



# Learning to Value or Value from Teaching? The case of K12 Private Schools

**Dr. Vassilis Efthymiou**, MRICS, CFA, PRM | Partner | Head of Valuation & Corporate Finance  
LYRA Capital, M&A Transactions boutique



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The valuation does not constitute investment advice, nor should it be interpreted as an accurate reflection of market value. All conclusions are hypothetical and should not be relied upon for any commercial, financial, or strategic decision-making.



# Valuation Mandate: Terms and Valuation basis

- ~ Sector: K12 Private Education
- ~ Business: Medium sized Private School
- ~ Valuation type: Valuation of Equity shares of a private entity (“SA”)
- ~ Valuation date: 30/06/2025
- ~ Valuation basis: Market Value
- ~ Valuation assumptions: “going concern” & “as is, stand-alone basis”

# Valuation Mandate: Scope

- ~ Potential M&A Transaction: Acquisition of Equity Shares of the K12 Private School (the “Target”)
- ~ Client: Potential Investor – Bidder
- ~ Stage of Transaction Process: Initial discussion between Potential Investor and Private School owners
- ~ Objective: Preliminary evaluation of Target to conclude whether to engage in an M&A process

# Sources of information

Availability of Information was limited - no access to the data room of the Target – as the discussion remained at a preliminary stage

~ Financial Statements [history of last 5 financial years] published at the public registry: Profit & Loss, Balance Sheet & Cash-flow statement

~ Brief Investment Teaser (memo) by Target owners

~ History of M&A transactions in comparable K 12 private schools from financial databases





# SWOT Analysis: K12 Private Schools **Sector**

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# SWOT: K12 Schools Sector

## STRENGTHS

- ~ High Academic Standards (vs state schools)
- ~ Experienced Faculty: emphasis on specialisation and soft-skills
- ~ Modern Facilities: classrooms and extra-curriculum activities (e.g. sports, arts & crafts, dance, social community projects)
- ~ Bilingual Education; option for children to be taught in English, thereby, enhancing their ability to express in English

# SWOT: K12 Schools Sector

## WEAKNESSES

- ~ High Tuition Fees (vs state schools)
- ~ Study load: usually required coursework & homework is loaded
- ~ Over-reliance on exams: focus on standardized testing and grades rather than personal development
- ~ Bilingual Private Schools focus on preparing kids for undergraduate studies abroad



# SWOT: K12 Schools Sector

## OPPORTUNITIES

- ~ Growing demand for Private Education (vs state schools) while supply is limited
- ~ Expand towards University studies: potential to offer University studies after the “opening” of the legal framework towards recognition of private Universities.

## THREATS

- ~ Uncertainty in financial stamina of parents: Real disposable income wears out due to persisting inflation
- ~ Public School Reforms: Improvements in public education could reduce the perceived gap between private and state schools



# SWOT Analysis: **Target School**

# SWOT: Target School

## STRENGTHS

- ~ Strong Reputation & Brand awareness (vs other private schools)
- ~ One of the oldest GR schools with strong retention among students & teachers
- ~ Financial performance is above average among 12K schools in Greece
- ~ Offering of bilingual education; “*International Baccalaureate*”
- ~ Modern Infrastructure for extra-curriculum activities: sports, arts & crafts, pool, gymnastics arena etc.

# SWOT: Target School

## WEAKNESSES

- ~ Tuition Fees above market average (vs other private schools)
- ~ Classrooms are full - no further capacity (newbuilt) to readily accommodate additional students
- ~ Overcrowding as it belongs to Top 5 schools, in terms of student head count
- ~ Leverage on Capital Structure

# SWOT: Target School

## OPPORTUNITIES

- ~ Supportive Macro-fundamentals provide financial “firepower” to parents
- ~ Nominates as best candidate for acquisition by foreign private equity fund.

## THREATS

- ~ M&A activity in Greek K12 Schools sector may be currently over-heated
- ~ Regulatory Changes: Shifts in education policy may affect operations and tuition models





# Selection of Valuation Methods



# Selection of Valuation Method

Method:	Qualifies:	Basis for selection or not:
Discounted Cash-flows	Y	Most appropriate to capture future profitability & cash-flow generation
Comparable Companies	N	No existence of K12 Schools Listed on stock exchanges
Comparable Transactions	Y	Enough comparable transactions in K12 Schools with transaction value disclosed
Adjusted Book Value of Equity	N	Not Relevant for a "services" business model driven mostly by intangible value-generating assets



