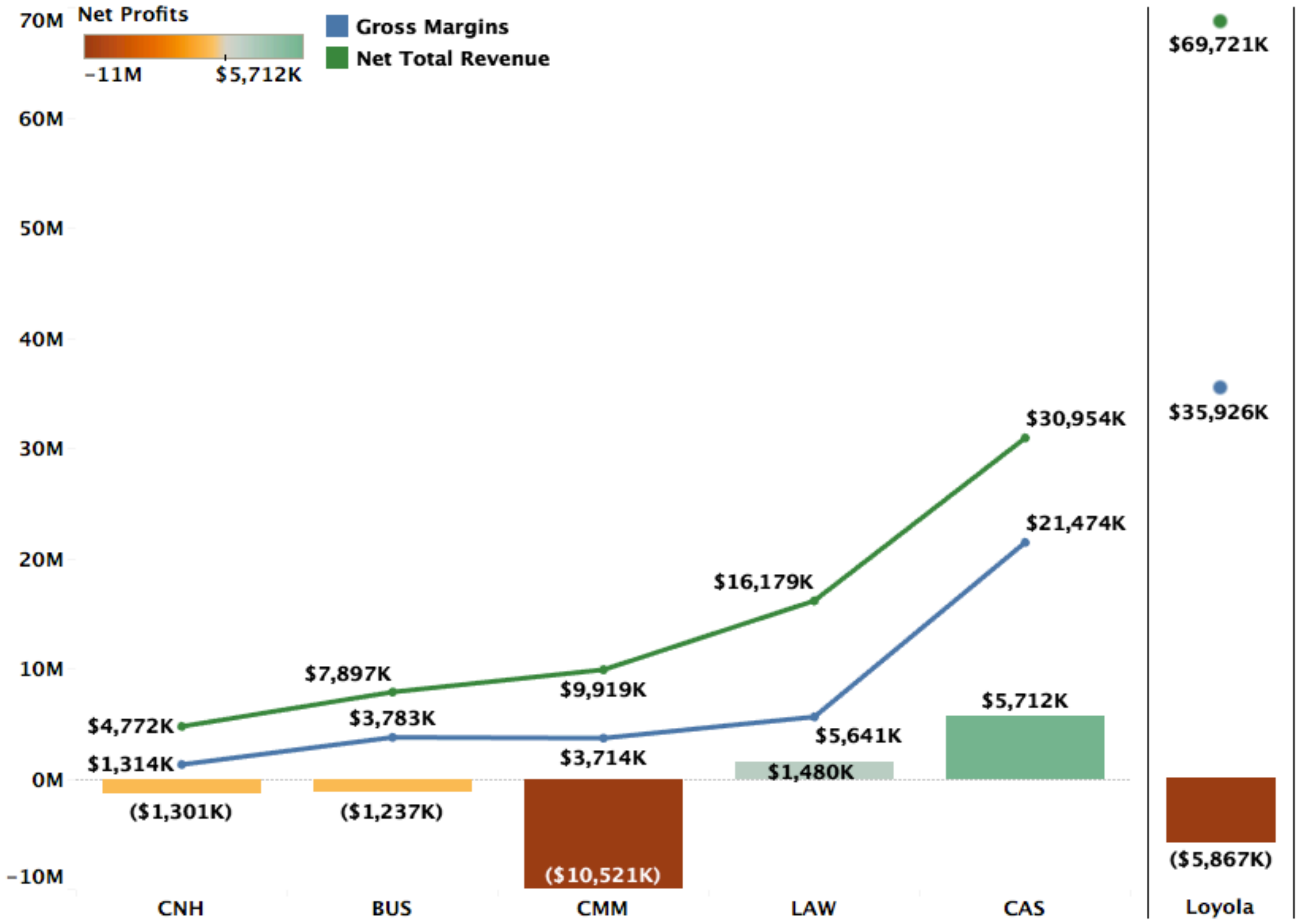
# FY21 PROJECTED PROFITABILITY ANALYSIS

## LOYOLA UNIVERSITY, NEW ORLEANS

# Profitability by College FY21 Projections

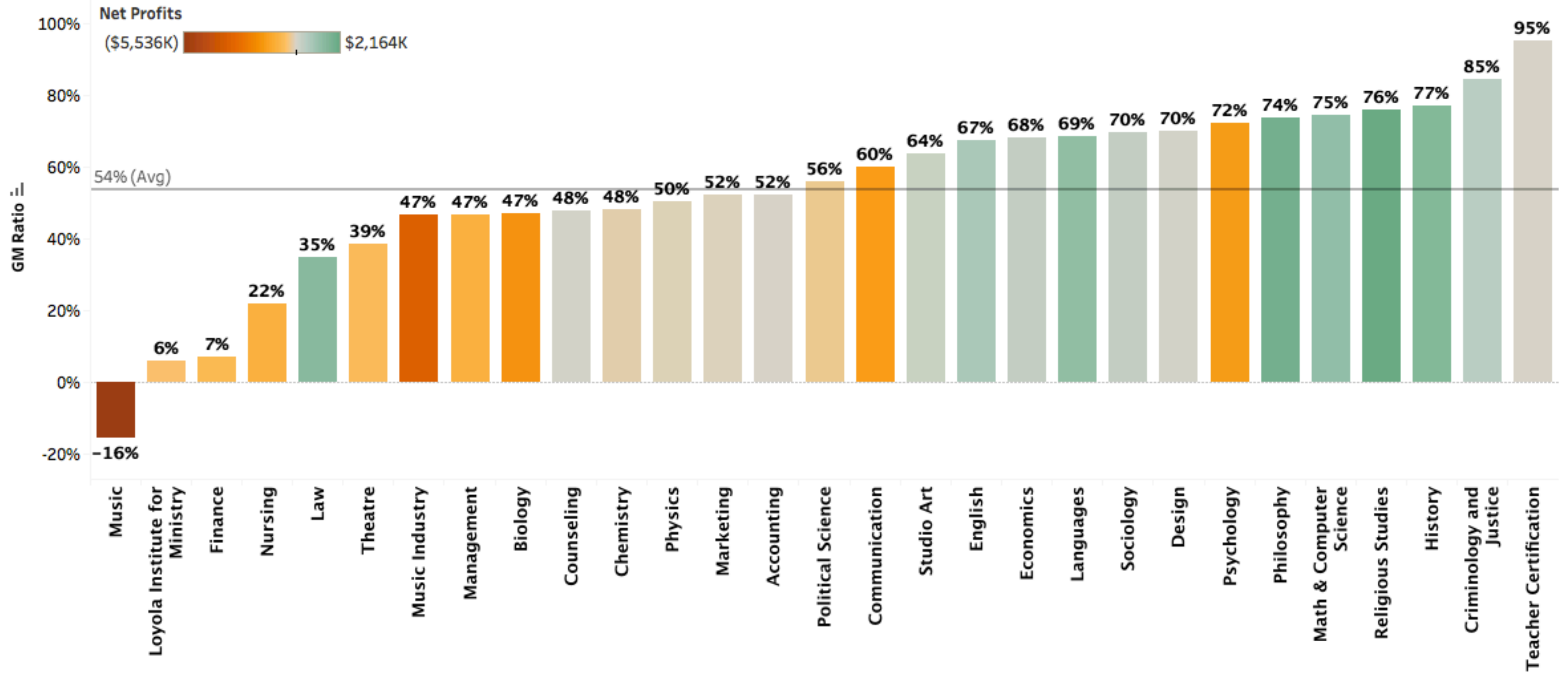


# Profitability by Department (FY21 Projections)

Excluding Environment

# GM to Revenue Ratio by Department (FY21 Projected)

Excluding Environment



# DEFINITIONS

Net Total Revenue (NTR): NTR includes revenue for courses taught by the faculty of a department across all three terms, distributed revenue for courses that do not belong to a specific department, and distribution of revenues from courses of programs like Study Abroad that do not have any assigned faculty.

Avg. NTR per credit (FY20) for Fall and Spring semesters is $577

Gross Margins (GM): GM = NTR – Direct Costs. Direct costs include salaries, operating costs, and fringe benefits.

Avg. GM% for FY20 = 54%

Profitability = GM – Indirect Costs + Indirect Revenues. Indirect costs refer to administration costs, auxiliary costs, or college level costs distributed over departments of the specific college. Indirect revenues include auxiliary revenues, dorm revenues, and revenue from other sources.

# Methodology FY21 Projections

<u>FY21 Revenue Projections</u>: Revenue projections are based on Fall 2020 enrollments and projected Spring retention rate. FY20 summer revenues are used as proxy for the FY21 summer term.

