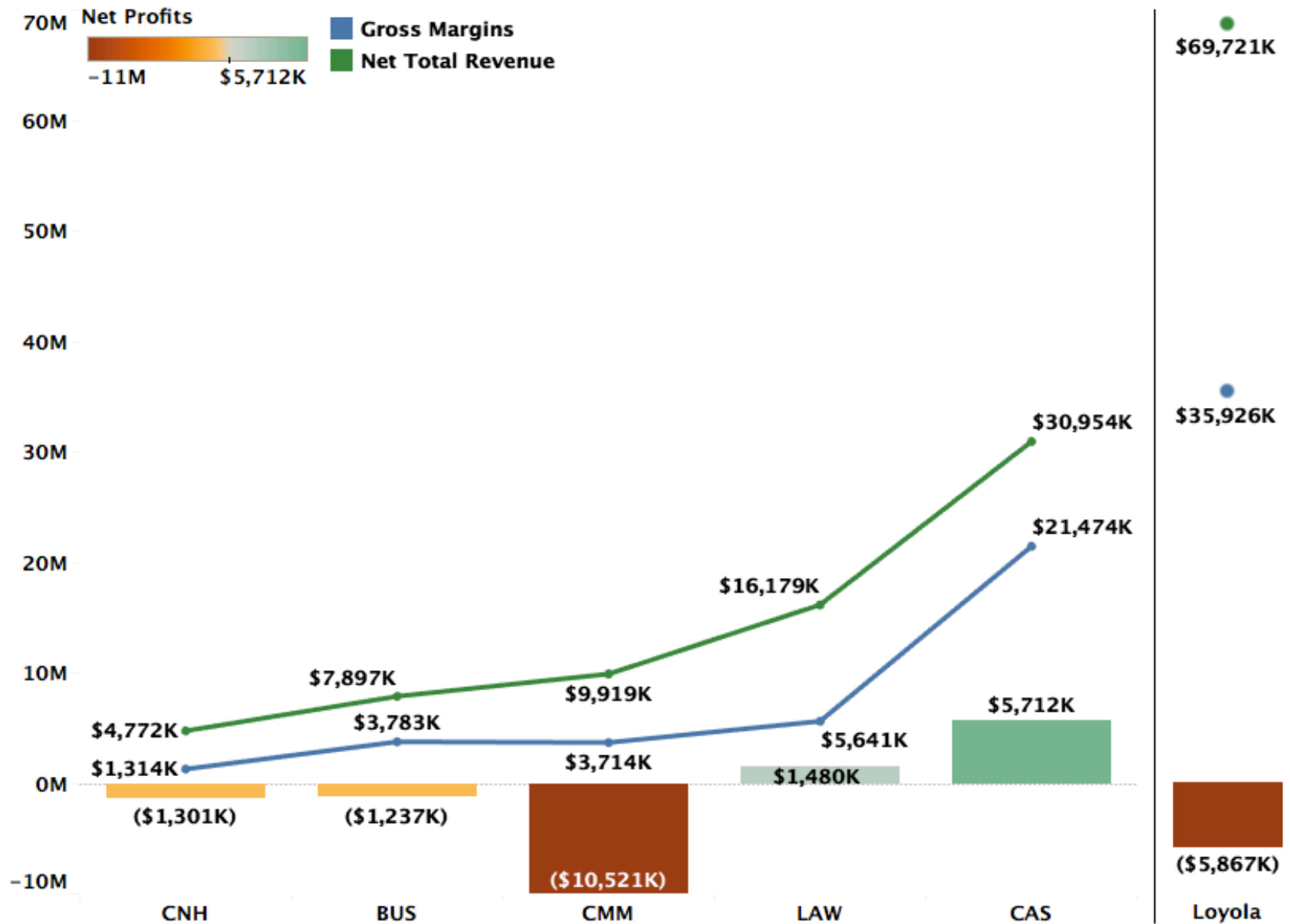


FY21 PROJECTED PROFITABILITY ANALYSIS

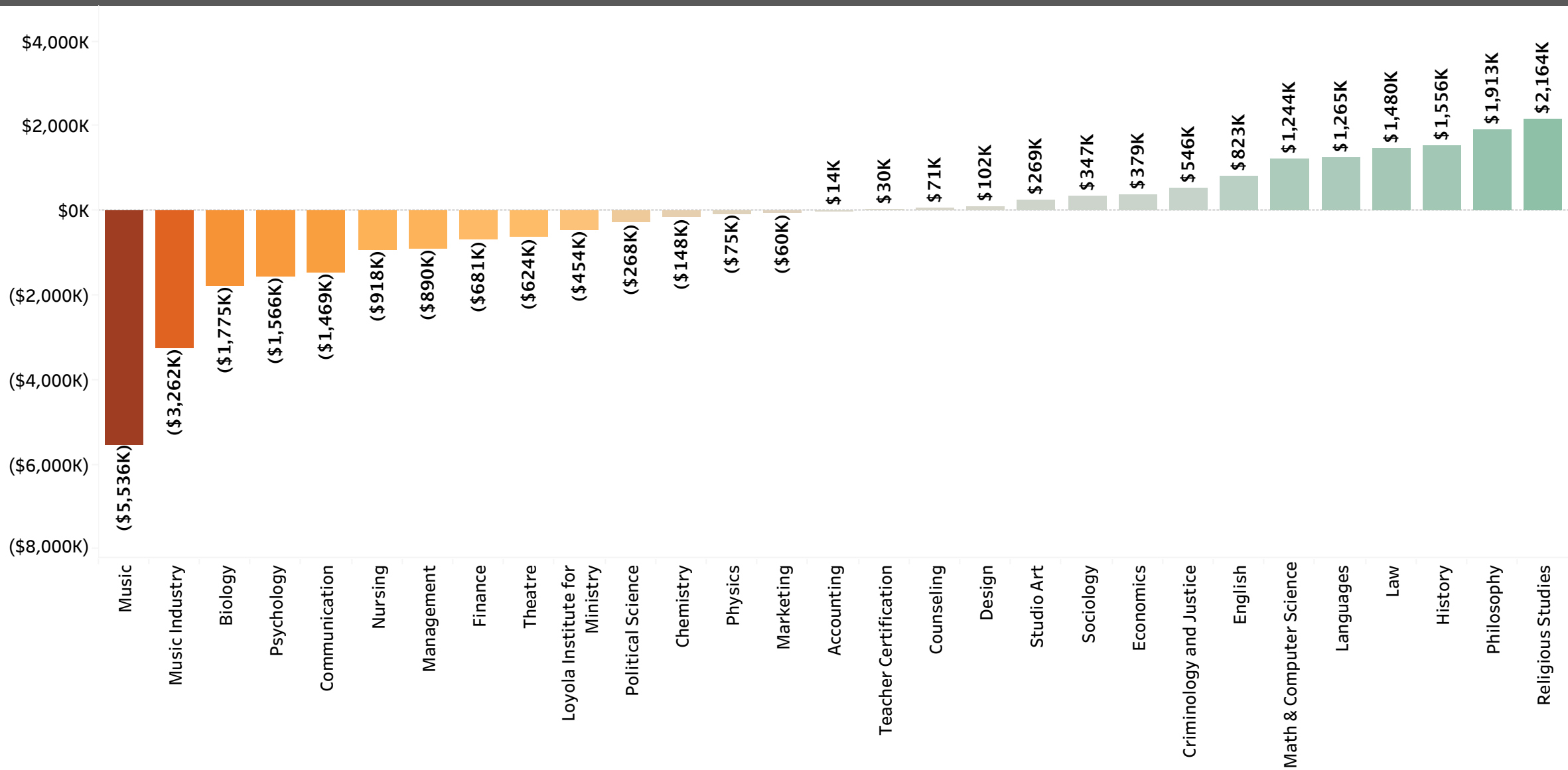
LOYOLA UNIVERSITY, NEW ORLEANS

Profitability by College FY21 Projections



Profitability by Department (FY21 Projections)

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.

Gross Margins (GM): $GM = NTR - \text{Direct Costs}$. Direct costs include salaries, operating costs, and fringe benefits.

Profitability = $GM - \text{Indirect Costs} + \text{Indirect Revenues}$. 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

FY21 Revenue Projections: 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.

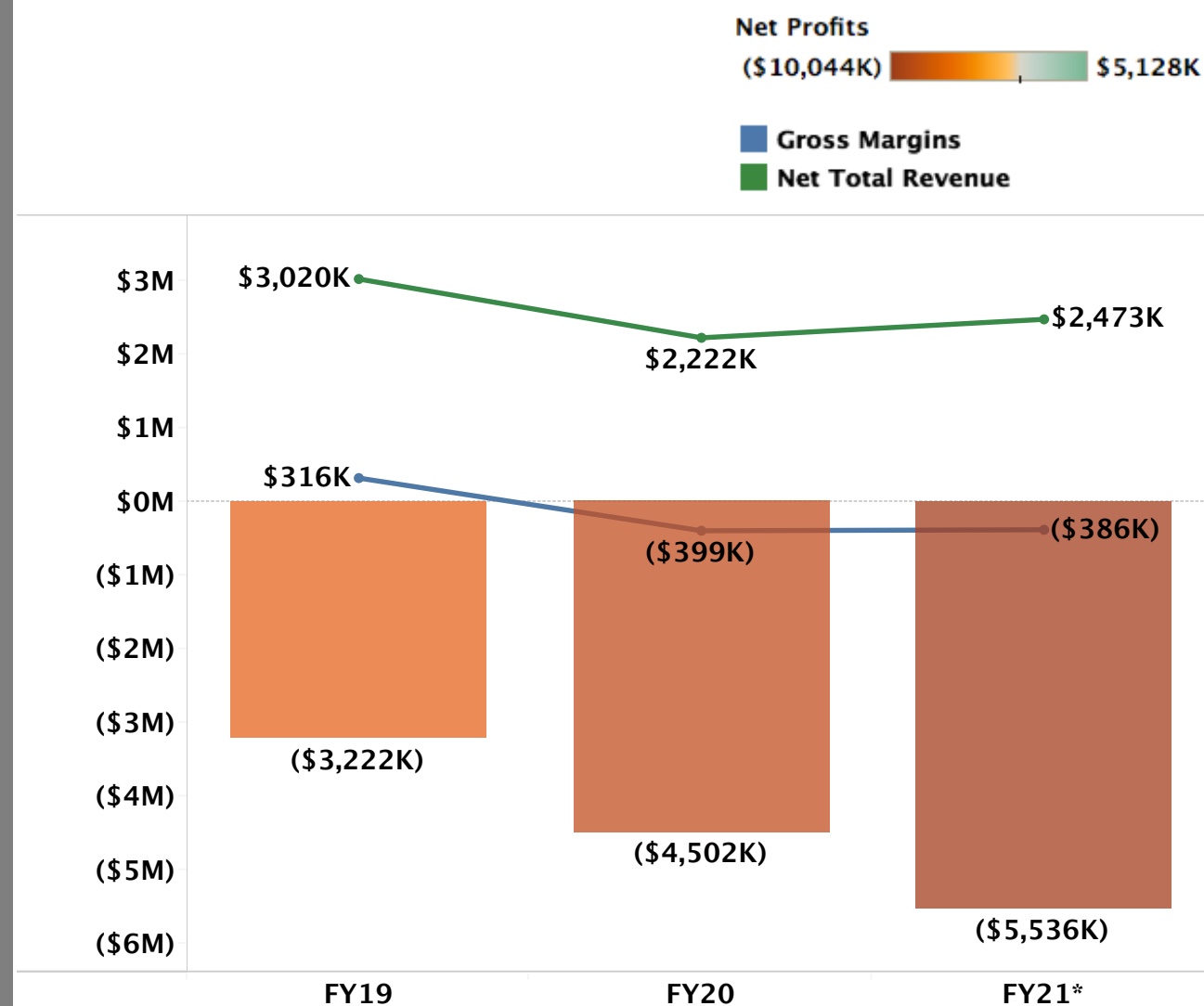
Direct Costs: Direct costs include salaries and operating costs from department budgets. FY20 fringe benefits are used as a proxy for FY21 fringe benefits.

