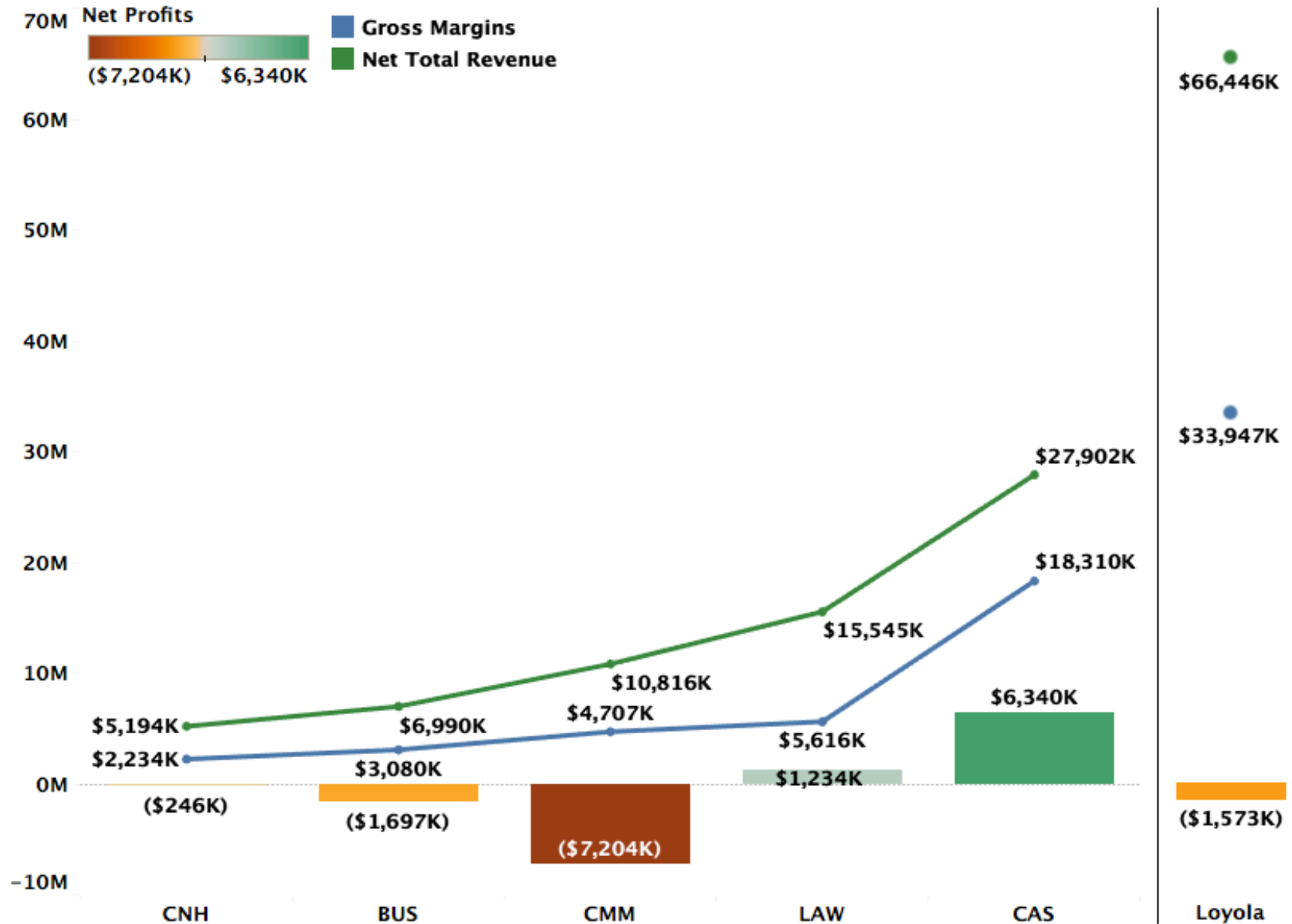


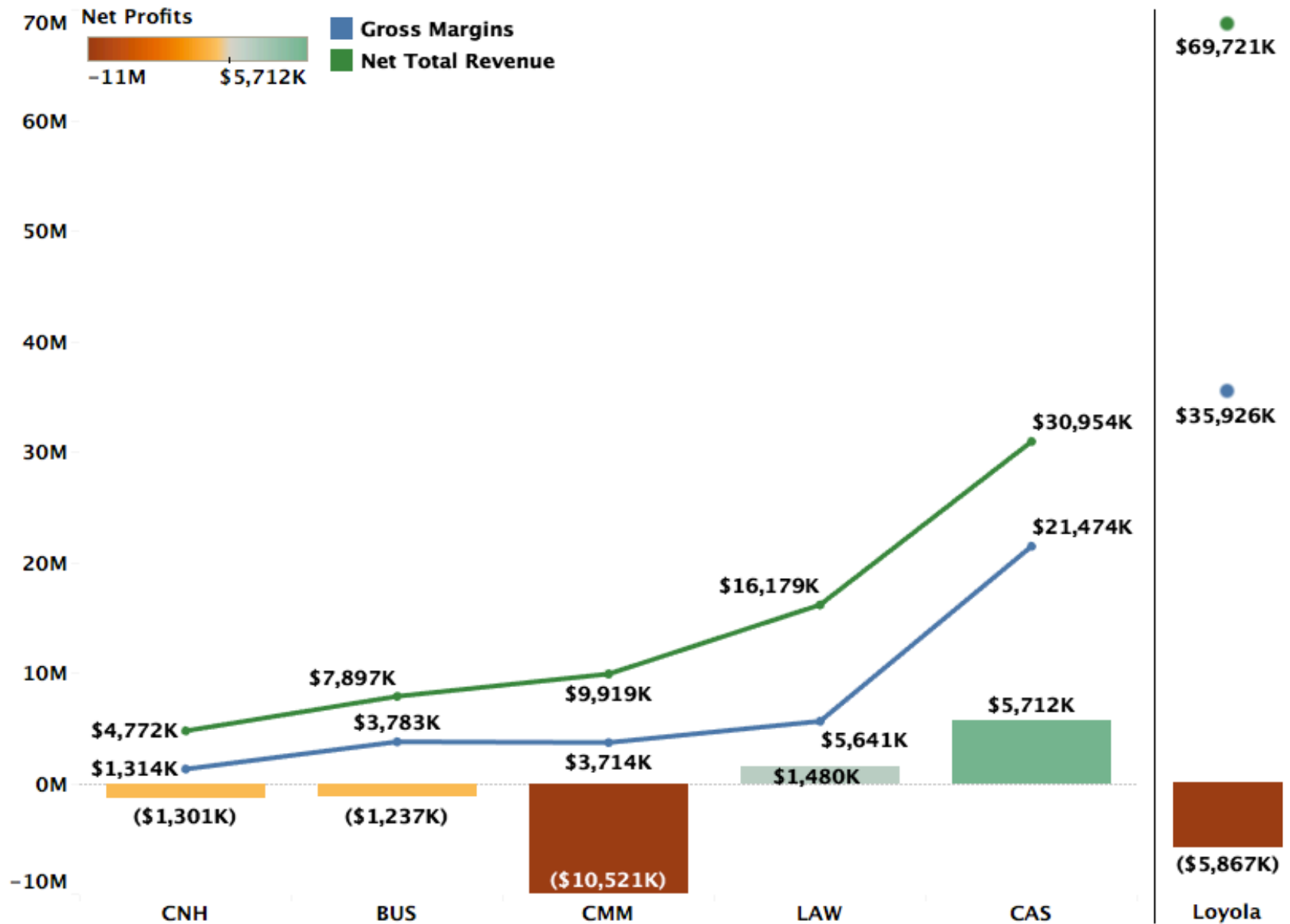
FY20 and FY21 PROFITABILITY ANALYSIS AND PROJECTIONS