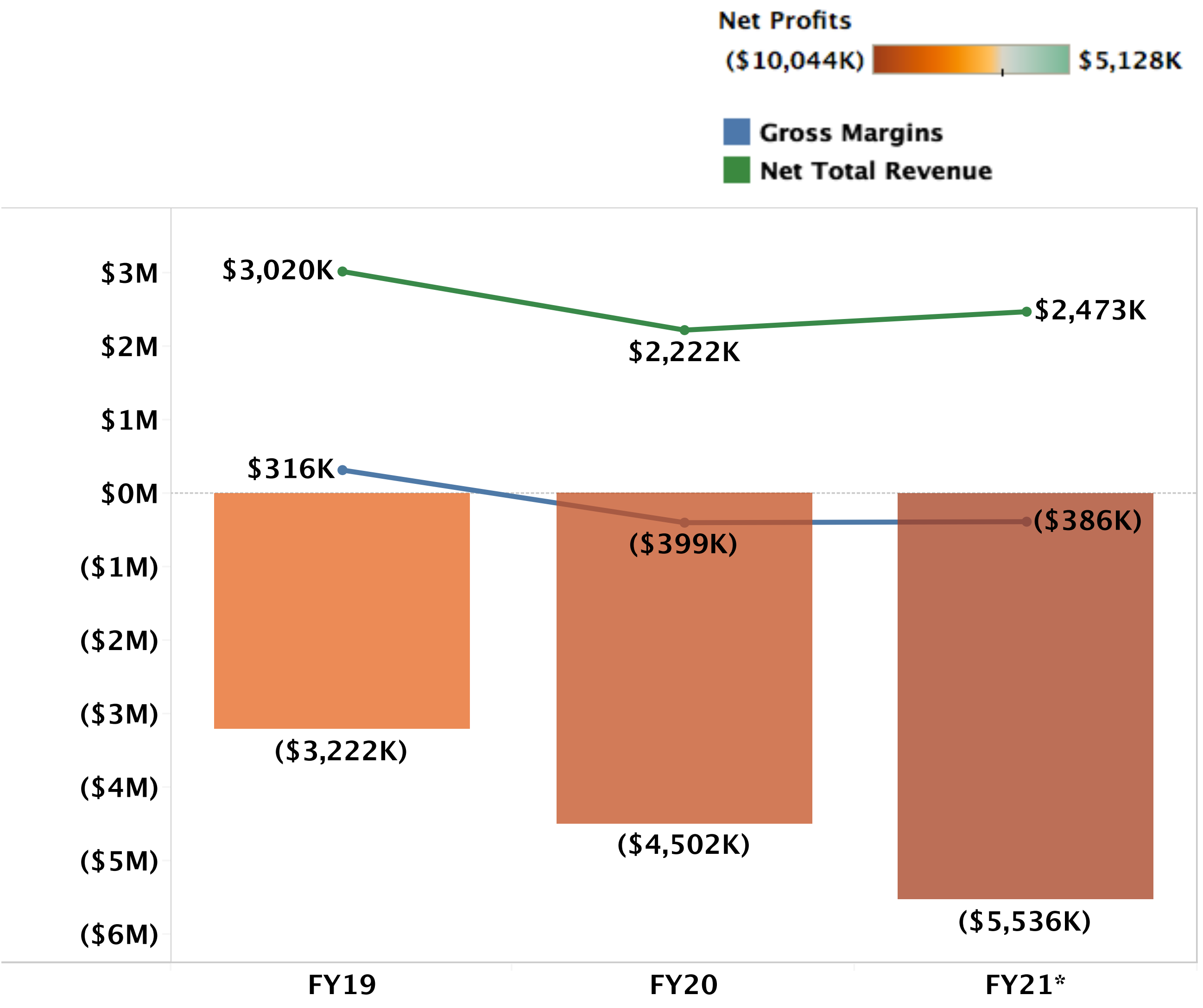
<u>Direct Costs</u>: Direct costs include salaries and operating costs from department budgets. FY20 fringe benefits are used as a proxy for FY21 fringe benefits.

<u>Indirect Costs</u>: Indirect costs in FY20 and FY21 have been higher than previous years and is reflected in department-level profitability. FY21 is also estimated to bring in lower Auxiliary revenues.

# DEPARTMENTS WITH WORSENING FINANCIAL PERFORMANCE

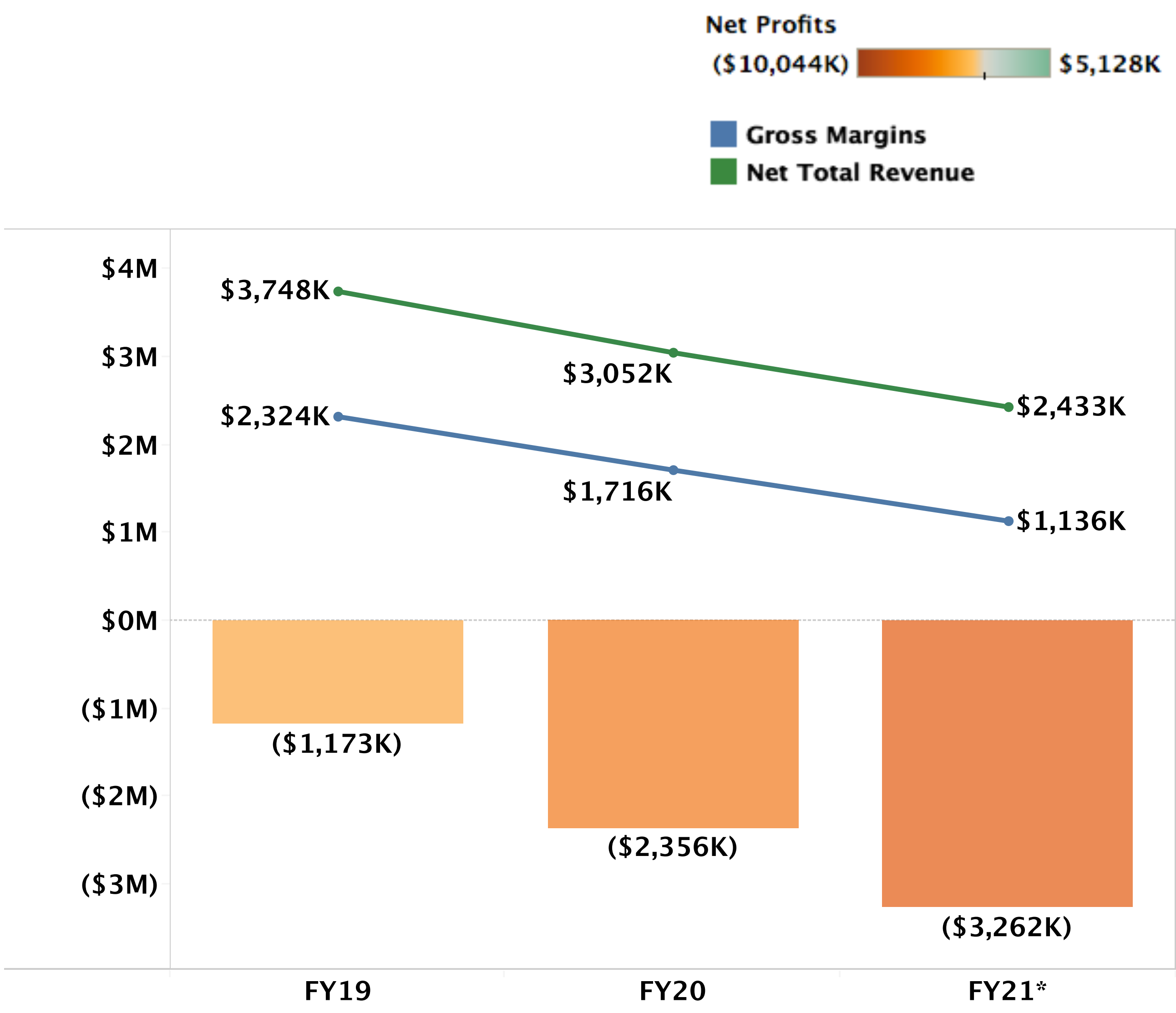
# Music

- Music has high enrollment but **also a historically high discount rate which suppresses their NTR.**
- Music also has twice the directs costs of an average department which further suppresses their GM% to -16%.
- GM% for Music was negative in FY20 due to a steep decline in NTR without proportional cuts in direct costs.  The steep decline in NTR was driven by high discount rate as evidenced by NTR/Credit of $387 compared to university average of $577 and is only seeing a slight recovery in FY21.



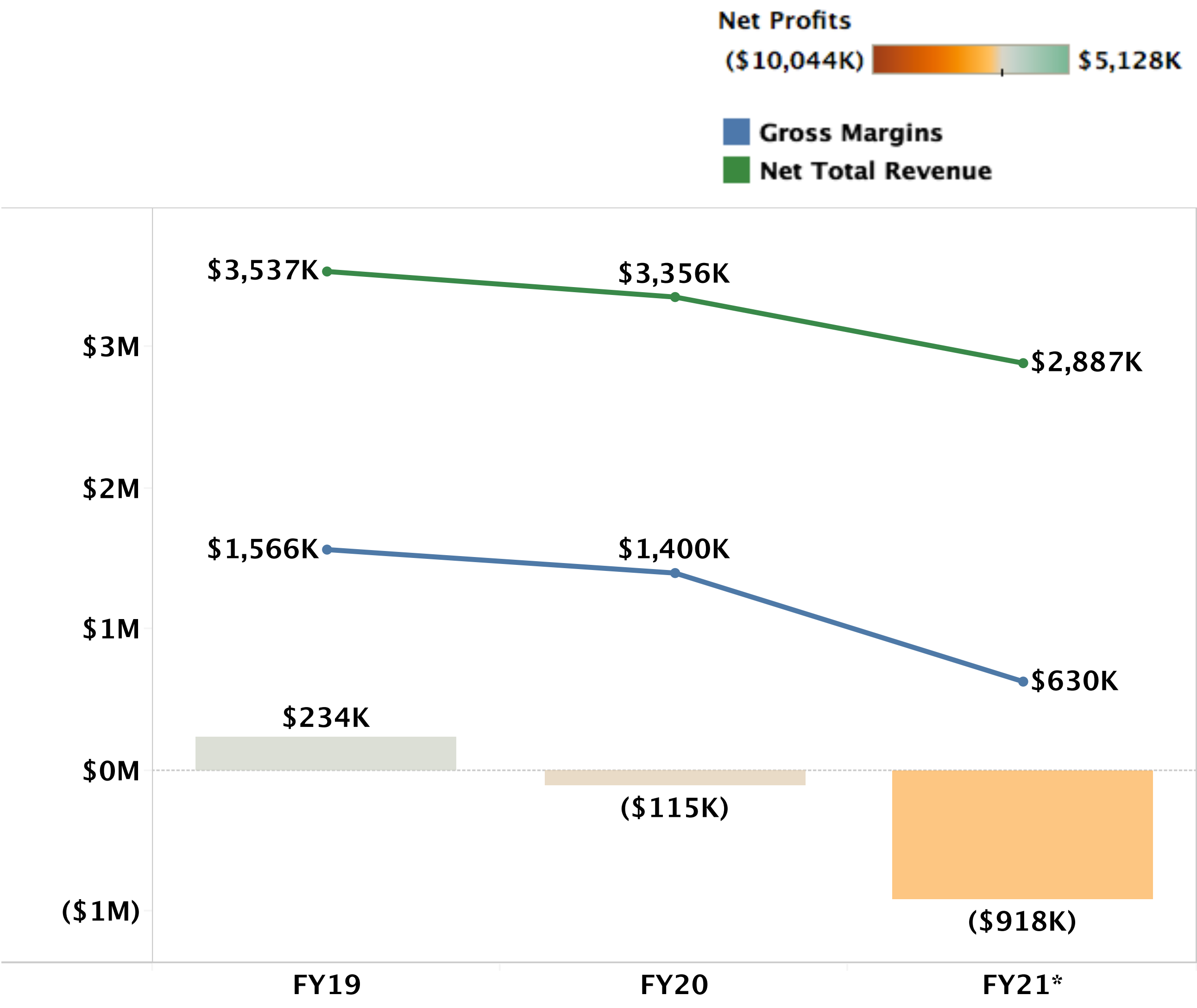
# Music Industry

- The NTR/Credit for Music Industry decreased from $698 in FY19 to $519 in FY20 signifying high discount rates as drivers of low revenues, despite increase in # credits from FY19 to FY20
- The projected GM for **Music Industry is 47% compared to the university average of 54%**
- Increased auxiliary costs and reduced auxiliary revenues because of COVID-19 add to the projected losses in FY20 but the structural issues of high discount rates that have driven losses historically persist



