Q1 2026 Report

March 31st, 2026

Honours in Investment Management

Van Berkom Small Cap Fund

DESAUTELS Capital Management
Gestion de capitaux

VBSC Founding Cohort
Class of 2025-2026

“An investment in knowledge pays the best interest.”

- Benjamin Franklin

VBSC Fund Managers

Thomas-Nikolas Anastasopoulos | Strategist

- Investment Banking Summer Analyst
  Scotiabank, Montreal (Incoming 2026)
- Private Equity Fall Analyst
  Novacap, Montreal (Fall 2025)
- Rotational Summer Analyst
  Fiera Comox, Montreal (Summer 2025)
- Private Equity Summer Analyst
  Valstone, Montreal (Summer 2024)

Born and raised in Montreal, Thomas spent much of his time playing soccer. His interest in finance grew during his studies at André-Grasset, where his passion for mathematics and science, combined with his competitive nature, made finance a natural fit. A former competitive soccer player, Thomas thrives on setting high goals and working tirelessly to achieve them. In his free time, he enjoys biking, swimming and spending time with his family and friends.

Cédrik Nadeau | Senior Analyst

- Equity Research Intern
  Fidelity Investments, Toronto (Incoming Summer 2026)
- Private Equity Fall Analyst
  Walter Capital Partners, Montreal (Fall 2025)
- Private Equity Summer Analyst
  Valsoft, Montreal (Summer 2025)

Cédrik was born and raised in the Quebec City area. After graduating high school, he read many books about investing, which sparked a strong interest in fundamental investing and led him to start managing his personal investment portfolio once he turned 18. To deepen his understanding of the topic and meet like-minded individuals, he decided to pursue studies in finance at McGill University and joined DCM. Outside of finance, Cédrik enjoys skiing, mountain biking, and hiking.

VBSC Fund Managers

Alexandre Comtois | Junior Analyst

- Investment Banking Summer Analyst
  TD Securities, Montreal (Incoming 2026)
- Wealth Management Summer Analyst
  National Bank Financial, Montreal (Summer 2025)

Alexandre was born and raised in Montreal, Canada. His passion for finance began in high school, when he started following markets and analyzing companies to understand what drives long-term value creation. At McGill, this curiosity led him to join Desautels Capital Management, where he developed a particular interest in small cap investing for its emphasis on deep fundamental research and close analysis of management execution. He also co-authored the proposal for the student-led McGill Ventures Fund, which he currently develops with a team of peers, reflecting his broader interest in innovative and early-stage businesses. Outside of academics, Alexandre enjoys skiing, basketball, and spending time with friends.

Basil Bibik | Junior Analyst

- Equity Research Intern
  TWM Group, Montreal (Summer 2025)

Basil was born and raised in Montreal, Canada. His passion for finance began in Cégep, where a macroeconomics class sparked his interest in capital markets. At Marianopolis Cégep, his curiosity led him to become President of the Marianopolis Investment Club. Following successes in this role he went on to co-found the Marianopolis Investment Management Program, which prepares students for exclusive University Investment Programs. He later joined Desautels Capital Management, where he jumped at the opportunity of being part of the founding cohort of the Van Berkom Small Cap Investment Fund. Outside of academics, Basil enjoys reading, playing soccer, and spending time with friends.

VBSC Fund Managers

Carl Lambert | Junior Analyst

- Fall Equity Analyst
  Walter Public Investments, Montreal (Incoming 2026)
- Summer Analyst, Global Small Cap Equity
  Van Berkom Asset Management, Montreal (Incoming 2026)
- *Painting Business Owner & Operations Manage*r
  Montreal (2023-2025)

Born and raised in Montreal, Quebec, Carl Lambert combines an entrepreneurial drive with a disciplined passion for investing. Drawn to McGill University for its rigorous Finance program and collaborative culture, he has distinguished himself through academic excellence and hands-on leadership. Carl serves as a Teaching Assistant in Finance and operates a painting business that has successfully delivered over $250,000 in contracts, reflecting his commitment to execution and results. His interest in equity research stems from a belief that disciplined analysis and long-term conviction can uncover exceptional opportunities. Outside of academics, he enjoys powerlifting, skiing, hiking, and exploring quantitative approaches to investing.

Oaken Son | Junior Analyst

- Summer Equity Analyst
  Walter Public Investments, Montreal (Incoming 2026)
- Finance and Accounting Intern
  Corentec America Inc, Laguna Niguel, CA (Summer 2025)

Born and raised in Orange County, California, Oaken Son brings an entrepreneurial spirit and a deep curiosity for the infinite types of business to his study of finance. He was drawn to McGill by the strength of its Honours Investment Management Program and the cultural diversity of Montreal. Oaken is actively involved in several student organizations across business and philanthropic initiatives. He joined the VSBC fund out of interest in researching equities across sectors as well as the potential to generate alpha. In his free time, he enjoys playing hockey, golfing, skiing, and experimenting with Korean recipes.

Executive Team

Benoit Durand | Investment Director

Mr. Durand, CFA, ICD.D brings over 35 years of expertise in the finance and capital markets sectors as an accomplished investment professional. He spent the last 22 years at Van Berkom and Associates, where he served as lead manager of a diversified Canadian equity portfolio. Throughout his tenure, he also held positions as director and executive management committee member, concluding his career as a partner upon retirement in 2022. He remains active in various organizations, contributing as both a director and an investment committee member.

Mr. Durand earned a Bachelor of Commerce from McGill University (1983), the ICD.D designation, in 2016, and the FSA Credential in 2025.

Vadim di Pietro | Co-Chief Investment Officer

Professor di Pietro is Co-Chief Investment Officer, Chief Compliance Officer, and registered Advising Representative for Desautels Capital Management. He joined the Faculty of Management in 2009. Prior to Desautels, Vadim was an investment strategist at J.P. Morgan in London from 2007 to 2009. He holds a B.Eng. from McGill University, a Master's in Mathematical Finance from the University of Toronto, and a PhD in Finance from the Kellogg School of Management. Vadim is also a CFA charter holder.

Jiro Kondo | Co-Chief Investment Officer

Professor Kondo joined the Finance group at the Desautels Faculty of Management in 2012 after having served on the faculty at Northwestern University's Kellogg School of Management. Prior to becoming an academic, he was a proprietary trader at Goldman Sachs. From 2017-2024, he was the Head of Portfolio Construction and Founding Advisor at Sarwa – a leading robo-advisor and digital trading platform in the Middle East. He holds an undergraduate degree in Economics from Princeton University and a PhD in Financial Economics from MIT's Sloan School of Management.

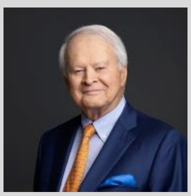
VBSC Investment Council

The VBSC Investment Council (IC) is composed of financial sector industry leaders who are passionate about helping VBSC achieve its ambitious objectives. We thank our council members for their generous support.

The IC's primary responsibility is to evaluate and provide guidance on investment presentations prepared by Analysts, ensuring adherence to the fund's Investment Policy Statement (IPS) and upholding a disciplined, research-driven investment process.

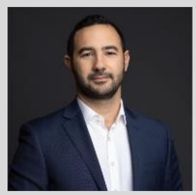
Chair
Christine Decarie (BCom'86)

Former Senior VP and
Portfolio Manager
Mackenzie Investments



Sebastian van Berkom

Founder, Partner, Chairman
and CEO of Van Berkom
and Associates Inc.



Alexander Tiscione

Partner, Analyst, Global
Equities at Van Berkom
Global Asset Management

Emma Roy

Investment Analyst at
Bastion Asset Management

Nicolas Chevalier

Managing Partner, Director and
Portfolio Manager Pembroke
Management Ltd

Elisabeth Lekhtman

Equity Analyst at Global Alpha
Capital Management

Jean-Mathieu Gareau

Director & Senior Portfolio
Manager at Intact Financial
Corporation

Professor Jiro Kondo

Academic Director, Investment
Management Program (IHM)

Investment Philosophy

Aligned and Competent Management

Warren Buffett once said, "I try to buy stock in businesses that are so wonderful that an idiot can run them. Because sooner or later, one will." While we respect this view, we believe it does not apply to small caps. The companies we invest in are early in their growth and the quality of management has an outsized impact on performance.

We focus on identifying management teams that are experienced, knowledgeable, and aligned with shareholders. We assess competence by looking at capital allocation decisions, returns on invested capital, and relevant industry experience. Alignment is evaluated through insider ownership and compensation structures tied directly to measurable value creation for shareholders.

We also review the Board of Directors since it oversees management and ensures accountability. We favor boards that are independent, engaged, and free of conflicts, ensuring decisions remain focused on sustainable value creation.

Weighting and Valuation

As the first cohort of Fund Managers, we developed a disciplined weighting framework aiming for 15 percent annual returns to double the fund over five years. All portfolio companies meet our key criteria: durable moat, capable management, strong balance sheet, and limited cyclicality.

