



Restructuring and Consolidation in Postsecondary Education

Postsecondary Education Outlook

Since 2010, Ariste professionals worked with over 20 for-profit and not-for-profit postsecondary schools; we are acutely aware of the opportunities and challenges facing postsecondary education institutions.

- Student demand has been declining over the last ten years
 - » Lower population of 18-years old, high school graduates - population declines not expected to improve until 2026
 - » Many prospective students/parents balk at incurring debt and scrutinize the cost/benefit of attending college
 - » Reductions in government funding programs hinder students'/families' ability to pay
- COVID-19 exacerbated the financial challenges for struggling schools and accelerated the implementation of online education
- Increases in institutional scholarships (discounts) to attract more students lead to lower net revenue and unsustainable operating deficits
- Investments are required to implement cybersecurity programs to protect student information
- Postsecondary institution closures and mergers continue
- To survive, struggling institutions will need to:
 - » Invest in technology that enables new forms of course delivery and support services
 - » Reduce other spending, including academic spending
 - » Diversify revenue sources
 - » Restructure long-term debt

Consolidation in Postsecondary Education

In other industries with similar fundamental challenges, analysts would be predicting restructurings and consolidation. In Postsecondary Education, many colleges and universities will be faced with deciding their fate.

Some schools will make difficult decisions and changes toward a recovery and a better future.

Some will merge or be acquired.

Others will close.

Mergers and Acquisitions

Schools will use the following criteria to target opportunities for mergers and acquisitions:

- **Synergies:** academic programs, student demographics, geographic and online assets
- **Accretive Assets:** new academic programs, real estate and technology
- **Cash Flow Impact:** the combined cash flow and liquidity must not be dilutive
- **Composite Score and CDRs:** must have manageable long-term debt, clean regulatory compliance and competitive persistence and graduation rates

Suitors want to acquire the best assets (students, academic programs, faculty and real estate) from struggling schools but usually cannot afford to absorb the debt and operating deficits.

Consolidation in Postsecondary Education (cont.)

Closures and Transfer Partners

When schools close, everyone loses - students, graduates, faculty, administration, employees, the community, vendors and creditors.

- Only the Transfer Partners benefit because they will take your students and “cherry-pick” your programs and faculty without providing consideration and without taking much liability.

The Trustees, President and CFO of a closed school have the personal liability of discharged Title IV loans for students that get stranded and do not graduate or transfer.

- If a school must close, it is critical to do so when you have the means and liquidity to teach through the spring and graduate your current seniors.
- Schools that are closing must identify Transfer Partners, and regulations require that students are provided with multiple options to continue and complete their education.
- It is critical to manage and execute a communications plan to multiple audiences, simultaneously, in order to minimize lawsuits and avoid new claims.

Consolidation in Postsecondary Education (cont.)

Many schools still have time and resources to restructure and position themselves to survive and endure.

Presidents and Trustees should start with an analysis and fact base around net revenue, student mix, academic program enrollments, faculty productivity, general and administrative payrolls and department spending.

- **Net Revenue:** Discounting needs to be controlled and awarded based on a student's probability of accepting and attending.
- **Student Mix:** Changes in student mix can reduce net revenue: undergraduate/graduate, STEM, international, commuters, athletes, part-time, etc.
- **Academic Programs:** Schools should cull majors and academic programs based on a minimum enrollment of 8- 10 students in a class.
 - Typically, the analysis shows 30% - 50% of the programs make up the majority of the enrollments and net revenue.
- **Faculty Productivity:** Schools should review the faculty teaching loads. Sometimes schools can no longer afford to have faculty carry less than a 12-hour teaching workload.
- **Payroll:** Schools should compare the payroll costs by program including faculty and administrative positions.
 - The analysis should include the enrollments and net revenue by program to make a full comparison and identify the most valuable programs.
- **Departmental Spending:** Schools should analyze Accounts Payable to understand the spending with the top vendors and identify opportunities to reduce pricing and costs.
 - Typically, the largest school vendors are for dining, cleaning, maintenance, security and books. Sometimes there are opportunities to improve contract terms with these vendors.

Operations, Restructuring and Financial Advisory Services



Postsecondary Education

Ariste is the only firm with direct, postsecondary education experience in school administration, operations, regulatory, real estate, restructuring and financial transactions. A Client scope of work can address a combination of needs to provide an end-to-end solution.

Operations Improvement

- Marketing and Advertising
- Enrollment management and admissions
- Title IV processing
- IT, systems and reporting

Financial Resources Analysis

- Debt Management Plans
- Real estate
- Primary Vendors
- Fundraising

Transaction Advisory

- Strategic transactions
- Debt refinancing and restructuring
- Contract negotiations

Strategic and Market Assessment

- Evaluate Strategic Plans
- Business Plan Assessment
- Programs and Faculty Productivity Analysis
- Strategic Options

Regulatory and Accreditation

- Evaluate compliance measures and thresholds
- Develop and implement action plans
- Support efforts for Accreditor self study and site visits
- Help prepare submissions and responses for inquiries

Liquidity and Financial Analysis

- Cash forecasting and cash management
- Capital investment and facilities
- Net tuition and discounting

Postsecondary Education Expertise

Our school engagements are actively led by Joe D'Angelo with a small project team to preserve precious liquidity and not duplicate the efforts of Client staff.



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- We provide boots on the ground support for struggling institutions, and we work closely with the administration and staff to develop and implement a plan that is achievable and sustainable.
- Postsecondary Education engagements typically include the following value-added services:
 - » Operations and Restructuring – We will work as part of the administrative staff and provide leadership through the restructuring process including economic analyses, digital marketing and admissions, financial aid operations, negotiate contracts and debt agreements.
 - » Liquidity Forecasts and Financial Projections – We will work closely with the CFO and the finance team to improve liquidity and develop 13-Week Cash Forecasts and detailed monthly financial projections.
 - » Business Plan Assessments – We will thoroughly evaluate the business plan to test the assumptions and compare to historical trends and use our expertise to provide meaningful input and help implement the plan.
 - » Stakeholder Communications – We bring credibility by providing reliable information and communication to stakeholders that is important to gain momentum and quickly negotiate and implement a successful outcome.
 - » Regulatory Compliance – We utilize our substantial experience dealing with accreditors, state agencies and the Department of Education to help prepare communications and meet strict deadlines.

Ariste helps the Board of Trustees and Administration work through their fiduciary duty and the exercise of business judgement to determine the options representing the highest expected value.