# EV valuation with Discounted Free Cash-flows (**DCF**)



# EV DCF: Financial Assumptions

## For Projected Period 2025 - 2030

- ~ Revenue : 5% YoY increase for all revenue streams
- ~ Administration & Other Operating expenses: Actual 2024 % share of Total Revenue
- ~ Depreciation (annual): 1.2% of aggregate cost of fixed assets over time
- ~ Income Tax rate: statutory rate = 22% constant for all years
- ~ EBITDA adjustments
  - ~ **Adj1**. SHR Management fees: average fees (2022-24) **added back** to Projected EBITDA
  - ~ **Adj2** Non-recurring expenses: **omitted** from Projected Profit & Loss

# Profit & Loss: 2025 - 2030

Amounts in 000 €	Assumptions <sup>1</sup>	06/2025 E	06/2026 F	06/2027 F	06/2028 F	06/2029 F	06/2030 F
<b>Profit &amp; Loss</b>	% YoY change						
Turnover from tuition fees	5,0%	15.328	16.095	16.899	17.744	18.632	19.563
Other income	5,0%	96	101	106	111	117	123
Total Revenue		15.425	16.196	17.006	17.856	18.749	19.686
% (y-o-y)		5%	5%	5%	5%	5%	5%
<b>less Administration &amp; Other Operating expenses</b>							
Administration Expenses	% Total Revenue						
Payroll of Staff	-66%	-10.171	-10.679	-11.213	-11.774	-12.363	-12.981
Fees paid to 3rd parties	-10%	-1.489	-1.563	-1.641	-1.723	-1.809	-1.900
Transportation Costs	-7%	-1.065	-1.118	-1.174	-1.233	-1.294	-1.359
Paper and Direct Consumables	-3%	-457	-480	-504	-530	-556	-584
Marketing Costs	-1%	-126	-133	-139	-146	-154	-161
Miscellaneous expenses	-1%	-204	-214	-225	-236	-248	-261
Total Recurring Expenses	-88%	-13.512	-14.188	-14.897	-15.642	-16.424	-17.246
Non-recurring expenses		0	0	0	0	0	0
Total Operating Expenses		-13.512	-14.188	-14.897	-15.642	-16.424	-17.246
% of Total Revenue		-88%	-88%	-88%	-88%	-88%	-88%
<b>Earnings Before Interest Tax Depr. (EBITDA)</b>		<b>1.912,2</b>	<b>2.007,8</b>	<b>2.108,2</b>	<b>2.213,6</b>	<b>2.324,2</b>	<b>2.440,5</b>
<b>% EBITDA</b>		<b>12%</b>	<b>12%</b>	<b>12%</b>	<b>12%</b>	<b>12%</b>	<b>12%</b>

Note 1: Assumptions Based on historical Profit & Loss data from financial years 2022-2024

# Net Earnings: 2025 - 2030

Amounts in 000 €	Assumptions <sup>1</sup>	06/2025 E	06/2026 F	06/2027 F	06/2028 F	06/2029 F	06/2030 F
<b>Earnings Before Interest Tax Depr. (EBITDA)</b>		<b>1.912,2</b>	<b>2.007,8</b>	<b>2.108,2</b>	<b>2.213,6</b>	<b>2.324,2</b>	<b>2.440,5</b>
<u>less Depreciation</u>							
Depreciation for the year	1.2% of F.A.s	-453	-455	-456	-458	-459	-460
<b>Earnings bef. Interest and Taxes (EBT)</b>		<b>1.458,7</b>	<b>1.553</b>	<b>1.652</b>	<b>1.756</b>	<b>1.865</b>	<b>1.980</b>
<b>% EBT</b>		9%	10%	10%	10%	10%	10%
<u>less Income Taxes</u>							
Income Taxes	% Income Tax rate	-321	-342	-363	-386	-410	-436
<b>% Income tax rate [effective]</b>	<b>22,0%</b>	22%	22%	22%	22%	22%	22%
<b>Net Earnings (NI)</b>		<b>1.591</b>	<b>1.666</b>	<b>1.745</b>	<b>1.827</b>	<b>1.914</b>	<b>2.005</b>
<b>% NI</b>		10%	10%	10%	10%	10%	10%

Note 1: Assumptions Based on historical Profit & Loss data from financial years 2022-2024

