

Higher Education Mergers and the Two-Step Process

Higher education is at an inflection point as colleges and universities (hereinafter "universities") face increasing fiscal pressure that threatens their long-term financial viability. A confluence of headwinds has and will continue to accelerate these pressures, including:

1. Operating costs that have exceeded inflation and wage growth over the past 30 years;
2. Lower cost competition from new business models and online institutions which pressures enrollment for traditional institutions;
3. Rising student debt levels and changing job sector needs that have underscored the need for a different financial and operating model;
4. The expected decline in enrollment driven by the 2025 demographic cliff that has been exacerbated by the impacts of COVID-19; and
5. Discount rates which have increased at an average of 1% per annum over the past decade.

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