Weighting is primarily based on expected returns, and valuation serves as a key input in assessing them. We also look for near-term catalysts that could help the stock converge toward our intrinsic value estimate, allowing us to remain disciplined while capturing upside potential.

Wide and Expanding Moats

We seek companies with durable and growing competitive advantages. By using realistic assumptions and fair multiples, we estimate intrinsic values that prevent us from overpaying for growth. Higher multiple companies tend to be more sensitive to earnings or industry volatility, so we focus our top weights on names with clear upside and reduce exposure when valuations become stretched.

Limited Downside Risk: Debt and Cyclicality

We protect capital by investing in companies with clear moats and financial strength. Qualitatively, we look for brand strength, switching costs, or cost advantages. Quantitatively, we favor firms with higher ROIC and margins than peers.

We avoid companies with excessive leverage or exposure to highly cyclical industries, as both increase vulnerability during downturns. Our focus remains on resilient businesses able to compound value across market conditions.

Fund Performance (invested capital)*

Opening Summary

Since inception and as of March 31, 2026, the Van Berkom Small Cap Fund generated a return of 8.30% compared to 10.40% for our benchmark. While relative performance is always important, we think it is equally important to look through the headline number and focus on what is driving returns at the individual holding level, especially this quarter. Unlike our benchmark, the portfolio had no exposure to commodity-related businesses, which were a significant driver of index performance during the period.

Market Movement

Over 2025, small cap performance was defined by a sharp Canada versus US divergence. The S&P TSX Small Cap materially outperformed, driven by a strong resources tilt and meaningful valuation rerating, with materials and gold linked names doing much of the heavy lifting. In contrast, the Russell 2000 delivered a more muted result, with returns leaning more on earnings and staying more constrained by rate sensitivity and periodic risk off moves.

In Q4 2025 and in Q1 2026, performance became choppier and more rotational, with leadership shifting quickly as investors repriced the rate path. Canada remained heavily influenced by commodity momentum and commodity volatility, keeping materials and energy central to index direction. US small caps were more reactive to changes in financial conditions, showing sharper swings around inflation prints, yields, and central bank messaging, with rallies tending to fade when rates backed up and credit conditions tightened.

Fund Decisions and Evolution

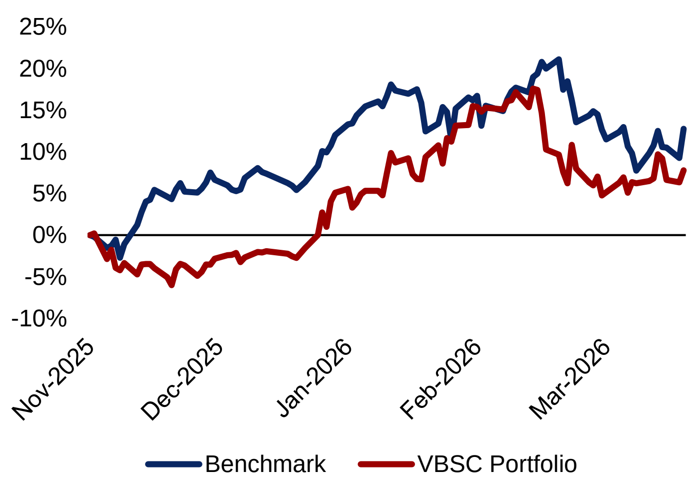
During the quarter, our priority was to protect capital while building conviction. We initiated/maintained three core equity positions (each currently ~2% of the portfolio) and allocated the remaining capital to a BMO money-market ETF to preserve liquidity while we advanced due diligence on additional ideas. This structure gave us two benefits: (1) measured equity exposure so security selection can start compounding, and (2) optionality to add to best ideas (or deploy into new names) quickly if volatility creates attractive entry points.

Looking ahead, our intention is to gradually increase active exposure as our pipeline matures and as we achieve higher conviction

Portfolio Return (invested capital)

	1 Mo.	3 Mo.	Since Inception 9/30/2025
VBSC Fund	(2.33%)	10.84%	8.30%
Russel 2000	(3.08%)	2.33%	1.78%
S&P/TSX Small Cap	(8.49%)	11.98%	19.16%
50% - 50% Benchmark	(5.78%)	7.27%	10.40%

Portfolio Performance (invested capital)



Capital IQ, Scotiabank, Bloomberg

**All performance figures are reported in CAD. Returns are calculated based on invested capital only and exclude cash balances and money market holdings. For performance figures based on total NAV, see accompanying VBSC NAV Performance file.*

Victory Capital Holdings

NASDAQ: VCTR

Victory Capital Holdings

NASDAQ: VCTR

Fiscal Year-end December 31.
Analyst: Carl Lambert

Quarterly Update

Starting with the average fee rate thesis, the firm reported a 47.4 basis point average fee rate, up 0.2 basis points quarter over quarter. Management maintained its 2026 guidance of 46 to 47 basis points, and our model continues to assume 47 basis points, consistent with current trends. On the net flows thesis, quarterly net flows were –$2.1 billion, bringing full-year 2025 to –1.7% of AUM, an improvement from –4.3% in 2024. Excluding the one-time $1 billion fund closure, flows are approaching our long-term assumption of roughly –1%, with early signs of international momentum from the Amundi partnership. Pioneer synergies are 88% realized within ten months. Management described the acquisition pipeline as the busiest in company history and emphasized readiness for larger strategic deals, supported by record-low leverage.

Company Overview

Victory Capital Holdings (NASDAQ: VCTR) is a multi boutique asset manager that partners with autonomous investment franchises offering differentiated equity, fixed income, and alternative strategies. Its disciplined, capital light model preserves affiliate investment independence while providing centralized distribution, operations, and risk management. Growth is driven primarily through targeted, extremely large acquisitions, supported by a scalable platform and strong client relationships.

Investment Thesis

1. Net Flows Neutrality : Expanded global distribution through the Amundi partnership and improved U.S. reach position Victory for flat-to-positive net flows. Early traction across institutional and retail channels supports continued flow stabilization.

2. Large Acquisition Catalyst : With leverage at a post-IPO low and management signaling readiness, Victory is well positioned to execute a large strategic acquisition. Such a transaction would enhance scale, earnings durability, and growth visibility.

3. Stabilizing Fee Rate : A growing mix of higher-fee "Solutions" strategies is slowing fee compression. This product shift supports fee stabilization and improves the quality of long-term revenue.

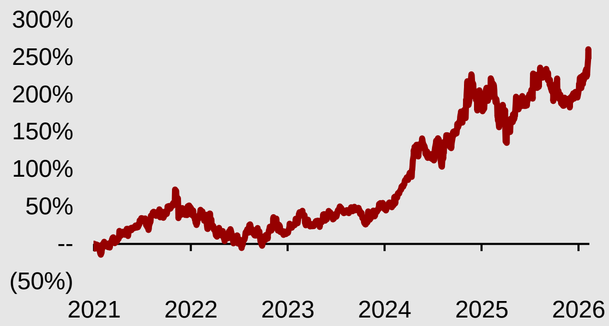
Competitive Advantage

Victory Capital Holdings (NASDAQ: VCTR) is a multi boutique asset manager whose autonomous affiliates run differentiated equity, fixed income, and alternative strategies. Its capital light platform preserves investment independence while providing centralized distribution, operations, and risk management. Growth is driven mainly by large, targeted acquisitions.

Company Summary

Market Cap ($M)	$4,794.5
Total Debt ($M)	$970.0
Enterprise Value ($M)	$5601.1
Shares Outstanding (M)	64.1
Float (%)	72.00%
Total Return – 3 Months	21.92%
Total Return – 1 Year	11.80%
Target Price	$97.37
Expected Return	28.9%

5 Year Dividend Adj. Return



Profitability Ratios

	2023A	2024A	2025A	2026E	2027E
ROE	28%	20%	19%	19%	12%
ROIC	11%	11%	13%	12%	19%
EBITDA %	48%	49%	48%	48%	45%
EBIT %	43%	44%	43%	44%	42%

Leverage Ratios

	2023A	2024A	2025A	TTM
TD/E	94%	95%	40%	40%
TD/TC	48%	49%	29%	29%
TD/EBITDA	2.4x	2.5x	1.6x	1.6x
ND/EBITDA	2.2x	2.2x	1.3x	1.3x

Growth Over Prior Year Metrics

	2023A	2024A	2025A	2026E	2027E
Rev. (%)	(4%)	(4%)	46%	23%	19%
EBITDA (%)	(3%)	(3%)	36%	48%	12%
EPS (%)	(5%)	(2%)	19%	16%	10%

Capital IQ

All $ amounts in USD

Interparfums Inc.

NASDAQ: IPAR

Interparfums, Inc

NASDAQ: IPAR

Fiscal Year-end December 31.
Analyst: Oaken Son

Quarterly Update

Interparfums closed FY25 with $1.49bn in sales (+2% YoY), landing nearly exactly on our $1.486bn estimate. While the U.S. market faced pressure, the portfolio remained resilient, driven by a upside surprise from Lacoste (+28%) and steady growth from Coach (+15%). The thesis is further de-risked by new 20-year licensing deals for David Beckham and Nautica. Market confidence is already reflecting in a 3% immediate share price increase after the announcement, further validated by CEO Jean Madar's recent $2M open-market share purchase.