Indirect Costs: 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
INCREASING LOSSES FROM
FY19 TO FY21**

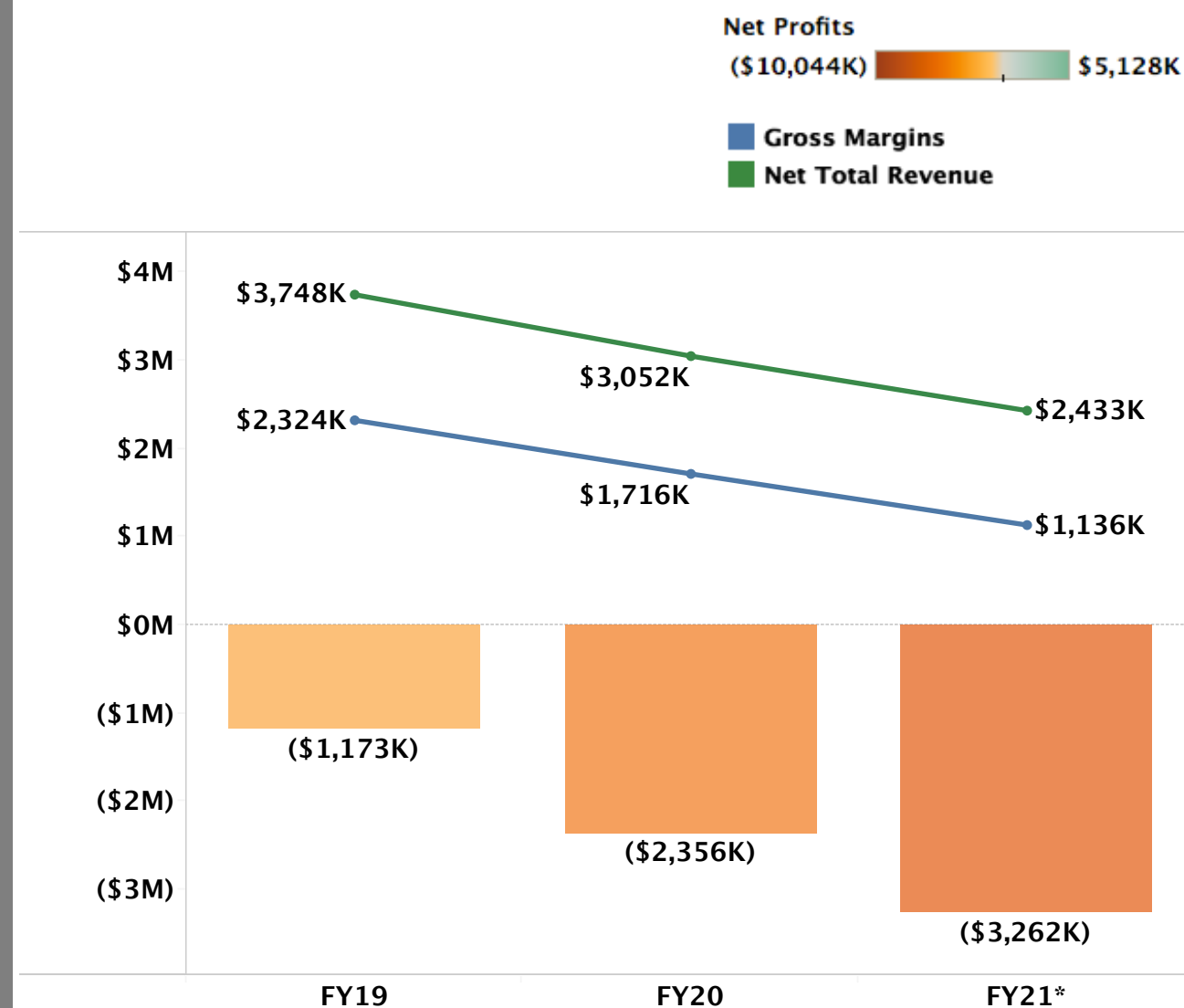
Music

- GM for Music slipped into negative in FY20 and is projected to continue being negative in FY21
- Music accounted for 9.76% of students in FY20, nearly 3 times the average size of a department
- Music also has more than twice the directs costs of an average department at the university
- However, NTR for Music is only slightly above the department avg of ~\$2.1M in FY20 and ~\$2.2M in FY21, suggesting a high discount rate



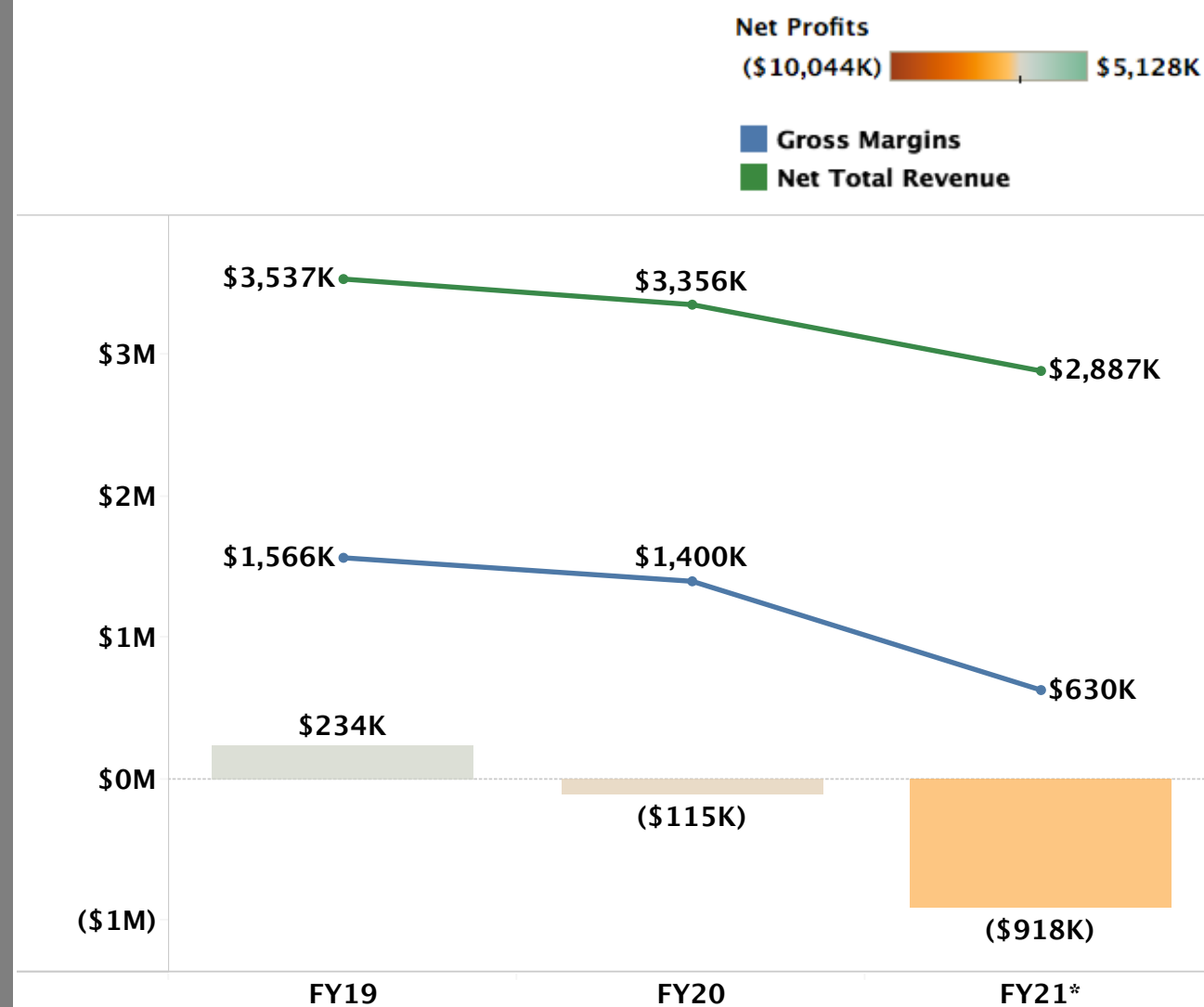
Music Industry

- NTR and GM for Music Industry are projected to continue to decline in FY21
- Music Industry accounts for 9.7% of students, nearly 3 times the average department
- The projected decline of ~\$900K in profits is led largely by a ~\$800K decline in NTR
- Less than proportionate revenues, given the size of the department, also signify a higher than average discount rate