LOYOLA UNIVERSITY, NEW ORLEANS

Profitability by College FY20 Actuals

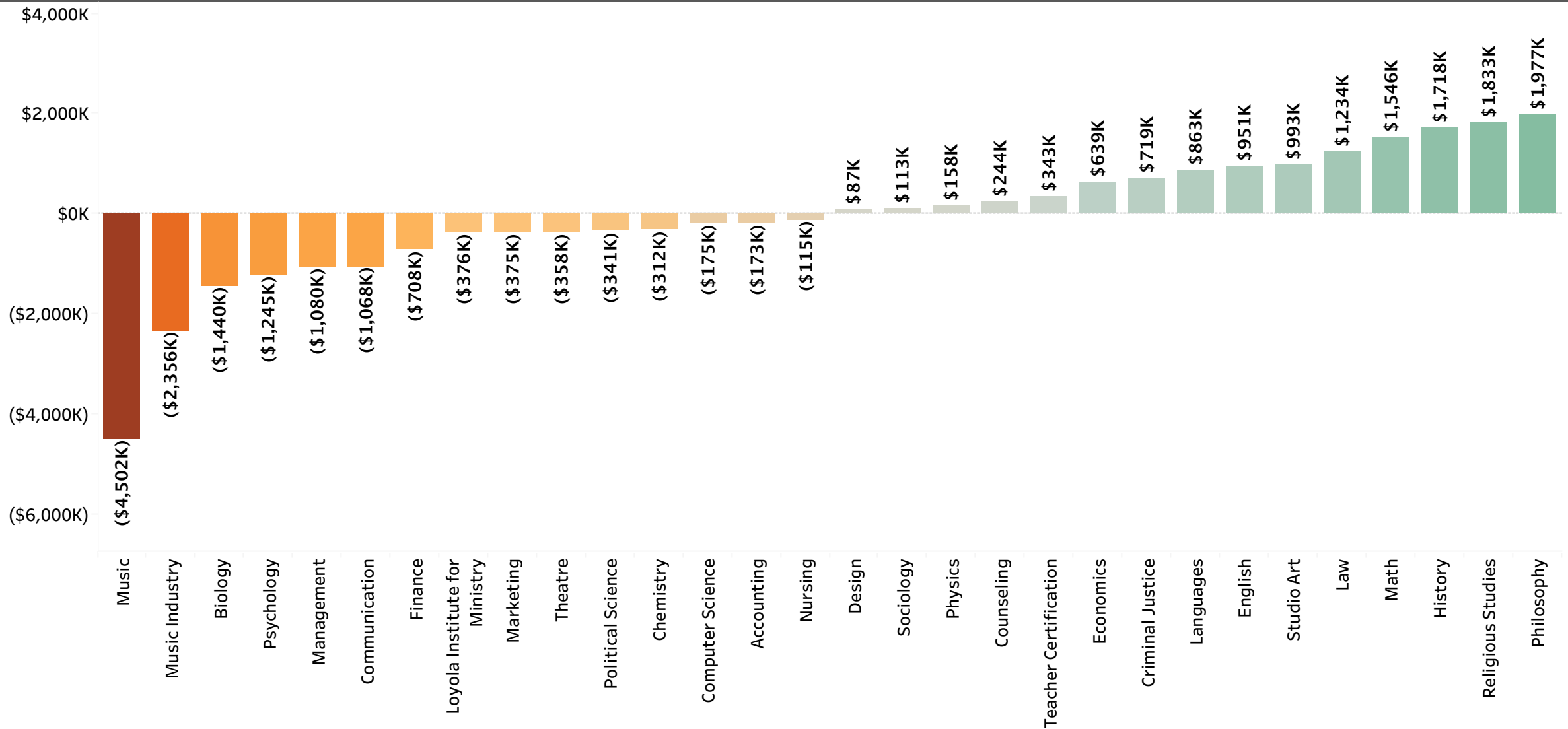


Profitability by College FY21 Projections



Profitability by Department (FY20 Actuals)

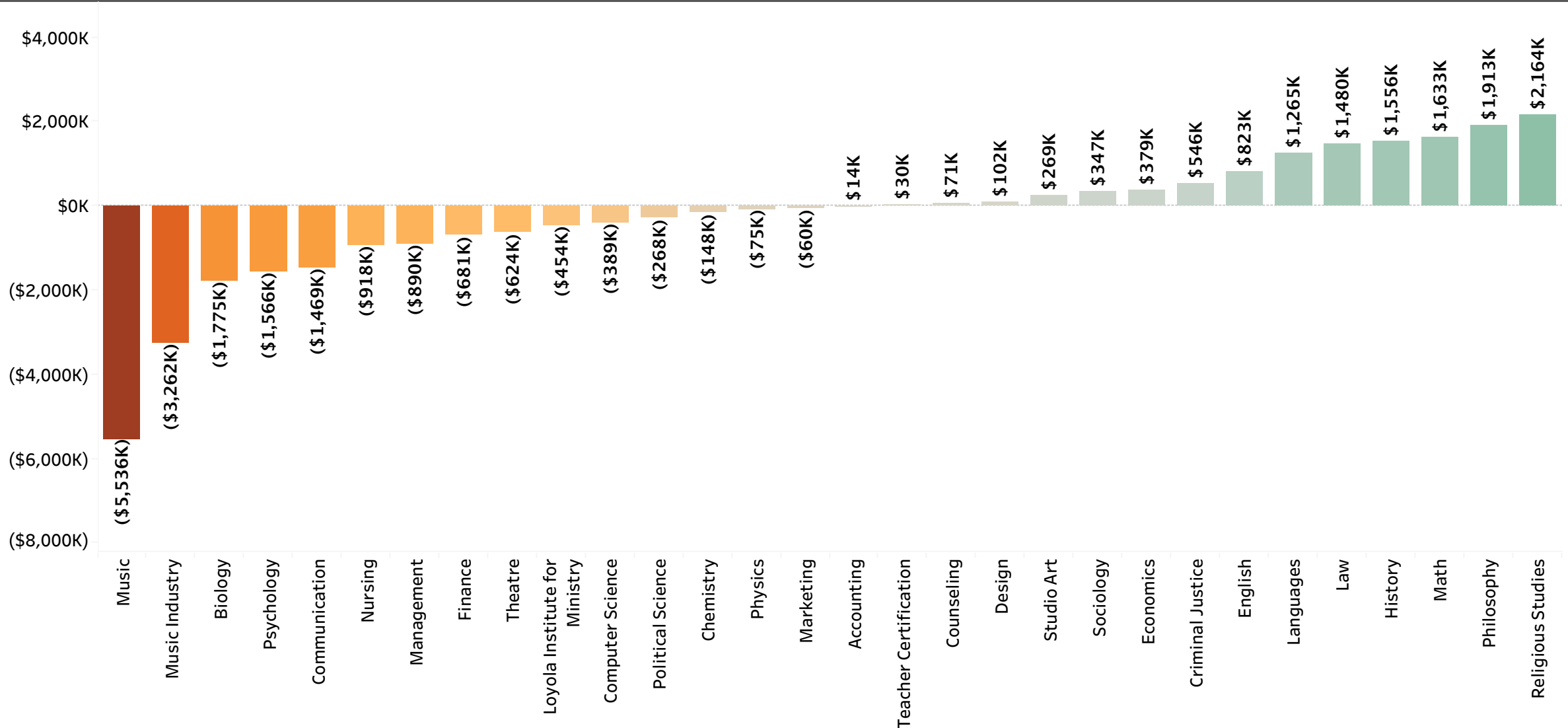
Excluding Classical Studies and Environment



Profitability by Department (FY21 Projections)



Excluding Classical
Studies and 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 assuming the budgeted retention rate. FY20 summer revenues are used as proxy for the FY21 summer term.

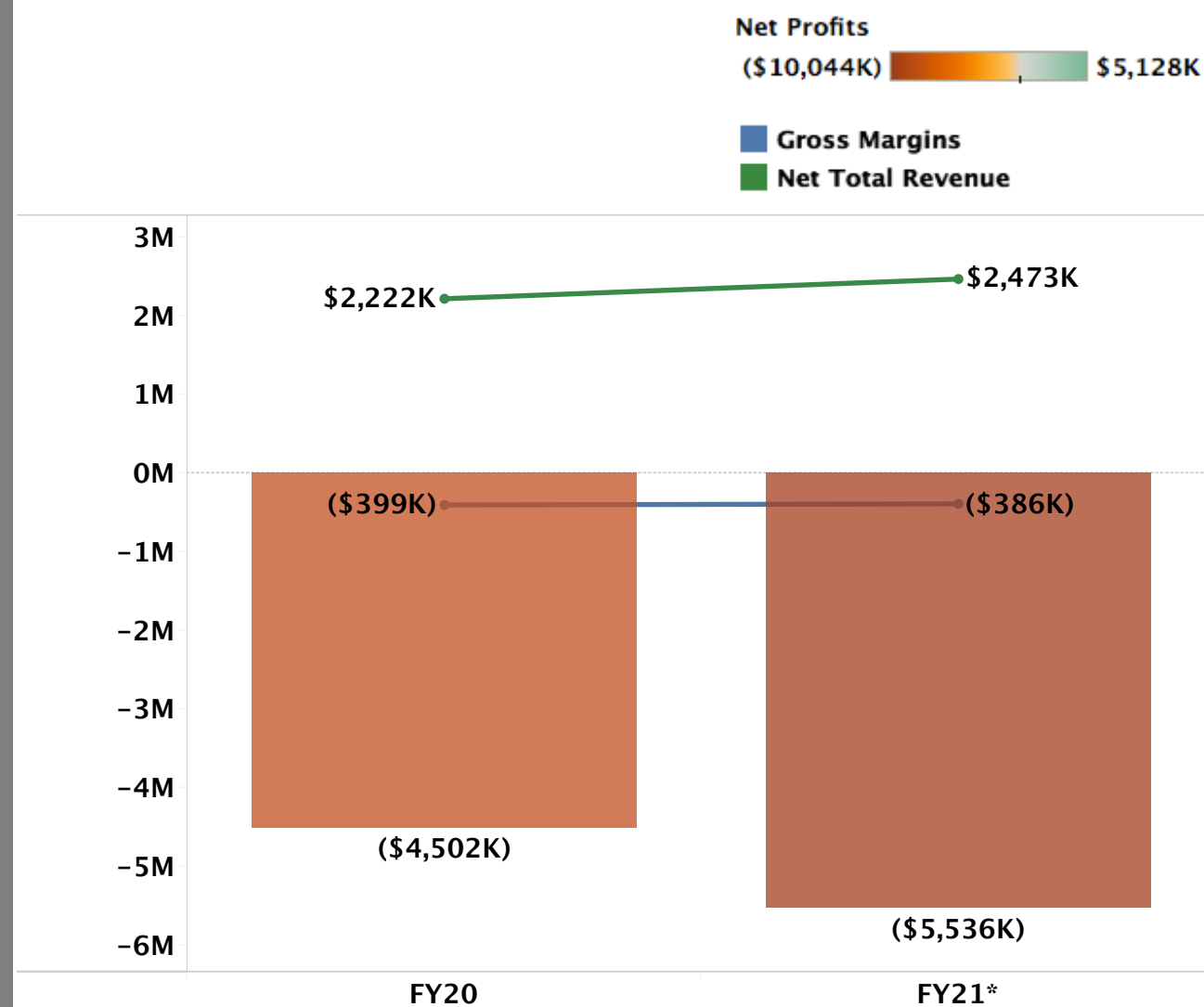
Direct Costs: Direct costs include salaries and operating costs from department budgets. FY20 fringe benefits are used as a proxy for FY21 fringe benefits.

