing
- 9 months later buyer walks and becomes a competitor
- Management then must refocus on operating the school



# The Value of a Career College

- A few great real life stories:
  - Group wants to sell 2 schools due to losses and management difficulties
  - Five potential buyers approached
  - Resulting bid was substantial due to buyers need to expand program offerings and geographical base
- > 50% of deals don't close, so make sure it makes sense up front

# The Value of a Career College

- What is it worth? What drives up values?
  - Economies of Scale (bigger is better)
  - Consistent & Growing Profitability
  - Net Profit % drives up value
  - Quality & Diversity of Programs
  - Management Expertise
  - Marketing & Admissions Expertise
  - Student Loan Repayment Rates
  - Graduation and Employment Rates
  - Competitive Advantages
  - Systems
  - NPS

# The Value of a Career College

- What can go wrong?
  - Poor Accounting – Especially Revenue Recognition
  - Conflicting Data – Variations Create Uncertainty
  - Conflicting Definitions – Current vs Fixed
  - Capital Expenditures Timing
  - Balance Sheet Issues – NWC
  - Unresolved Legal Issues

# The Value of a Career College

- How to make a plan?
  - Determine the timeline
  - Determine your range
  - Evaluate “How Realistic is This?”
  - Paint the Picture with words and visuals
  - Back the Picture with real data
  - Put the Team in place to deliver operations and to facilitate the sale



# The Value of a Career College

- The Perfect Deal!
  - 65 Year Old Owner
  - Strategic Buyer – Flush With Cash
  - Growing & Profitable Company
  - Great Outcomes for Students & Regulators
  - All Capital Expenditures at Optimum Timing