

Prospect Partners, LLC Case Study

Leveraged Recapitalization: Geographic Expansion

Education Corporation of America

Birmingham, Alabama

Type of business: For-profit post-secondary vocational school

Situation

Prospect Partners formed Education Corporation of America (ECA) in 1999 to recapitalize Virginia College with its Chief Executive Officer, Ken Horne. For Virginia College, a fast-growing vocational school with two campuses in Alabama, Mr. Horne sought a financial partner that could provide experienced Board-level guidance and capital to help the company pursue its aggressive expansion plan. A partnership would also allow Mr. Horne, 56, who had invested substantial personal wealth into Virginia College, to take some chips off the table. Further, recapitalizing gave him the opportunity to provide his management team meaningful shareholder positions in the company.

Our Strategy

We believed that ECA could be the dominant player in the southeastern United States. Mr. Horne and his management team, all highly experienced school operators and educators, identified new cities for expansion. In expanding its geographic reach, ECA pursued a dual approach, acquiring private regional career colleges in smaller southeastern markets as well as making greenfield investments. To make sure it projected a consistent brand and remained relevant in every market, ECA both scaled existing programs and curricula and developed new technical degree programs that addressed local market needs for graduates with those technical skills.

Results

By 2004, ECA had become the leading post-secondary career school system in the southeastern United States. ECA grew from about 1,600 students in two cities in Alabama to more than 5,800 students in six cities in four southeastern states. During this time, the school introduced more than 35 new vocational degree programs in a wide variety of disciplines. Between 1999 and 2004, the company's revenues more than quintupled.



Exit

In December 2004, Prospect Partners completed a recapitalization of ECA with management and another financial buyer for a significant gain to ECA's shareholders. With the recapitalization, Mr. Horne retired.

Our Philosophy

To support ECA's strong management team with strategic Board-level guidance and the necessary financial resources to take the company "to the next level" in scope and size.

"It could have been a good time to sell, but I still wanted to run and grow Virginia College. With Prospect Partners, grow we did – in a way that would have been inconceivable on our own."



Ken Horne

CEO, Education Corporation of American/Virginia College