# Free Cash Flows: 2025 - 2030

Free Cash Flow to the Firm	Assumptions <sup>1</sup>	06/2025 E	06/2026 F	06/2027 F	06/2028 F	06/2029 F	06/2030 F
Earnings Before Interest Tax Dep. ( <b>EBITDA</b> )	Mean 2023/2024 429	1.912	2.008	2.108	2.214	2.324	2.440
<b>Plus</b> Adjustments – Non recurring Expenses							
<b>Adj1.</b> SHR Management fees		429	429	429	429	429	429
<b>Adj2.</b> Non-recurring expenses		0	0	0	0	0	0
<b>Adjusted (EBITDA)*</b>		<b>2.341</b>	<b>2.437</b>	<b>2.537</b>	<b>2.643</b>	<b>2.753</b>	<b>2.869</b>
<b>% Adjusted EBITDA</b>		15%	15%	15%	15%	15%	15%
<b>less Cash paid for Taxes</b>							
Income tax for the year		-321	-342	-363	-386	-410	-436
<b>Adjust for Net Working Capital</b>							
<b>Increase in Receivables (minus)</b>	Workings	-737	-297	-311	-327	-343	-361
<b>Increase in Payables (plus)</b>	Workings	1.170	338	355	372	391	411
<b>YoY € change in Net Working Capital</b>		<b>433</b>	<b>41</b>	<b>43</b>	<b>45</b>	<b>48</b>	<b>50</b>
<b>Operating (net) Cash flows [CF-O]</b>		<b>2.453</b>	<b>2.136</b>	<b>2.217</b>	<b>2.302</b>	<b>2.391</b>	<b>2.484</b>
<b>Adjust for Investing Cash-flow</b>							
Purchases of Vehicles / Equipm [CAPEX]	Workings	-113	-114	-114	-114	-115	-115
Sales of Assets		0	0	0	0	0	0
<b>Investing (net) Cash flows [CF-I]</b>		<b>-113</b>	<b>-114</b>	<b>-114</b>	<b>-114</b>	<b>-115</b>	<b>-115</b>
<b>Free Cash flow to the Firm [Total FCFF]</b>		<b>2.339</b>	<b>2.023</b>	<b>2.103</b>	<b>2.187</b>	<b>2.276</b>	<b>2.369</b>

Note 1: Assumptions & Workings on NWC and CAPEX are based on historical Profit & Loss data from financial years 2022-2024



# Enterprise Value Calculation

<u>Enterprise Value (EV)</u>	06/2025	06/2026 F	06/2027 F	06/2028 F	06/2029 F	06/2030 F
<b>Free Cash flow to the Firm [Total FCFF]</b>		<b>2.023</b>	<b>2.103</b>	<b>2.187</b>	<b>2.276</b>	<b>2.369</b>
Constant growth rate %						<b>1,0%</b>
Free Cash flow to the Firm [Total FCFF] in <b>06/2031</b>						<b>2.392</b>
<b><u>Discounted FCFF @ WACC</u></b>						
Cost of Capital (WACC)		<b>8,2%</b>	8,2%	8,2%	8,2%	8,2%
Terminal Value at Year 5						<b>33.229,1</b>
Discounting at end of Year:		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Discount factor @ WACC	<b>EV</b>	0,924	0,854	0,789	0,730	0,674
<b>PRESENT VALUE of FCFF [DFCFF]</b>	<b>31.057</b>	<b>1.869,3</b>	<b>1.796,3</b>	<b>1.726,7</b>	<b>1.660,5</b>	<b>24.004,3</b>

# Discount rate: % Cost of Equity

Description	30/06/2025	Sources
<b>Cost of Equity (Levered)</b>		
Risk-free rate (p.a.)	2,68%	ECB 10-year rate 30/06/2025
Equity M Risk Premium	4,21%	Damodaran 01/07/2025
Country Risk Premium	3,25%	Damodaran 01/07/2025
<b>Total Market Risk Premium</b>	<b>7,46%</b>	
Unlevered Beta Coeff. - sector	<b>0,56</b>	Damodaran 05/01/2025 - Sector: Education
Debt / Equity Ratio	1,1 x	see Calc. below
Tax rate for corporations	22%	
Levered Beta Coeff.	<b>1,05</b>	
<b>Cost of Equity - CAPM</b>	<b>10,55%</b>	
<b>Specific Risk Premium</b>		
Small Cap premium	1,10%	Bibliography
Non-listed Co premium	1,10%	Bibliography
Minority interest premium	-	-
<b>Correlation of premiums</b>	<b>-0,50%</b>	
<b>Cost of Equity Adjusted</b>	<b>12,25%</b>	
<b>Cost of Equity Rounded</b>	<b>12,2%</b>	



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# Discount rate: % Cost of debt & WACC

Description	30/06/2025	Sources	Notes
<b>Cost of Debt</b>			
Interest rate of debt	6,0%	FS - Notes	<b>1</b>
Tax rate for corporations	22%		
<b>Cost of Debt (after taxes)</b>	<b>4,7%</b>		
Capital Structure (Note 2)	30/06/2025	% of Total Capital	% Cost
Equity [BV]	7.770	47%	<b>12,2%</b>
Bank debt (Gross)	8.880	53%	<b>4,7%</b>
<b>Total Capital</b>	<b>16.650</b>	<b>53%</b>	
<b>WACC</b>			<b>8,2%</b>