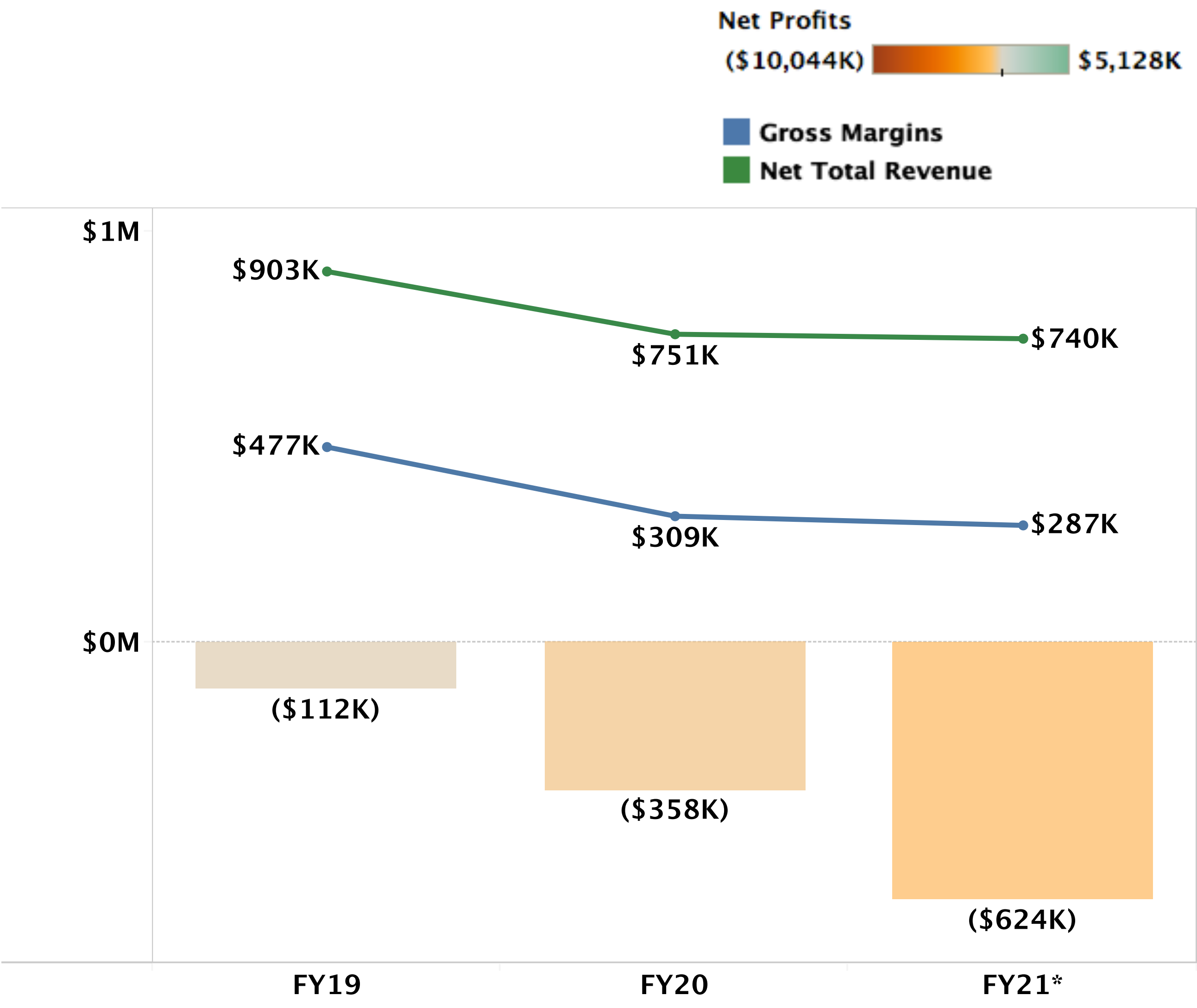
# Nursing

- Nursing continues to be an expensive program (less than half the GM% than the average department).
- However, Gross Margin is expected to decrease more than the projected decrease in NTR (i.e., $770K versus 469K) due to increased direct costs in FY21.
- Increased auxiliary costs with lower auxiliary revenues add to the FY20 losses and the projected losses for FY21.



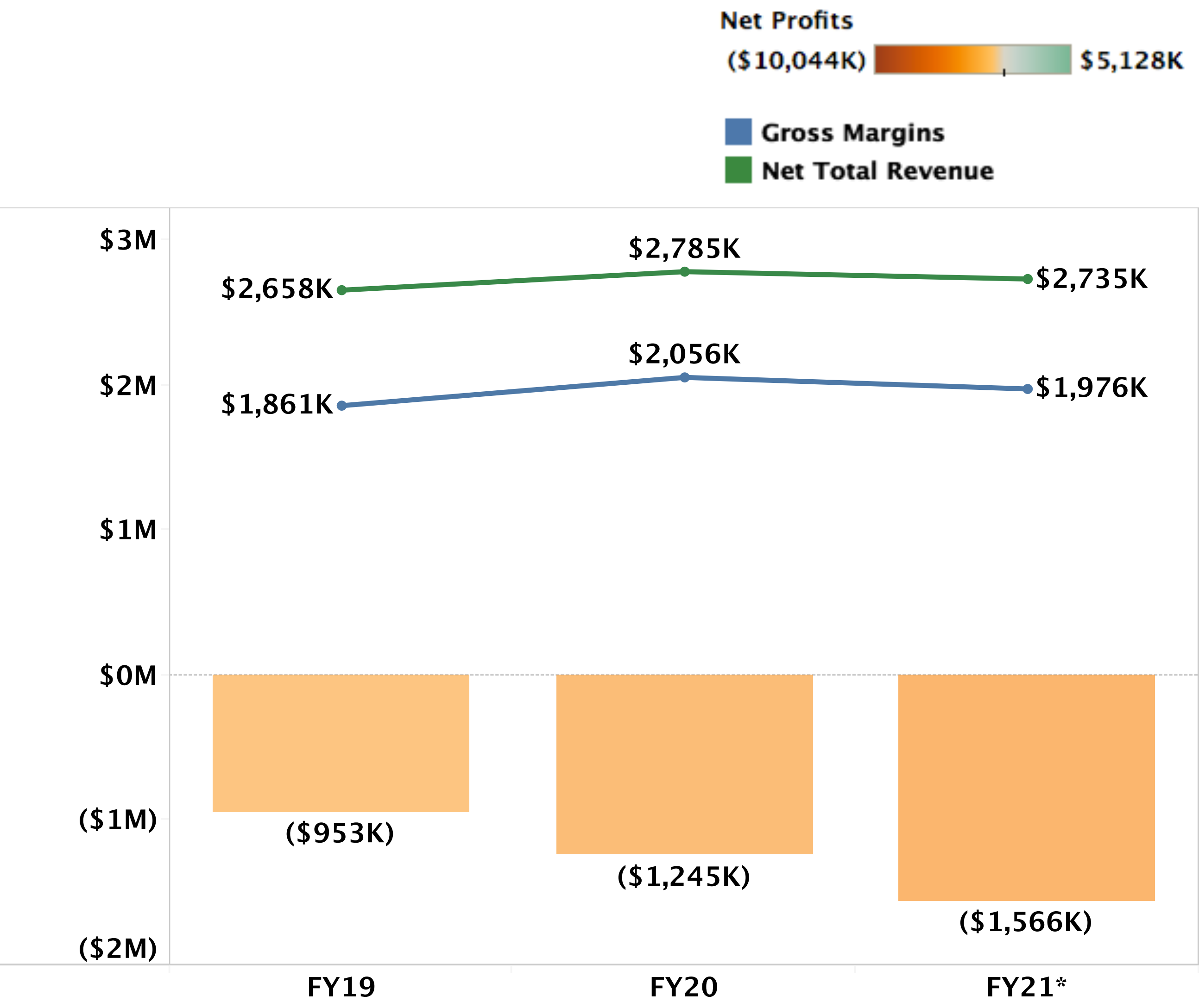
# Theatre

- **The projected GM for Theatre is 39%**, 15 percentage points lower than the university average
- Theatre's low GM is being driven high discount rates. NTR/Credit of $471 in FY19 and $425 in FY20 compared to the university average of $594 and $577 in both years respectively
- Projected increases in auxiliary costs and simultaneously declining auxiliary revenues because of COVID-19 add to the department's losses



