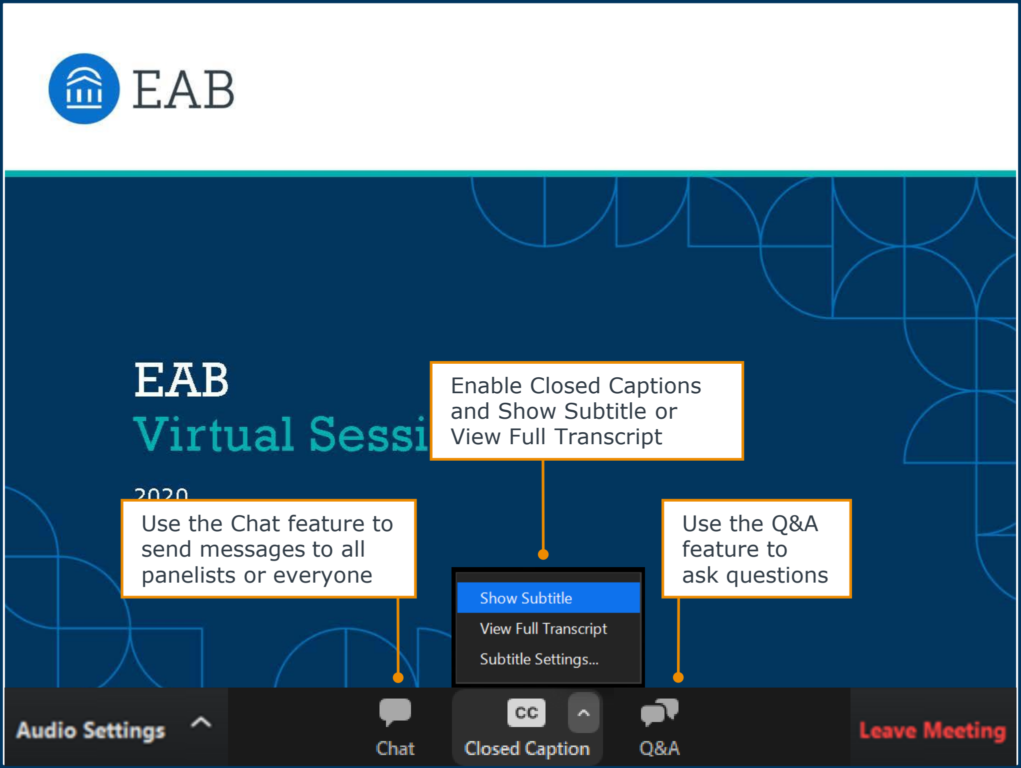
Consolidation in US Higher Education

What Boards and Cabinets Need to Know About the Industry Consolidation Landscape Before Evaluating New Opportunities

We will begin at 1:02 p.m. Eastern Time once everyone has joined!

Zoom Webinar Features



Today's Presenters

Kaitlyn Maloney
Senior Director

kmaloney@eab.com

Jackson Nell
Senior Analyst

jnell@eab.com

Connect with EAB

@EAB

@EAB

@eab_

Objectives for Today

- Understand the **macro-industry conditions driving interest in M&A**, and what parts of the industry are most ripe for consolidation
- Level-set expectations for M&A at your institution and learn what types of M&A activities are **most likely to succeed and fail** in today's environment
- Review **alternatives to M&A to consider** to scale costs and grow resources without losing brand identity
- Share **input with EAB** on how we can further support your efforts to identify and vet interinstitutional partnerships or acquisitions

Defining Our Terms

Consolidation
The number of distinct operating institutions decreases.

1

Merger

Two or more institutions pool their assets to form a single institution

Examples

- Strategic academic asset merger (e.g., law school, medical center)
- Goodwill grace merger (i.e., another institution bails out a struggling one)
- System-mandated efficiency merger

2

Acquisition

An institution buys the partial assets of another institution

Examples

- Strategic academic asset acquisition
- Goodwill grace acquisition
- Strategic capital asset acquisition (e.g., campus)
- Accreditation-granting acquisition (e.g., health science programs)

3

Closure

An institution ceases to operate and no other IHE[1] mergers or acquires it

Examples

- Insolvency
- Regulator-mandated closure
- System-mandated closure

1) Institution of higher education.

