

# IVCA Private Equity Profile



## DeVry, Inc.

*Management:* Ronald Taylor, Senior Advisor and Retired CEO

*Venture Capital Partner:* **Frontenac Company**

In 1931, a Chicago-area engineer and inventor established a school specializing in the growing technical fields of electronics, motion pictures and radio. More than 75 years and several transitions later, Herman DeVry's school – DeVry, Inc. – ranks among the nation's largest higher-education companies.

The DeForest Training School, its original name, expanded quickly. As new pioneering fields emerged such as television, the technical school began to offer more classes and degree options in them. By 1966, the school had changed its name to the DeVry Technical Institutes. That year, Bell & Howell Education Group, based in Skokie, purchased DeVry and expanded it to 11 locations in eight states and two Canadian provinces.

Over the years, Bell & Howell also increased DeVry's degree and class offerings, adding business and telecommunications management specialties. Ultimately, however, the company encountered financial difficulties and, in 1987, Bell & Howell was ready to sell its DeVry branch.

## Enter Keller, Taylor, and Frontenac

Dennis Keller and Ronald Taylor have a lot in common. Both men worked as executives for DeVry earlier in their careers and later co-founded the Keller Graduate School of Management, a for-profit institution offering advanced degrees in business. Given their experience, they viewed the DeVry purchase as a prime investment opportunity.

With DeVry's "For Sale" sign up, Mr. Keller and Mr. Taylor began a search for investors. They approached the Frontenac Company about leading a group in acquiring the business. The Chicago-based Frontenac, founded in 1971, favors working with proven executives to acquire and grow successful middle-market businesses and today has more than \$1 billion under active management.

In the two former DeVry executives, Frontenac identified one of its most important requirements for success—a strong, experienced management team who knew the company. DeVry also offered a large market opportunity and excellent growth prospects.

### ***What DeVry Means to Illinois***

- ✓ A well-established company with more than 75 years in the Chicago area
- ✓ 11 Illinois campuses provide training and career opportunities for residents.
- ✓ 90 percent of job placements are in a related field of study
- ✓ More than 1,500 jobs—1,300 alone at its headquarters in Oakbrook Terrace

These strong attributes, along with the belief that DeVry overhead costs could be pared, served as the basis for Frontenac's investment philosophy for the buyout. Frontenac

Chairman and Managing Director Rodney L. Goldstein says DeVry illustrated the classic case of an undermanaged division of a larger company that could thrive independently; it was a “corporate orphan.” Frontenac raised more than \$12.6 million in capital and led a group of investors that included Messrs. Keller and Taylor, and others in a leveraged buyout of DeVry. Bell & Howell sold its 85 percent stake in the company to the Keller Graduate School of Management and, subsequently, its investors. In all, the buyout totaled \$147 million.

After the acquisition, DeVry merged with Keller and began to expand into new programs and geographies. Eventually, the company changed its name to DeVry University. It quickly began to thrive as its new owners reduced bureaucracy and improved the investment of resources. At the time of the buyout, DeVry had \$150 million in annual revenue; 20 years later, it generates \$933 million and its equity market capitalization exceeds \$2.5 billion.

DeVry also has expanded geographically and now has more than 80 locations in the U.S. and Canada. It reaches even more students via the Internet, offering many of its courses and degree programs online. The number of locations, coupled with online options, gave DeVry a student population of 52,000 in the fall of 2006.

***How Venture Capital Benefited DeVry***

- ✓ Allowed for buyout to separate the thriving business from a floundering parent.
- ✓ Provided capital for further acquisitions and expansions.
- ✓ Paved the way for initial public offering to gain further funds

DeVry supplemented its organic growth through acquisitions of three other educational companies: Becker Professional Review, which provides preparatory courses and reviews to financial professionals, in 1996; Ross University, a medical and veterinary school in the Caribbean, in 2003; and Chamberlain School of Nursing, which offers associate and bachelor’s degrees, in 2005.

To fuel both its acquisitions and operations, DeVry went public in June 1991. A follow-up offering came in March 1993 and a secondary offering by venture capital holders was completed in April 1997. .

DeVry now employs more than 4,000 people in faculty, administrative and other staff positions throughout the U.S. and Canada, including 1,300 at its Oakbrook Terrace headquarters. That workforce and the teaching positions at its 11 campuses throughout Illinois make DeVry an excellent employment resource to the state. Add the thousands of students who attend DeVry and receive degrees in Illinois (85 percent of whom seek employment in the state after graduation) and DeVry’s impact on the state’s employment is extremely significant.

Since DeVry went public, Frontenac has left the fold of DeVry investors. But its funds allowed a prosperous, overlooked arm of a larger company to pull away and re-establish itself as one of the country’s largest educational companies.

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The **IVCA Private Equity Profiles**, a continuing series of portraits of Illinois venture capital and private equity investments, spotlights companies that are emerging or proven successes. Each account furnishes information about the

company and the private equity firm or firms that invested in it, illuminating the important role they play in nurturing the companies.

**IVCA** is a non-profit trade association that serves the Midwest venture and buyout community. It focuses on expanding the size of the industry in Illinois and the Midwest by improving the local ecosystem for investors, entrepreneurs and limited partners. On behalf of its members, IVCA advocates pro-growth government policies, provides a virtual community via [www.illinoisVC.org](http://www.illinoisVC.org) for deal flow and networking, and hosts educational and entrepreneurial events that offer networking opportunities for local investors, entrepreneurs, governmental stakeholders and tech-transfer groups.