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 DECLINING
REVENUES/NEGATIVE GROSS
MARGIN**

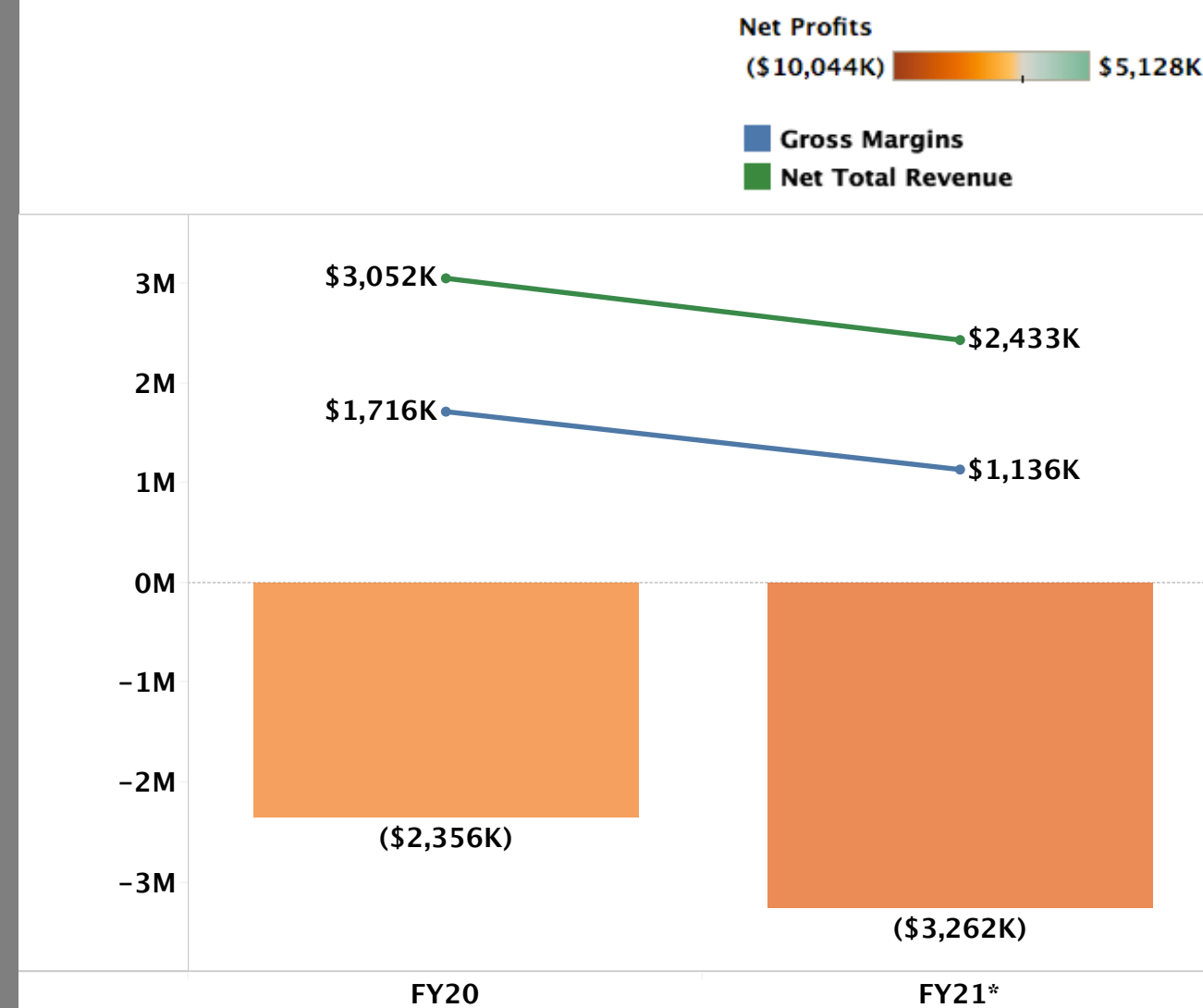
Music

- GM for Music is projected to continue being negative with higher NTR and direct costs
- Music accounted for 9.76% of students which is nearly 3 times the average size of a department
- Given the size of the department, Music has more than twice the direct 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



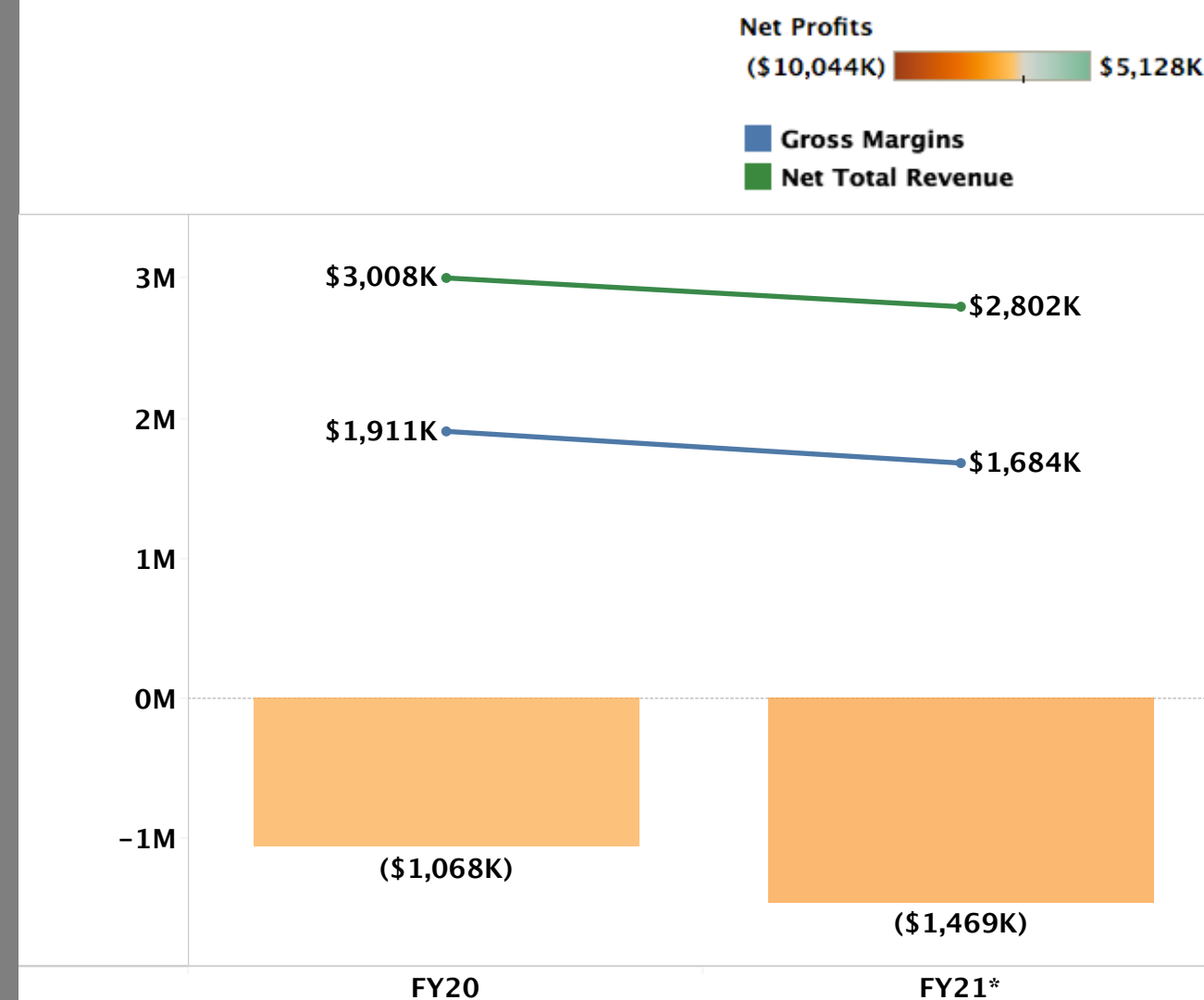
Music Industry

- Revenues and Gross Margins for Music Industry are projected to decline in FY21 despite a reduction in direct costs
- Music Industry accounts for 9.7% of students which is nearly 3 times the average size of a department
- The projected decline of ~\$900K in profits is led largely by a ~\$800K decline in NTR
- Lower revenues also signify a higher than average discount rate