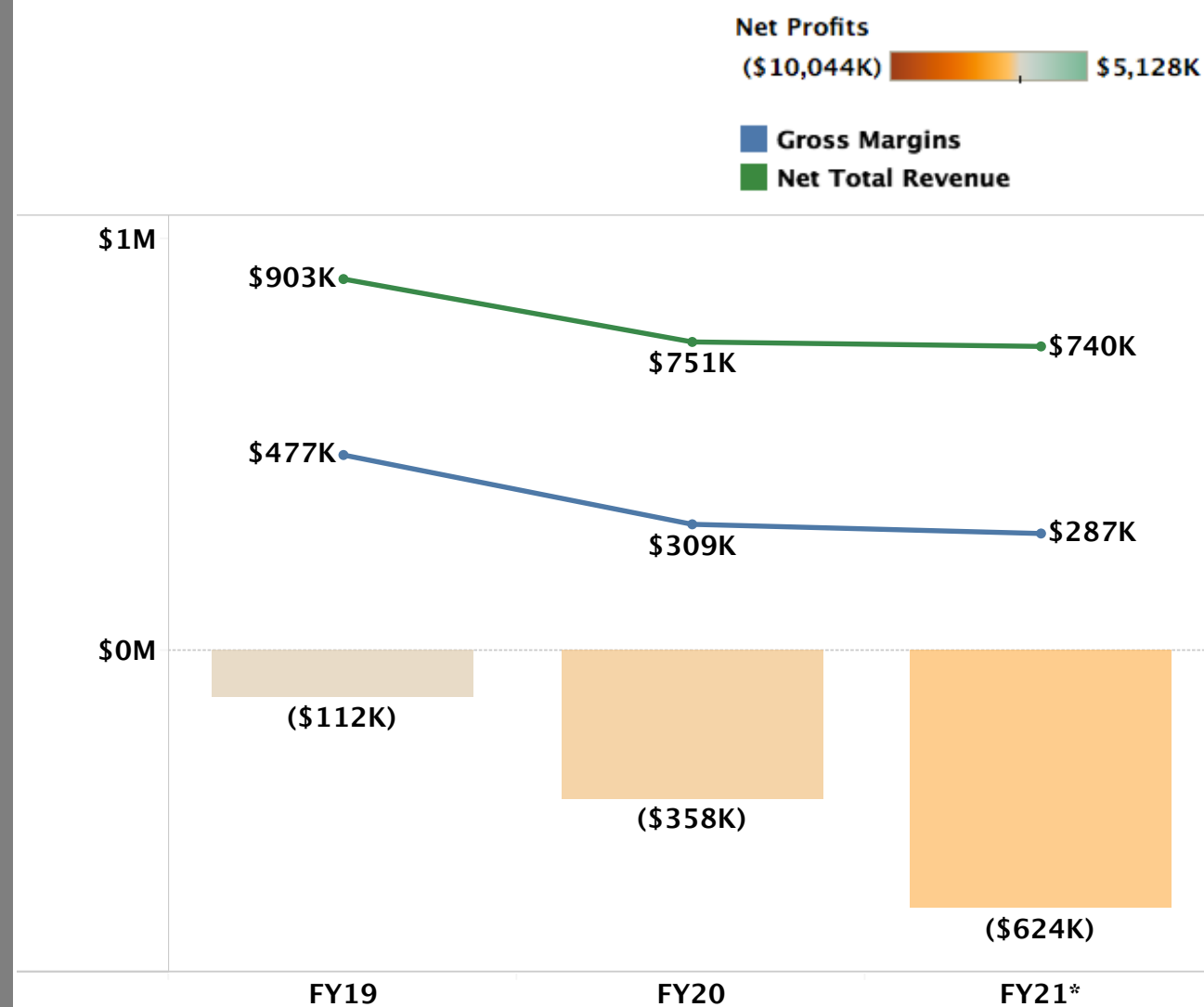
Nursing

- The declining trend in NTR is projected to continue for Nursing
- The GMs are projected to decline at a higher rate than the revenues in FY21
- Nursing has above average projected NTR - ~\$2.9M compared to university avg of ~\$2.2M in FY21. However, direct costs of ~\$2.2M is more than double the average direct costs of ~\$1.1M.



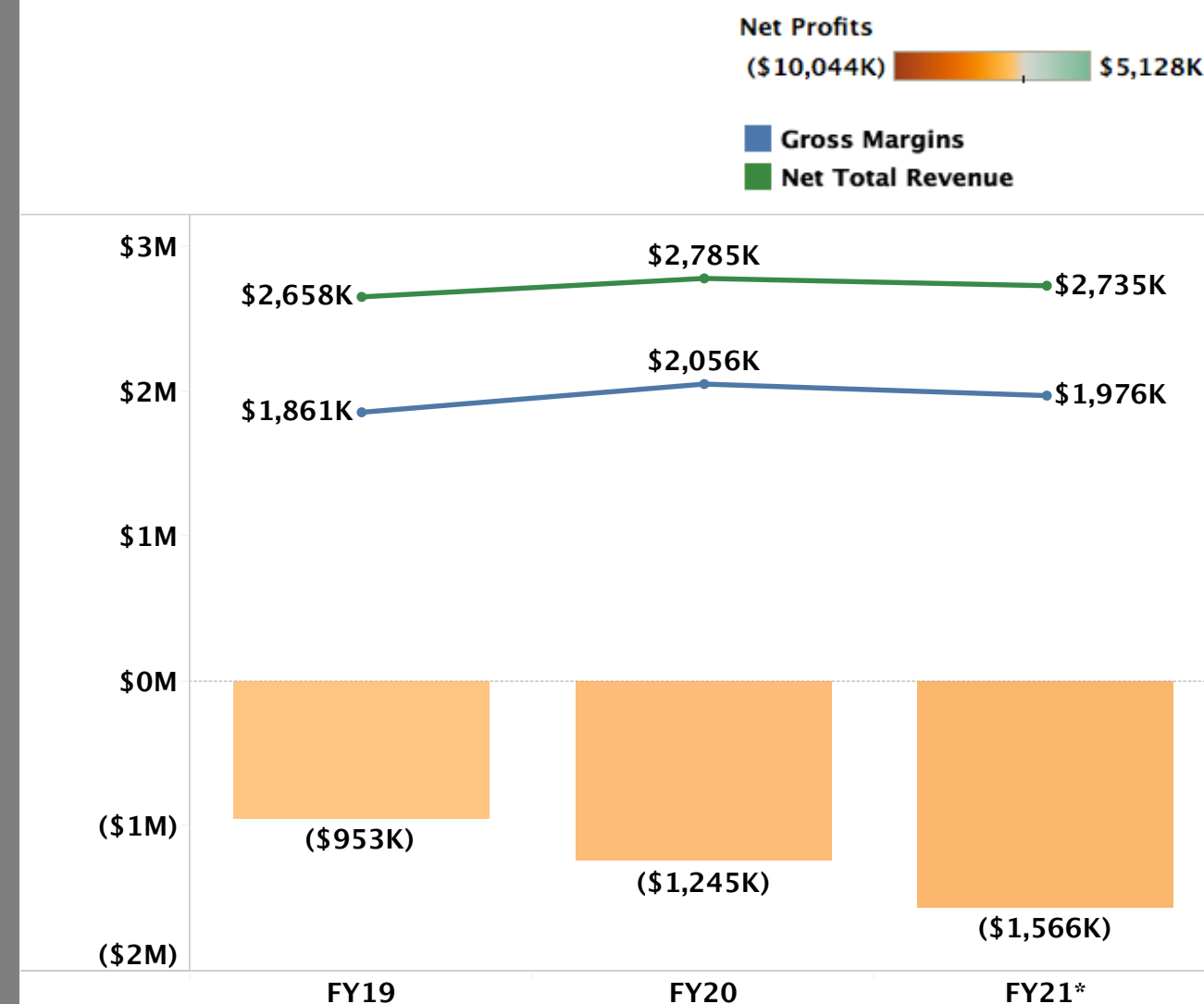
Theatre

- The projected NTR and GM for FY21 are relatively constant compared to FY20 after a steep decline in FY20 from FY19
- Indirect costs for Theatre are projected to increase from ~\$1.3M in FY20 to ~1.5M in FY21
- Auxiliary and Dorm revenues are projected to decrease from ~\$650K to ~\$500K



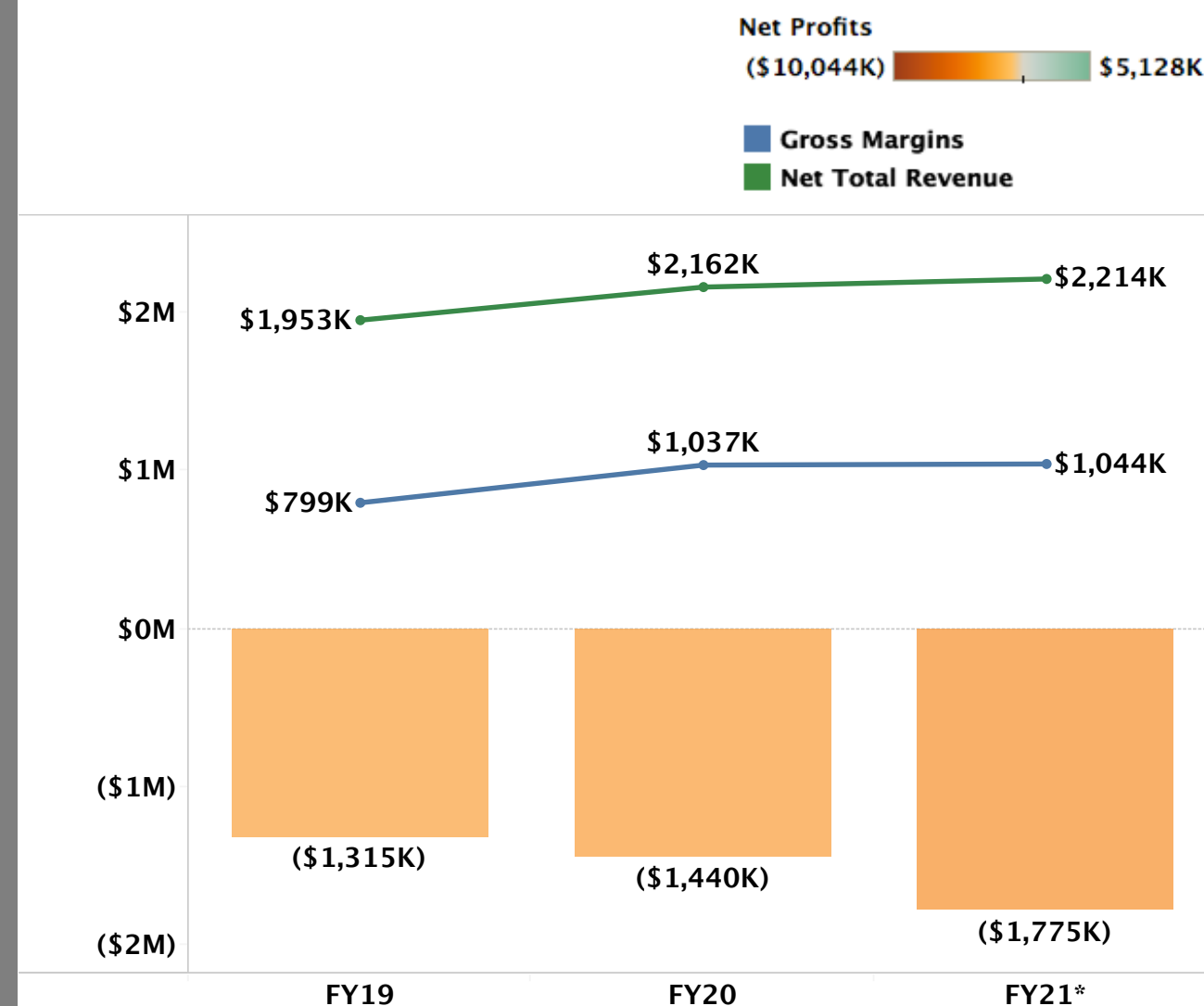
Psychology

- Psychology accounted for 7.6% of all students in FY21 – that is 2.5 times the size of an average department.
- Despite slight increase in revenues from FY19, Psychology's losses increased because of greater indirect costs
- At ~\$2.8M, Psychology accounts for only 1.25 times the average department revenue, suggesting a higher than average discount rate.



