

Venture Capital and Buyouts in Education

Capitalizing on Current Trends

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Panelists

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2007 Survey of Education Private Equity

- **Developed by Eiseman Levine/
Learning Diagnostics**
- **Sponsored by Signal Hill Capital**
- **Still in process; preliminary results only**
- **Reported results screened for firms
“interested” in education investing – 25
respondents**

Survey Respondents

➤ Buyout firms	32%
➤ Venture capital firms	28
➤ Hybrid venture/buyout	16
➤ Corporate venture affiliate	8
➤ Corporation	8
➤ Incubator	4

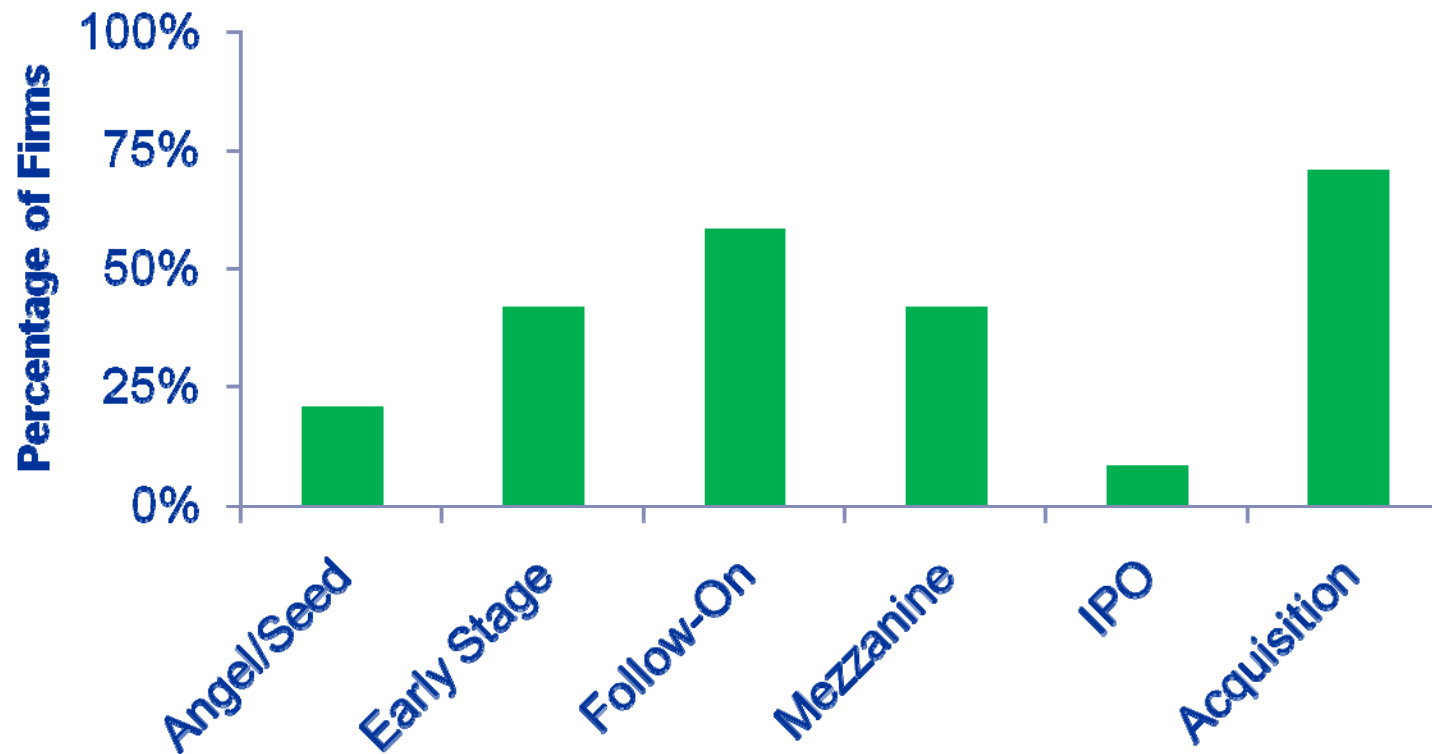
Capital Under Management

- | | |
|----------------------------|------------|
| ➤ Less than \$100mm | 20% |
| ➤ More than \$100mm | 72 |
| (remainder “confidential”) | |