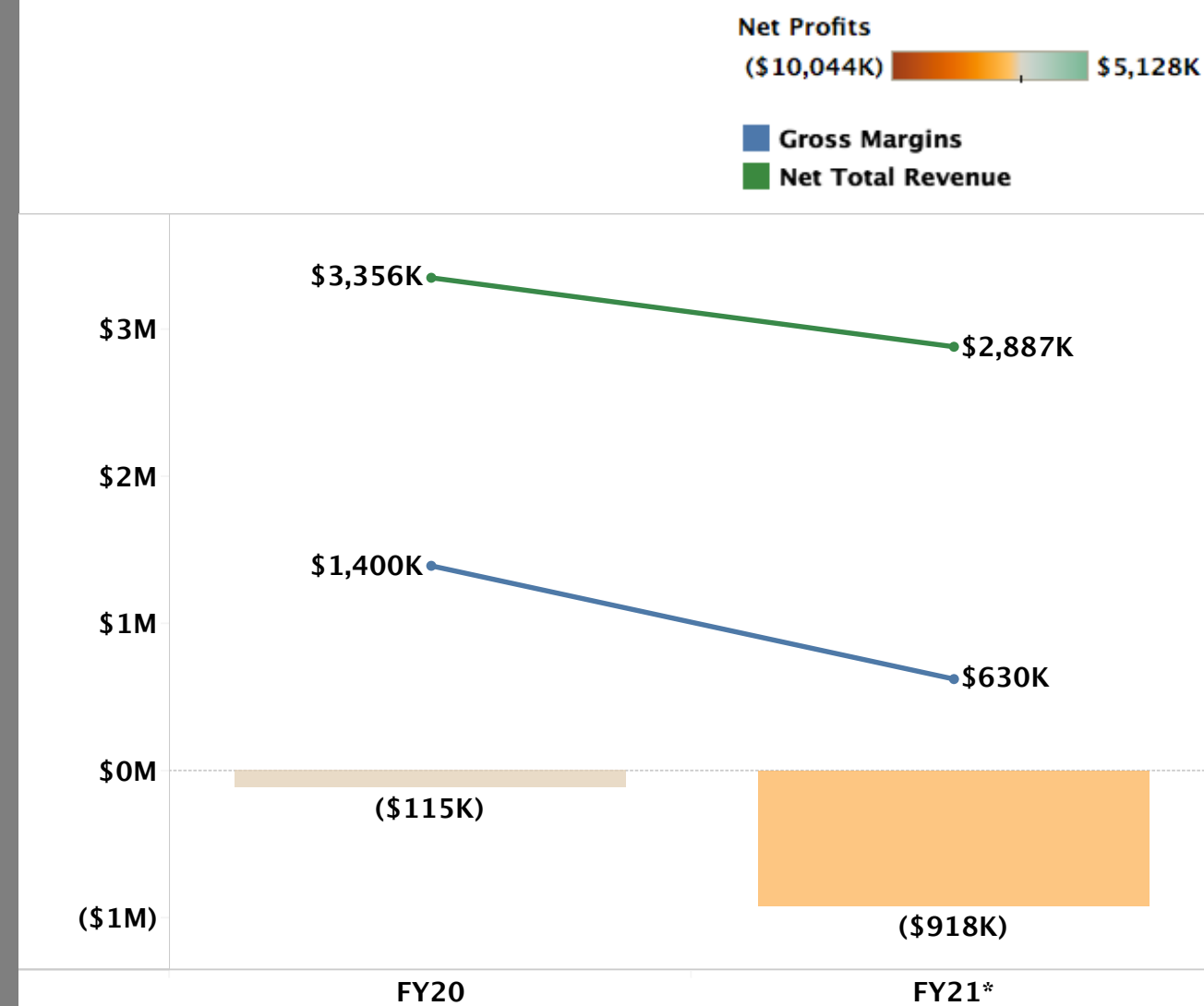
Communication

- Despite higher than average NTR, revenues for Communication are projected to go down by ~\$200K in FY21
- The projected decline is driven by higher than average discount rates as at 7.4% of all students, Communication is more than twice the size of an average department
- An overall decline in auxiliary and other revenues for the university contribute to further losses



Nursing

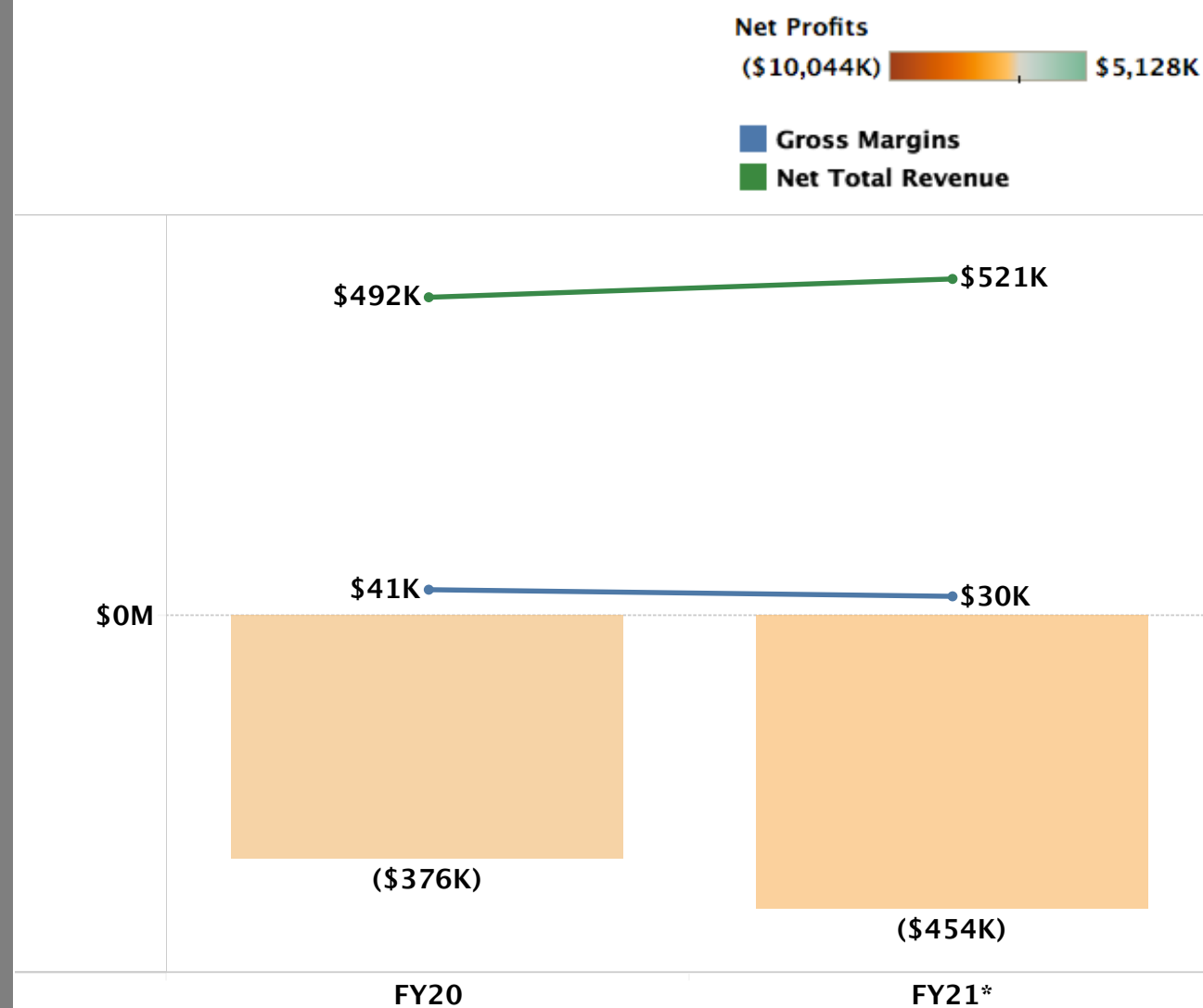
- The projected decline in the NTR is worsened by a slight increase in direct costs which both result in ~\$800K projected drop in gross margins and profits.
- Nursing has above average projected NTR - ~\$2.9M compared to university avg of ~\$2.2M in FY21. However, direct costs of ~\$2.2M is more than double the average direct costs of ~\$1.1M.