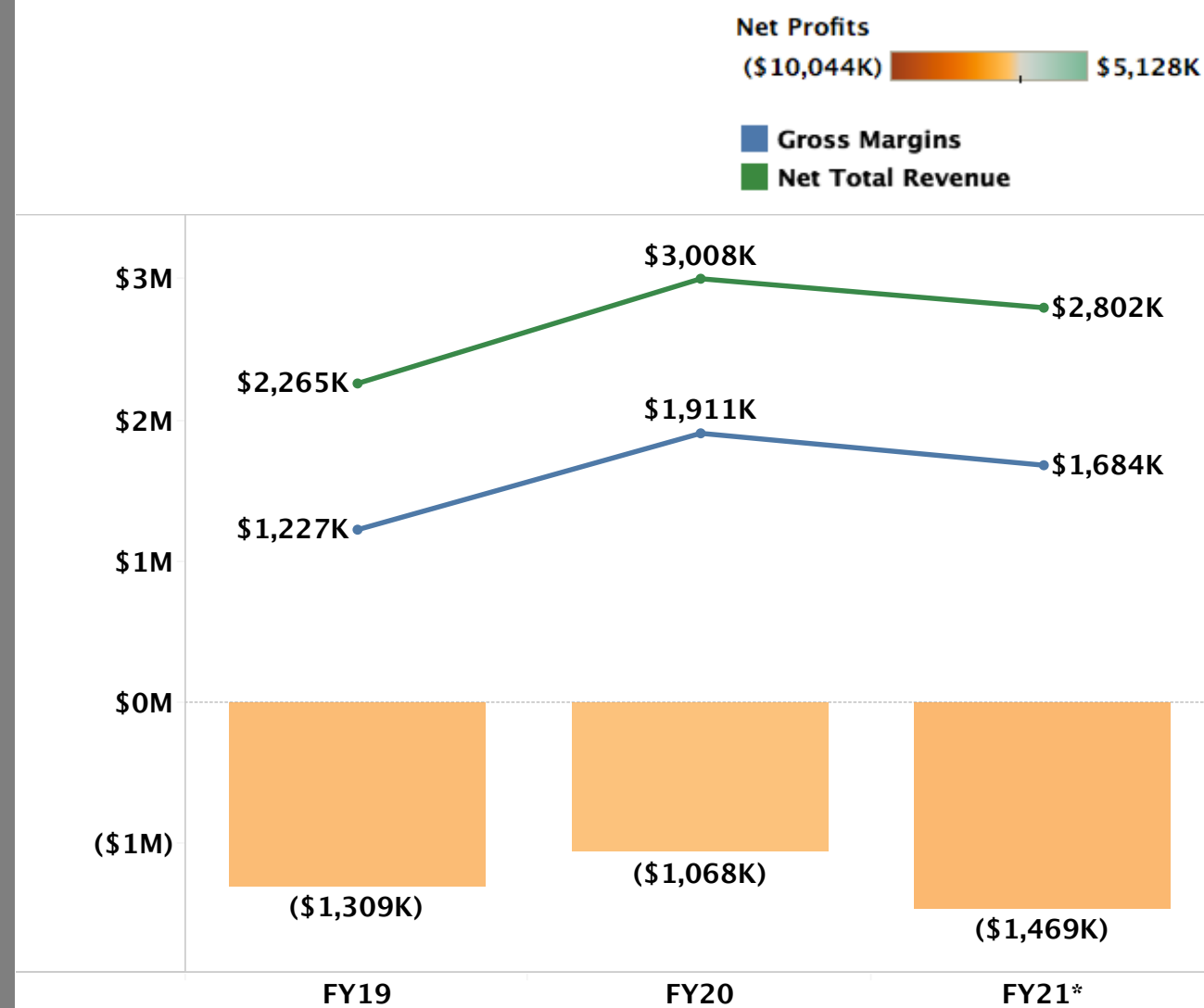
Biology

- Biology had 5.9% of all students in FY20 – roughly twice the size of an average department.
- Its revenues are, however, proportionate to an average department suggesting higher than average discount rate
- Increase in indirect costs and less than proportional increase in projected NTR is likely to result in even higher losses in FY21



Communication

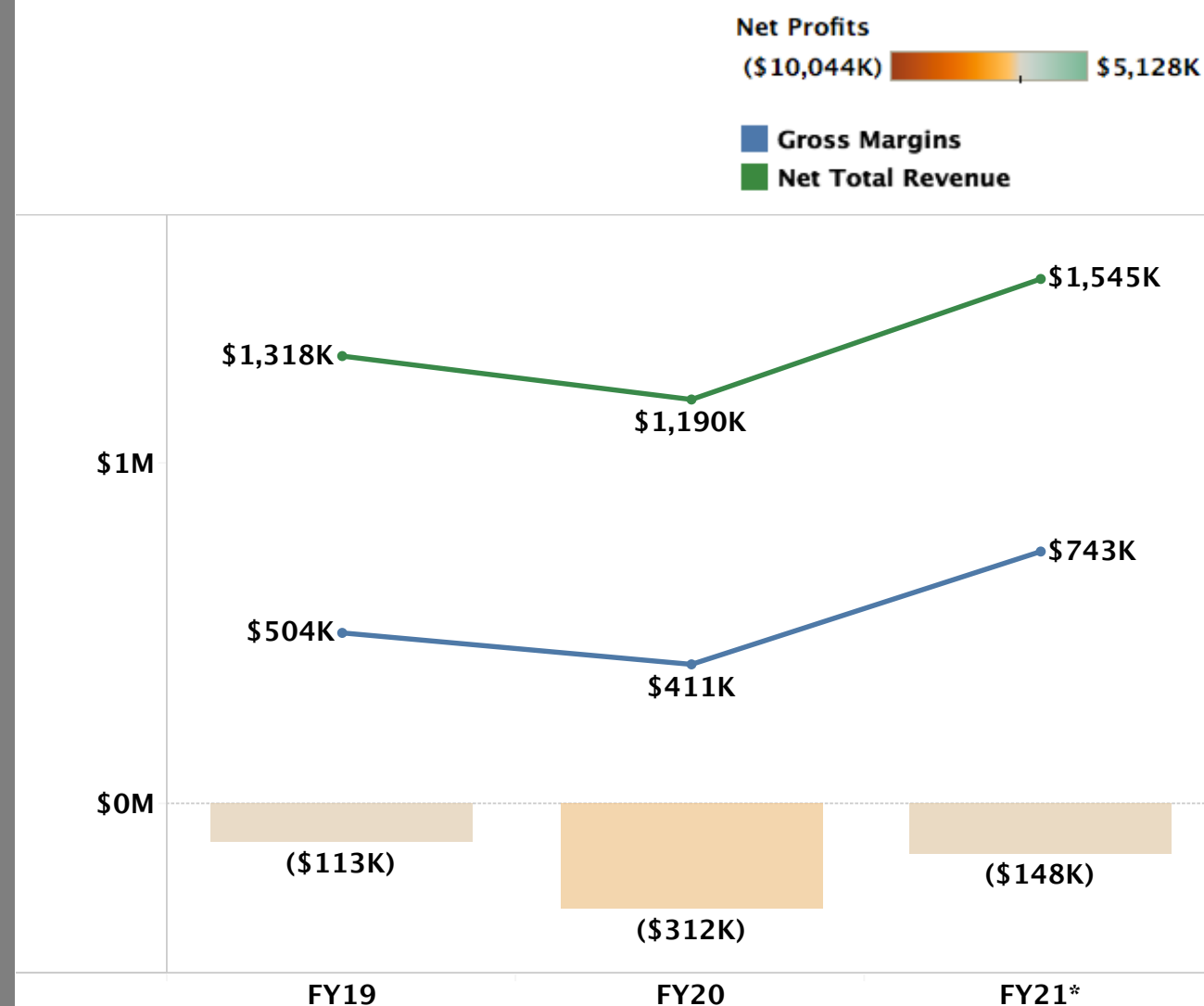
- Communication had an increase of ~33% in NTR from FY19 to FY20 but is projected to see a decline of ~7% in NTR in FY21
- At 7.4% of all students, Communication is more than twice the size of an average department. However, its NTR in FY20 is only 1.5 times the size of an average department
- Projected increase in losses are driven by consistently less than proportionate revenues and higher indirect costs