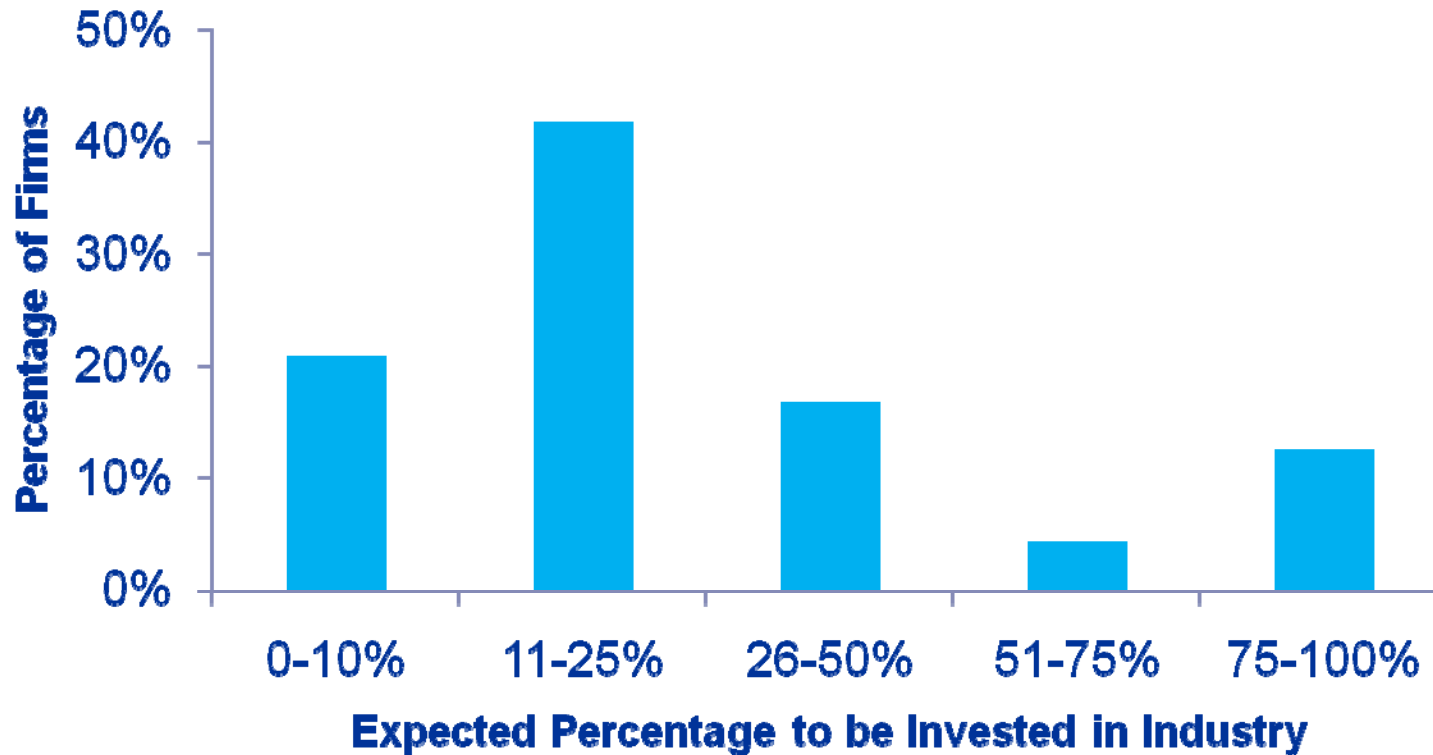
Desired Total Investment Per Company

- **Less than \$10 million** **48%**
- **More than \$10 million** **44**
 - **More than \$55 million – 16%**
 - (remainder “confidential”)