Company Overview

Interparfums (NASDAQ: IPAR) utilizes a capital-light, general contractor model, outsourcing manufacturing to prioritize the formulation, marketing , and global distribution of prestige fragrances. Anchored by licensed heavyweights like Jimmy Choo, Montblanc, and Coach, the company drives growth through a combination of blockbuster launches and brand extensions, alongside strategic wins like Lacoste. Supported by a well-balanced global footprint and gross margins expanding to nearly 64%, Interparfums is now pivoting beyond traditional licensing into selective brand ownership. By acquiring assets such as Solferino, Off-White, and Goutal, the firm aims to secure full creative control and higher margins, building lasting equity in the ultra-luxury segment.

Investment Thesis

1. The market does not price in any major license acquisitions : The market misprices Interparfums' growth prospects, ignoring its unique position to win future licenses. While luxury brands fail at in-house fragrance, IPAR's proven operational scale makes it the partner of choice. With key competitors constrained, IPAR's strong balance sheet perfectly positions it to capture high-value licenses.

2. Brand Portfolio Shift and E-Commerce Scaling to Support Margin Growth : Interparfums is structurally expanding margins by pivoting to trademark ownership and accelerating high-margin e-commerce sales. Despite de-risking the portfolio by drastically reducing reliance on any single brand, shares trade at a significant discount to historical averages, failing to reflect this shift toward higher profitability and stability.

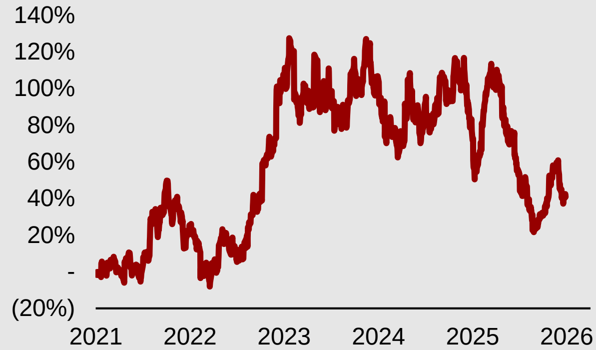
Competitive Advantage

Interparfums' specialized expertise creates a deep competitive moat, evidenced by the longevity of its partnerships. Luxury brands face high barriers to entry in fragrance, including complex supply chains and distinct consumer dynamics, making in-house production costly and risky. Partnering with Interparfums allows brands to leverage a proven, award-winning platform, significantly de-risking the category while ensuring execution excellence.

Company Summary

Market Cap ($M)	$2903.5
Total Debt ($M)	$207.7
Enterprise Value ($M)	$3037.7
Shares Outstanding (M)	32.1
Float (%)	56.4%
Total Return – 3 Months	7.9%
Total Return – 1 Year	(17.95%)
Target Price	$177
Expected Return	16%

5 Year Dividend Adj. Return



Profitability Ratios

	2023A	2024A	2025A	2026E	2027E
ROE	20%	22%	20%	20%	19%
ROIC	13%	15%	17%	17%	17%
EBITDA %	20%	20%	20%	21%	21%
EBIT %	19%	19%	18%	19%	19%

Leverage Ratios

	2023A	2024A	2025A	TTM
TD/E	27%	22%	19%	19%
TD/TC	21%	18%	16%	16%
TD/EBITDA	0.9x	0.7x	0.7x	0.7x
ND/EBITDA	NM	0.0x	NM	NM

Growth Over Prior Year Metrics

	2023A	2024A	2025A	2026E	2027E
Rev. (%)	24%	21%	2.5%	4%	6%
EBITDA (%)	35%	24%	(3)%	11%	7%
EPS (%)	42%	20%	2%	4%	6%

Capital IQ

All $ amounts in USD

Savaria Corporation

TSX: SIS

Savaria Corporation

TSX: SIS

Fiscal Year-end December 31.
Analyst: Basil Bibik

Quarterly Update

Q4 saw Savaria grow revenue 8.3% YoY a few bps ahead of our estimates. Organic revenues grew 5.2%, there was positive foreign exchange impact of 2.5% and the acquisition of Western elevator contributed to 0.6% of growth. The European Accessibility segment finally returned to positive organic growth (+2%) with the North American segment seeing continued strong organic growth (+7.2%). Patient Care grew 10%. Continued gains from Savaria One and operating leverage produced Savaria's highest EBITDA margins ever at 21.2%.

Company Overview

Savaria Corporation is a global manufacturer and distributor of accessibility and mobility solutions. The company's core offerings include stairlifts, home elevators, wheelchair lifts and patient care equipment. Savaria operates through a vertically integrated model, with manufacturing facilities across North America, Europe, and Asia, and distributes its products through an extensive network of independent dealers as well as direct channels. In Europe Savaria generates almost all of it's sales from stairlifts whilst in North America elevators and commercial platforms dominate the sales mix. Savaria's end markets are growing Mid to High single digits driven by aging demographics and increased home accessibility demand.

Investment Thesis

1. Savaria's revenue growth will beat analyst expectations: The market expects Savaria to grow revenue in line with it's end markets. We believe Savaria will be able to grow slightly higher than it's end market by using cross selling to capture market share. We also expect value creation from continued dealer acquisitions.

2. Continued Margin Expansion: Savaria's cost saving program, Savaria One, was successful in increasing Savaria's EBITDA margins. We expect this program to continue to drive margin benefits as many dozens of efficiency initiatives continue to be implemented each quarter and gains from the program are said to be accelerating. We also expect incremental EBITDA of 30% on new sales versus current EBITDA of 20%.

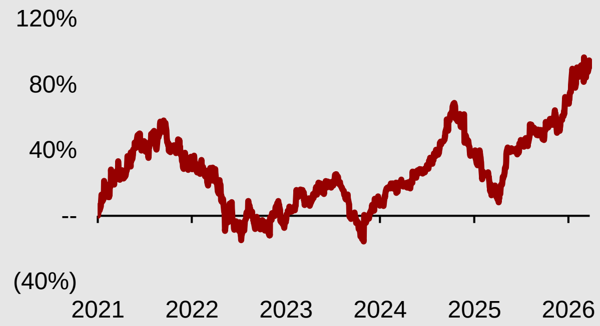
Competitive Advantage

Savaria has many competitive advantages that we believe to be sustainable. Firstly, it is the largest player in the industry and therefore benefits the most from economies of scale. Secondly, Savaria has the largest product breadth of any competitor which will allow it to cross-sell and gain share. This product breadth also allows Savaria to perform its very accretive dealer acquisitions.

Company Summary

Market Cap ($M)	$1,880.0
Total Debt ($M)	$205.0
Enterprise Value ($M)	$2,033.0
Shares Outstanding (M)	72.0
Float (%)	82.4%
Total Return – 3 Months	14.88%
Total Return – 1 Year	60.6%
Target Price	$35.50
Expected Return	35%

5 Year Dividend Adj. Return



Profitability Ratios

	2023A	2024A	2025E	2026E	2027E
ROE	7%	8%	12%	16%	16%
ROIC	14%	16%	20%	29%	33%
EBITDA %	14%	16%	18%	20%	21%
EBIT %	9%	10%	12%	15%	17%

Leverage Ratios

	2023A	2024A	2025E	TTM
TD/E	0.5x	0.4x	0.3x	0.3x
TD/TC	37%	34%	24%	24%
TD/EBITDA	2.7x	1.9x	1.2x	1.2x
ND/EBITDA	1.8x	1.5x	1.0x	1.0x

Growth Metrics

	2023A	2024A	2025A	2026E	2027E
Rev. (%)	6%	4%	5%	6%	7%
EBITDA (%)	7%	12%	17%	23%	10%
EPS (%)	-1%	18%	44%	51%	19%

Capital IQ

All $ amounts in USD

First Services Corporation

NASDAQ: FSV

First Services Corporation (NASDAQ: FSV)

Where Essential Services Meet Exceptional Execution.

FirstService

Recommendation

The VBSC fund is recommending a **BUY** on First Services Corporation with a five-year target price of US **$275.67** , giving us a **16.1% IRR**. This target price was derived from the expected forward valuation of the stock based on EV/EBITDA multiple under the base case scenario in 2030. Additionally, based on our discounted cash flow analysis, the company appears to be currently trading at approximately a 36.3% discount to intrinsic value. The market undervalues FSV by overlooking the combined impact of storm-driven recovery, disciplined M&A compounding, and margin expansion from mix shift and operating leverage.

Investment Theses

1. The market undervalues FSV by focusing on weak named-storm activity, overlooking the normalization-driven rebound in its roofing and restoration segments.
2. The market underappreciates FSV's compounding platform, misjudging its ability to sustain high-return tuck-in M&A at scale.
3. The market overlooks FSV's margin expansion potential, underestimating mix shift and operating leverage across segments.