Source: EAB interviews and analysis.

M&A on Higher Ed's Mind

Interest Has Spiked as Industry Financial Pressures Increase

Bleak Financial Reality for Higher Ed...

17% of finance leaders are not confident that their institution will be financially stable over the next ten years

$120B+ American Council on Education's estimate of losses to higher ed so far due to COVID-19

5-10% Estimated range of operating revenue decline sector wide in FY21 according to Moody's

...Spurs Industry M&A Mania.

16%

of presidents had serious internal discussions in the last year about merging with another institution *(August 2020)*

Boards and Cabinets Across Market Segments and Financial Positions Raising Questions About M&A

Four Personas of Institutional Interest

The Life Raft Procurer
"We need a buyout deal to bail out our institution"

The Alternative Seeker
"We want options to grow revenue and cut costs"

The Bargain Hunter
"We can probably buy something for cheap in this market"

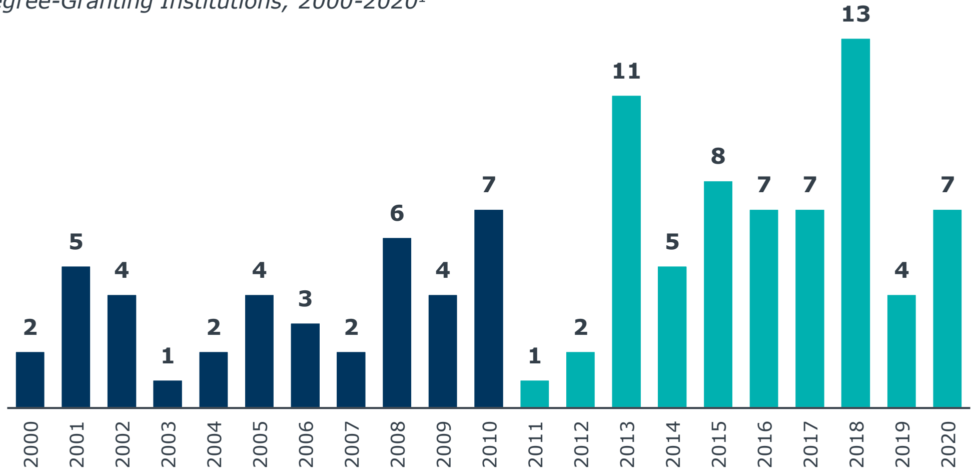
The Industry Watcher
"We just want to keep our eyes on what the competition is doing"

Source: COVID-19's Forceful Financial Hit: A Survey of Business Officers, *Inside Higher Ed*; American Council on Education; 2021 outlook negative as pandemic weakens key revenue streams, Moody's Investor Services; 2020 Survey of College and University Presidents, Inside Higher Ed and Gallup; EAB interviews and analysis.

Bull Sentiment for M&A, But Bear Market

Fewer M&As than Soundbites Suggest

M&A Transactions Involving Public and Non-Profit 4-Year Degree-Granting Institutions, 2000-2020[1]



27% of deals stemmed from public system consolidations

0.28% of institutions involved in M&A activity per year since 2010

1) 2020 data is a preliminary estimate.

Source: EAB interviews and analysis.

Three Questions for Today

1. **What Market Forces Are Driving Interest in Consolidation?**
2. What Insights From Previous M&As Can Guide Institutional Strategy?
3. How Should I Evaluate M&A Opportunities on My Campus?

More Like Conglomerates than Monoliths

Institutions Compete in Multiple Markets with Varying Consolidation Pressures

Selected Markets Institutions Compete in:

- Undergraduate Tuition
- Graduate Tuition
- Housing
- Athletics
- Research

Consolidation Pressures and Opportunities Differ Across Markets Based on:

- Market trends and growth outlooks
- Opportunities to leverage technology and innovation
- Consumer preferences and service needs
- Competition levels

Source: EAB interviews and analysis.