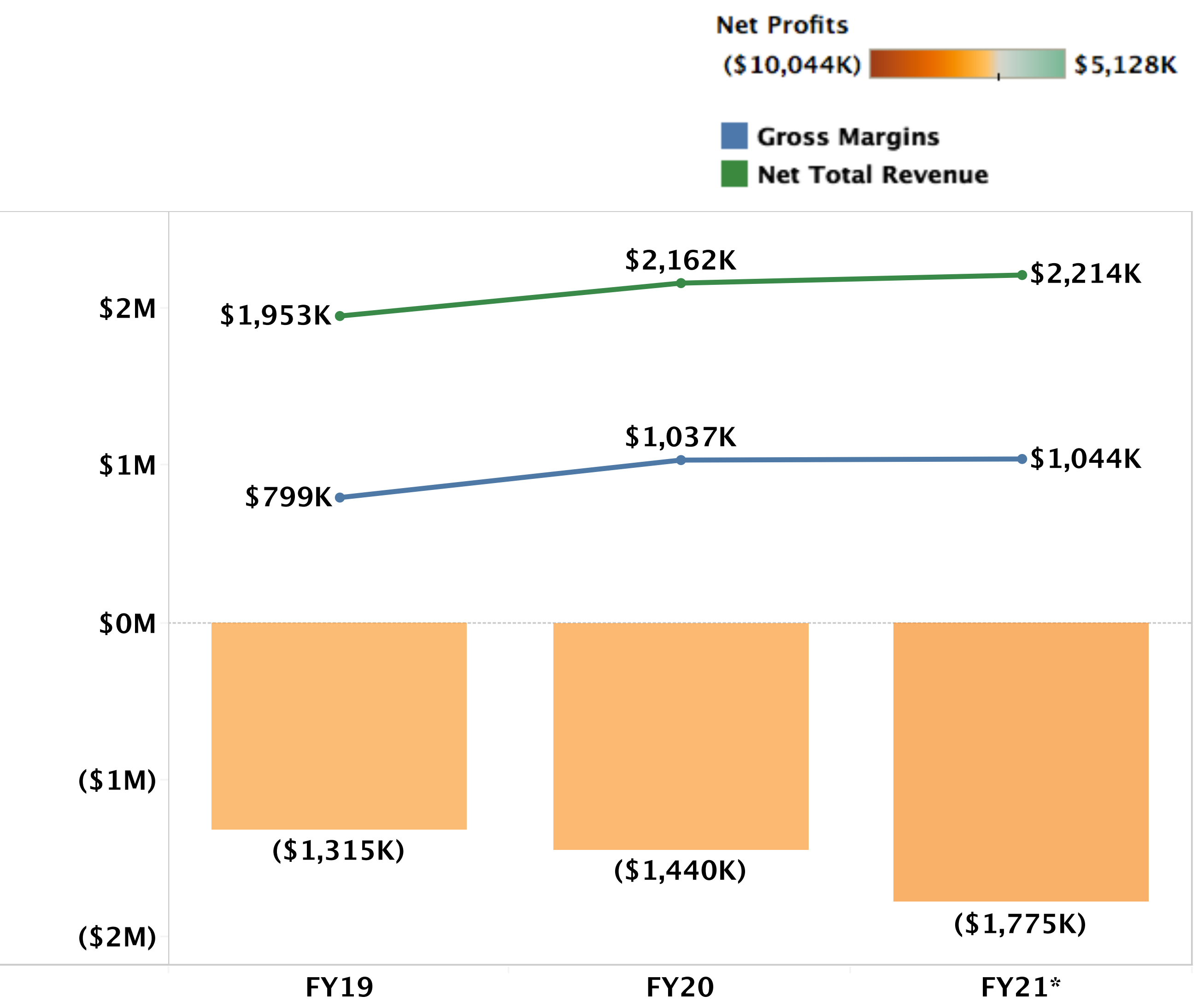
# Psychology

- Although Psychology has low direct costs yielding it a 72% GM, it struggles with profitability primarily due the high level of indirect costs that are allocated to the department based on student enrollment.
- Their NTR/Credit is only $516 in FY19 and $509 in FY20 compared to the university average of $594 and $577 in both years respectively.



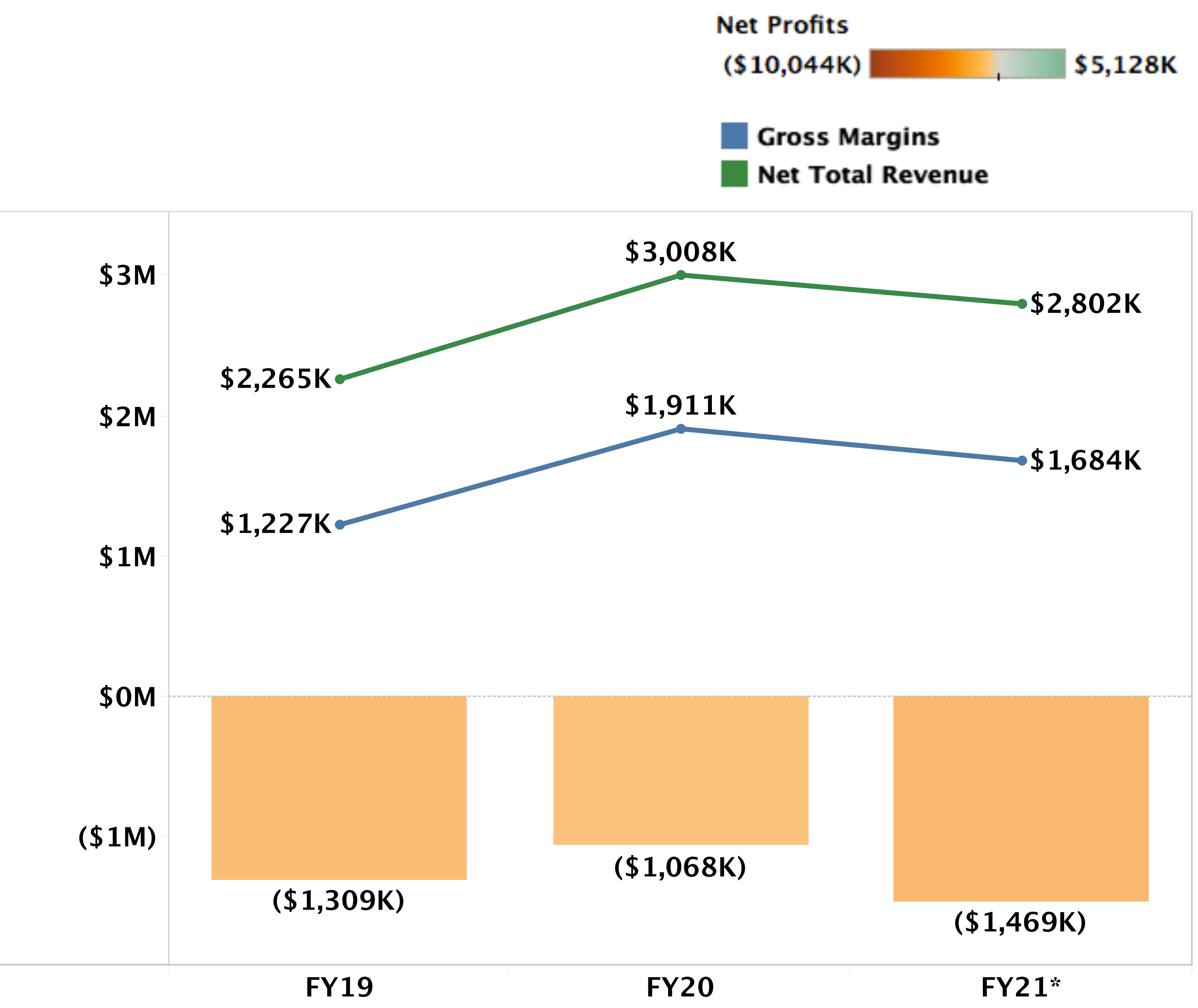
# Biology

- With almost constant NTR and GM from FY20 to FY21, the increase in projected losses for FY21 are driven by higher auxiliary costs and lower auxiliary revenues.
- However, the structural problems of high discount rates from FY19 remain as its 47% GM fails to cover its share of overhead.
- Their NTR/Credit is only $491 in FY19 and $462 in FY20 compared to the university average of $594 and $577 in both years respectively.