**DEPARTMENTS WITH
CONSTANT REVENUES AND
INCREASING LOSSES**

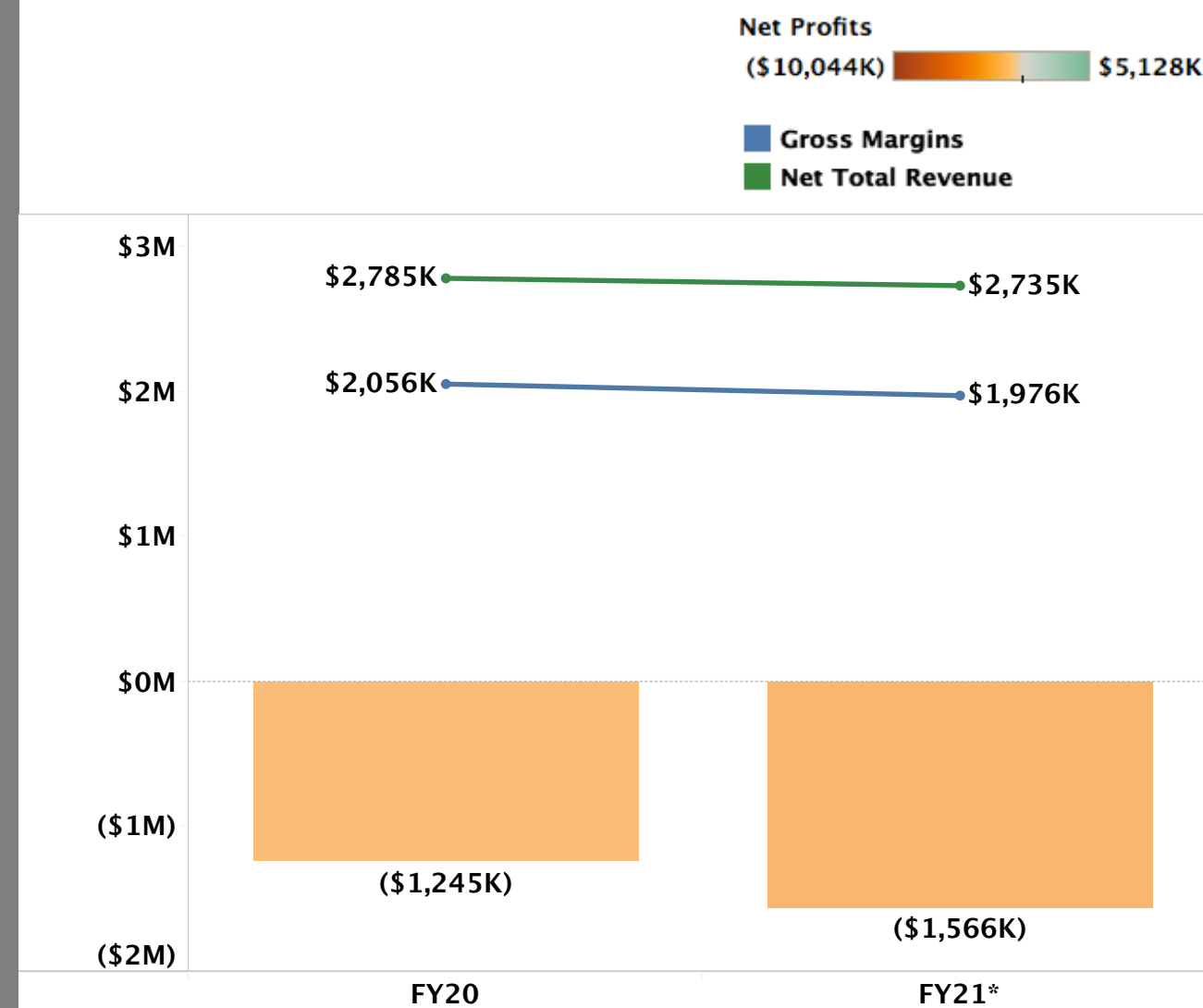
Loyola Institute for Ministry

- 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.



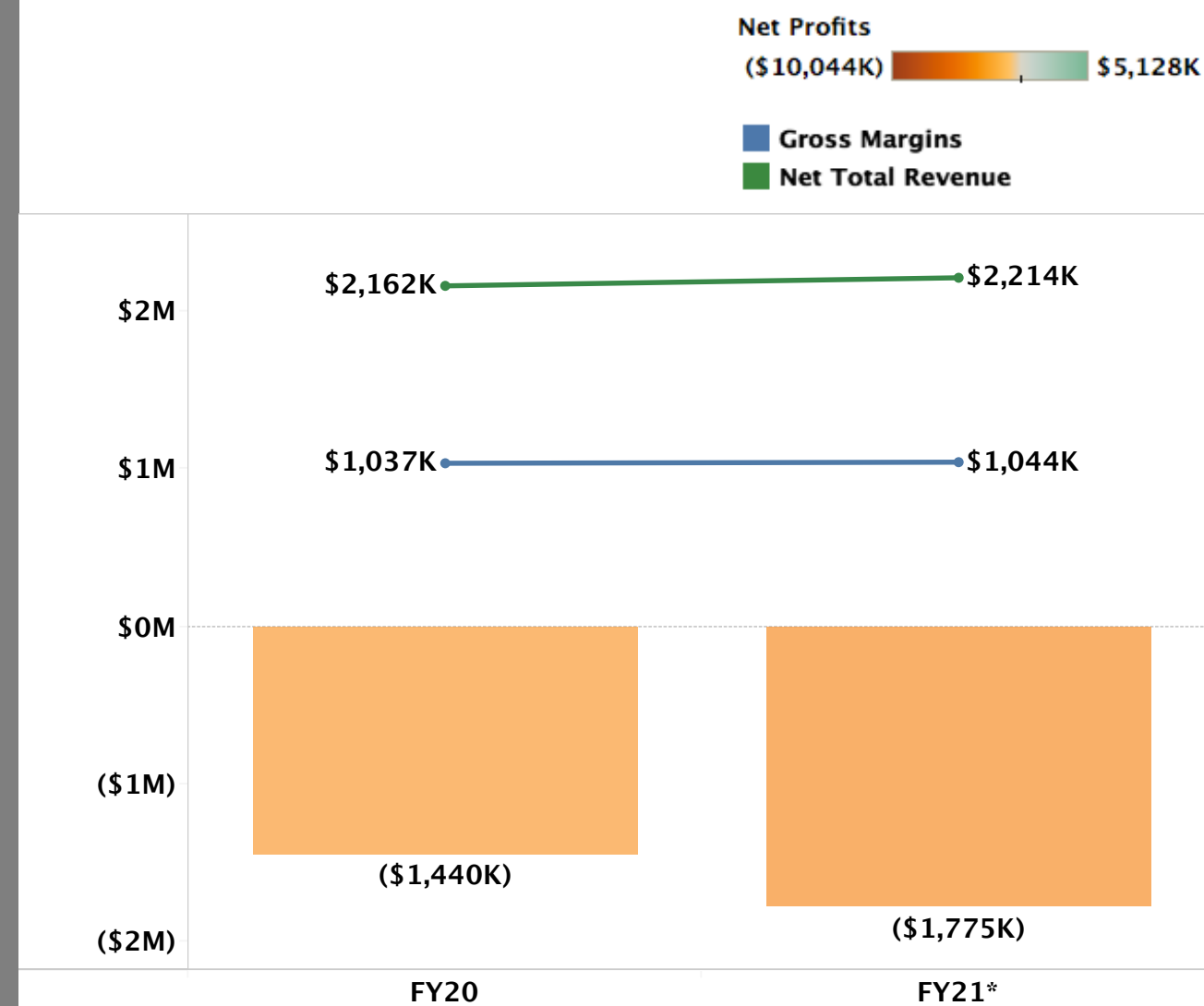
Psychology

- Psychology accounted for 7.6% of all students in FY21 – that is 2.5 times the size of an average department. At ~\$2.8M, Psychology accounts for only 1.25 times the average department revenue, suggesting a higher than average discount rate.