Overall Industry Readiness for M&A

Adult and Graduate Market Is More Primed than Traditional Undergraduate

Traditional Undergraduate

Low Readiness
Likely an uptick in M&As, but not a disruptive wave

- Residential model has high fixed costs that do not scale or substantially benefit from network effects
- Students value brand and experiential components, protecting smaller providers

14% of undergraduates are enrolled in exclusively distance learning programs

58% of traditional students go to college within 100 miles of their home

Adult and Graduate

High Readiness
Currently experiencing significant activity and likely to continue

- Online education has nationalized the market and created substantial economies of scale and network effects
- Market is not an oligopoly, but scale in regional and national markets matters

1 in 5 online graduate students attend one of just seven institutions (including WGU[1], SNHU[2], and ASU[3])

57% of online graduate students attend out-of-state institutions

Click here for more of EAB's research on the adult and grad market.

1) Western Governors University.
2) Southern New Hampshire University.
3) Arizona State University.

Source: Map: The states college kids can't wait to leave, Washington Post; EAB analysis of distance enrollment data from Integrated Postsecondary Education Data System (IPEDS) Fall Enrollment Surveys 2012-18.

Deal or Death?

Many HEIs More Likely to Struggle Along in Short-Term than Close

Closures Certainly on the Rise…

506 Total HEI closures since 2000

250% Increase in number of HEI closures from 2011-2013 to 2014-2016

10.6 Average annual number of non-profit closures since 2015

…But There Is More to the Story

60% of total HEIs closed since 2000 are **2-year institutions**

75% of total HEIs closed since 2000 are **for-profit**

30 **More non-profit institutions** existed in 2018 than 2010, despite closures[1]

Disincentives to Closing in Higher Ed

Shareholder Activism
Alumni and other stakeholders have a vested interest in institutional preservation and intervene to fight closure

Fiduciary Duty
Boards and leadership persevere to keep institution open as long as possible

Forbearance
Lenders, vendors, and donors may provide just enough relief to avoid outright closure

1) Based on IPEDS degree-granting postsecondary institution count data, FY18.

Source: Are More Colleges Closing? (Spoiler Alert: Probably Not), Higher Education Today; National Center for Education Statistics Integrated Postsecondary Education Data System (IPEDS), 2000-2016; EAB interviews and analysis.

Alternatives to M&A and Closure

Spectrum of Partnership Pathways to Bolster Institutional Mission and Margin

Least Integrated → ***Most Integrated***

	Consortia	Strategic Alliances	Joint Ventures	Private Systems	M&As
Description	• Multiple independent institutions share resources and services • Partnerships typically focus on administrative services	• Multiple institutions enter a collaborative while remaining independent • Partners integrate resources and services, but also cooperate on revenue opportunities	• Two or more institutions form a shared entity to generate revenue • Most ventures take form of joint academic units	• Multiple institutions affiliate with central governing body • Affiliated institution may retain its own brand, board, and legal entity	• Two or more institutions combine their institutions, or one absorbs the another • Entities fall under unified control and governance structure
Example	Green Mountain Higher Education Consortium shares financial and IT services	TCS[1] Education System schools share services and collaborate on enrollment strategy	TCU[2] and UNTHSC[3] launched a joint medical school in 2015	The National University System includes four affiliated institutions in its network	Boston University acquired Wheelock College in 2018

1) The Common Solution.
2) Texas Christian University.
3) University of North Texas Health Science Center.

Source: The Green Mountain Higher Education Consortium; TCS Education System; TCU and UNTHSC Medical School; National University System; Boston University Wheelock; EAB interviews and analysis.

TCS Education System: Postcard from the Future?

Like-Minded Institutions Form Strategic Alliance for Scale, Despite Distance

Five Partner Institutions…And Looking to Grow

Shared culture, vision, and scale benefits 7,000 students across 12 campuses

TCS Education System

Saybrook University · The Chicago School of Professional Psychology · Pacific Oaks College & Children's School · The Santa Barbara & Ventura Colleges of Law · Dallas Nursing Institute

Standard Consortia Shared Services

- Enterprise-wide IT systems, including LMS[1]
- Finance and accounting
- Benefits and compensation
- Compliance and legal services

Strategic Alliance Enabled Collaboration and Integration

- Performance management
- Marketing, admissions, financial aid, and enrollment services
- Recruitment and training
- Monitoring adherence to government regulations and accreditation standards
- Trustee onboarding and best practices

1) Learning management system.