# Communication

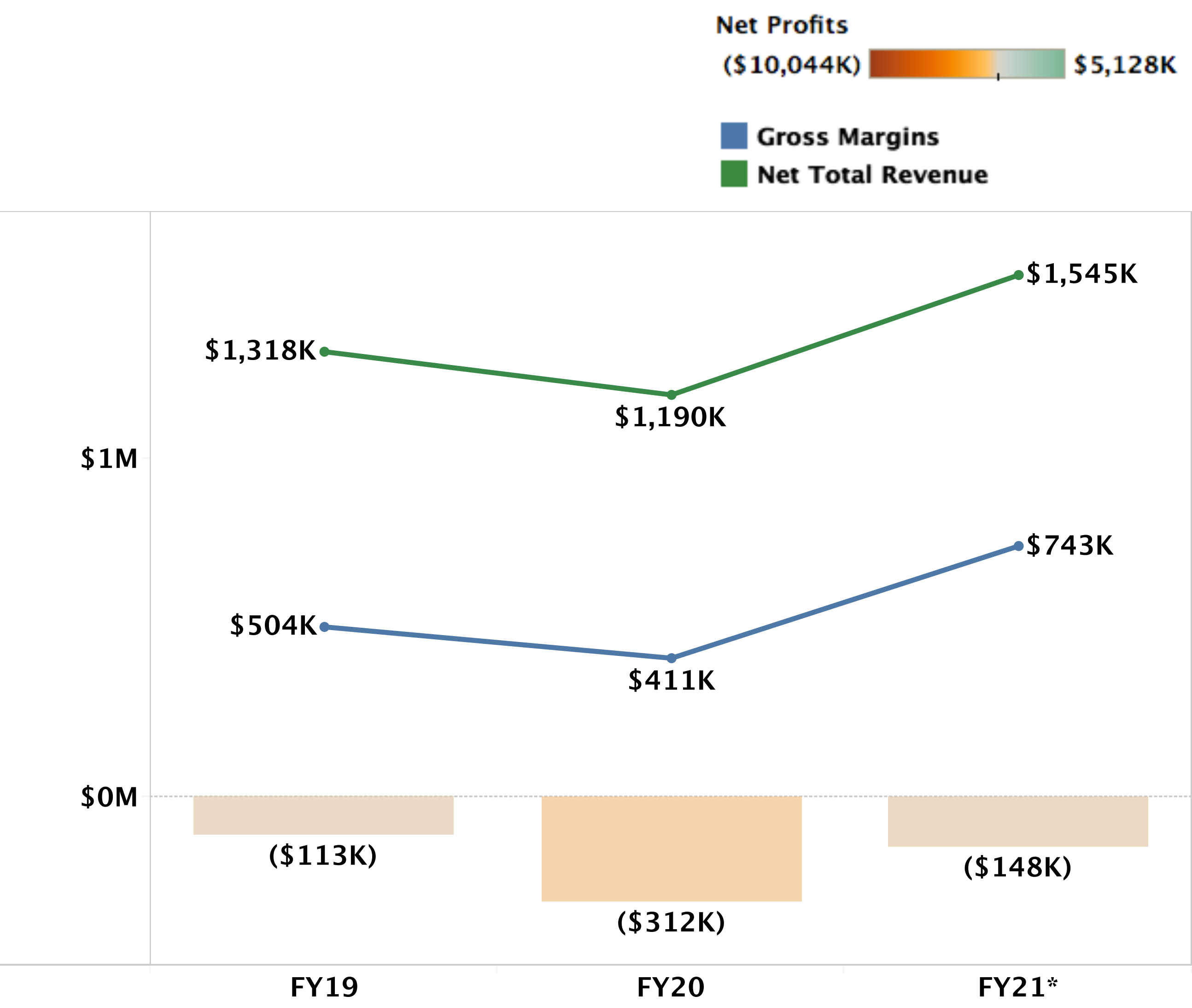
- Communication had an increase of ~33% in NTR from FY19 to FY20 but is projected to see a ~7% in FY21 due to lower enrollment
- GM of 60% is higher than the avg of 54%, but is weighed down by indirect costs given the department's size
- Higher enrollment without a subsequent increase in discount rates and direct costs combined with a return to normal levels of auxiliary costs and revenues should help the department return a profit



# DEPARTMENTS WITH IMPROVING FINANCIAL PERFORMANCE

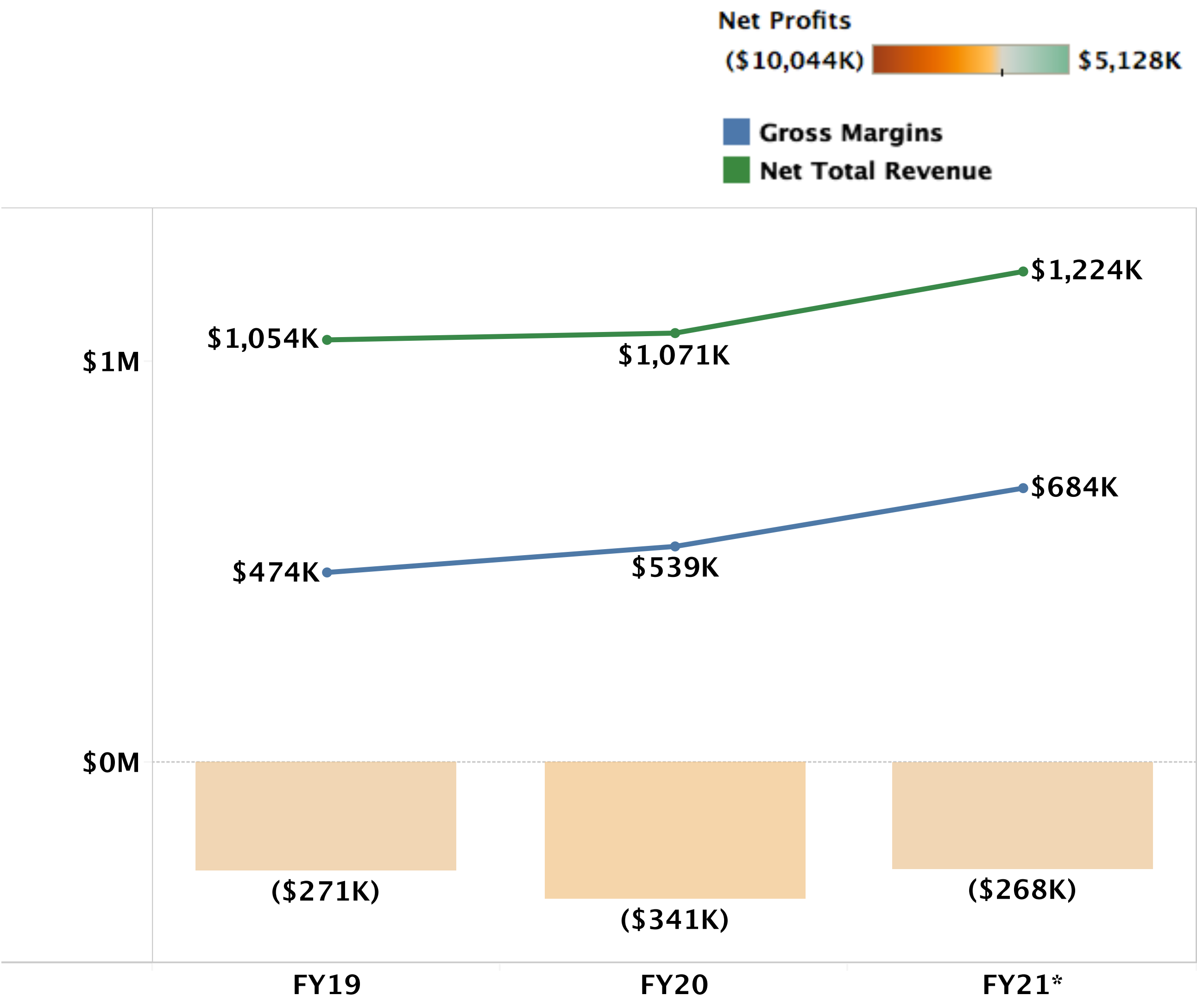
# Chemistry

- After a drop in GM in FY20, Chemistry's GM is projected to improve from 35% in FY20 to 48% in FY21 due to higher enrollment better leveraging its fixed direct costs.
- However, university-wide structural issues pertaining to high discount rates remain a challenge to achieving profitability.



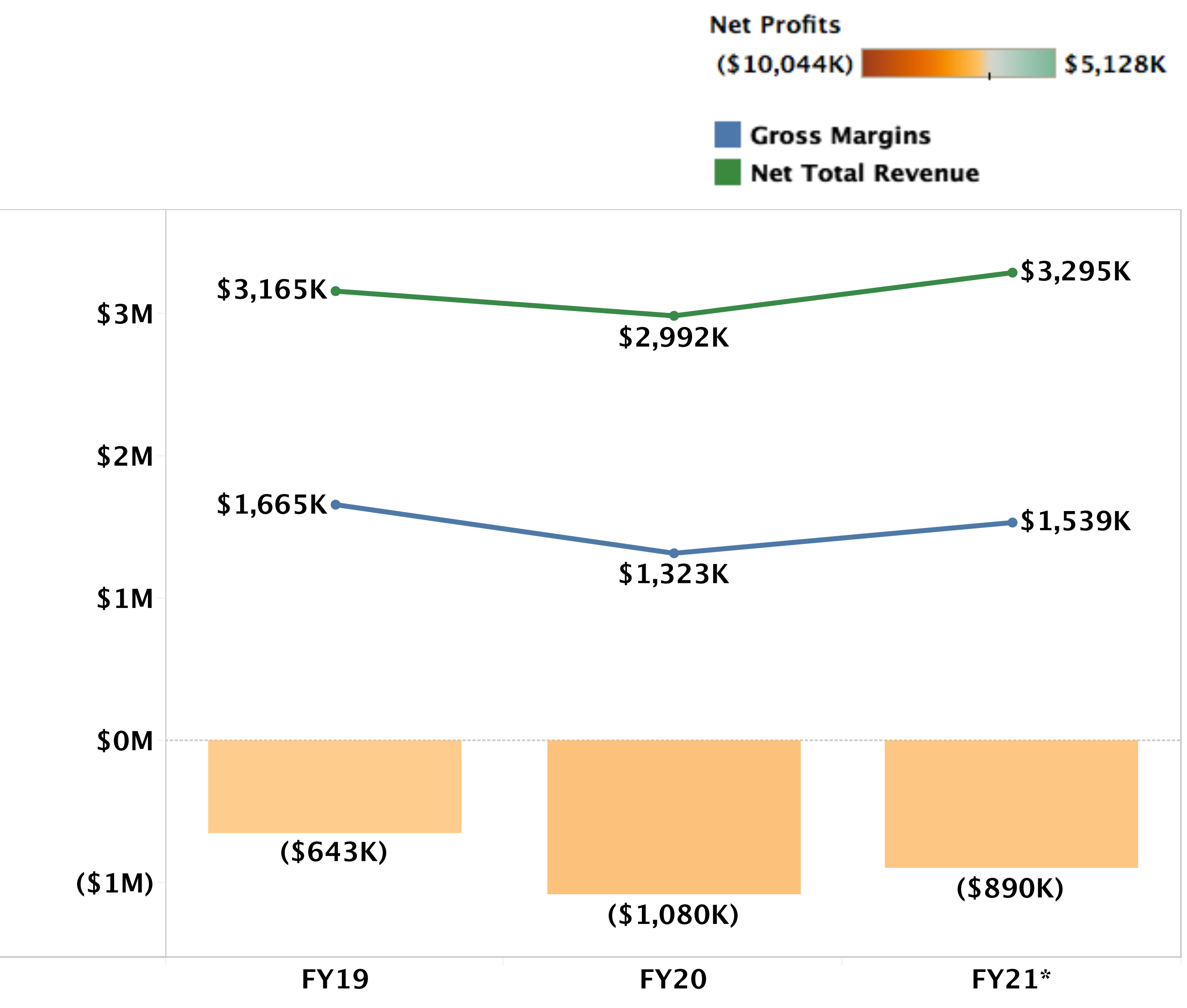
# Political Science

- GM has improved from 50% in FY20 to 56% in FY21 driven mainly by higher enrollment and revenues as direct costs have stayed largely constant.
- Structural issues with high discount rates across the university continue to ail the department. Lower discount rates will help the department pull in revenue proportionate with its size in terms of enrollment.