**DEPARTMENTS WITH
INCREASING
REVENUES/DECLINING LOSSES**

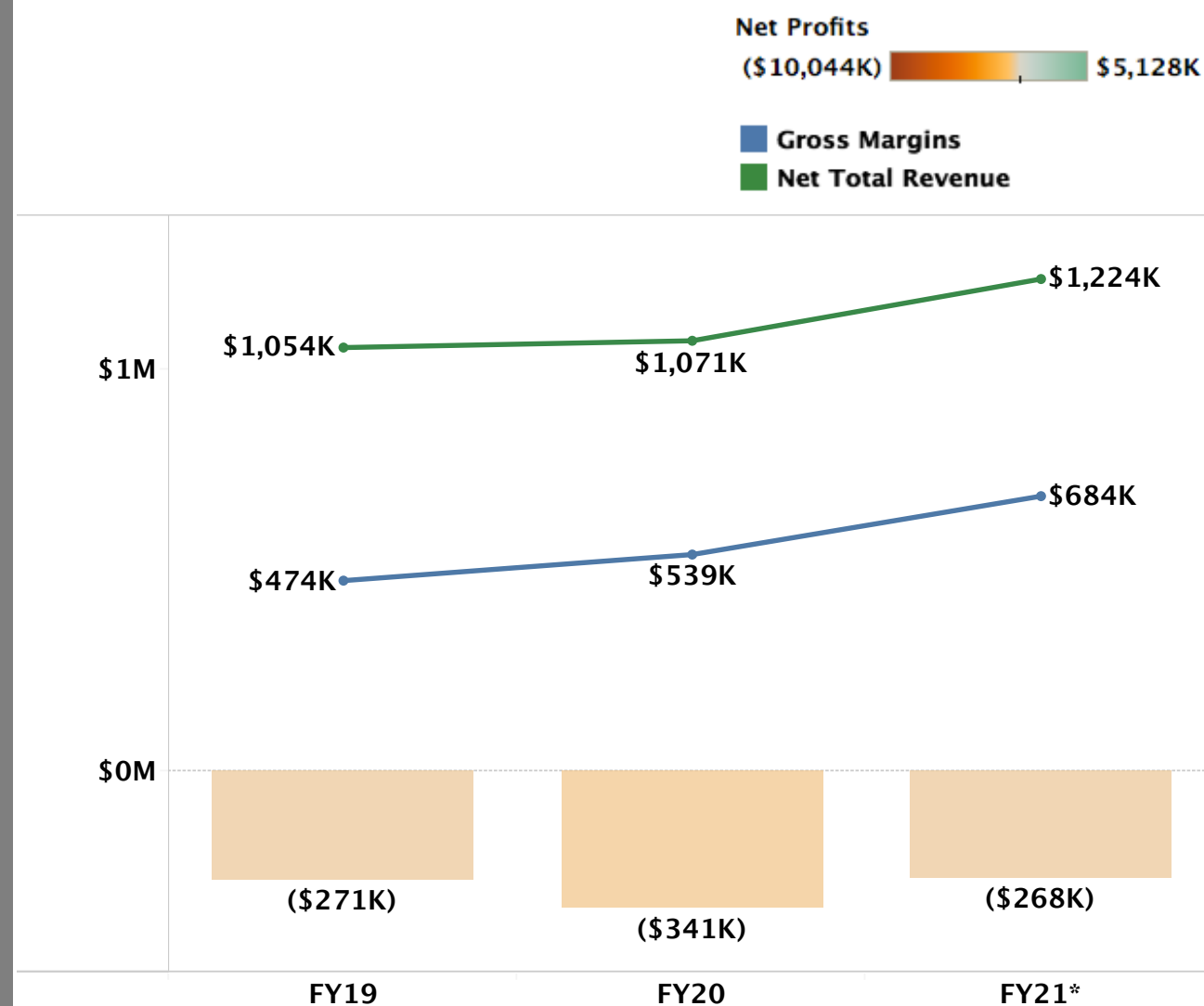
Chemistry

- After a drop in NTR in FY20, Chemistry is projected to increase revenues in FY21
- GM is projected to improve by \$332K in FY21 with losses dropping by \$164K
- With 2.25% of all students in FY20, Chemistry had a slightly lower size than the average department. However, it's NTR was just over half of the average department NTR. This suggests a higher than desirable discount rate.



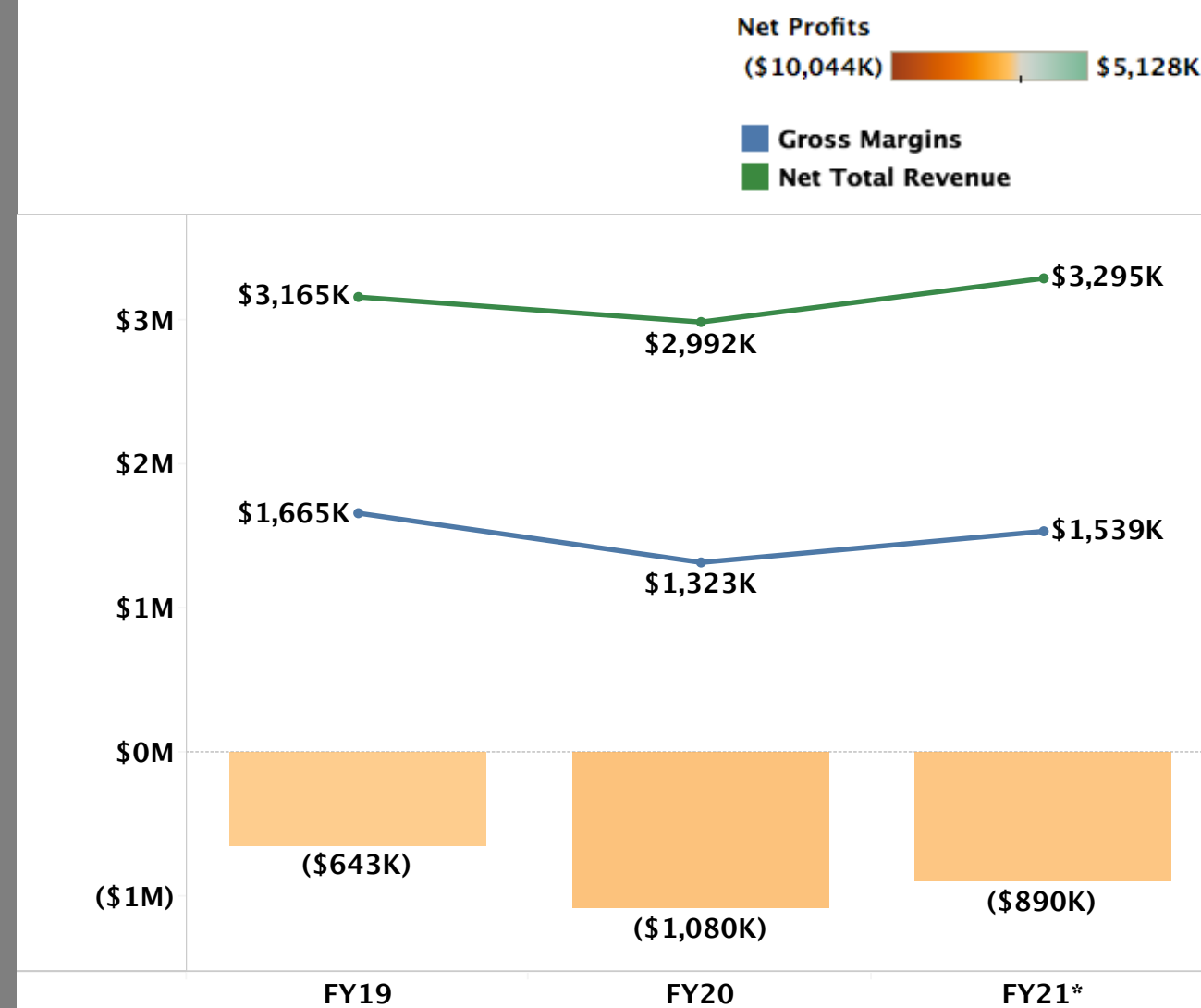
Political Science

- Political Science is projected to have better outcomes across the board in FY21
- This is a direct result of increase in projected revenues by \$153K and is projected to result in an overall decline of \$73K in losses. Direct costs are projected to stay the same.
- At 2.57% of all students, Political Science is 3/4th the size of an average department, but it's NTR is only half that of an average department.



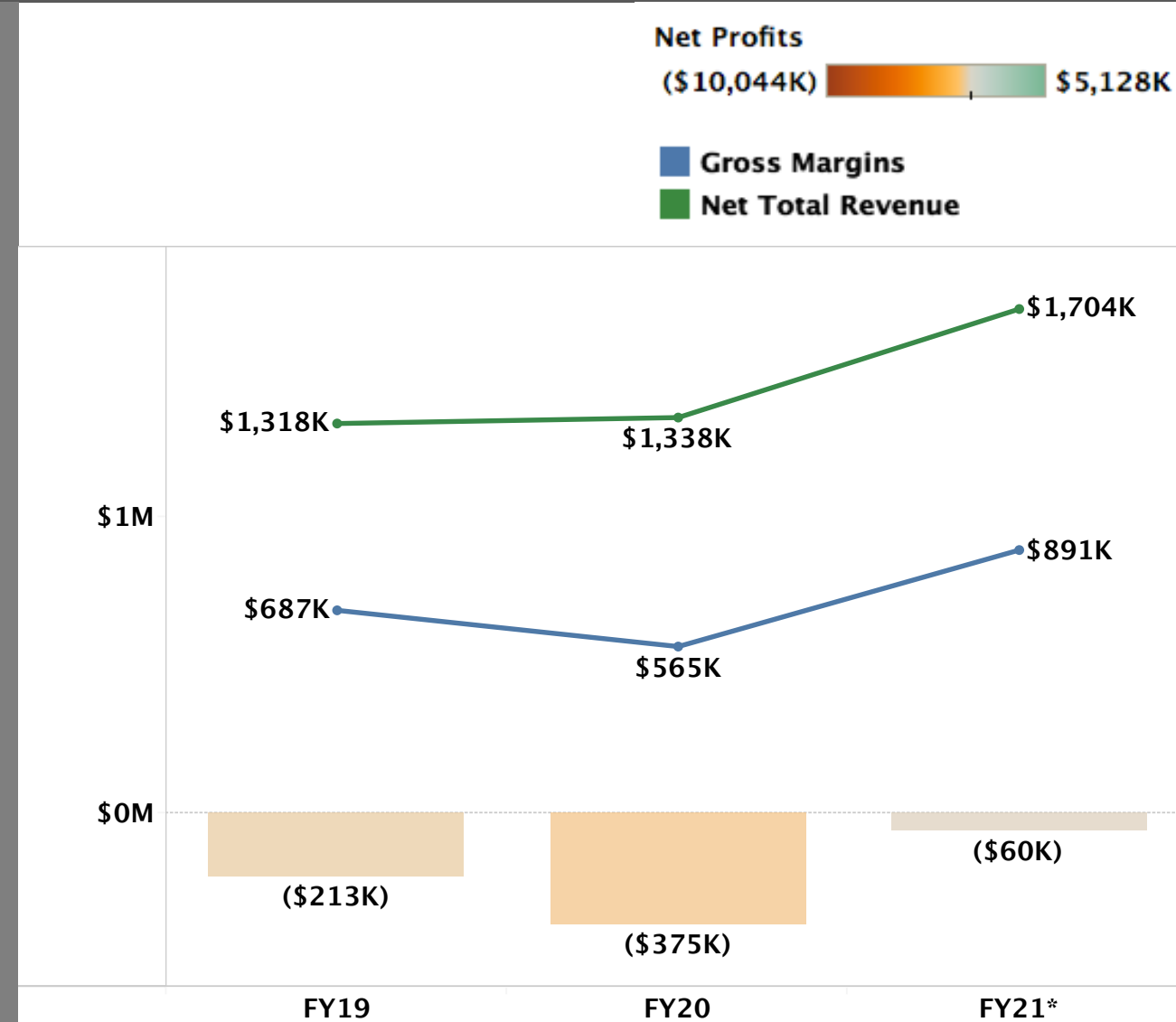
Management

- Management's NTR has not changed much from FY19 through the projected FY21
- Management has 5.9% of all students at the university – roughly twice the size of an average department. However, it's projected revenues of ~\$3.3M in FY21 are only 1.5 times the revenues of an average department, suggesting a higher than average discount rate.