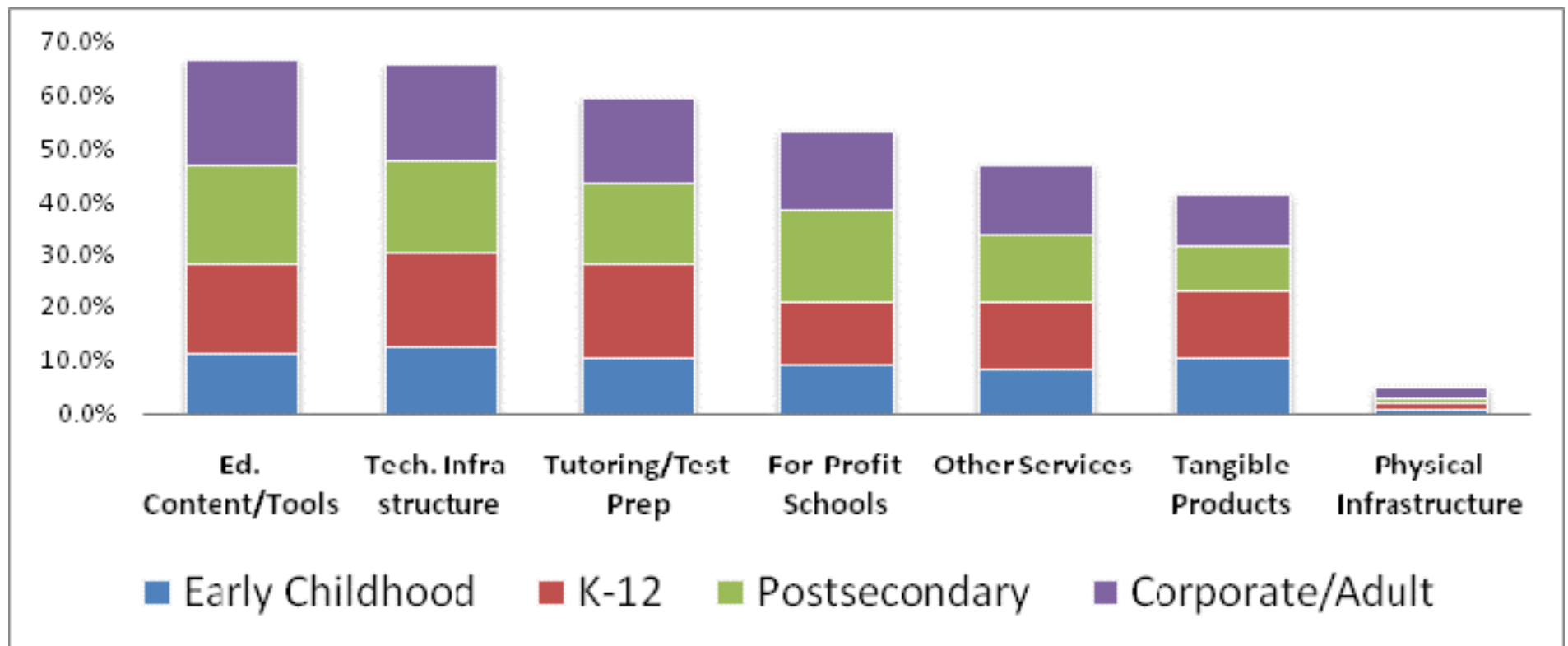
Investment Stages



Expected Percent in Education Industry



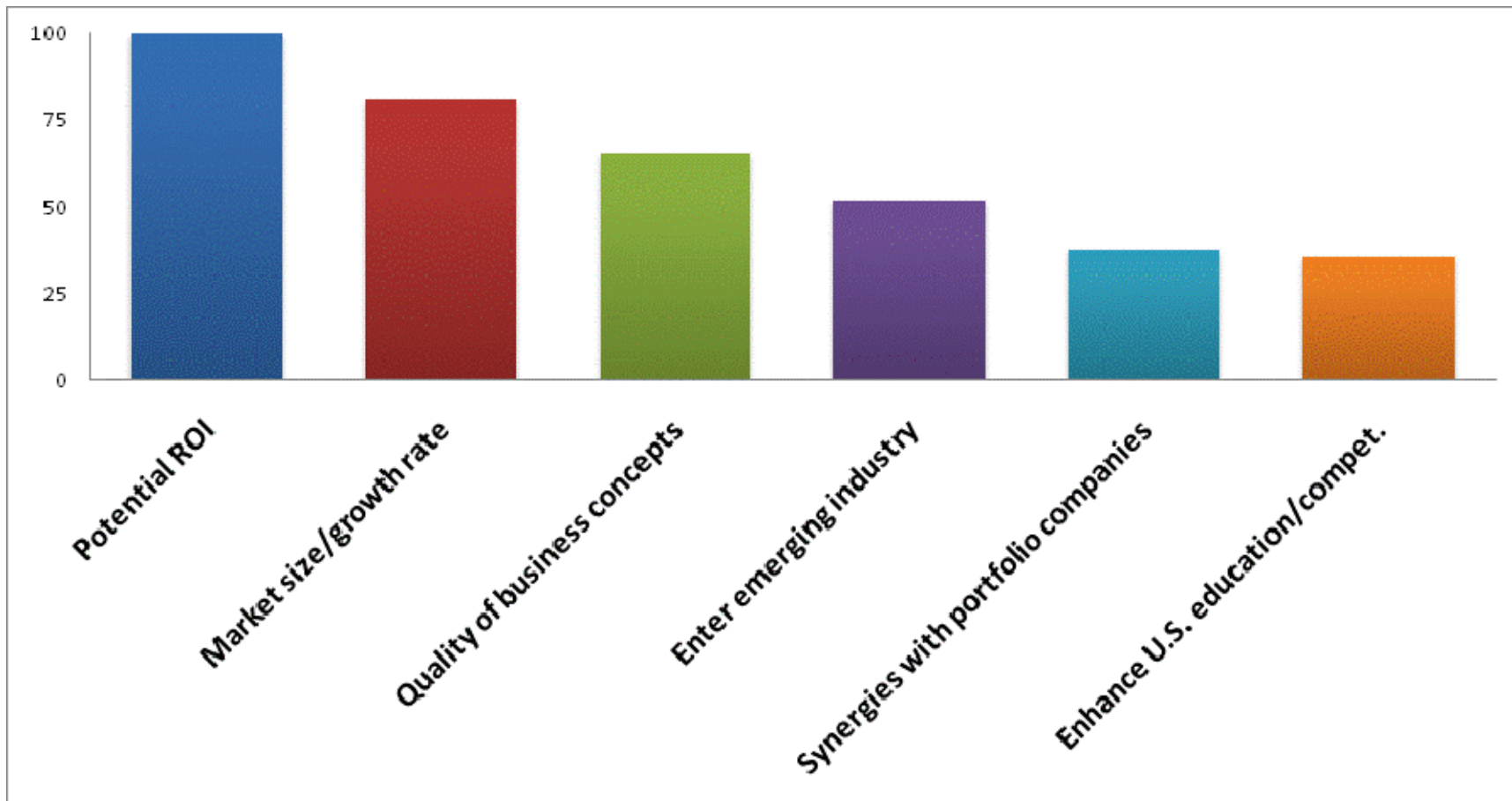
Interest by Industry Segment



Investment Criteria

Minimum...	Required	Preferred	Not an Issue
Revenue (mode: >=\$5mm)	52%	43%	5%
Profitability (mode: >=\$0)	27%	46%	27%
Enterprise Value (mode: >=\$10mm)	24%	33%	43%

Reasons for Interest in Industry



“Category I” Risks – High (3.5-4.0)

- **Ability to hire strong management**
- **Regulatory/political environment**
- **Fluctuations in government funding**

“Category II” Risks – Medium (2.5-3.5)

- **Low gross margins**
- **High capital investment or overhead**
- **Labor unions**
- **Not-for-profit competition**
- **Public opinion about for-profit education companies**

“Category III” Risks – Low (1.5-2.5)

