Buying, Selling, Valuing Schools and ELL Businesses

Simon Moran

CEO Modern English
10 schools in Japan
Published 30 books
On sale in 70 countries
Some of our brands...

paperboy, fruit picker, window cleaner, sales assistant, removal man, teacher
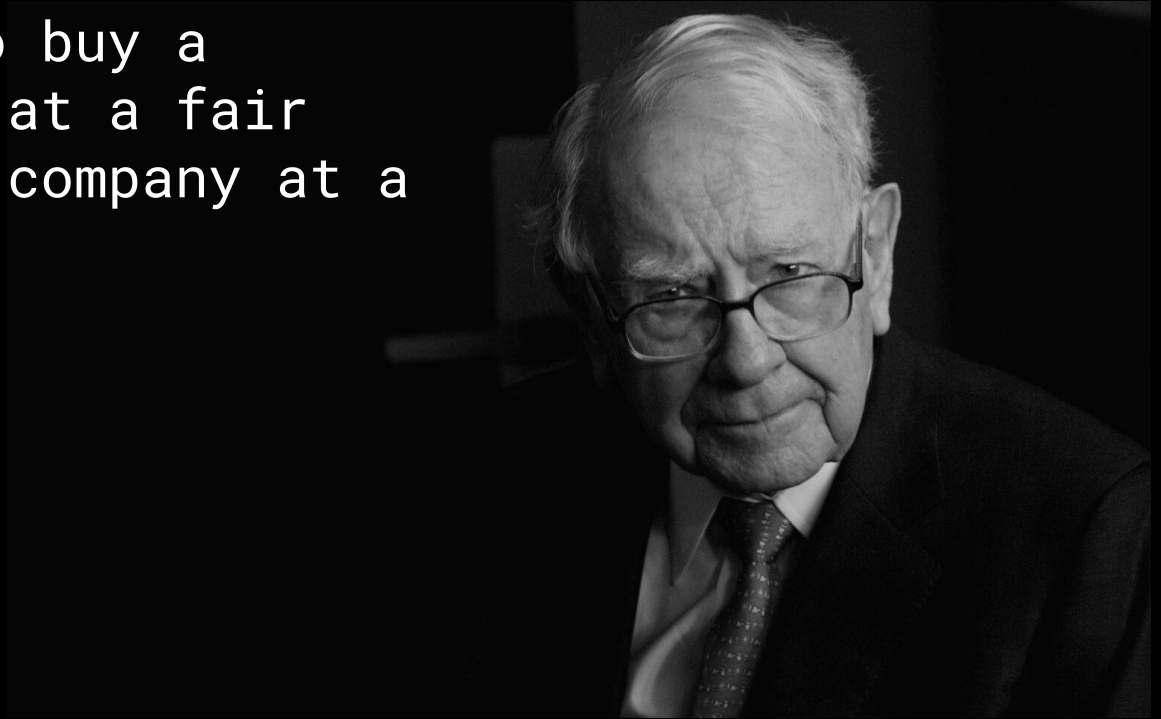
Simon Moran

Worked in the industry in Japan since 1995.

Built franchise school chain and international publishing business.

Been involved in the set up, purchase, sale and brokering of over 30 schools.

It's far better to buy a
wonderful company at a fair
price than a fair company at a
wonderful price.

Warren Buffett

Wonderful Company

Fair Price

Valuation Models

1. Market Capitalization

Very simple. Share price X total number of shares outstanding.

Yesterday, Apple shares traded at $148.19, with a total number of shares outstanding of 16.53 billion.

Value: $148.19 x 16.53 billion = $2.449 Trillion

2. Times Revenue Method

Simply. revenue generated over a certain period of time is multiplied. (Usually annual revenue)

The multiplier depends on the industry and economic environment.

A tech company may be valued at 3x revenue
A publisher may be valued at 2.2x revenue
A service firm may be valued at 0.5x revenue

3. Earnings Multiplier

More accurate than times revenue method, as profits are a better indicator of financial success.

Public company: price per share/earnings per share. P/E ratio.

Most small businesses: multiplier of net profit before tax.

Value: ¥10M x 5 years = ¥50M

4. Discounted Cash Flow (DCF) Method

Similar to the earnings multiplier. Based on future cash flow projections, adjusted by inflation to calculate the present value.

5. Book Value

Value of shareholders' equity as shown on the balance sheet statement. The book value = total assets minus total liabilities.

6. Liquidation Value

The net cash a business would receive if its assets were liquidated and liabilities paid off.

Some Big Examples

Shane English

    200+ schools; 20,000+ students; outsource contracts; Nellies bookstore

    Reported Sale Price: $30M

Rosetta Stone Learning Center

    10 schools, Rosetta Stone licence, Hummingbird IP

    Reported Sale Price: "More than Shane." 7x (?) revenue.

Some Small Examples

Beat Eikaiwa, Osaka

    1 school; 100 students; 3 PT teachers; 1 outsource kindergarten contract;
    Revenue: ¥9,500,000 p.a.

    Sale Price: Deposit = ¥600,000
                12 Monthly Payments @ ¥200,000 per month
                ¥3,000,000

Montessori Kindergarten, Nagoya

    1 location, non-teaching owner, 24 FT students; approx. ¥8M p.a. net profit before tax

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3.8 x monthly revenue

(average monthly student fees = ¥7,917)

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Between 3 to 5 x annual profit

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$30 million divided by 200 schools would be $150,000 dollars, ¥16.5M per school.

Big Examples

David English House

    School chain
    Outsource contracts
    Teacher training
    Overseas franchises

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BANKRUPT 2010

Let's Make a Big, Wonderful Company

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