Note 1: Nominal interest rate payable on existing debt, according to the Notes of the Financial Statements

Note 2: Equity Book Value - reported on Financial statements as of 30/06/2024

Note 2: Total Bank debt balance outstanding - reported on Financial statements as of 30/06/2024



# EV valuation with Comparable Transactions Multiples (**CTM**)

# Refresher: CTM Methodology

## STEPS

1. Take record of all key financial measures for Comparable Transactions and Calculate **Financial Ratios – Transaction Value Multipliers** for each Comparable Transaction
2. Compute the (arithmetic or weighted) **average** of each Financial Ratio – Multiplier across the group of Comparable Transactions.
3. Compute multiple Enterprise Values of the **Target** company, by applying the Transaction Value Multipliers to the specific financial fundamentals of the Target company under valuation. Specifically, multiply the average Financial Ratios (step 2) with the corresponding financial measures of the Target company under valuation).
4. Estimate the **final Enterprise Value of the Target** under valuation as the average (arithmetic or weighted) of the various Enterprise Value estimates produced for each Multiplier (step 3).

# Step 1: Comparable Transactions data

#	Transaction - Bidder	Transaction Year	Target Country	Transaction EV (€ Ms)	Revenue (€ Ms)	EBITDA (€ Ms)	EV/Revenue	EV/EBITDA
1	Humanitas Centro de Educación	2018	Spain	€ 35,4	€ 5,6	€ 0,6	6,3x	61,8x
2	Inspired Education	2018	Spain	€ 5,0	€ 5,2	€ 0,5	1,0x	10,0x
3	Jacobs Holding AG	2017	UK	€ 2.221,0	€ 481,0	€ 76,6	4,6x	29,0x
4	ISP Ltd	2020	Italy	€ 12,5	€ 3,8	€ 0,4	3,3x	28,4x
5	Nord Anglia Education	2016	Czech Repblic	€ 19,3	€ 10,7	€ 0,9	1,8x	20,5x
6	OMNES Education	2018	France	€ 800,0	€ 220,0	€ 61,0	3,6x	13,1x
7	Internationella engelska skolan	2019	Sweden	€ 611,6	€ 280,6	€ 78,4	2,2x	7,8x



## Step 2: Calculate Mean/Median Multipliers

#	Transaction - Bidder	EV/Revenue	EV/EBITDA	% Weight per Transaction
1	Humanitas Centro de Educación	6,3x	61,8x	10%
2	Inspired Education	1,0x	10,0x	20%
3	Jacobs Holding AG	4,6x	29,0x	10%
4	ISP Ltd	3,3x	28,4x	15%
5	Nord Anglia Education	1,8x	20,5x	20%
6	OMNES Education	3,6x	13,1x	15%
7	Internationella engelska skolan	2,2x	7,8x	10%

Multiplier for Group of Transactions	Weighted Mean	Median	Deviation Mean vs Median
EV/Revenue	2,9x	3,3x	-13%
EV/EBITDA	22,2x	20,5x	8%

**Note:** Small deviation between Mean and median Multiples

## Step 3 & 4: Calculate Enterprise Value

Financial Ratio	Comparables - Multiplier	Target Company Financials (000 €)	30/06/2025 (expected)	% Weight per Financial Ratio	Enterprise Value (000 €)
EV/Sales	2,9x	Revenue	€ 15.425	50%	€ 44.889
EV/EBITDA	22,2x	EBITDA adjusted	€ 2.341	50%	€ 51.962
				EV - mean	€ 48.426

Note: Whenever Financial Ratios are not equally weighted, the Valuer shall explain the overweighting of one measure relative to the other(s)



# Equity Valuation with both Methods: DFCF and CTM

# Equity Valuation

EV Calculation	Estimated € 000s	Weight of Method	Mean (€ 000s)
EV with method: DFCFF Method	31.057	50%	39.741,3
EV with method: EV Multipliers	48.425	50%	

Note: Whenever Methods are not equally weighted, the Valuer shall explain the overweighting of one Method relative to the other(s)

Equity Calculation	Equity (€ 000s)
<b>Mean EV (1)</b>	39.741
<b>less Net Debt</b>	
Gross Debt	8.880
Cash & Cash-equivalents	2.550
<b>Net Debt (2)</b>	<b>6.330</b>
<b>Equity = (1) - (2)</b>	<b>33.411</b>



**Thanks for your  
attention!!**