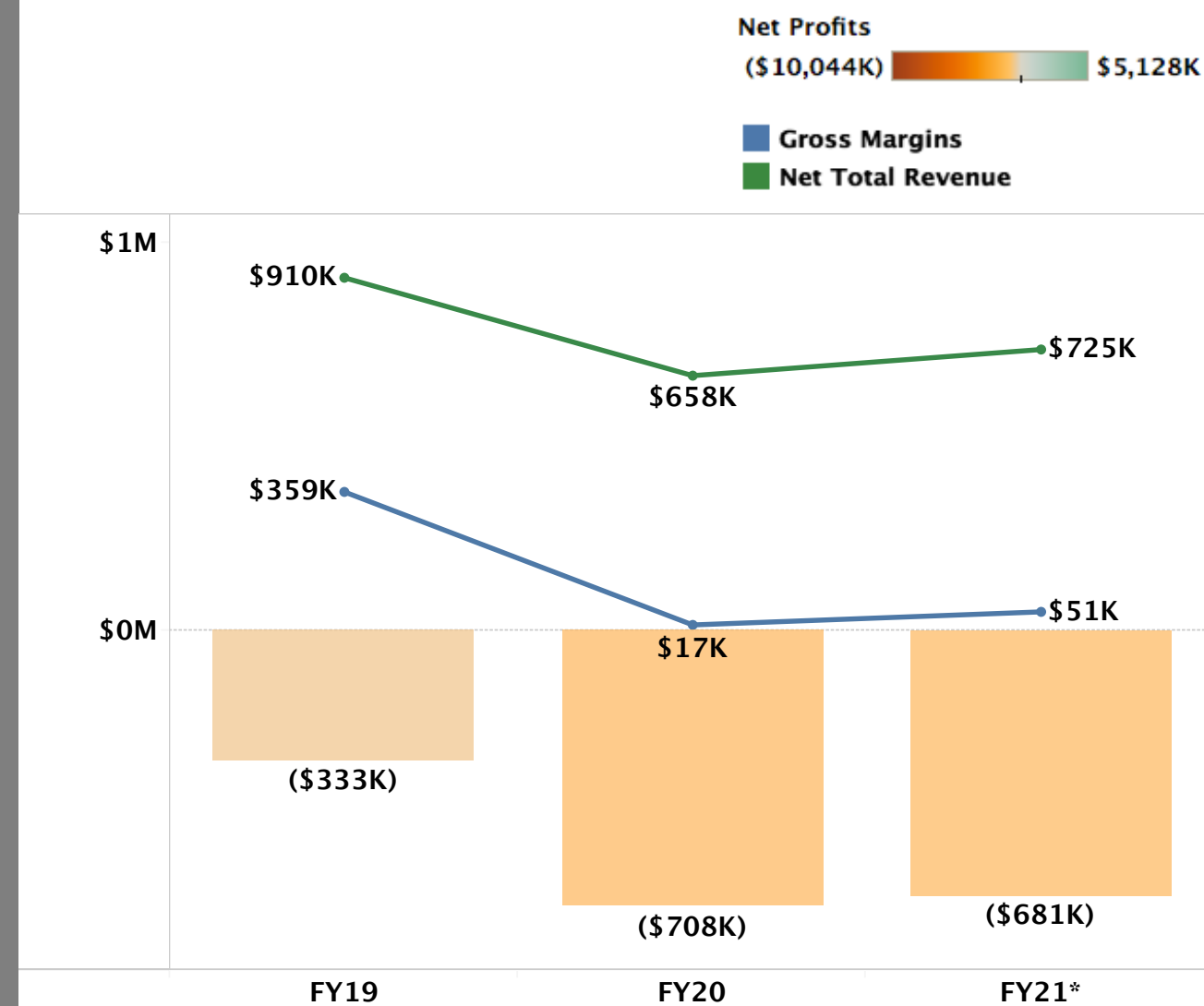
Marketing

- Healthy projected increase in NTR for Marketing is likely to reduce the losses for the department to \$60K.
- Despite a projected increase in revenues, Marketing has lower than proportionate NTR because of slightly higher discount rates



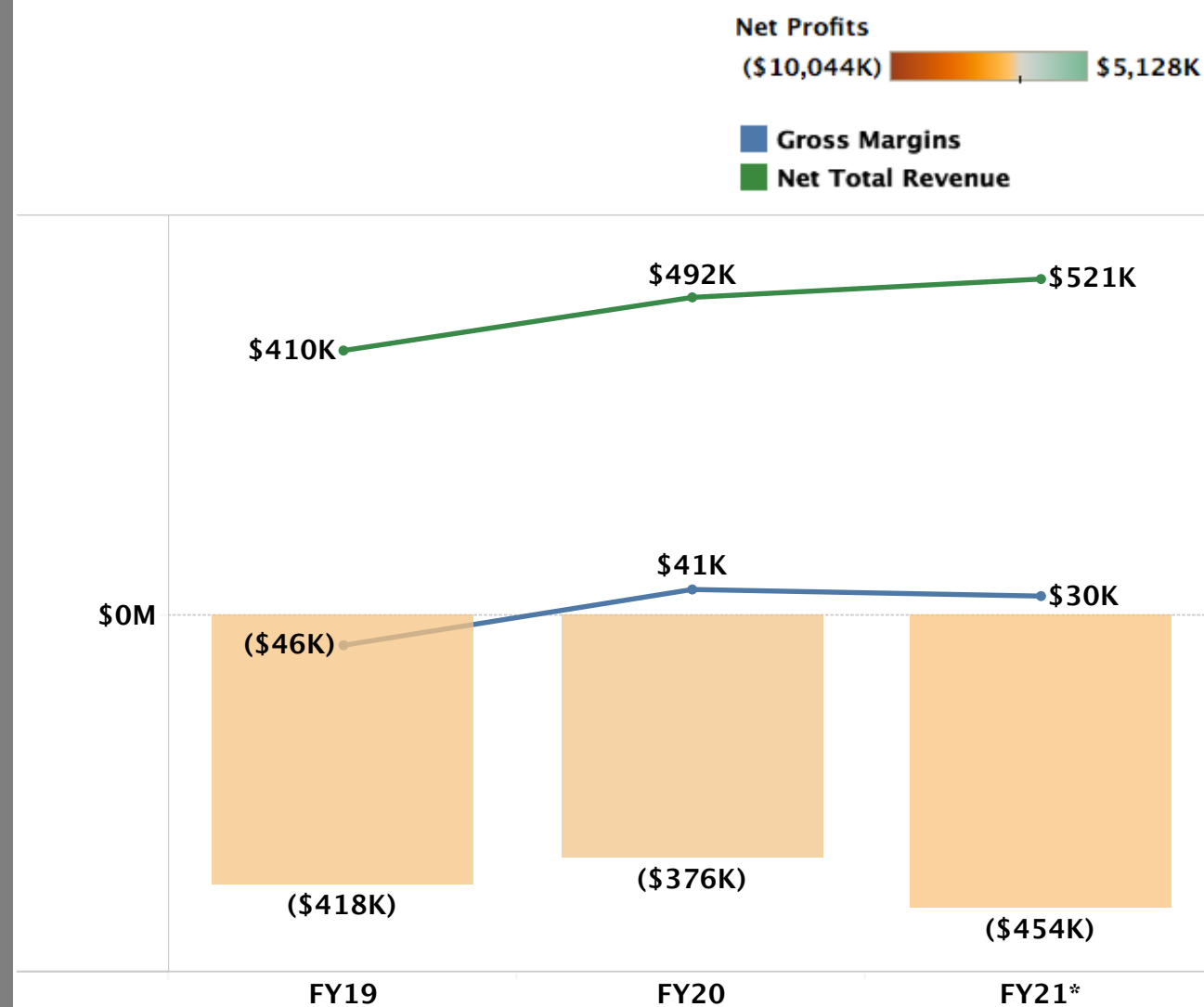
Finance

- Finance had a steep decline in NTR in FY20.
- A slight increase in projected NTR is likely to improve the GM slightly and lower losses, but changes from FY20 to FY21 are projected to be minimal.
- Finance is projected to only make ~33% of an average department's NTR, even though with 2.27% of all students, it is 70% of the size of an average department



Loyola Institute for Ministry

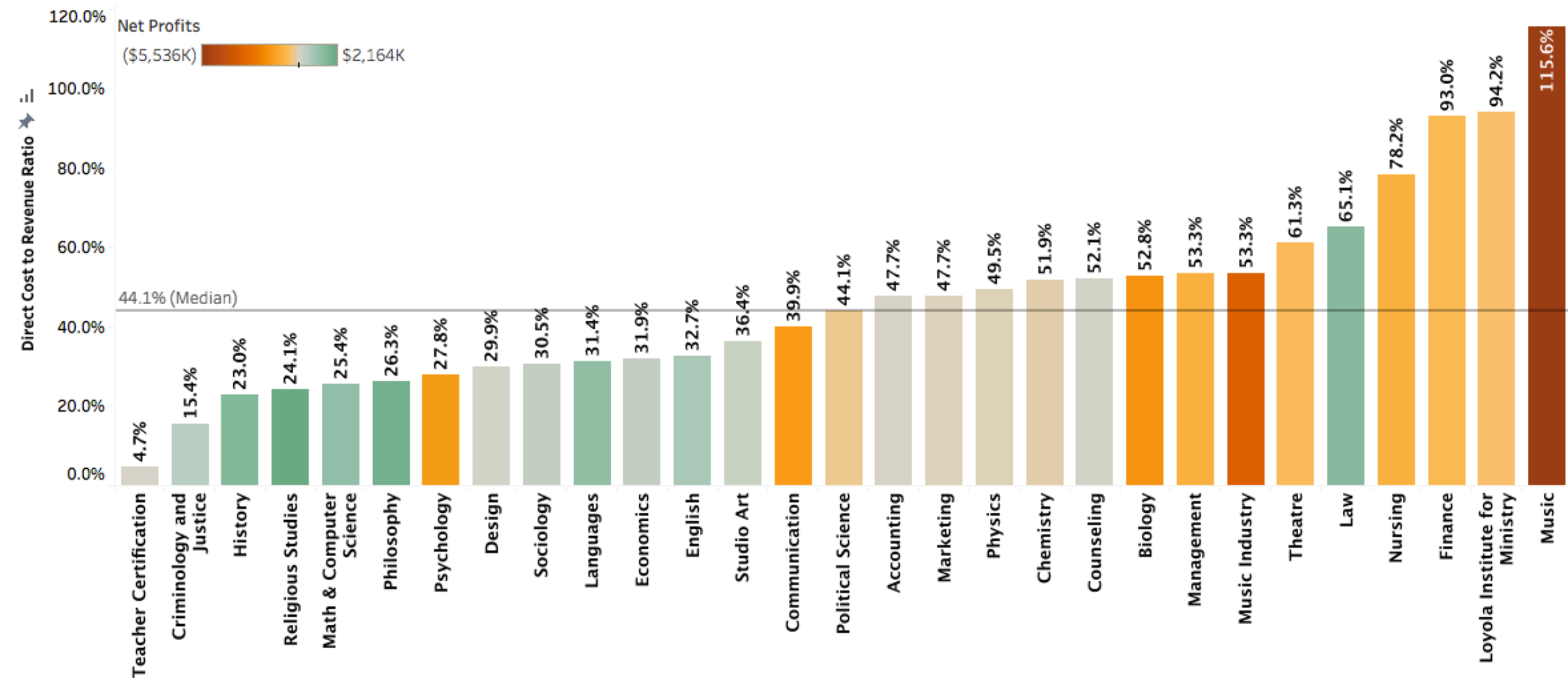
- Despite a slight increase in projected revenues, LIM is projected to have lower GM due to a small increase in direct costs
 - Like Finance, LIM is projected to post an NTR of ~25% of an average department.
- However, its direct costs are ~50% of the direct costs of an average department at the university.