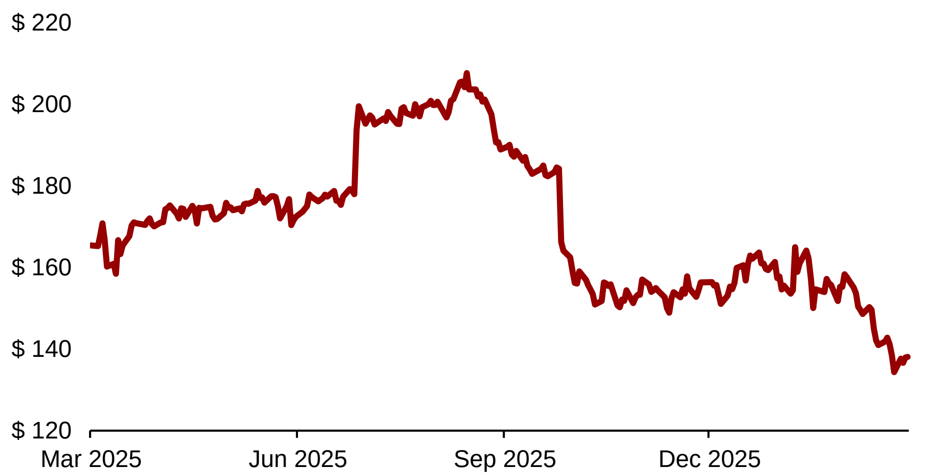
Company Overview

FirstService Corporation (NASDAQ: FSV) is a leading provider of essential property services, operating through two segments: FirstService Residential and FirstService Brands. The company delivers property management services to residential communities and a broad range of outsourced services such as restoration, roofing, and painting to commercial and residential clients. Its services are primarily recurring or non-discretionary, supported by long-term client relationships and strong local market positions.

The business benefits from a diversified service offering across North America, with operations spanning thousands of communities and service locations. FirstService Residential generates stable fee-based revenue through management contracts, while FirstService Brands combines franchise and company-owned operations to capture both recurring and event-driven demand. This hybrid model enables consistent cash flow generation while maintaining exposure to higher-growth service categories.

Across its segments, FirstService's competitive advantage is rooted in its decentralized operating model, strong brand portfolio, and long-standing client relationships. Its scale, local expertise, and disciplined acquisition strategy support continued market share gains and operational efficiencies, driving durable earnings growth and long-term value creation.

Dividend Adjusted Stock Price



Key Metrics

Stock Price	$136.42
Market Cap	$6.35B
EV	$8.05B
LTM Revenue	$5.5B
P/E	22.5x
EV/EBITDA	13.5x

Sources: Bloomberg, Company Filings

First Services Corporation (NASDAQ: FSV)

Where Essential Services Meet Exceptional Execution.

About Management and Firm History

"You should always be passionate about what you do and strive to make things happen! If you have a decision to make, make it. Try not to get weighed down in the details and let the opportunity pass you by." - Jay Hennick, Founder

FirstService's origins are rooted in the entrepreneurial drive of its 69-year-old founder, Chairman, and 6% (~375M$) owner Jay Hennick. As a teenager, Hennick started a pool management and lifeguarding business, which eventually evolved into College Pro Painters, now one of FirstService's core franchised brands, alongside several other early ventures. In 1989, he formally founded FirstService in Toronto with seed capital from friends and family, laying the foundation for what would become a scaled, multi-platform property services company. Over the following decade and a half, Hennick executed a disciplined acquisition strategy, consolidating fragmented residential property management and real estate service businesses across North America.

Today, FirstService is still very much run with an owner-operator mindset. Hennick remains actively involved as Chairman and a significant shareholder, ensuring long-term alignment with investors. His capital allocation philosophy has been consistent for over three decades: focus on essential, recurring service businesses in fragmented markets, reinvest heavily into organic growth, and complement this with a steady cadence of small, tuck-in acquisitions. This playbook has proven highly repeatable and is a key driver of the company's compounding track record.

Operationally, the business is led by CEO Scott Patterson, a long-tenured executive who has worked alongside Hennick for over 20 years. Patterson has been instrumental in scaling both the Residential and Brands segments, maintaining a strong focus on decentralized operations while enforcing disciplined cost control and margin improvement initiatives. That decentralized model is reinforced by an unusually strong incentive structure: FirstService's acquisition strategy is explicitly built around its "Partnership Philosophy," under which operating partners and major business leaders retain meaningful equity stakes in the businesses they continue to run, while FirstService provides capital, acquisition support, and strategic resources to help them grow. The company has also recently strengthened pay-for- at the corporate level. In its 2026 management circular, FirstService said future option grants are expected to vest over five- and six-year periods, with half vesting based on time and the other half vesting partially or fully only if performance criteria tied to compounded annual growth in adjusted earnings per share are achieved. In parallel, since 2024 the annual bonus plan is also tied to operating metrics such as the three-year average annual organic revenue growth.

The broader management team is similarly experienced, with many senior leaders having spent decades within the organization. This continuity matters: FirstService operates in labor-intensive, service-oriented verticals where execution and culture are critical. The company's ability to retain talent and integrate acquisitions successfully reflects a deeply embedded operating culture focused on service quality, accountability, and incremental improvement.

Overall, FirstService's management team combines founder-led vision, long-tenured operational expertise, and disciplined capital allocation. This alignment has been central to the company's ability to scale a fragmented industry into a high-quality, recurring revenue platform with durable growth.

Sources: Bloomberg, Company Filings

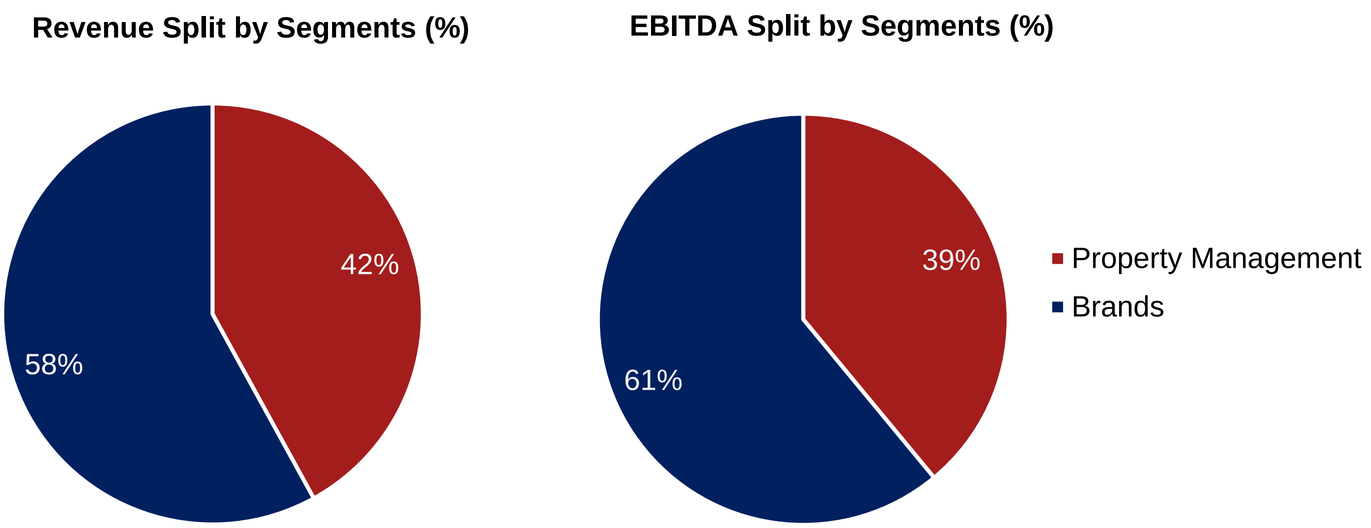
First Services Corporation (NASDAQ: FSV)

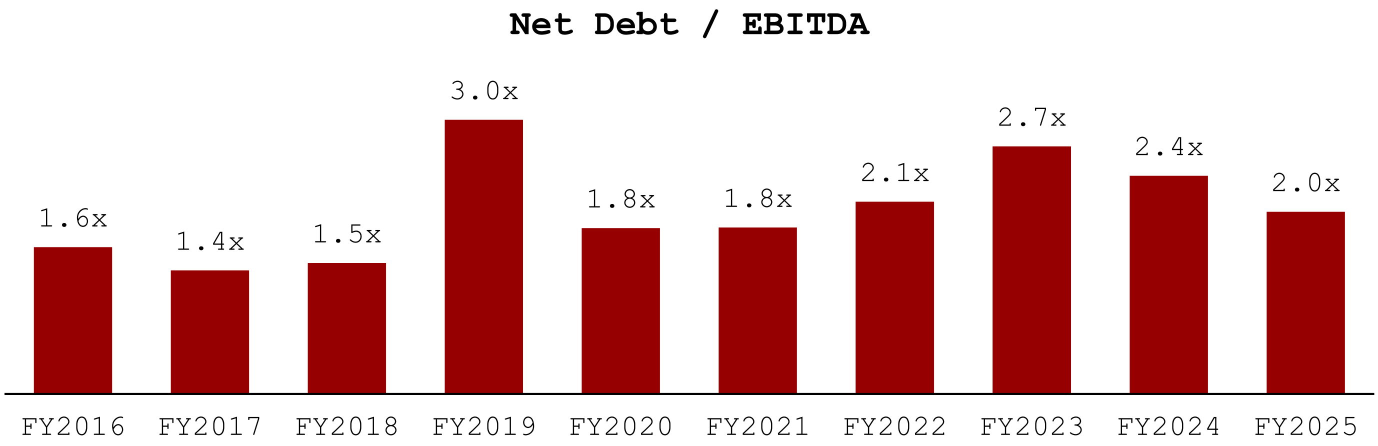
Where Essential Services Meet Exceptional Execution.