Source: TCS Education System, Chicago, IL; EAB interviews and analysis.

Disruption Junction?

Private Systems Could Shake Up Market in Years Ahead

Snapshot of National University System

National University System
La Jolla, CA

- **National University**
  Flagship, Adult, K-12, Pre-K
  La Jolla, CA
- **Northcentral University**
  100% Virtual Adult and Grad
  La Jolla, CA
- **City University of Seattle**
  Hybrid Adult and Grad
  Seattle, WA
- **John F. Kennedy University**
  Hybrid Adult and Grad
  Pleasant Hill, CA

2001	45K+	$447M+
System established	Students	Combined revenue of four institutions

Private System Characteristics with Disruptive Potential

Mass Marketing
Ability to drive large and sophisticated student acquisition campaigns at lower cost

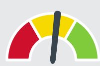
Geographic Expansion
Opportunity to diversify campus locations and markets

Soft Landing for Stragglers
Pathways to allow institutions to reposition without loss of brand or governance

Revenue Diversification
Expanded sources of revenue and potential for margin growth

Source: EAB interviews and analysis.

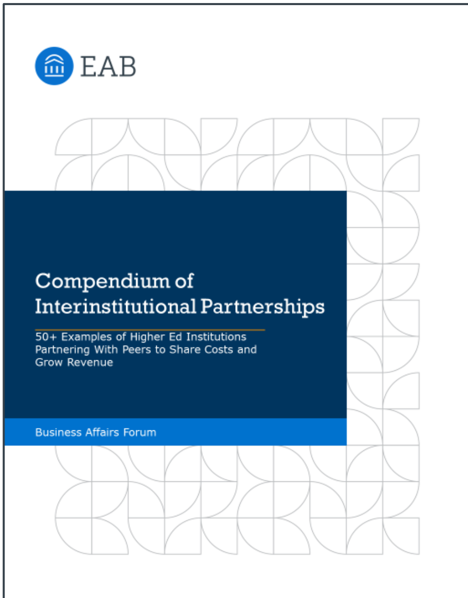
Weighing Partnership Pathway Opportunities

Partnership Pathway	Adoption Likelihood	Rationale	Target Segments
Consortia		Lower implementation barriers and moderate economies of scale make consortia applicable to most institutions	All institutions
Strategic Alliances		Shared revenue strategy unlocks potential network effects but sacrifices institutional agency	Public systems, regional privates
Joint Ventures		Ideal for niche market opportunities, although limited in scalability	Larger or specialized privates and publics
Private Systems		Greatest potential ROI made difficult by high implementation barriers	Regional privates

Source: EAB interviews and analysis.

Compendium of Interinstitutional Partnerships

EAB Resource to Help You Identify Potential Partnership Pathways



Compendium of Interinstitutional Partnerships

- Profiles 50+ examples of interinstitutional partnerships in higher ed, including five detailed case studies of the industry's most robust partnership models
- Designed to help cabinets identify potential partnership opportunities and overcome barriers to implementation
- Access resource here

Source: EAB interviews and analysis.

1 What Market Forces Are Driving Interest in Consolidation?

2 What Insights From Previous M&As Can Guide Institutional Strategy?

3 How Should I Evaluate M&A Opportunities on My Campus?

Examining the Deals Done To-Date

EAB's Methodology for Analyzing Higher Ed M&A Activity

Identified Need for EAB's Own M&A Database

1. Identified inconsistencies across reported M&A numbers
2. Reviewed commonly cited Wikipedia list of U.S. HEI M&As
3. Surfaced dozens of M&As outside the scope of the Wiki list

Compiled Comprehensive List of M&As

4. Compiled M&As using extensive literature search
5. Continue to update as new M&As are announced

Imported and Coded Qualitative and Quantitative Data

6. Researched each M&A since 2000 to identify main drivers
7. Integrated IPEDS institutional characteristics data
8. Included enrollment and revenue data

Conducted Trends Analysis from 2000-Present

9. Taxonomized institutions based on their role in the M&A
10. Determined patterns across institutions based on their roles

EAB M&A Database Overview (1830s-Present)

1830-1999		2000-2020	
141 M&A transactions involving at least one 4-year institution	**340** Institutions involved	**99** M&A transactions involving at least one 4-year institution	**209** Institutions involved

Source: EAB interviews and analysis.