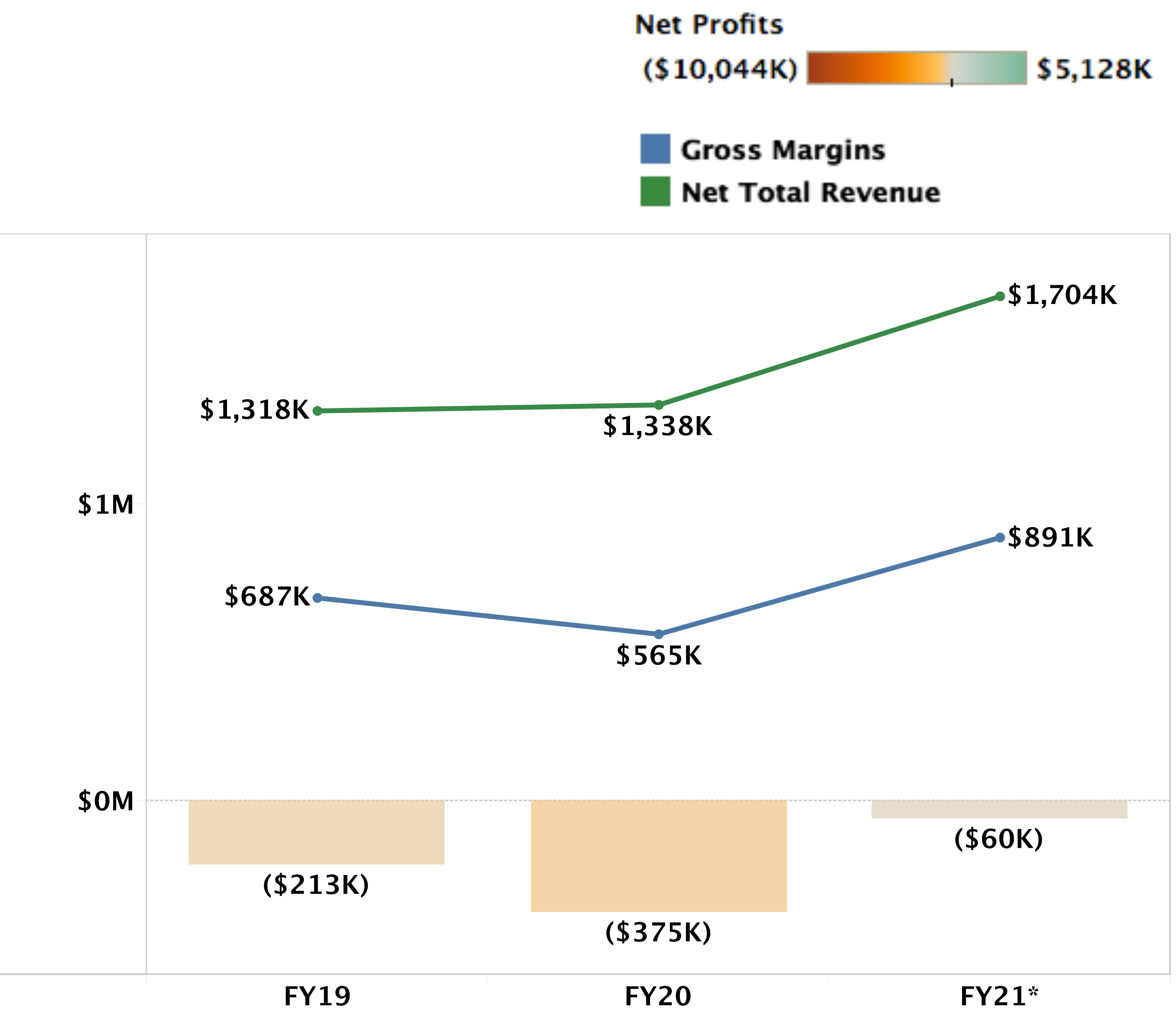
# Management

- Management's NTR has not changed much from FY19 to FY21's projection, with fluctuations in profitability primarily driven by changes in Gross Margins each year.
- The NTR/Credit for Management decreased from $544 in FY19 to $528 in FY20 signifying higher than average discount rates



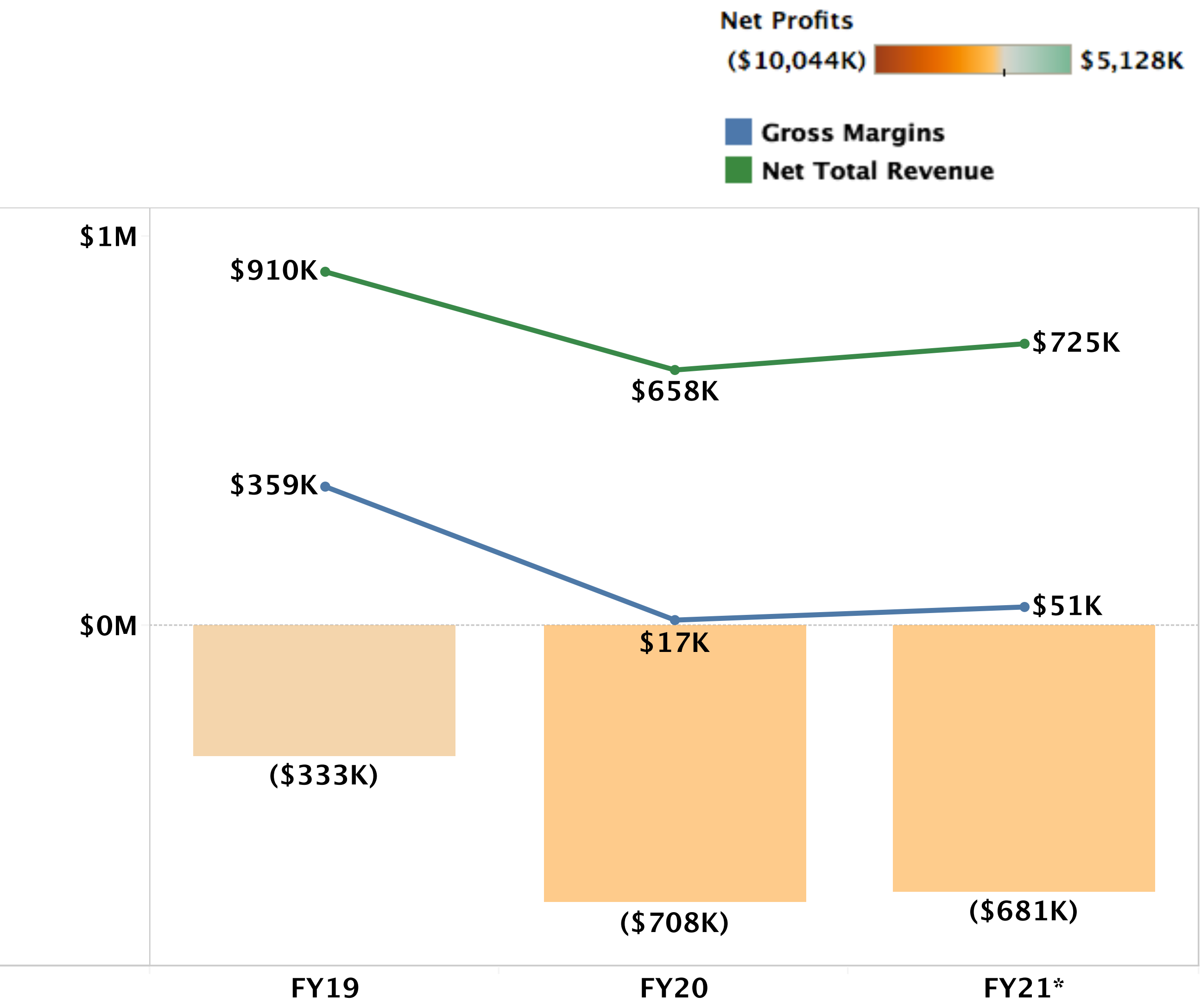
# Marketing

- A healthy enrollment-driven projected increase in NTR for Marketing is likely to reduce the losses for the department to $60K in FY21.
- Their NTR/Credit is $569 in FY19 and $525 in FY20 compared to the university average of $594 and $577 in both years respectively.
- So higher enrollment is being driven by higher discount rates. The focus of the department should be to continue driving enrollment without further discounts.