Company Description

In 2025, the company generated $5.5 billion of revenue and $563 million of adjusted EBITDA, with the mix skewed toward the higher-margin Brands segment. Specifically, FirstService Residential accounted for approximately 42% of revenue but only 39% of EBITDA, while FirstService Brands represented 58% of revenue and 61% of EBITDA, highlighting structurally stronger margins in the Brands platform.

The Residential segment is fundamentally a property management platform focused on residential communities such as condominiums, homeowner associations (HOAs), and master-planned developments. Concretely, FirstService acts as the outsourced operator of these communities: it manages budgets, collects fees, oversees governance and compliance, and provides day-to-day operational services such as concierge staffing, maintenance, engineering, and amenity management. Beyond core management contracts, the company monetizes a broad set of other higher margins services (insurance and banking, energy procurement, and transaction services like property transfers and disclosures). From a revenue perspective, this segment is highly recurring and contract-based, with mid-90%+ retention rates. Importantly, this is a lower margin but extremely stable business making it the foundation of FirstService's cash flow profile.





Sources: Bloomberg, Company Filings

First Services Corporation (NASDAQ: FSV)

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Company Description (Continued)

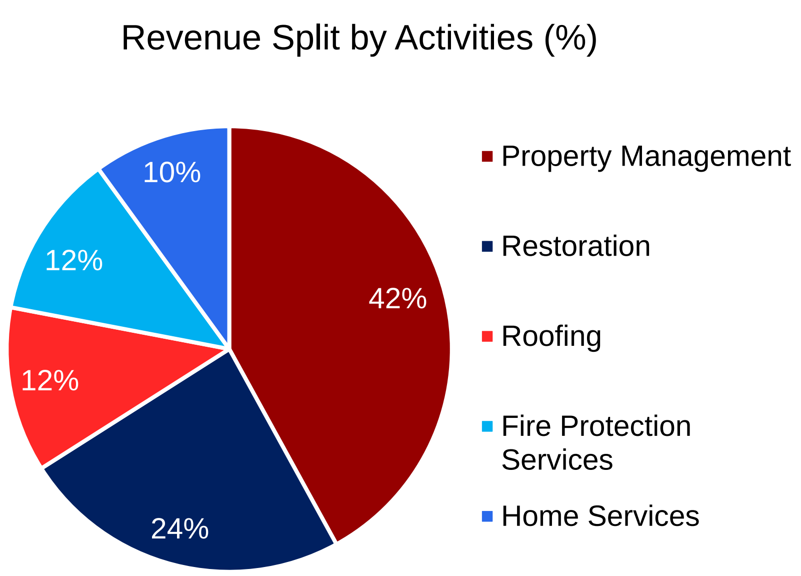
The Brands segment is a collection of leading property service platforms operating across four core verticals: restoration, roofing, fire protection, and home services. Unlike Residential, this segment is more operationally intensive and project-driven, but benefits from higher margins and more growth. Only 7% of the brands segment sales are linked to royalties from franchise operations (4.3% of total company sales).

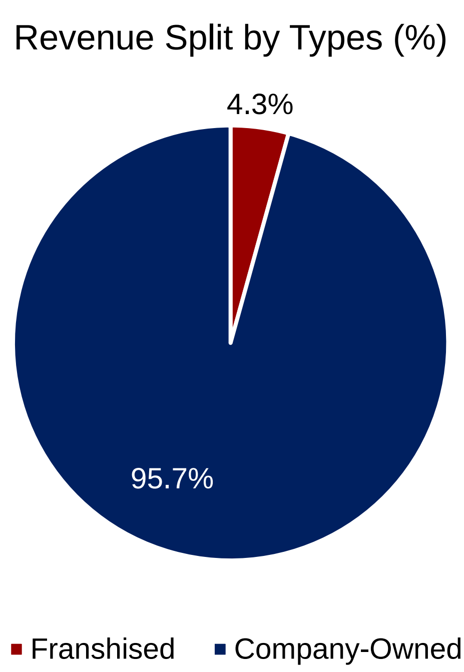
Within Brands, the largest vertical is restoration (42% of brands revenue, 24% of total sales), where FirstService provides emergency and reconstruction services following water, fire, or weather-related damage. This is a mission-critical, non-discretionary service often funded by insurance (+90%), making it largely non-cyclical and driven by increasing frequency and severity of natural disasters.

The roofing segment (~20% of brands revenue, 12% of total sales) focuses primarily on commercial re-roofing, repair, and maintenance, with roughly two-thirds of activity tied to replacement and repair cycles. This business benefits from the aging building stock and the non-deferrable nature of roof maintenance.

The fire protection segment (~20% of brands revenue, 12% of total sales) provides installation and ongoing inspection and servicing of sprinkler and alarm systems. About half of revenue comes from recurring inspection and service contracts, while the remainder is tied to installation. This vertical is supported by increasingly stringent regulatory requirements and compliance-driven demand, making it both recurring and structurally growing.

Finally, home services (~18% of brands revenue, 10% of total sales) include franchised and company-owned operations such as painting, home inspection, and flooring. While more exposed to housing activity and consumer sentiment, this segment benefits from long-term tailwinds tied to home improvement spending and rising home equity.





Sources: Bloomberg, Company Filings

First Services Corporation (NASDAQ: FSV)

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Competitive Advantage

FirstService Corporation has surprisingly strong competitive advantages, most of which stem from the fact that it is the largest player in most industries in which it operates.

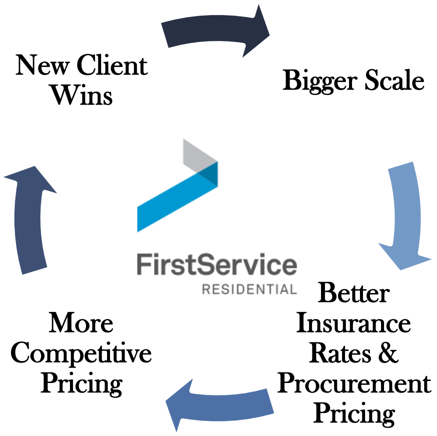
In its property management segment (42% of sales), FirstService is at least twice as large as its closest competitor, Associa. The company leverages this scale to secure better pricing for the services it resells to clients. This advantage is particularly meaningful in insurance products. Indeed, FirstService uses the volume of its 1.7 million units under management and strong operational track record to negotiate better insurance rates, which it passes on to homeowners. It even operates an in-house brokerage firm to further enhance competitiveness and secure brockage fees.

Additionally, for the same reasons, FSV's homeowners' associations benefit from better financing terms when funding property improvements or repairs, as well as more favorable interest rates on cash balances. In states like Texas, where homeowners' associations (HOAs) directly negotiate utility rates with gas and electricity providers, FirstService can secure better pricing than smaller competitors. On average, the company can negotiate prices that are approximately 10–15% more competitive than its peers on everything mentioned above. It uses this cost advantage, along with its strong reputation, as a key selling point to win new contracts.

For the Brands segment (58% of sales), managing 1.7 million units provides access to a significant volume of free leads. This reduces customer acquisition costs and allows FirstService to bid more quickly, improving perceived professionalism. Property managers also share competing bids, giving FirstService's construction subsidiaries the opportunity to adjust pricing and offerings accordingly. With that said, it is important to note that FSV property managers are legally obligated to select the best offer, so FSV must remain competitive, but it still benefits from a clear structural advantage.

Furthermore, this segment benefits from bulk purchasing power, with material and equipment cost savings estimated at 5–10% compared to smaller players. This enables FirstService to offer better pricing while maintaining higher margins than competitors. The company also benefits from lower insurance expenses on its own operations.

Finally, in its restoration services business (24% of sales), FirstService's broad geographic coverage provides additional leverage when negotiating with insurance companies. Insurers are often willing to pay more to work with fewer vendors that have a proven track record of delivering high-quality repairs on time.