Direct Costs to Revenue Ratio

DCRR by Department (FY21 Projected)

Excluding Environment



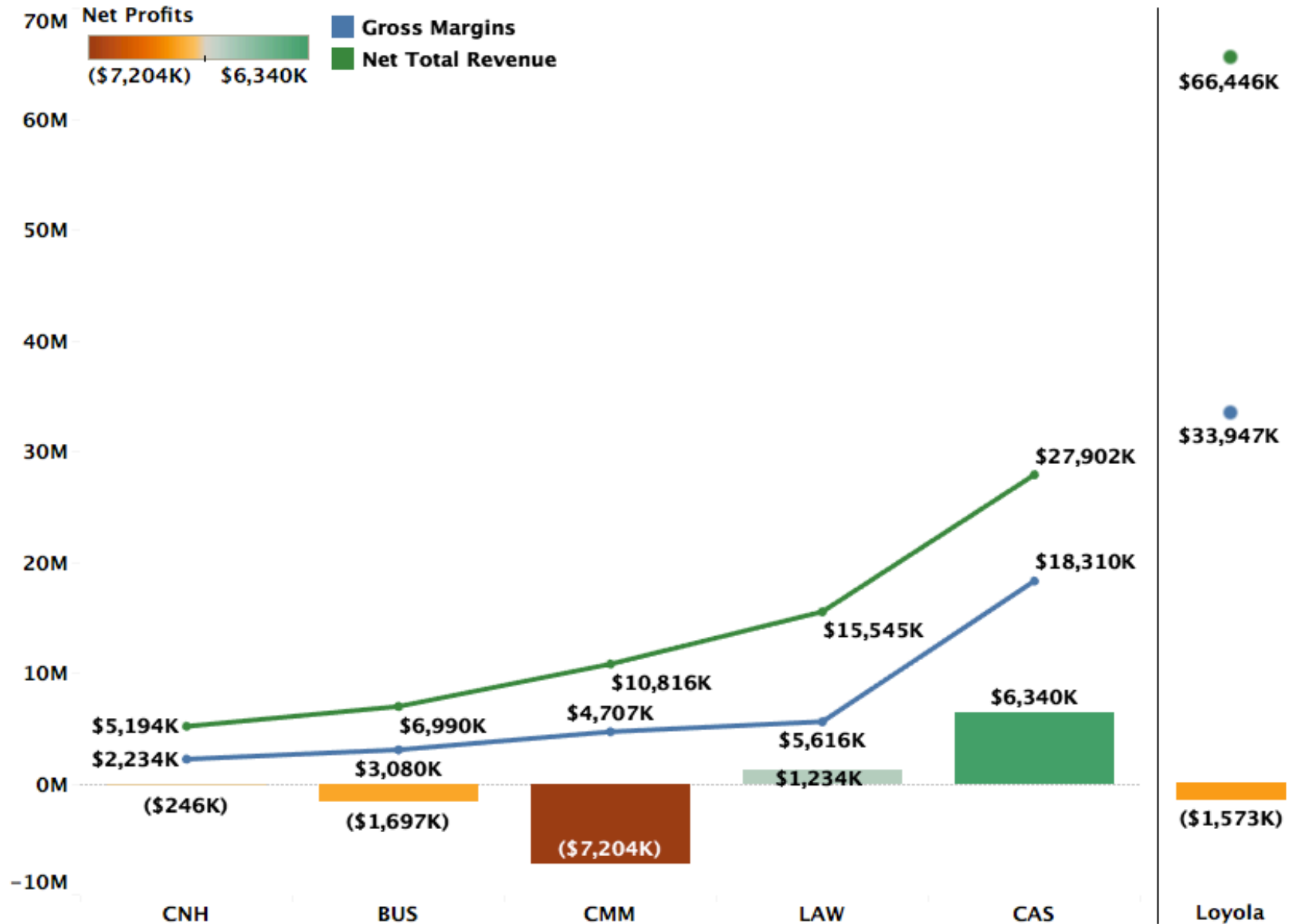
Summary and Recommendations

- Higher indirect costs and lower auxiliary revenues because of coronavirus crisis are reflected in losses of some departments.
- But losses are largely driven by either high discount rates or high direct costs.
- 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.
- A separate analysis of discount rates by majors can be provided for each department.
- Departments with higher than median DCRR have higher than proportionate direct costs or lower than proportionate revenues or a combination of both. For these departments the focus needs to be three-fold: improve enrollment, reduce discount rates, and reduce costs.

Appendix

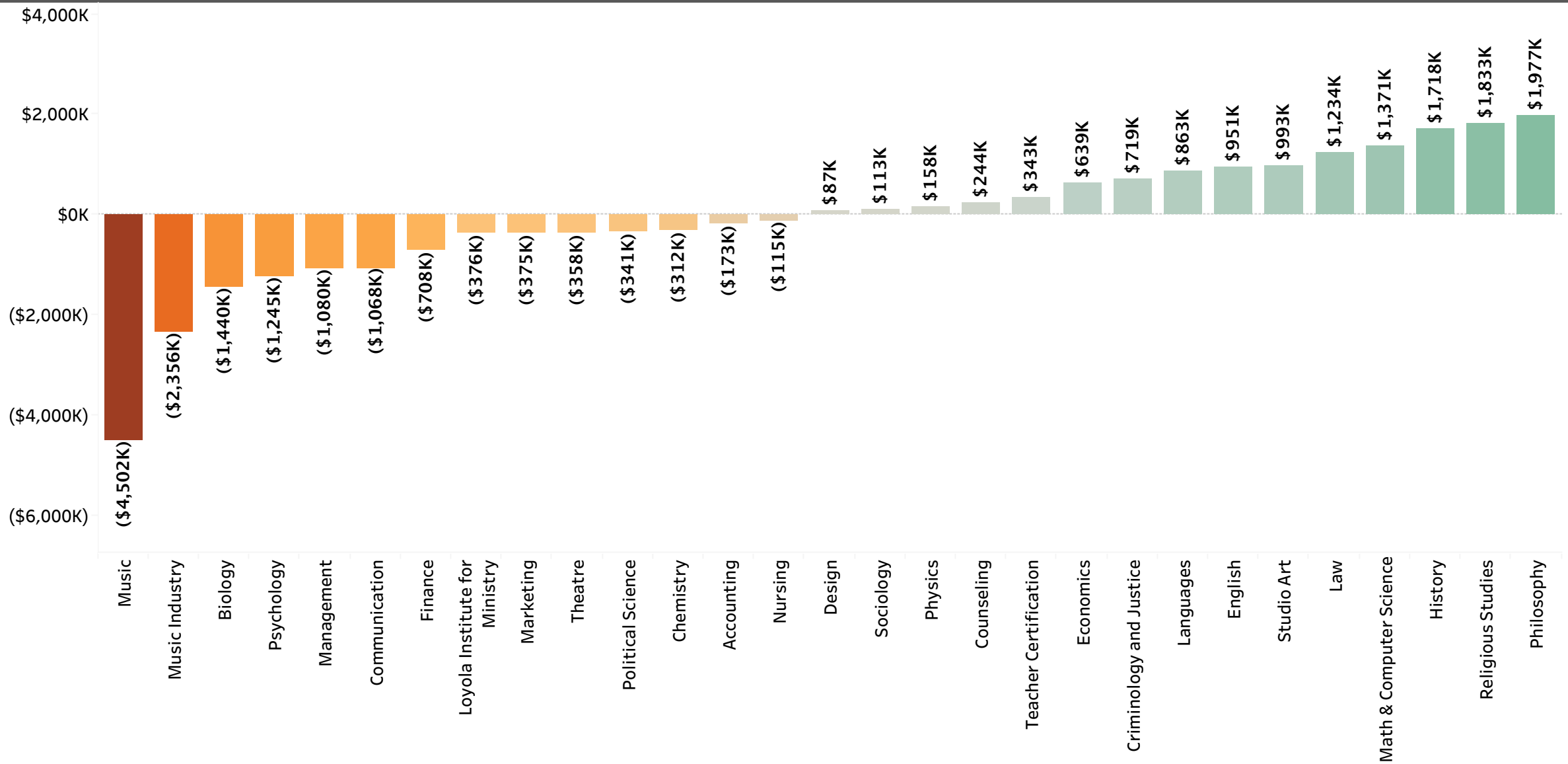
(FY19 and FY20)