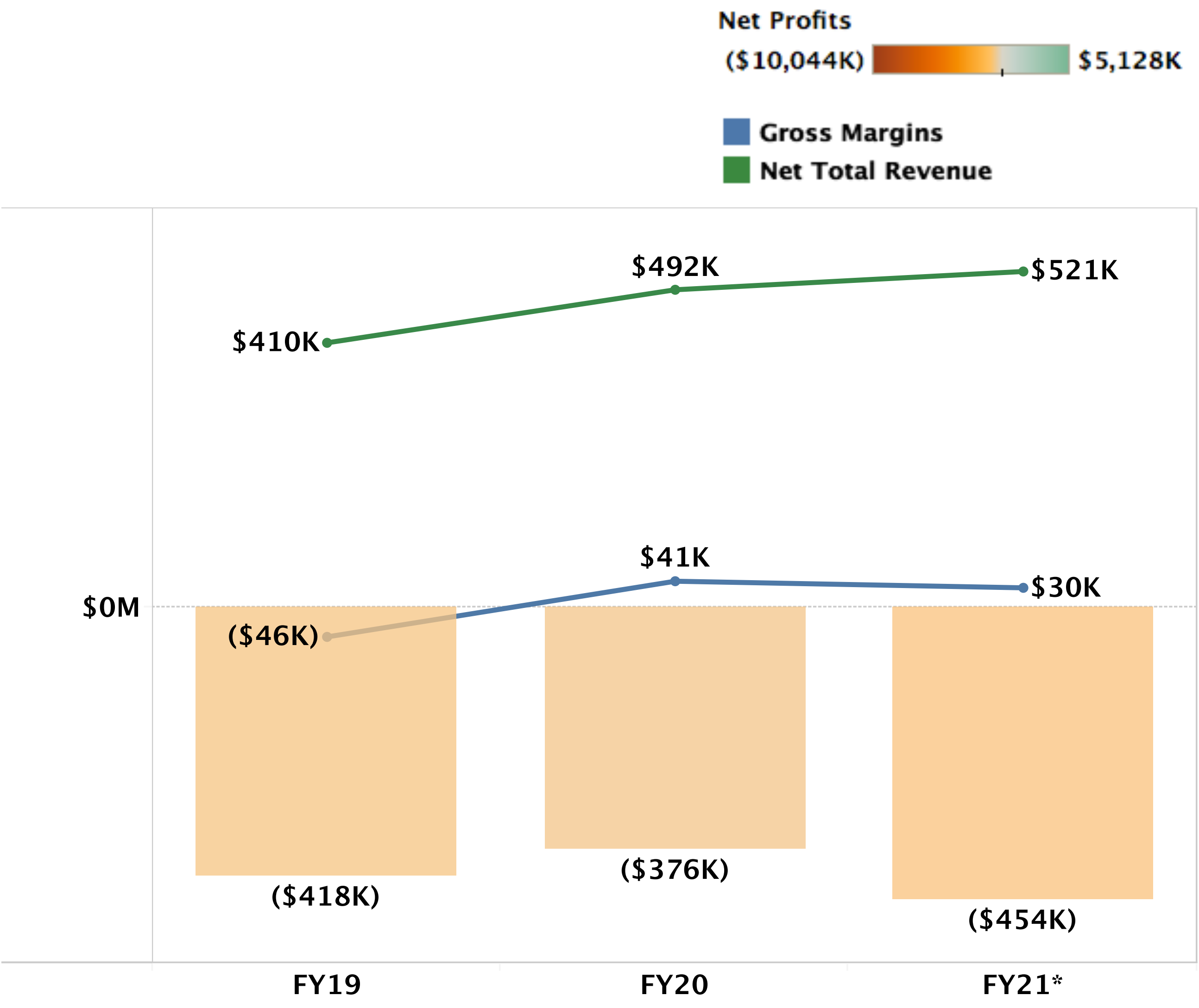
# Finance

- The silver lining of Finance's low enrollments is that it is allocated a lower share of indirect costs.
- However, Finance had a steep decline in NTR in FY20 leading to a big drop in GM from 39% in FY19 to 7% in FY21 due to the largely fixed nature of its direct costs.
- Their NTR/Credit declined from $619 in FY19 to $475 in FY20. Without a significant change in # credits taken, the NTR decline is primarily driven by high discount rates.



# Loyola Institute for Ministry

- Lim is projected to yield a 6% GM in FY21 compared to the university average of 54%.
- Given its $491K direct costs, there is a need for much greater enrollment and/or NTR to generate profit even after covering its relatively small share of indirect costs given the small size of the department's enrollments.



# Summary and Recommendations

- Higher indirect costs and lower auxiliary revenues because of coronavirus crisis are reflected in losses of all departments.
- Outside of the increased auxiliary costs, loss-making departments suffer from performance issues of lower enrollment and structural issues of high direct costs and high discount rates
- High discount rates reflect the discounts offered to students taking courses offered by specific departments. These students may or may not be part of the majors offered by the departments. As such, driving lower discount rates should be a university wide initiative.

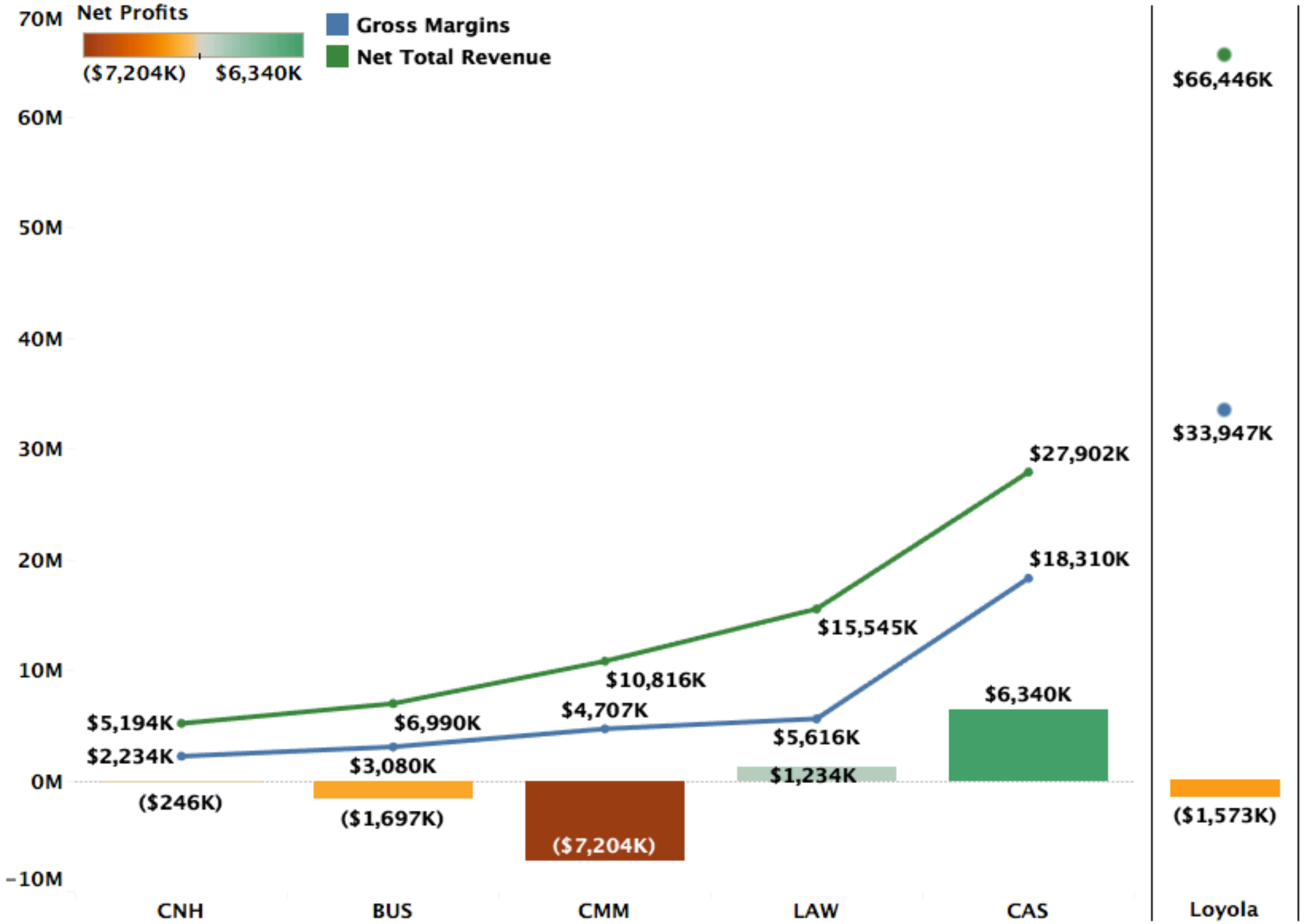
# Summary and Recommendations

- For departments with reducing enrollment, a separate analysis to identify the majors driving lower enrollment can be provided at a later date.
- Additional analysis that can benchmark proportionate direct costs in relation to enrollment in each department can help improve the GM to Revenue Ratio.
- Finally, improvement in auxiliary revenues and reduction in auxiliary costs post-coronavirus will aid the university-wide profitability.