Market Intelligence on Industry Activity

8 Critical Findings About M&A Opportunities Based on Historical Data

False Starts

1

No Appetite for Bailout Via Buyout

Fewer institutions are looking to do deals of goodwill, despite the demand.

2

Few Deals of True Equals

Most M&As are asymmetric in institutional resources and strategic position.

Real Opportunities

3

Rise of State-Mandated Consolidation

Mergers are a growing response to rising costs, changing demographics in public systems.

4

Buying (Rather than Building) Way into New Markets

M&A can serve as a cost-effective way to diversify and grow enrollments.

5

For-Profits as Acquisition Targets

Select non-profits have purchased for-profits to fuel growth aspirations.

Lessons Learned

6

Underestimation of Implementation Costs

Closing, implementing deals often reveals hidden costs.

7

Lackluster Dividends of Higher Ed M&A

M&A attempts frequently have low success rates and limited ROI.

8

Not a Stand-Alone Solve to Industry Threats

Higher Ed’s most pressing challenges are often unaddressed by M&A.

Source: EAB interviews and analysis.

No Appetite for Bailout Via Buyout

Fewer Institutions Are Looking to Do Deals of Goodwill, Despite the Demand

Selective Shopper Sentiments

"I don't want to buy someone else's deferred maintenance backlog."

Chief Financial Officer
Research University

"When I found out how much debt they had on their balance sheet, I told them 'Let's just be friends.'"

President
Regional Private

Hurting Institutions Struggle to Find Buyers

Four Disincentives to Goodwill Grace Deals

High Capital Requirements
Buyers are averse to take on onerous deferred maintenance backlogs and institutional debt loads

Low Revenue Generation Potential
Enrollment challenges and weak market position cast doubt on potential of an M&A to yield revenue growth and margin

Risk to Brand and Reputation
Buy-side institutions fret negative brand and reputational impacts of absorbing a struggling partner

Strategic and Tactical Quagmire
Investment to prop up a weaker institution can distract buy-side management and drain resources, creating opportunity costs

Source: EAB interviews and analysis.

Few Deals of True Equals

Most M&As Are Asymmetric in Institutional Resources and Strategic Position

Market Barriers Impede Mergers of Equals in Higher Education

Limited Capital and Bridge Financing
Institutions can't declare bankruptcy or access dedicated M&A capital sources

Inhibits mergers between two or more poorly resourced institutions

Entrenched Brand and Identity Affinity
Alumni and other stakeholders have strong attachments to institutional identity

Disincentivizes mergers between institutions with strong brands and leading market positions

Too Many Overlapping Strengths and Weaknesses
Institutions of similar market position share same risk profile and redundant revenue sources

Lessens attractiveness of mergers between institutions with similar academic programs, markets, and affiliations (e.g., religious)

Exception to the Rule? Jefferson University

Jefferson
Philadelphia University + Thomas Jefferson University

- Merger announced in 2017 between Philadelphia University and Thomas Jefferson University
- Deal pursued to diversify their combined academic portfolio and facilitate interdisciplinary instruction and research in the biomedical and health sciences terrains
- Both institutions were roughly equal in student size (3,750 vs. 4,000) **but highly asymmetric in their operating expenditures** ($135M vs. $5.1B) and assets ($1B vs. $5B) due to Thomas Jefferson's health system and research enterprise
- Philadelphia University's brand was sunset, and the new entity name was shortened to Jefferson University

Source: Official Combination of Philadelphia University & Thomas Jefferson University Signals Disruption in a Stagnant Education Industry, Jefferson University; Finance Data, IPEDS; Jefferson-Philadelphia University merger drawing attention from other schools, Philadelphia Inquirer; EAB interviews and analysis.