- **Economic cycles**
- **Interest rates**

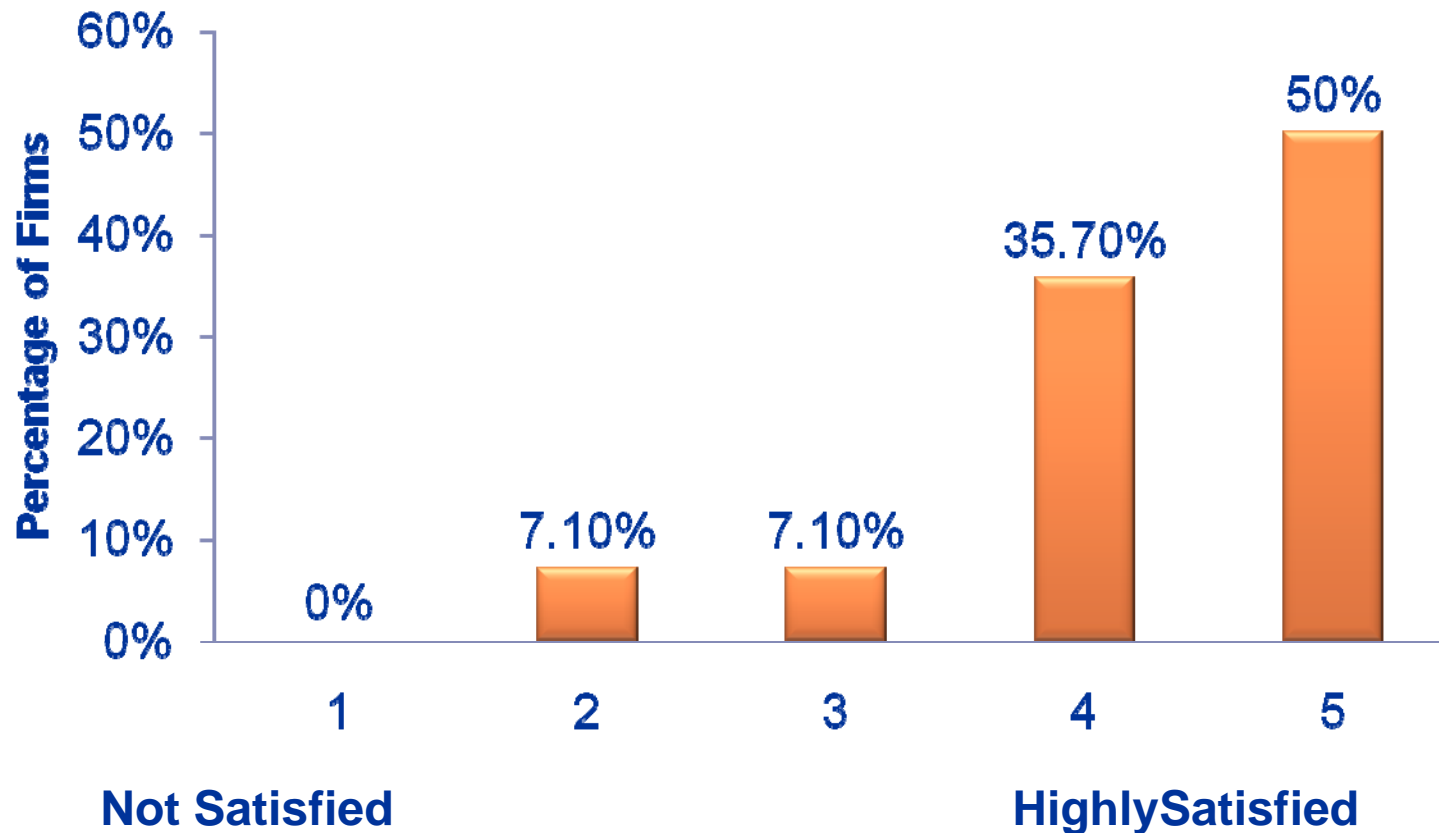
Likely Exit Scenarios – “Very Likely”

- | | |
|---------------------------------------|------------|
| ➤ Sale to a Strategic Investor | 80% |
| ➤ Sale to a Financial Investor | 40 |
| ➤ Recapitalization | 20 |
| ➤ Public Offering | 10 |

Other Preliminary Results

- Only **4%** of respondents are **SBICs**.
- **Greater interest in “outbound” expansion** from U.S. (3.83) than “inbound” (2.63) or non-U.S. global businesses (2.43).
- **29%** of firms had **funds specifically targeted** to education industry.
- **65%** of firms **“almost always lead”**.
- **44%** of firms expect **exits** within **3-4 years**, and **48%** within **5-6 years**.
- **73%** of firms made **prior investments** (21% made 6-10 prior investments)

Satisfaction with Past Ed. Investments



Contact Information **[updated 2010]**

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