# Appendix

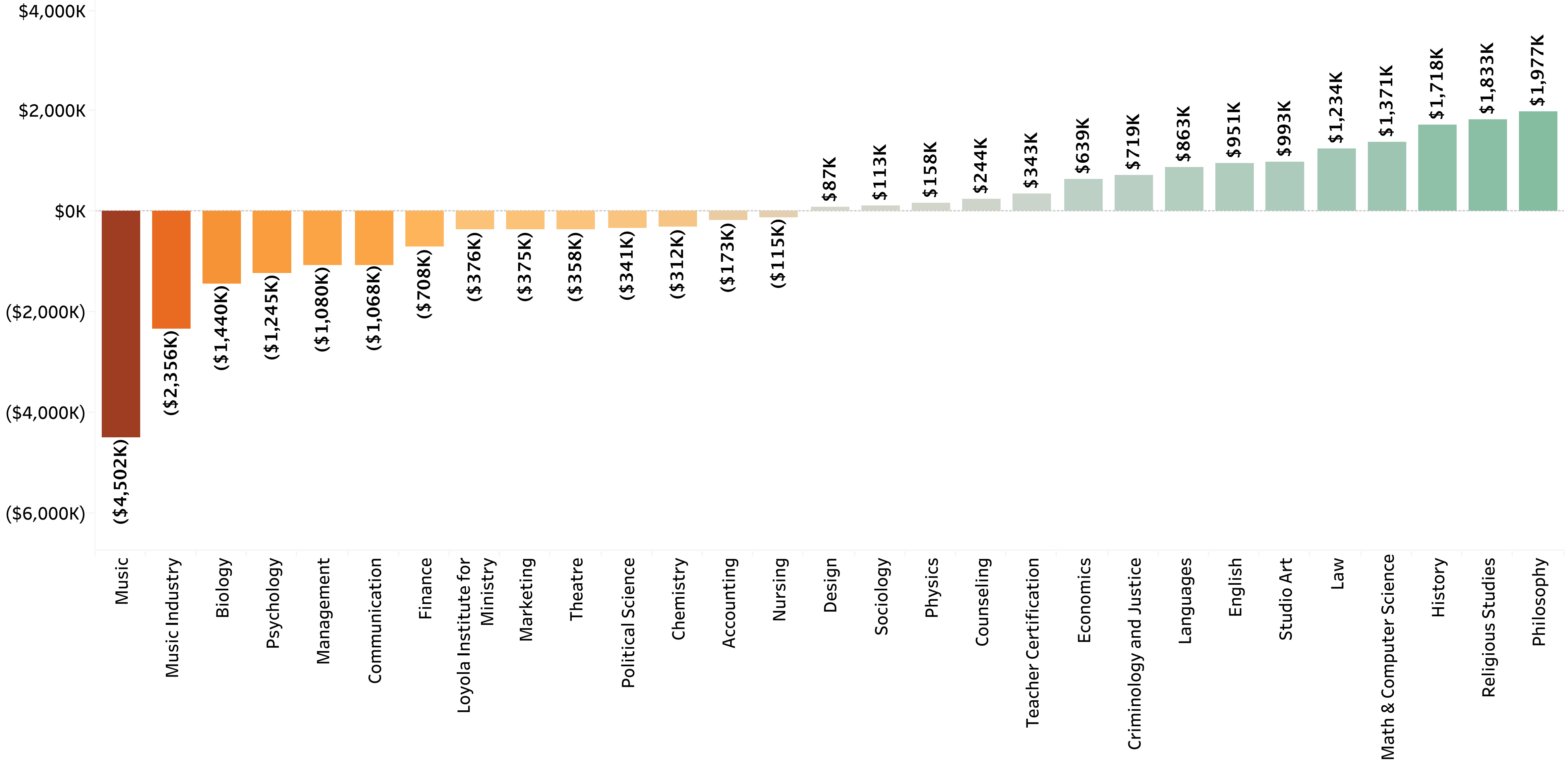
# (FY19 and FY20)

# Profitability by College FY20 Actuals



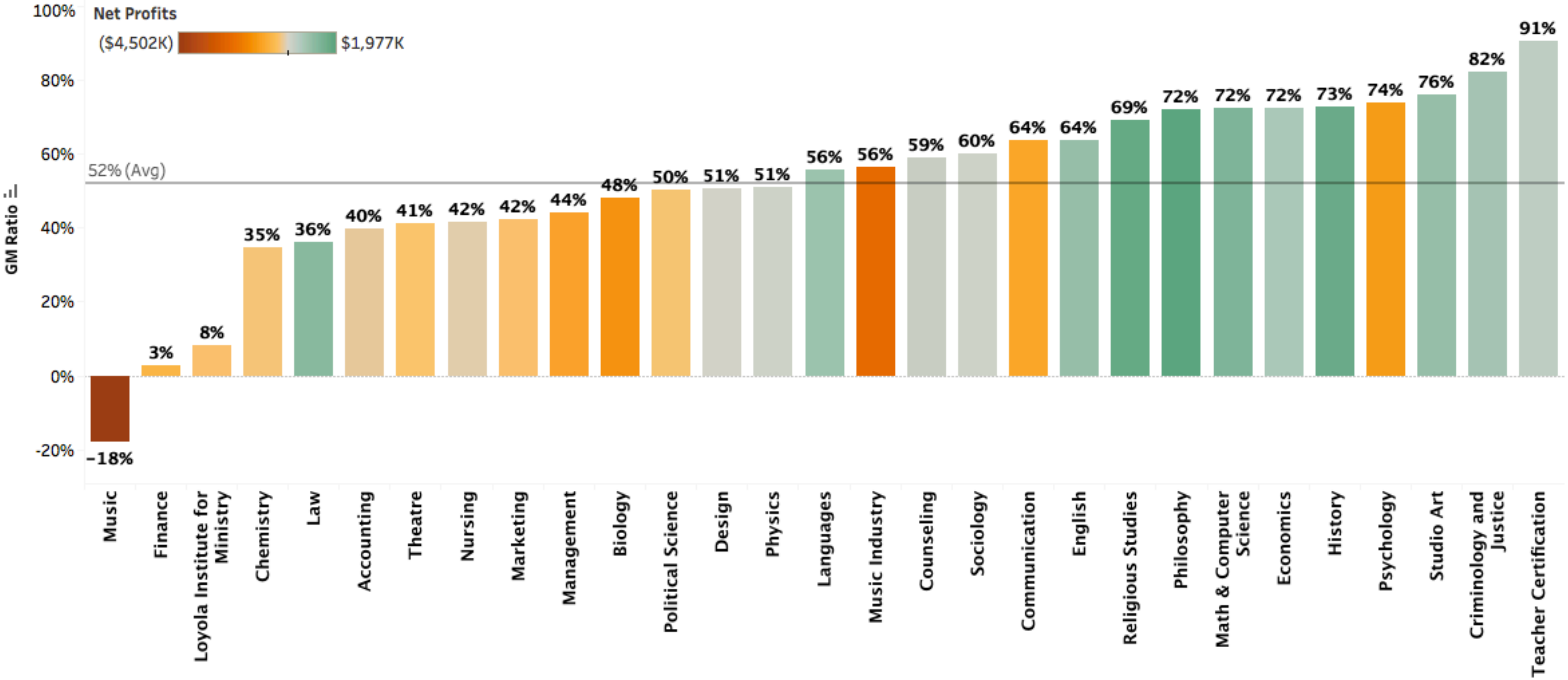
# Profitability by Department (FY20 Actuals)

Excluding Environment

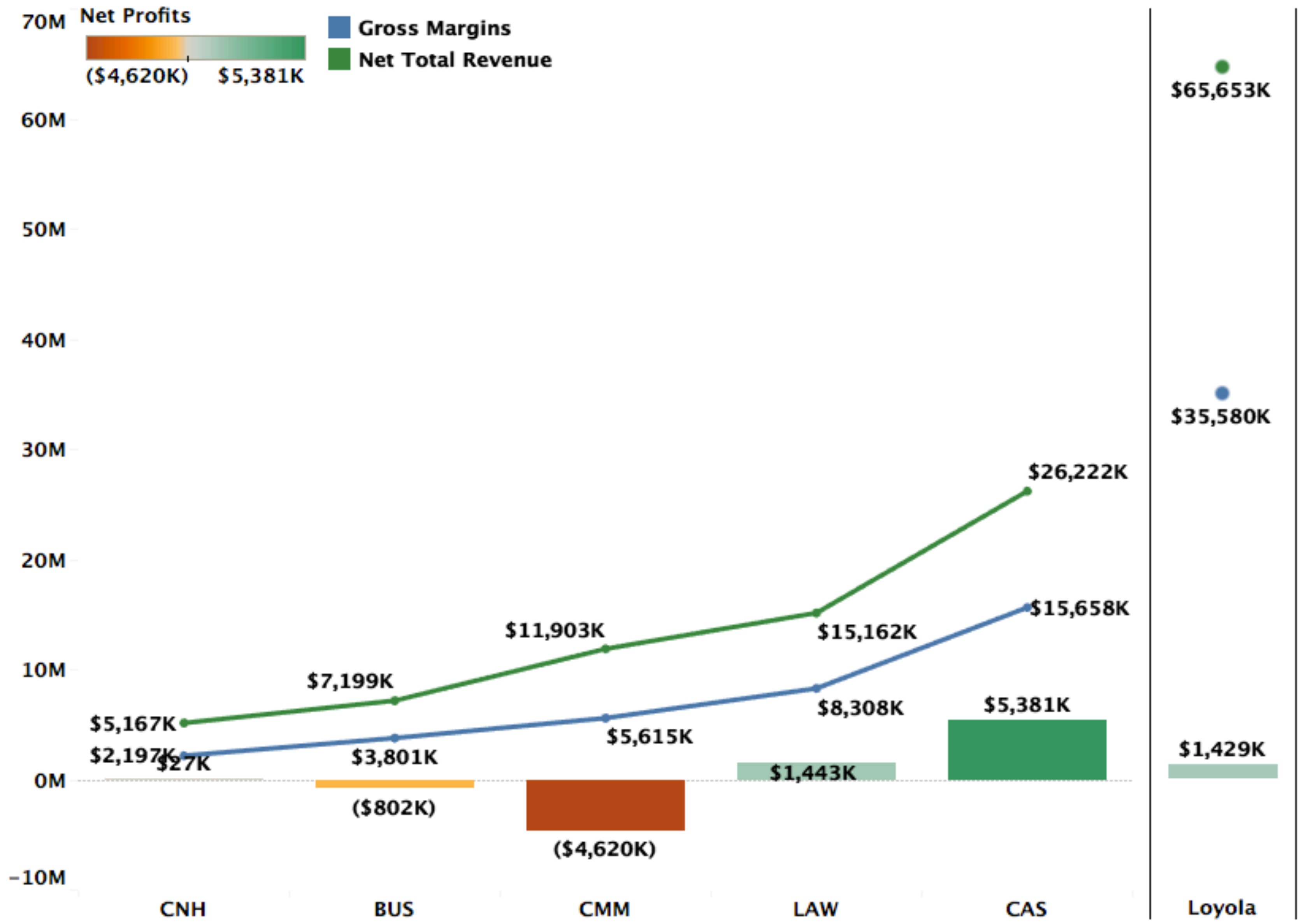


# GM to Revenue Ratio by Department (FY20 Actuals)

Excluding Environment



# Profitability by College FY19 Actuals



# Profitability by Department (FY19 Actuals)

Excluding Classical Studies and Environment

# GM to Revenue Ratio by Department (FY19 Actuals)

Excluding Classical Studies and Environment