Profitability by College FY20 Actuals



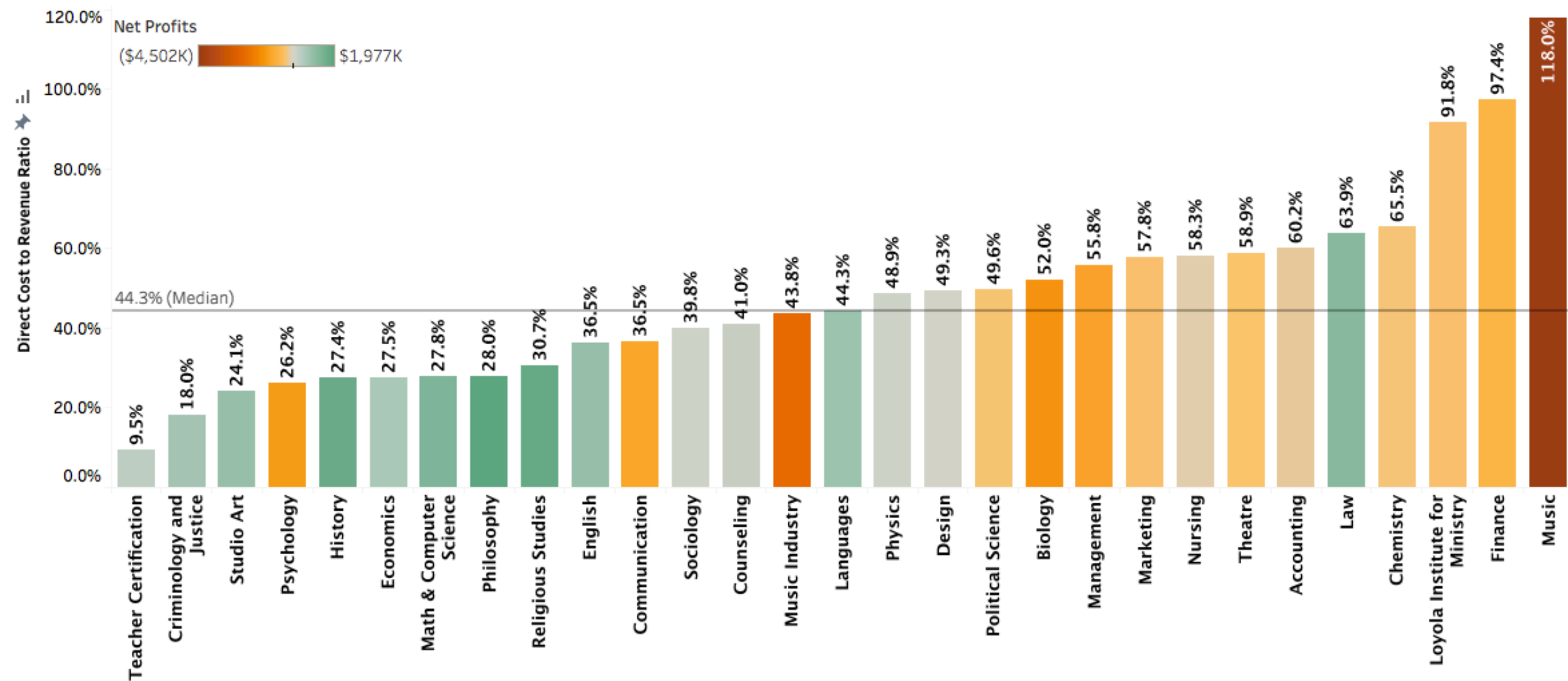
Profitability by Department (FY20 Actuals)

Excluding Environment

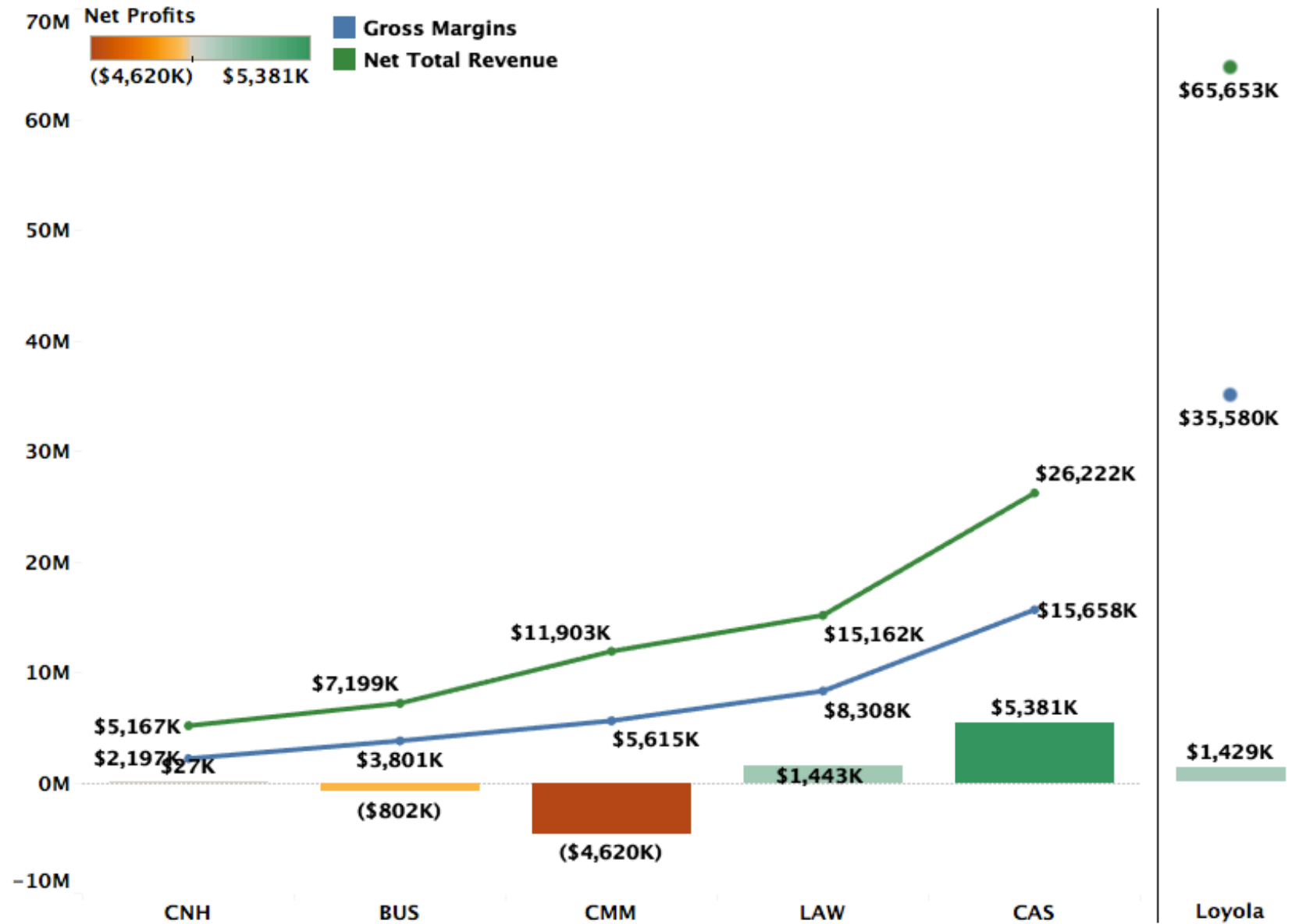


DCRR by Department (FY20 Actuals)

Excluding Environment

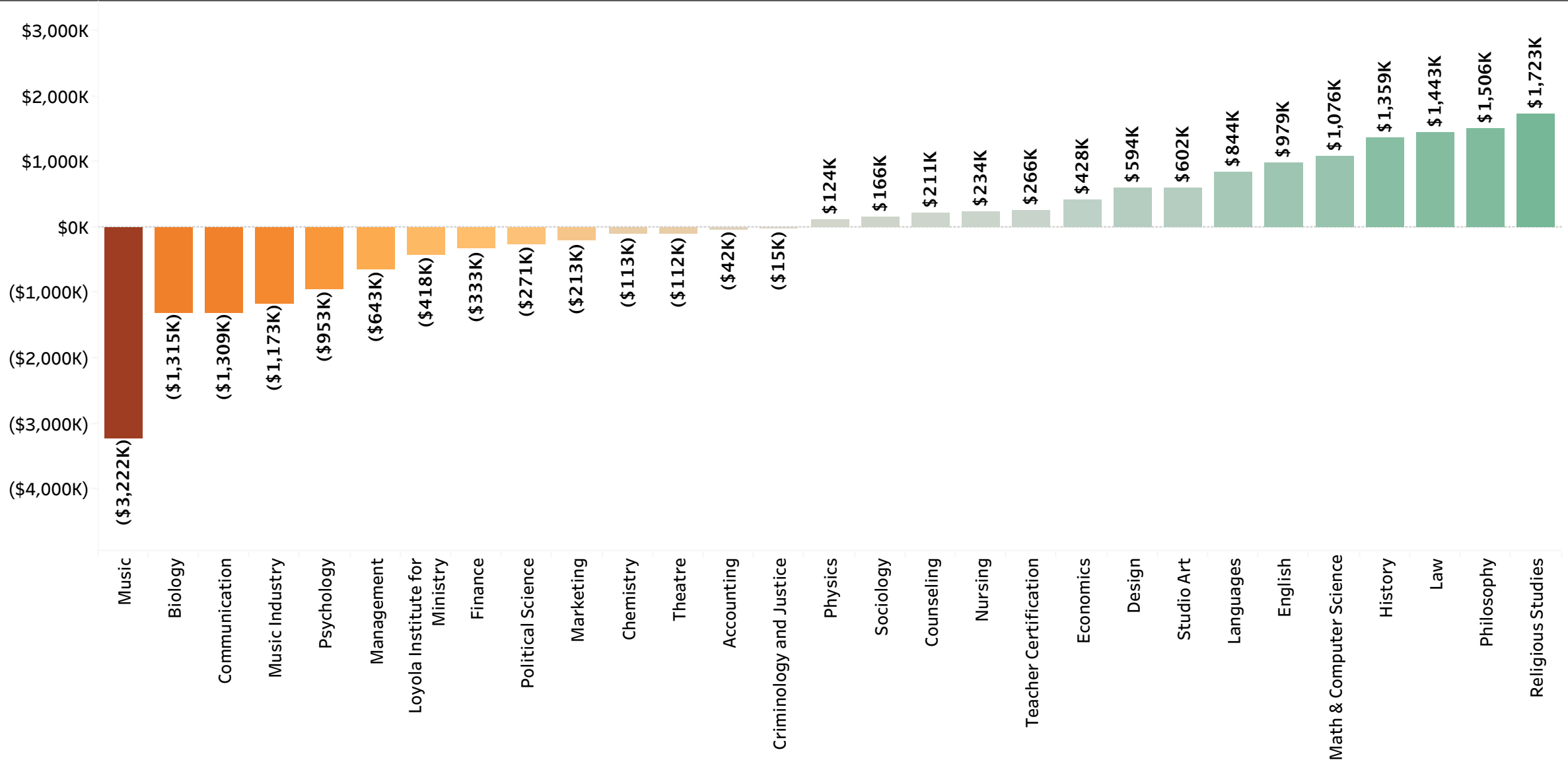


Profitability by College FY19 Actuals



Profitability by Department (FY19 Actuals)

Excluding Classical Studies and Environment



DCRR by Department (FY19 Actuals)

Excluding Classical Studies and Environment