The Rise of State-Mandated Consolidation

Growing Response to Rising Costs, Changing Demographics in Public Systems

Highly Publicized Recent Examples

University System of Georgia (USG)

- Announced intention to consolidate 18 institutions into 9 in 2011
- Primary goals were to boost student success, achieve administrative savings, increase competitiveness through comprehensiveness, and ease transfer pathways
- Initial estimates suggested 4-year retention increased by 4% through consolidation
- Cost savings achieved amount to less than 1% of $8.8-billion operating budget for FY18

Pennsylvania State System of Higher Education (PASSHE)

- Announced plan to "integrate" 6 institutions into 3 "pairings" in July 2020
- Goal is to dramatically reduce costs due to declining enrollment and state fiscal challenges
- Final details have yet to be announced

But Results Are Mixed…

Minimal Cost Savings
Most system consolidations have achieved only incremental cost savings due to high implementation costs, limited personnel cuts, and few physical plant divestments.

Unsolved Revenue Dearth
Combined institutions may marginally improve enrollment, but activity to date has not achieved revenue gains that can overcome state cuts or demographic destiny.

…and Barriers Abound.

Concerns About Rural Neglect
Many of proposed mergers overly impact rural institutions, leading to concerns about equal access and local communities.

Politics, Politics, Politics
State leaders are averse to seeing campuses close, but reluctant to maintain or increase state support for higher education.

Source: Georgia's Mergers Offer Lessons, and Cautions, to Other States, The Chronicle of Higher Education; USG Campus Consolidation, UGS; Pennsylvania System Surprises With New Integration Proposal, Inside Higher Ed; Better Outcomes Without Increased Costs? Effects of Georgia's Consolidation, Lauren Russell; EAB interviews and analysis.

Buying (Rather than Building) Way into New Markets

M&A Can Serve as Cost-Effective Way to Diversify and Grow Enrollments

Common Target Markets for Expansion	Example
Specialized Undergraduate Academic programs that require specific infrastructure, accreditation, and/or faculty expertise (e.g., nursing, architecture)	**North Dakota State University & Sanford Nursing School (2014)** North Dakota faced a severe nursing shortage so NDSU bought Sanford Health's nursing program to boost the pipeline
Professional Master's programs and schools (e.g., business, law)	**Texas A&M University & Texas Wesleyan Law School (2013)** TAMU determined that buying TWU's law school was more cost-effective than building new
International Real estate, accreditation, academic programs, and/or brands that provide a global footprint	**Middlebury College & Monterey Institute of International Studies (2010)** Middlebury acquired MIIS to access its global partnerships, programs, and internships
Online (Adult and UG[1]) Virtual programs and support services, especially marketing, recruitment, and advising	**University of Arizona & Ashford (2020)** UA bought Ashford to build a global online campus targeted at non-traditional and underserved students

1) Undergraduate.

Source: NDSU and Sanford College of Nursing, InFORUM; University of Arizona and Ashford, Inside Higher Ed; Monterey Institute of International Studies and Middlebury College, Monterey County Weekly; Texas A&M and Wesleyan Law School, Texas A&M; EAB interviews and analysis.

For-Profits as Acquisition Targets

Proprietary Institutions Can Offer Value But Carry Risks

Select Institutions Have Purchased For-Profits to Fuel Growth Aspirations

~22
Recorded deals involving for-profits and non-profits/publics since 2000, including:

Purdue & Kaplan Universities, *2018*

Lynn University & Digital Media Arts College, *2017*

National Louis University & Kendall College, *2018*

Acquisition Value Proposition for Publics and Non-Profits

Lower Fixed Costs
Reduced operating and capital costs due to limited physical plant and student services

Digital Native Model
High technology integration in online education and virtual services

Malleable Management Structure
Light administrative apparatus and lack of shared governance model

Flexible Academic Calendar and Competency Based Education
Alternative pedagogy, curricular structure, and credit awarding policies

Risks to Guard Against

Reputational and Mission Misalignment
Faculty, alumni, and students often hold negative views on for-profits, and some practices of proprietary institutions do not align with mission

Regulatory Scrutiny
Accreditors and regulators show increased skepticism toward these deals and can add compliance burdens

Source: EAB interviews and analysis.