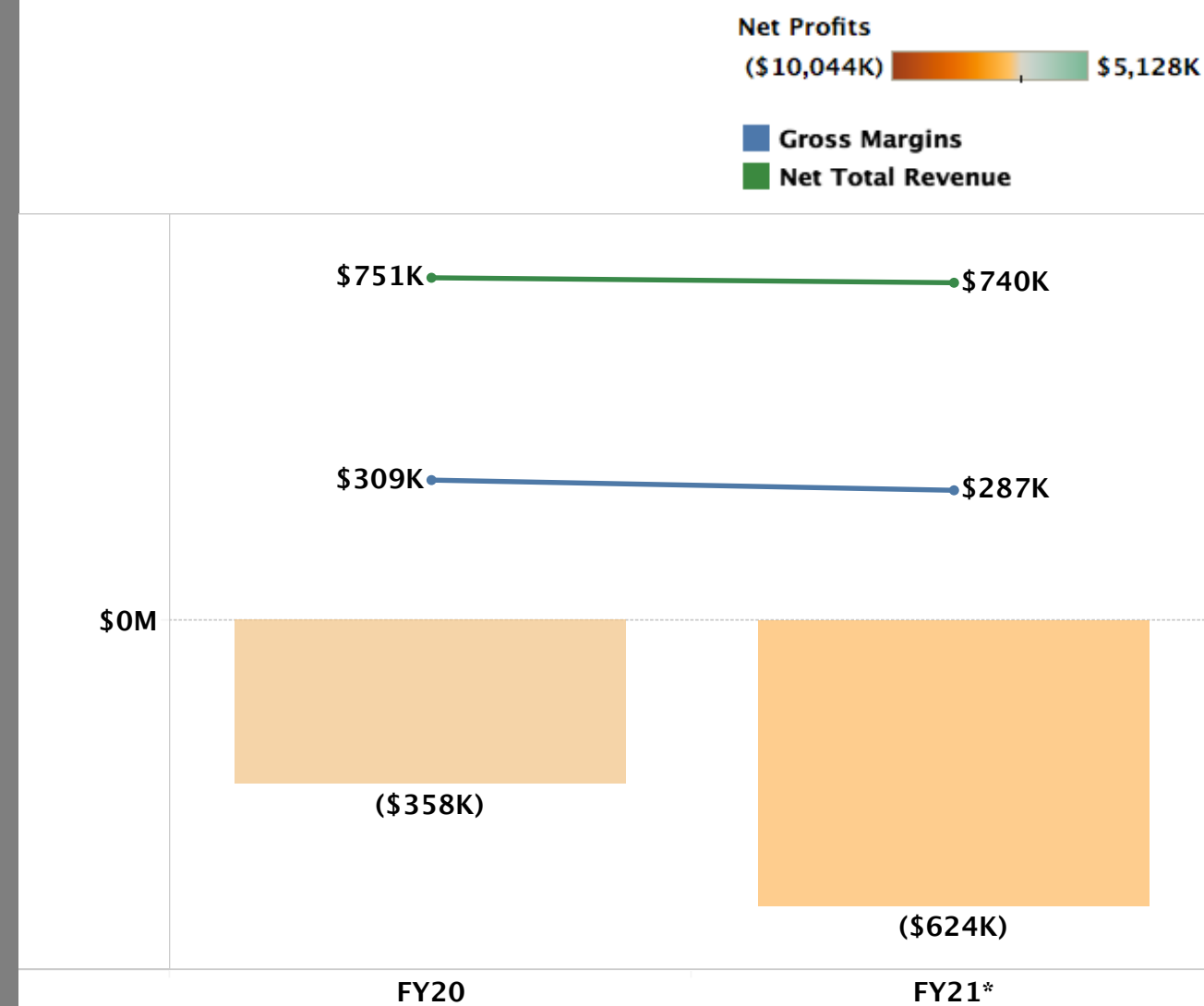
Biology

- 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



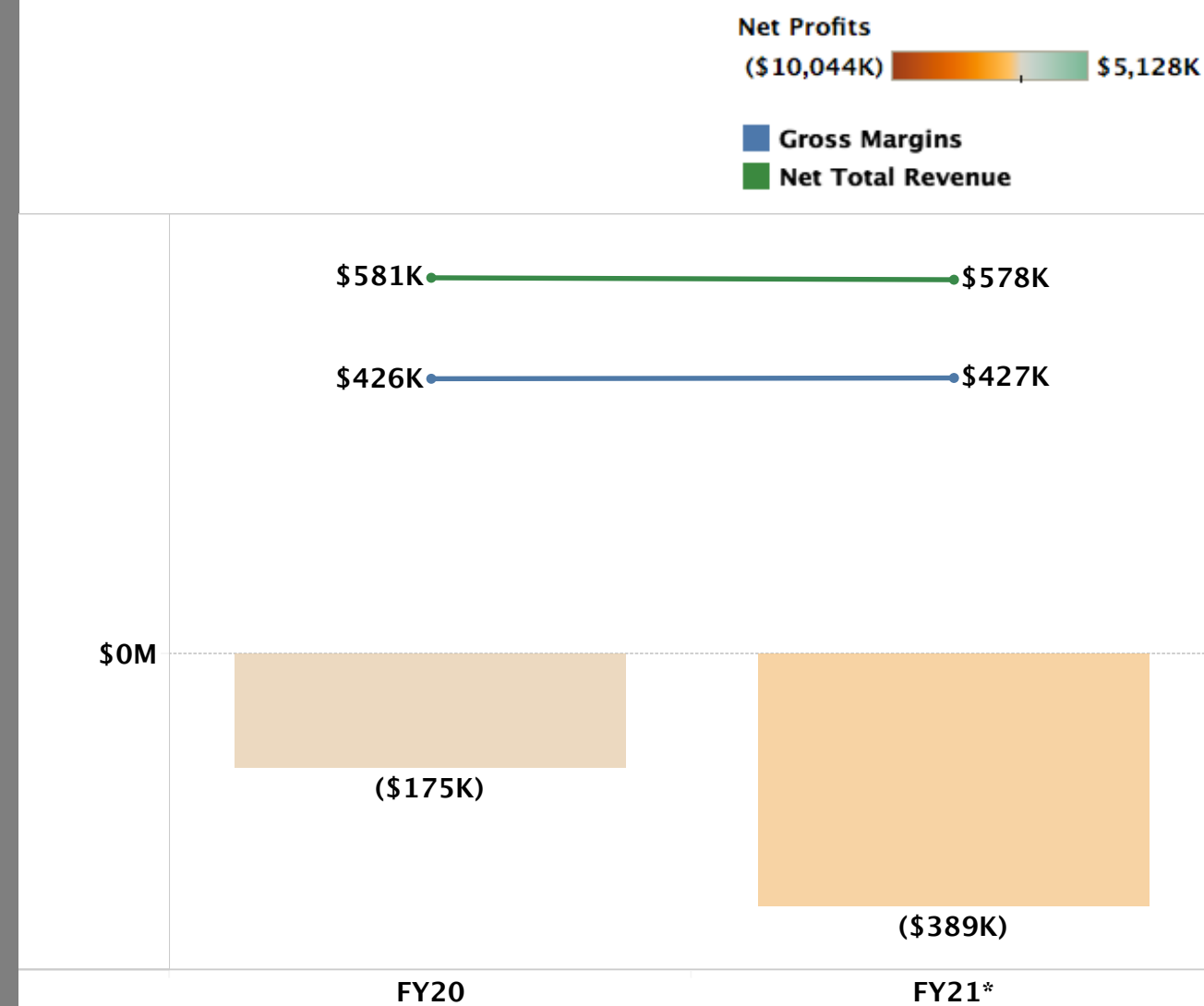
Theatre

- The projected NTR and GM for FY21 are relatively constant compared to FY20
- 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



Computer Science

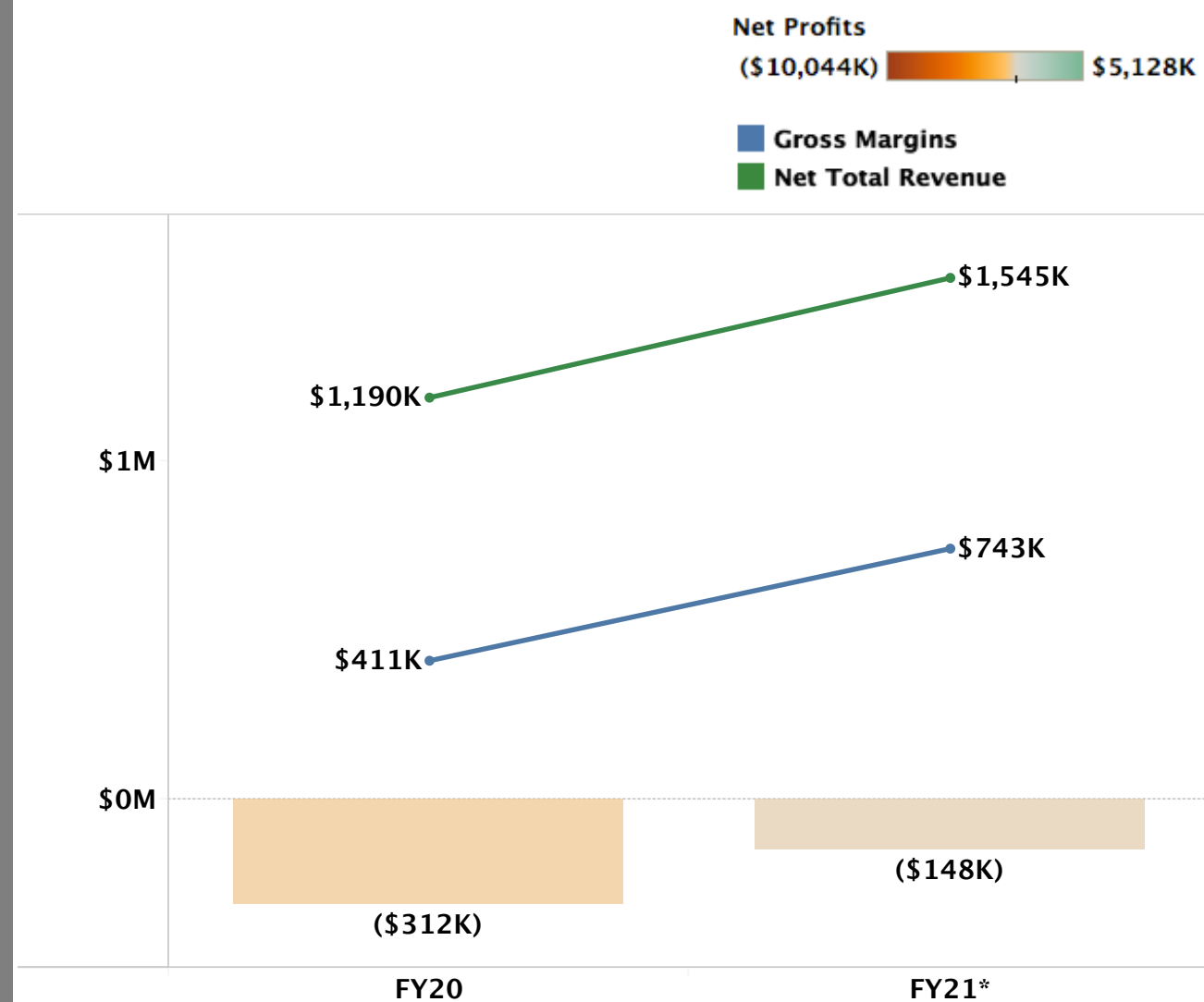
- Little change is predicted for Computer Science in FY21 compared to FY20. Increase in losses are largely due to increased indirect costs and reduced auxiliary revenues.
- Computer Science is a small department that can turn profitable with minimal cost-cutting, slight improvement in revenues, and a return to normal auxiliary revenues.