Sources: Bloomberg, Company Filings

First Services Corporation (NASDAQ: FSV)

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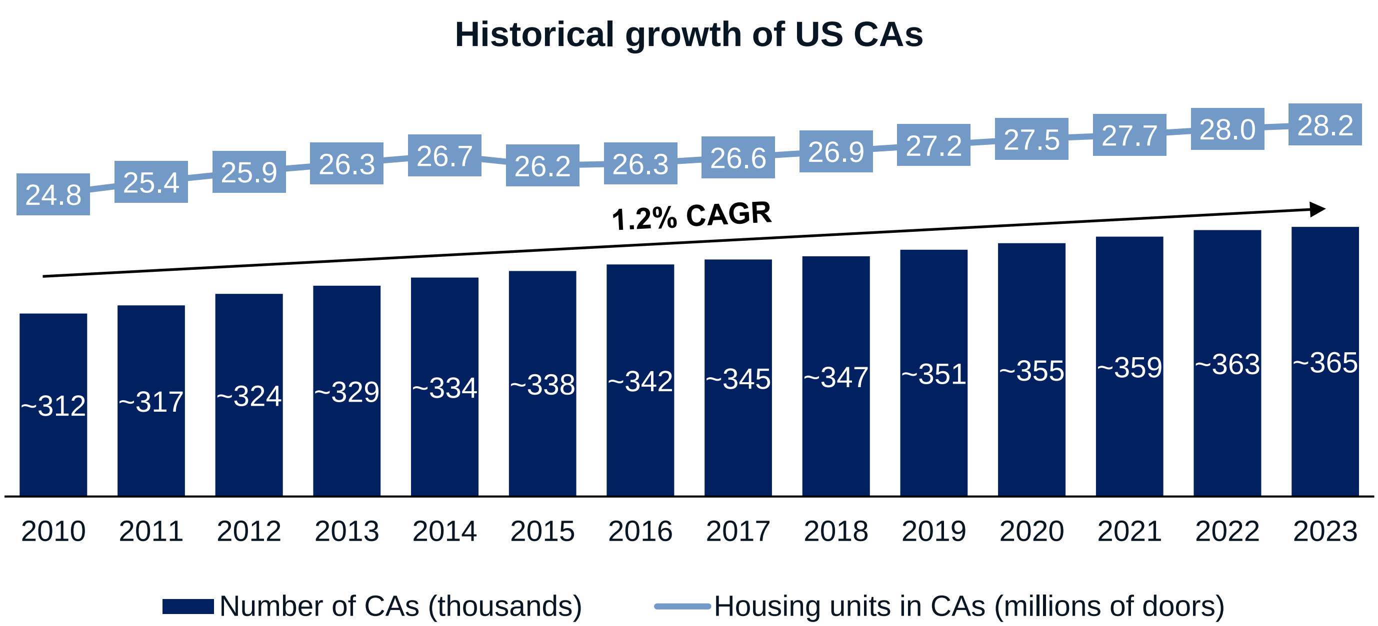
Industry Overview

Property Management

FSV is the market leader in U.S. residential community management, with roughly 7.5% share of an approximately $30 billion market. Growth is modest but durable: HOA and community association growth is expected at around 1.2% annually through 2028, while broader property management services grow at roughly 4% to 5%+, depending on definition. The industry remains highly fragmented, with approximately 9,000 to 10,000 management companies; around 30% to 40% of associations are still self-managed, and most market share is held by small local firms. The most relevant scaled competitor is Associa. Key trends include continued HOA formation, conversion from self-managed communities to outsourced managers, and increasing complexity around insurance, compliance, banking, and resident communication, all of which support sticky, recurring revenue.



Fire Protection Services:

Century Fire operates in an approximately $12 billion U.S. market with about 5% market share, making it a meaningful scaled player in a still fragmented regional industry. Expected market growth is about 4.35% CAGR through 2029. Competition remains largely regional rather than national, and ongoing consolidation opportunity with private equity backed strategics becoming more active. The key trends are tighter code complexity, recurring inspection and service work, and compliance driven demand, which make the segment more recurring and less discretionary than typical construction exposure.

Sources: Bloomberg, Company Filings

First Services Corporation (NASDAQ: FSV)

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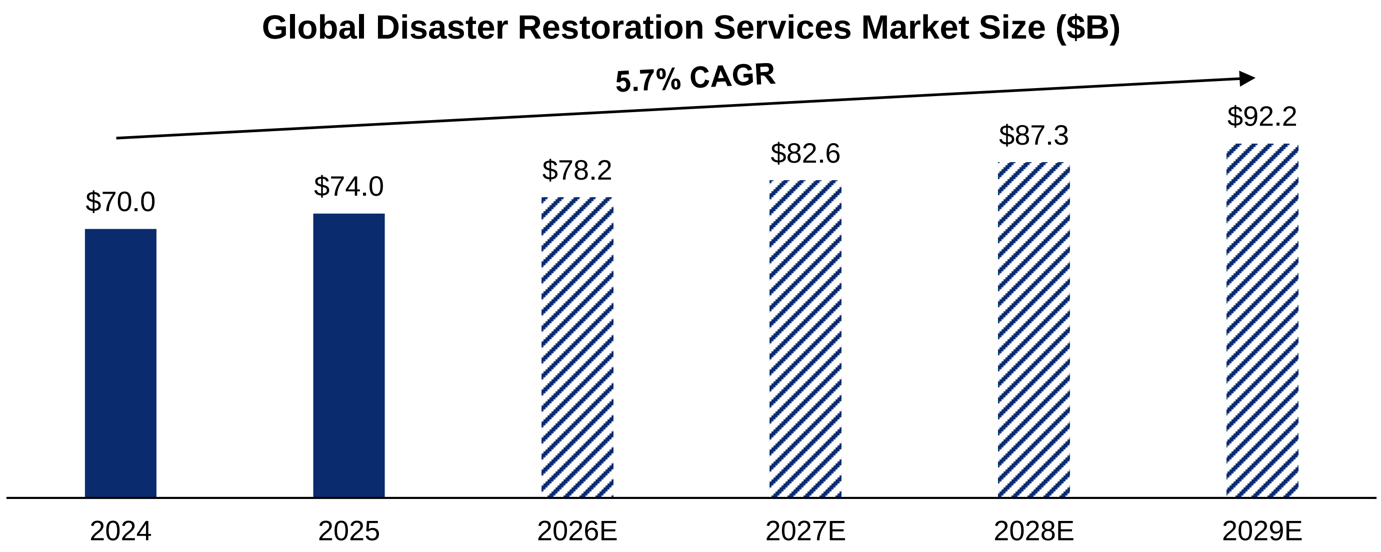
Industry Overview (cont.)

Restoration:

FSV holds about 4% share of a roughly $60 billion U.S. restoration market, with a large combined platform through First Onsite and Paul Davis. Projected growth is about 5.6% CAGR, supported by a growing installed property base and elevated catastrophe activity. Competition is extremely fragmented, with around 60,020 U.S. damage restoration businesses, but scaled branded networks matter because response time, insurer relationships, and franchise density are competitive advantages. The key trends are increasing weather severity, non-discretionary repair demand, and ongoing consolidation.



Home Improvements:

This vertical is best viewed as a basket of transaction and remodel linked categories where FSV competes through CertaPro, Pillar To Post, Floor Coverings International, and California Closets. Market share varies by brand: painting about 1% share of a $50 billion market, home inspection about 3% share of a $3 billion market, floor covering under 1% share of a $65 billion market, and custom closets about 12% share of a $6 billion market. Growth also varies by subcategory, with painting at about 5.6% CAGR, home inspection at about 7.24% CAGR, floor covering around 3.1% CAGR, and closet improvements around 5.9% CAGR. Competition is highly fragmented, with about 231,544 painting businesses, 30,620 building inspection businesses, and 109,777 flooring installers in the U.S.; the key trend across all four is that demand is heavily linked to housing turnover, home equity, remodeling spend, and consumer confidence, so this is the most cyclical part of the portfolio.