Underestimation of Implementation Costs

Closing, Implementing Deals Often Reveals Hidden Costs

	Due Diligence, Accreditation, and Regulatory Approval	Integrating the Academic Portfolio	Shared Administrative Services	Unified Brand
Objective	Due Diligence, Accreditation, and Regulatory Approval	Integrating the Academic Portfolio	Shared Administrative Services	Unified Brand
Cost	*Lawyers and Consultants*	*Shared Governance*	*Process and Technology Integration*	*Market Repositioning*
Description	• High compliance burden requires consultation with expensive experts • External reviews delay deal closure and implementation while raising transaction costs	• Internal governance scrutinizes and constrains personnel cuts • Hinders costs savings realized through staffing consolidation	• Combining administrative services involves reconciling disparate systems and processes • Adds costs to building shared services and consumes staff energy	• Building a common brand and single market voice necessitates investments in communication and marketing strategy • Increases public relations spending

Source: EAB interviews and analysis.

Lackluster Dividends of Higher Ed M&A

M&A Attempts Frequently Have Low Success Rates and Limited ROI

Impossible to Quantify Higher Ed M&A Success Rate, But Likely Slightly Higher Than in Corporate Sector

"[M&A] success in the corporate sector, typically at between 20% and 50%, may be slightly less than among HEIs."

Thomas & Chabotar, 2015

Notable Out-of-Sector Failures

AOL & Time Warner, *2000*

AOL paid $165B for Time Warner, only to end up losing $206B in market capitalization

Quaker Oats & Snapple, *1994*

Quaker Oats lost $1.6M/day for 27 months after the merger failed to generate economies of scale

Drivers of Weak Outcomes in Higher Education

- **Failure to Gain Market Share**
  Most deals achieve only marginal enrollment growth (if any) and do not markedly improve competitive fitness
- **No Added Pricing Power**
  Deals typically do not change the underlying value proposition enough to enable reduced discounting or to decrease competition
- **Limited ROI of Shared Costs**
  Administrative cost savings can be substantial but yields limited returns due to high fixed cost bases in higher ed
- **Suppressed Innovation**
  Institutional focus on deal integration can distract from product innovation or cannibalize anticipated innovations from the deal
- **Inherited Liabilities**
  Debt and deferred maintenance backlogs sap resources post-merger and erode margin
- **Not Immediately Margin Positive**
  Few deals produce free cash flow upon completion and may take substantial time before yielding ROI

Source: Quaker-Snapple: $1.4 Billion Is Down the Drain, *LA Times*; 15 years later, lessons from the failed AOL-Time Warner merger, *Fortune*; Between Collaboration and Merger: Expanding Alliance Strategies in Higher Education, TIAA Institute; EAB interviews and analysis.

M&A Is Not a Stand-Alone Solution to Industry Threats

Higher Ed's Most Pressing Challenges Are Often Unaddressed by M&A

	College Affordability	Cost Growth	Diminished Subsidization
Higher Ed Viability Threat	• Since 2000, average student charges have increased 155% across all institutions • Tuition inflation has pressured family finances and fueled student debt crisis	• Institutional costs have increased by over 140% between 2000 and 2019 • Students and families now bear more than 50% of institutional costs across all segments	• State support per full-time student has fallen by 13% in inflation-adjusted terms between 2000 and 2019 • Philanthropic donations have grown but are concentrated at wealthy institutions
How M&A Fails to Solve	• Mergers often lead to an estimated 5-7% *increase* in tuition and fees • Most M&As do not lower costs or boost the value proposition enough to lower tuition and improve post-graduate outcomes	• Many cost savings are one-time and may only lower structural costs marginally • Added transaction and integrations costs acquired through M&A often are passed on to students	• System consolidations are largely in response to declines in state support (rather than increases) and rarely lead to subsequent increases in appropriations • Mergers can inadvertently alienate alumni and disrupt donor giving

Source: Tuition costs of colleges and universities, NCES; Price Effects of Non-Profit College and University Mergers, Lauren Russell (*2019*); Commonfund Higher Education Price Index (2019), Commonfund Institute; State Support for Higher Education per Full-Time Equivalent Student (Dollars), National Science Board (NSB); EAB interviews and analysis.