**DEPARTMENTS WITH
INCREASING REVENUES
AND DECLINING LOSSES**

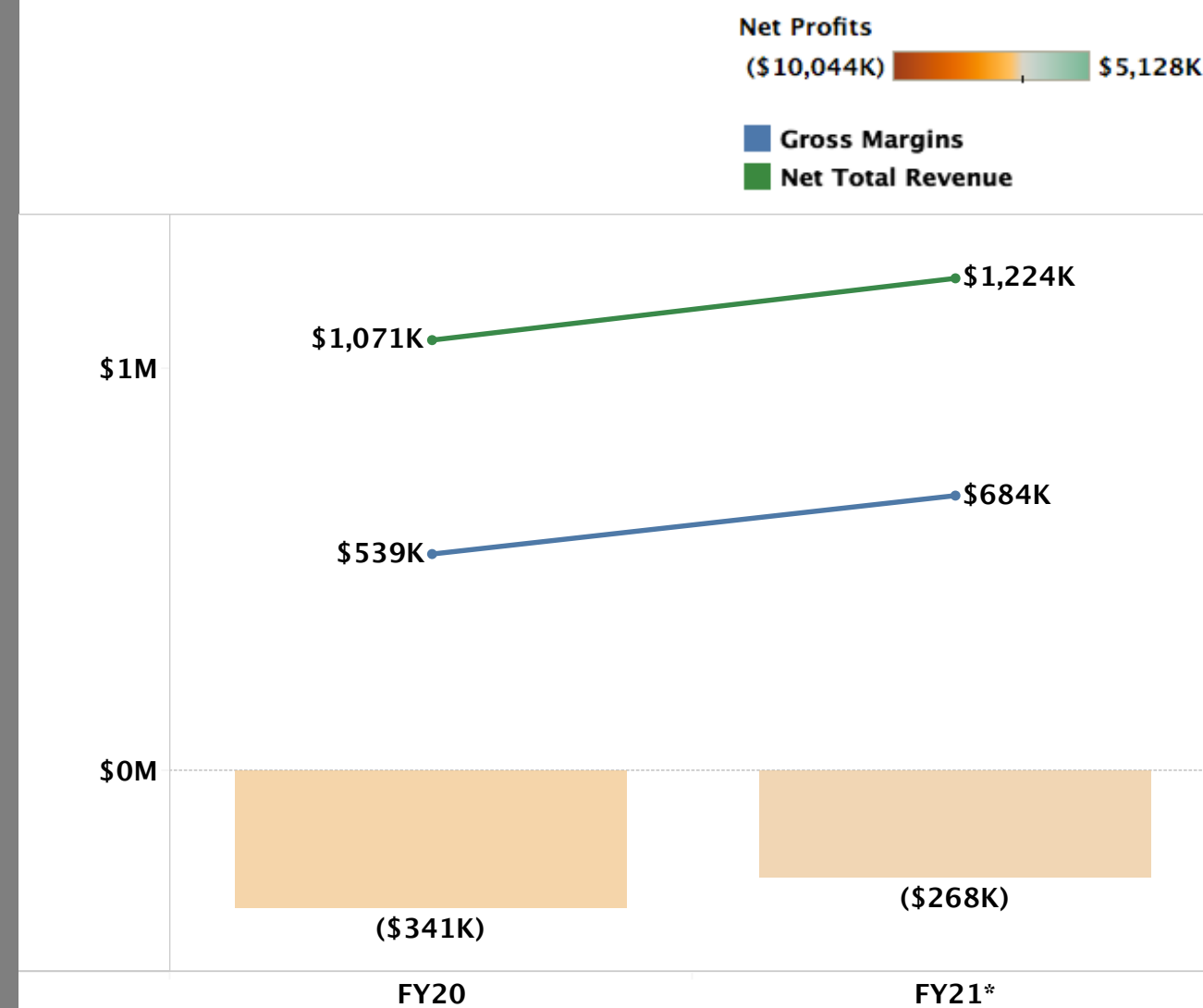
Chemistry

- Despite a projected slight increase in direct costs, a healthy projected increase in NTR for FY21 results in higher projected GM and lower losses.
- GM is projected to improve by \$332K in FY21 with losses dropping by \$164K



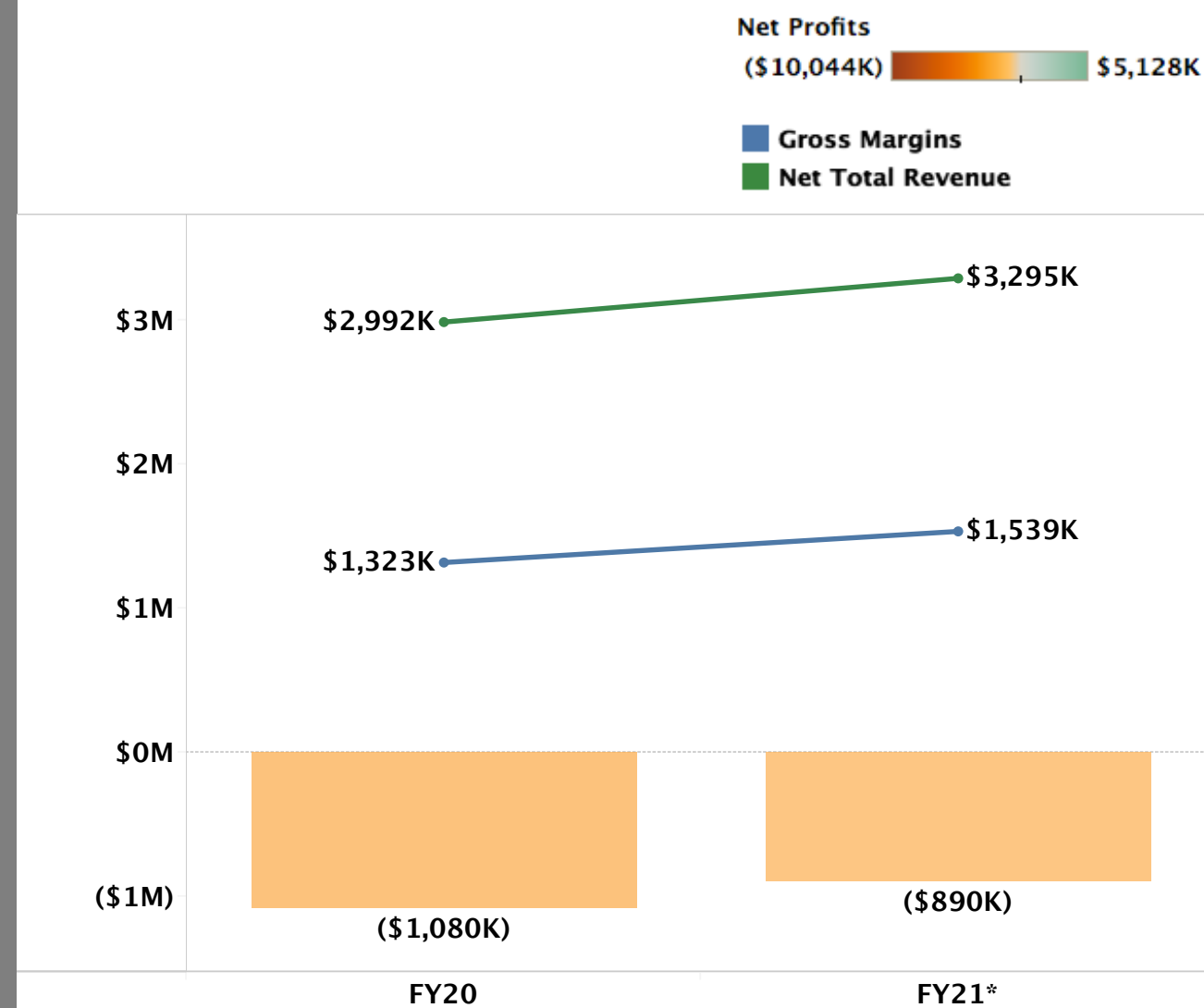
Political Science

- 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
- This is projected to result in an overall decline of \$73K in losses