Sources: AlphaSense, Company Filings

First Services Corporation (NASDAQ: FSV)

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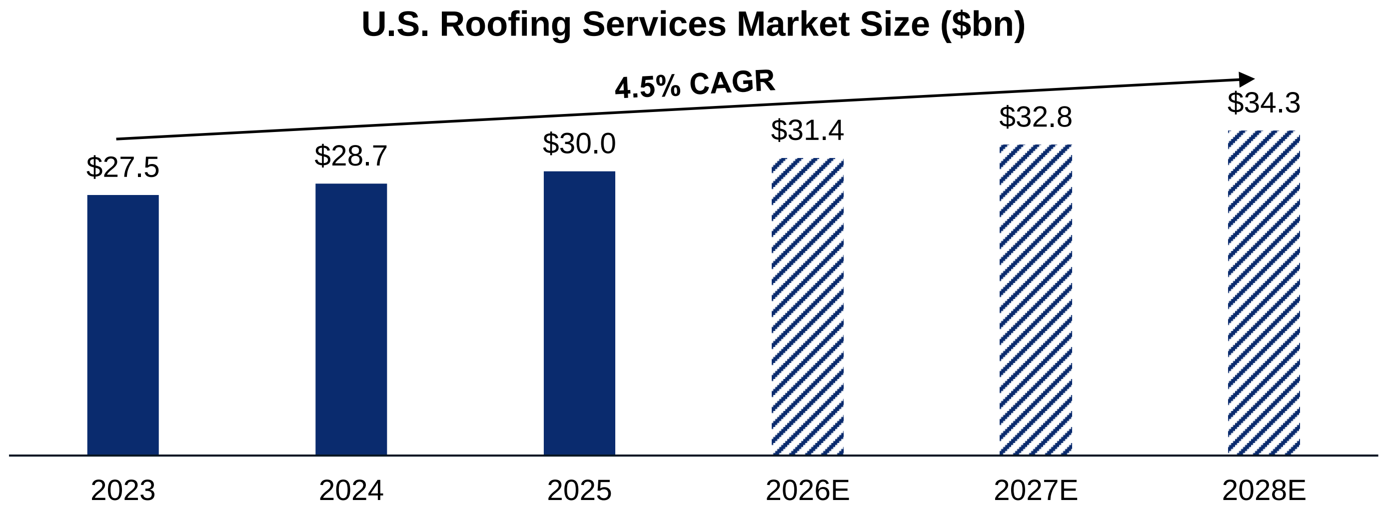
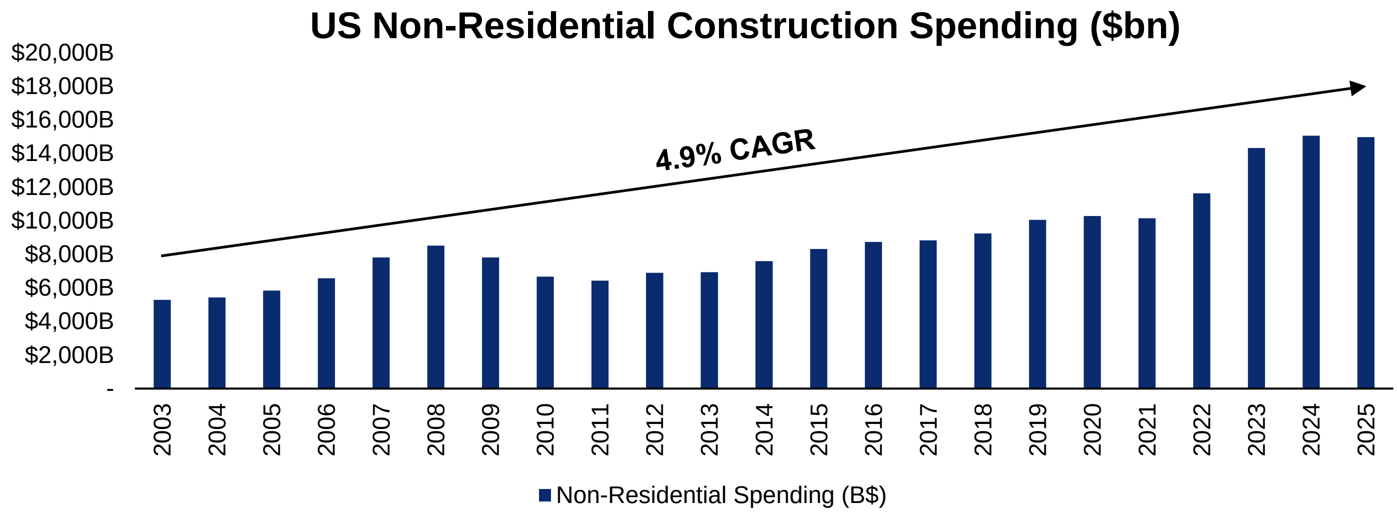
Industry Overview (cont.)

Roofing:

Roofing Corp of America has about 1.5% share of a roughly $45 billion U.S. roofing market, so even as a top three player it remains small relative to the total addressable market. Projected market growth is about 4.5% CAGR, with demand driven mostly by reroof and repair rather than new construction. Competition is very fragmented, with around 105,876 roofing contractors in the U.S., and even after consolidation the top five players still hold less than 10% share. The key trends are replacement cycle driven demand, exposure to both housing turnover and commercial reroofing, and steady consolidation as strategic buyers and private equity continue to roll up local operators.





Sources: Bloomberg, Company Filings, FRED (St. Louis Fed), U.S. Census Bureau

First Services Corporation (NASDAQ: FSV)

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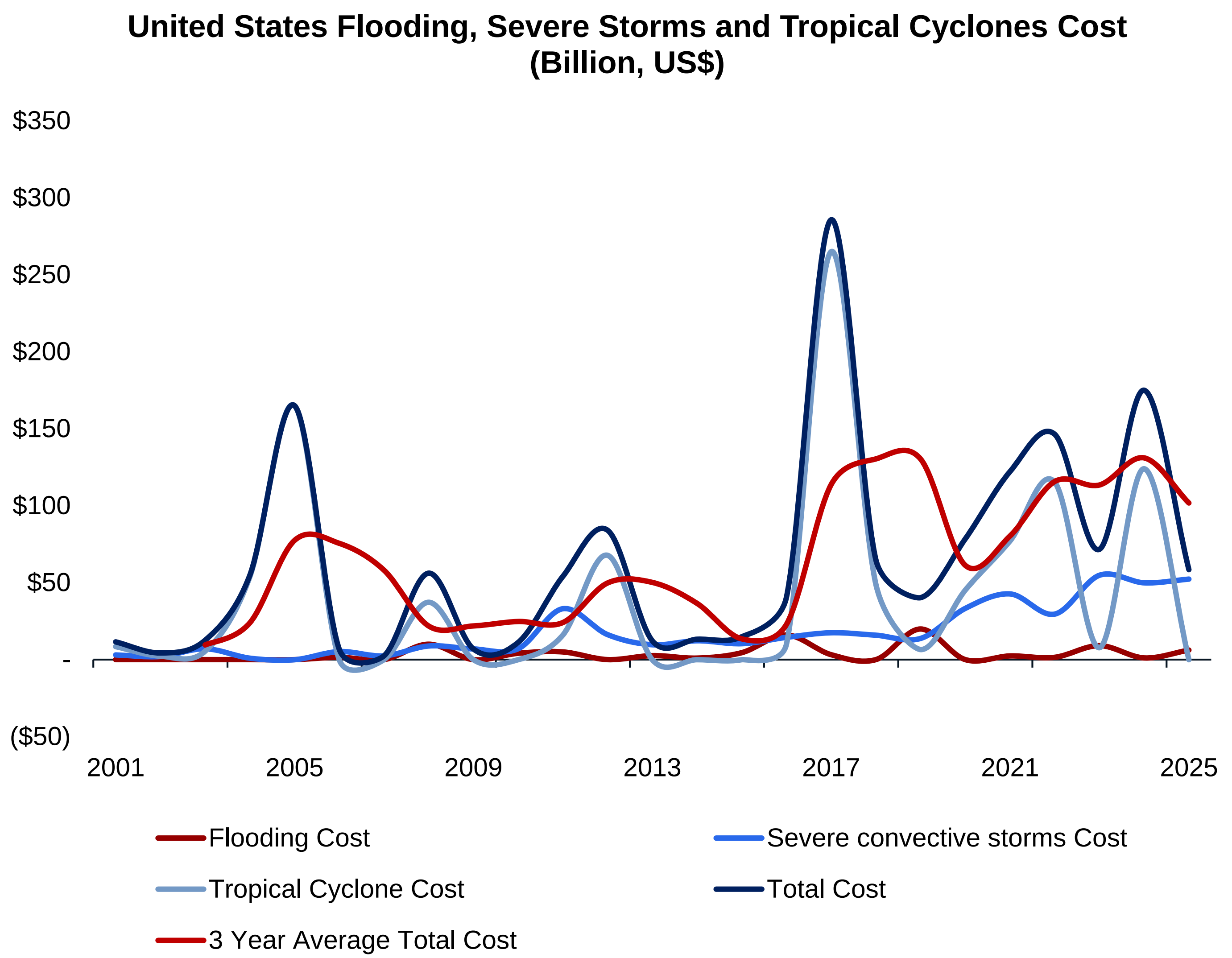
FirstService

Thesis 1: Storm Normalization Unlocks the Next Wave of FSV Growth

The company is currently being valued on depressed, anomaly-level storm activity, creating a clear disconnect between reported earnings and normalized earning power. In 2025, despite high hurricane intensity globally, the U.S. experienced no hurricane landfalls for the first time in a decade, resulting in an unprecedented decline in damages. Data from the US National Centers for Environmental Information reveals that total damages from flooding, severe storms, and tropical cyclones declined by ~66% year-over-year, while hurricane-related damages fell by over 99% (from ~$124B in 2024 to <$1B in 2025).



FSV has meaningful exposure to storm-driven demand, particularly through its restoration (24% of sales) and roofing (12% of sales) segments. In aggregate, approximately 36% of revenue is directly or indirectly tied to storm activity.

Sources: NOAA, Insurance Information Institute

First Services Corporation (NASDAQ: FSV)

Where Essential Services Meet Exceptional Execution.