Post-Pandemic Market Signals EAB Is Watching

Transformational Changes to Higher Ed May Reshape the M&A Landscape

Geographic Freedom

- The pandemic has proven that virtual collaboration and service delivery can be applied across institutional functions
- Complex deals and partnerships over greater distances may now be increasingly viable

Deals Via Consortia

- Historical collaborations through consortia have been largely focused on revenue-generating functions
- These partnerships may evolve to become private systems or facilitate acquisitions

International Outposts

- International enrollment competition has intensified, and more markets have shifted to in-country education models
- M&A with international institutions may offer pathways to growth abroad

System Consolidation

- State funding pressures and impending demographic cliff driving systems to lower their cost bases through shared services
- More systems will explore consolidation and may look to flagship campuses for support

Regulatory Disruption

- Accreditors and regulators are placing more pressure on struggling institutions to shore up their finances
- Governments and regulators may play an increasingly activist role in pushing for and brokering consolidation

Non-Traditional Partners

- Companies and non-profit organizations have partnered extensively with colleges and universities
- Philanthropists or firms may look to become activist owners of an institution through M&A

Source: EAB interviews and analysis.

1 What Market Forces Are Driving Interest in Consolidation?

2 What Insights From Previous M&As Can Guide Institutional Strategy?

3 How Should I Evaluate M&A Opportunities on My Campus?

Four Considerations for Institutions Exploring M&A

Lead with Mission, Brand, and Strategy Before Finances

Deals may look good on the balance sheet but be poor strategic fits and counterproductive to other goals

Focus on Value Creation

M&A is a strategic means, not an end; prioritize partnerships that address core institutional and industry challenges, such as college affordability and access

Consider the Full Spectrum of Partnership Pathways

Evaluate the benefits of partnering with other institutions through consortia or joint ventures before fully merging or acquiring institutions

Don’t Be Afraid to Walk Away

Both sell-side and buy-side institutions should consistently be willing to walk away and let the due diligence process disrupt the deal formation if strategic and financial value cannot be assured

Source: EAB interviews and analysis.

Assessing Your Institution’s Consolidation Position

Four Archetypal Institutions’ Strategic Position for Consolidation

Market Fitness: High

LG Tech

- High market fitness, but limited resources
- Strongest acquisition candidate, but can also benefit from consortia, strategic alliances, and joint ventures

Apple University

- High market fitness and resource level
- Stronger buyer position, but often lacks urgency or need to consider acquisition
- Focused on brand, and able to build instead of buy

Market Fitness: Low

BlackBerry College

- Low market fitness and resource level
- Most interested in M&A on the sell-side, but has lowest buy-side demand

Lenovo University

- Low market fitness, but high resource level
- Most interested in targeted acquisitions to bolster market fitness

Low *High*

Resource Level

Market Fitness

Source: Strategic Higher Education M&A: Assessing Institutional Readiness, Huron; EAB interviews and analysis.

Help Inform Future Research

Answer the Zoom Poll Prompt

Which of the following future research topics or services are you MOST interested in?

A. Tools for vetting potential partners for M&A or other partnerships

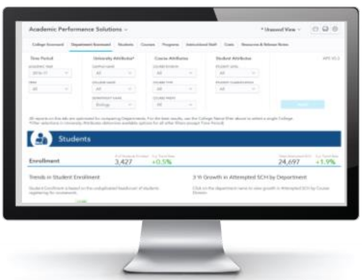
B. Implementation guidance on M&A alternatives (e.g., strategic alliances, consortia)

C. EAB-facilitated networking or “matchmaking” with potential partner institutions

D. Change management tools and resources for leading stakeholders through M&A or alternatives

Recapping Themes and How EAB Can Help

Learn from Peers	Speak to an Expert	Stay Up-to-Date with Ongoing Research
1	2	3
Review EAB's **Interinstitutional Partnerships Compendium** for more information on alternative ways to generate scale and grow revenues through partnership	Speak to **an expert on the research team** about mergers, acquisitions, and alternative partnerships	Subscribe to our **newsletter** for research updates on business model transformation and future virtual event announcements



We Appreciate Your Feedback

Please take a moment to answer this final poll question to provide your overall experience on today's session.

We have also shared a link to a short online evaluation in the **Chat** and we would appreciate if you could take 2-3 minutes to give us additional feedback on your experience today.

Washington DC | Richmond | Birmingham | Minneapolis | New York | Chicago
202-747-1000 | eab.com