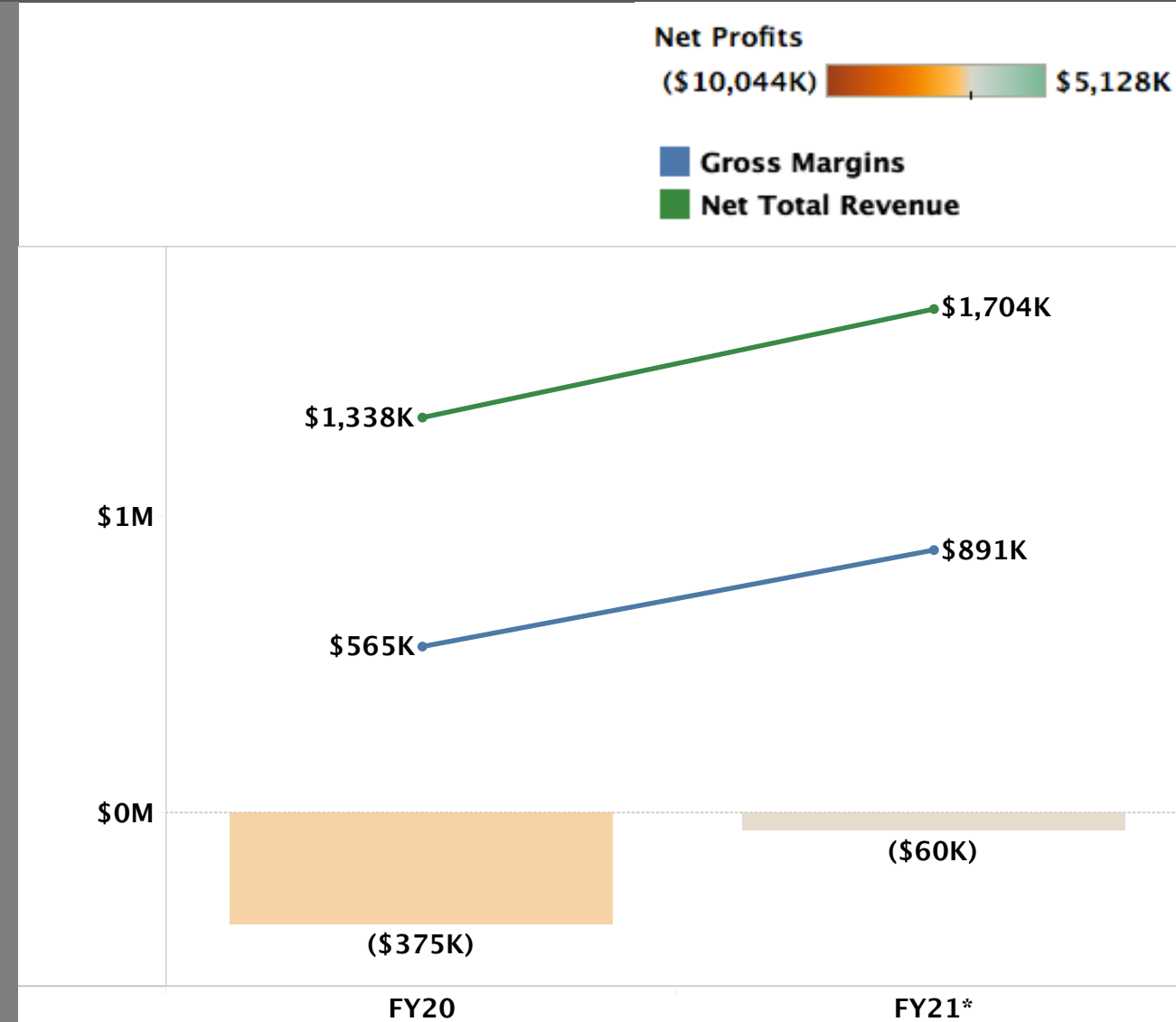
Management

- A ~\$300K increase in revenues is projected to result in ~120K increase in GM and ~\$135K decrease in losses.
- 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 are only 1.5 times the revenues of an average department, suggesting a higher than average discount rate.



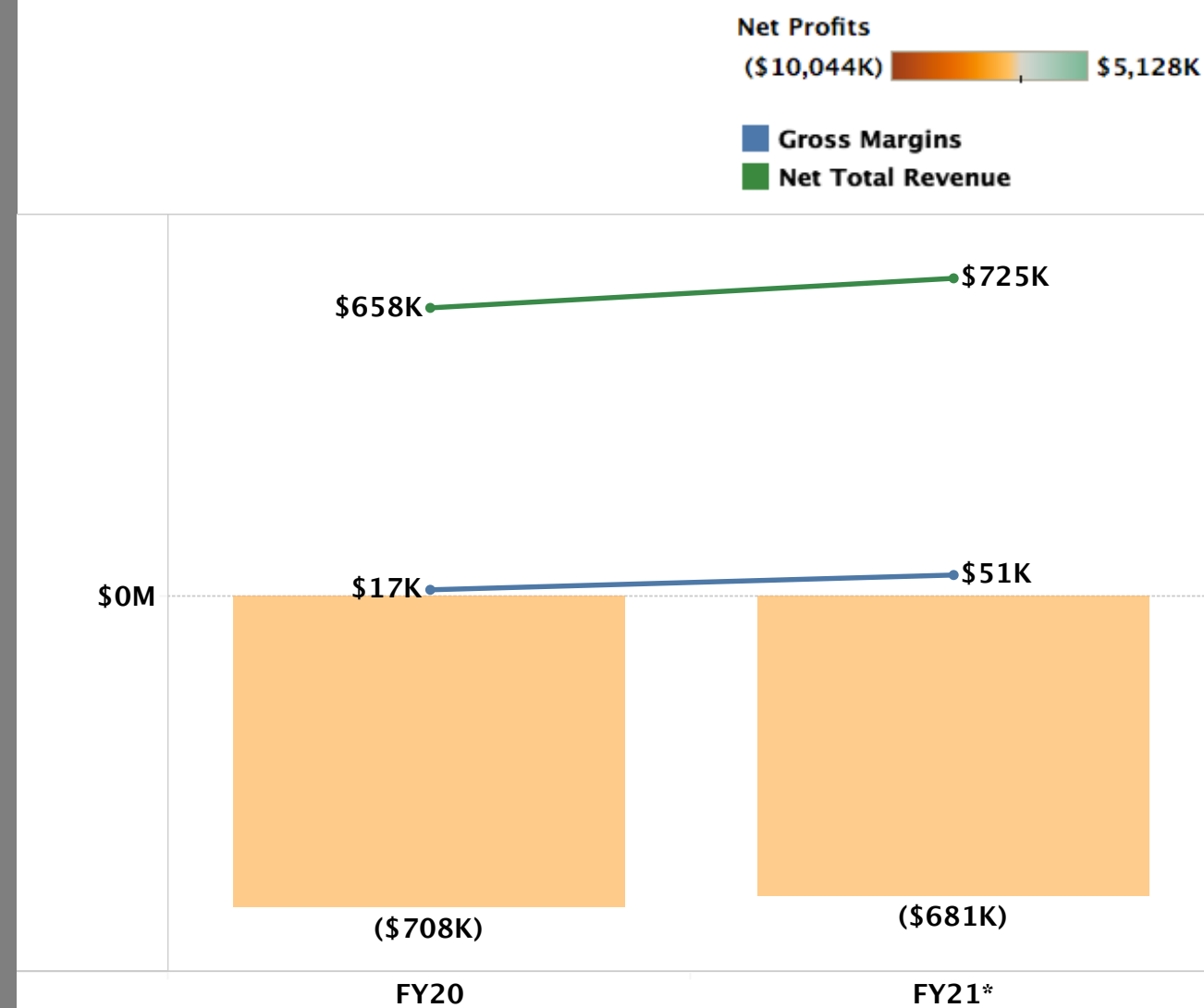
Marketing

- 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

- 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 while accounting for 60% of direct costs for an average department.

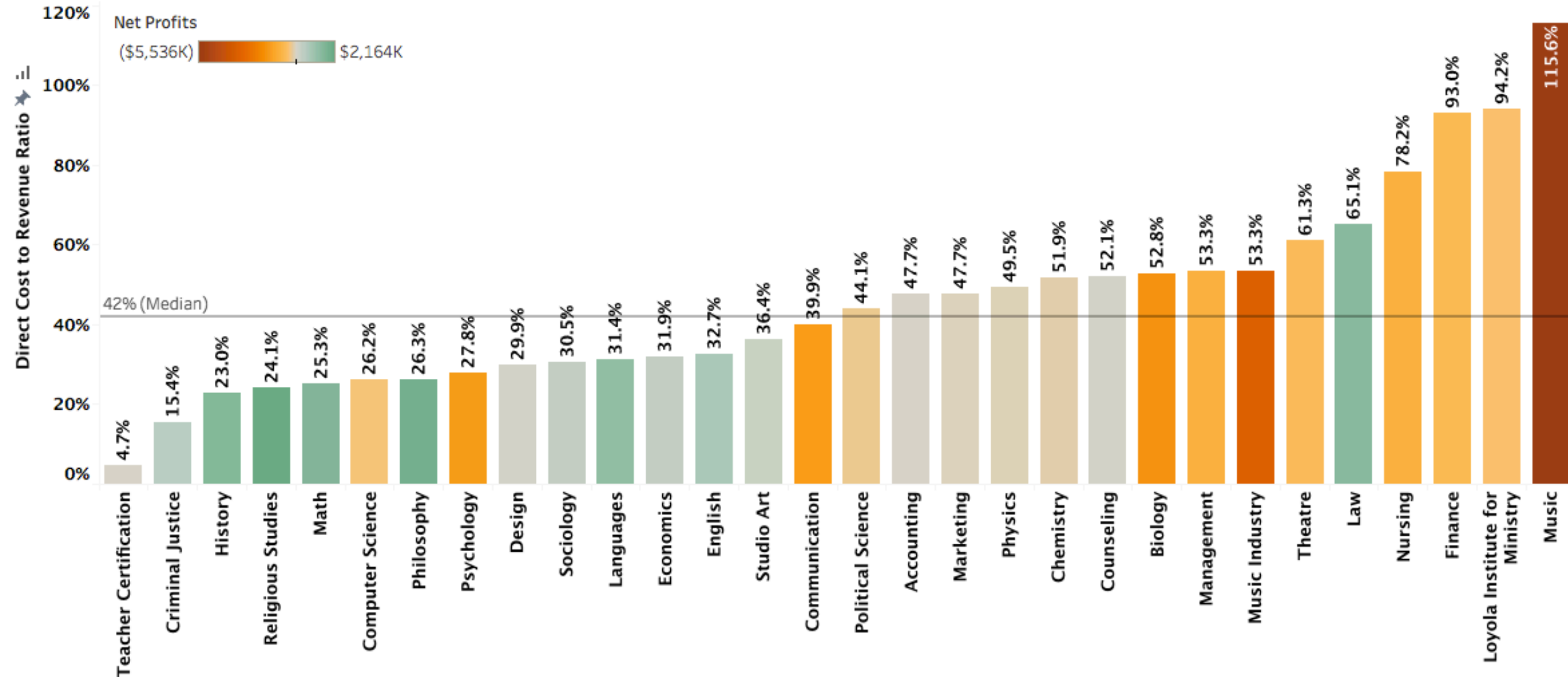


Direct Costs to Revenue Ratio

DCRR by Department (FY21 Projected)



Excluding Classical Studies and 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.