FirstService

Thesis 1: Storm Normalization Unlocks the Next Wave of FSV Growth (Continued)

Restoration

Within restoration, revenue is structurally composed of:

- Non-catastrophic ("non-cat") work: recurring, high-frequency events (plumbing leaks, mold), providing stable baseline revenue
- Catastrophic ("cat") work: low-frequency, high-severity events driven by natural disasters

Historically, catastrophic events have represented a material and volatile earnings driver. Management indicated that "First Onsite has historically generated 15% to 20% of its annual revenue from area-wide events or named storms". In the most recent earnings call, management disclosed that: "on average since 2019, revenue from named storms has exceeded 10% of total restoration revenues". However, in 2025, this figure dropped to less than 2%, marking the lowest level in the company's history (vs. ~6.4% in 2024 and >10% in 2023). As a result, the restoration segment experienced negative organic growth (-4%) for the first time since its acquisition. Importantly, this does not reflect structural deterioration: since its acquisition in 2019, the platform has delivered an average of 8% CAGR, demonstrating strong underlying growth and expert interviews revealed that the general sector is down 15 to 20% sales wise compared to 2024 suggesting that FSV gained significant market share in 2025. The market is misinterpreting this temporary weakness as a structural slowdown.

Our base case assumes that named storm-related revenue returns to its conservative historical average (~10% of restoration revenue) over the next two years. This implies approximately $330M (~6% of total sales) of incremental revenue from restoration activities alone, with meaningful flow through to EBITDA given the operating leverage inherent in restoration services. Beyond normalization, there is a structural long-term tailwind. Over the past 20+ years, disaster-related costs have grown at ~11.4% CAGR (based on 3-year averages), driven by increasing storm frequency and severity. Climate trends, including rising global temperatures, are expected to sustain or accelerate this dynamic, supporting long-term demand for restoration services.

Roofing

The roofing segment further reinforces this thesis. FSV entered the segment in December 2023 through a platform acquisition, with approximately 90% of revenue tied to commercial projects. While the segment delivered strong organic growth of 10% in 2024, outperforming the 5.1% increase in U.S. commercial construction spending, performance weakened in 2025, with organic growth estimated at -8% versus 0.6% growth in construction spending. This apparent underperformance is partly distorted by unusually strong data center investment, which inflated construction spending but did not meaningfully benefit the roofing industry. More importantly, roofing demand was impacted by low storm activity. Industry data supports this weakness, with asphalt roofing shipments declining by 10.3% in 2025, confirming that the slowdown was driven by external factors and suggesting that FSV likely gained market share during the year. Crucially, a significant portion of this weakness reflects deferred rather than lost demand. Approximately two-thirds of FSV's roofing revenue are derived from repairs and replacements on existing infrastructure, providing a resilient base of demand.

In 2025, tariff uncertainty led many commercial customers to postpone roofing and broader capital expenditure decisions. This dynamic is supported by industry data: Associated Builders and Contractors reported that nearly 20–22% of projects were delayed or paused due to tariffs, with backlog levels rising to a 20-month high. As a result, delayed project awards and elevated backlog creates a clear setup for recovery, as these projects are expected to convert as visibility improves. In this context, management's guidance of 5–6% organic growth in 2026 appears conservative, supported by both backlog conversion and the low likelihood that storm-related damage remains at 2025's record-low levels. While precise storm-related exposure within roofing is not disclosed, the same normalization dynamic should apply. Accordingly, the model factors in 5.5% organic growth in 2026 for roofing.

Sources: Alpha Sense, Associated Builders and Contractors, Company Filings, Asphalt Roofing Manufacturers Association

First Services Corporation (NASDAQ: FSV)

Where Essential Services Meet Exceptional Execution.

Thesis 2: A Platform Compounder with Superior Synergies and an Underestimated M&A Runway

Superior Synergy Realization vs. Private Equity

The growth runway of FirstService Corporation (FSV) is underestimated by the market, as investors increasingly believe that the roll-up opportunity set has been exhausted. This perception is driven by the rise of larger and more numerous private equity funds in the United States, which intensifies competition for acquisitions and compresses returns. While it is true that tuck-in acquisition multiples have generally increased over time due to this competition, I believe FSV retains structural advantages that enable it to consistently achieve its targeted minimum 15% IRR on acquisitions. The core of this advantage lies in FSV's ability to extract greater synergies than other serial acquirers. In its property management segment, as the biggest player by far, FSV can secure discounted pricing across insurance, utilities, and banking relationships (as detailed in the moat paragraph). FSV can also better increase its tuck-ins margins as it spreads its overhead cost over more businesses. Indeed, centralized functions such as call centers, AI-powered chatbots, accounting, and legal services further drive operating leverage, creating a clear path for margin expansion and enhanced organic growth for acquired businesses. In the Brands segment, while overhead leverage remains important, the most differentiated advantage is FSV's ability to generate and distribute free leads. Newly acquired businesses immediately gain access to a network of over 1.7 million managed units, providing a powerful and difficult-to-replicate source of organic growth. In addition, centralized procurement lowers input costs. In aggregate, these advantages suggest that FSV can theoretically outbid private equity buyers while still generating superior returns. A secondary structural advantage stems from valuation dynamics. FSV primarily competes against private companies, which are typically valued at a discount to public peers. Academic research suggests that public companies trade at a 10–30% premium due to higher transparency, stricter disclosure requirements, and greater liquidity. As such, FSV benefits not only from acquiring assets at private-market valuations but also from the potential for valuation uplift post-integration.

Longer Runway Than Priced In

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Strong returns on acquisitions are only valuable if a sufficient opportunity set remains. To address this concern, it is useful to distinguish between two broad types of serial acquirers. First, traditional roll-ups operate within a single industry and achieve high synergies but are ultimately constrained by total addressable market (TAM) limitations. A perfect example would be Couche Tard. The second type are conglomerates like General Electric. They face no TAM constraints but typically fail to generate meaningful synergies, making them difficult to differentiate from private equity. FSV occupies a differentiated middle ground through its platform-based model. This structure enables the company to capture significant synergies while maintaining the flexibility to expand into adjacent industries through platform acquisitions. Currently, FSV operates across four platforms that share meaningful synergies, particularly through lead generation and procurement scale. Importantly, FSV still has a substantial runway within its existing platforms, as its geographic penetration remains limited in several key industries, particularly roofing and fire protection services. Historically, FSV has entered new verticals by acquiring platform companies from PE funds seeking exits. Notably, this dynamic mitigates competitive pressure from private equity, as it effectively transforms PE activity into a source of future acquisition opportunities for FSV.

Current platforms	Year entered	Geographic presence	Market share	Average number of deals per year
Property management	N/A	25 states; 3 provinces	7.50%	3
Restoration	2019	38 states; 9 provinces	<4%	3
Fire protection services	2016	13 states; 0 provinces	5%	2
Roofing	2023	14 states; 1 provinces	1.5%	3

Sources: Alpha Sense, Company Filings

First Services Corporation (NASDAQ: FSV)

Where Essential Services Meet Exceptional Execution.

FirstService

Thesis 2: A Platform Compounder with Superior Synergies and an Underestimated M&A Runway

Longer Runway Than Priced In (Continued)

Beyond its current platforms, there are several additional verticals into which FSV could expand while preserving high synergy potential, further reinforcing the long-run growth thesis. Historically, they acquired a new platform approximately every 3 years.

Platforms	Approx. tuck-in multiple[1]	Approx. platform multiple[1]	Number of business players	Consolidation info	Consolidation level
HVAC, heat pumps, plumbing (pipes)	6x-10x	10x-17x	105,000	PE controls 20%	Medium
Building envelopes (doors, windows, exteriors)	5x-10x	10x -12x	35,000	No companies hold more than 5% market share	Low
Landscaping / pools	4x-7x	7x[2]	720,000	Top 10% players control 6% of markets	Very Low
Pest control	6x-10x	14.3x[3]	34,000	5 biggest firms control 68.1% market share	High
Electrical services	6x-10x	10x-11x	255,000	No companies hold more than 5% market share	Low
Elevator maintenance	9x-10x	17.3x[4]	32,000	Top 4 control 55% of US market	High

In my view, the top 3 best platform acquisitions going forward would be in the exterior facing industry, followed by the HVAC industry and the Amenities Services industries. They would all benefit from the free leads generated by the 9,500 associations that FSV manages, but they would also have more synergies:

Exterior Facing Industry

For the exterior facing industry (Installation of Doors, Windows, and Exterior Siding): roofing and siding make a perfect operational pair, as many of the core installation skills are identical and the target customer base heavily overlaps. Consumers increasingly prefer a turnkey, one-stop shop that can handle all exterior renovations simultaneously, allowing for coordinated design choices and a single point of accountability.

HVAC, Heat Pumps, Plumbing, and Water Heaters industry

The HVAC, Heat Pumps, Plumbing, and Water Heaters industry would share lots of synergies with the restoration segment. Indeed, First Onsite specializes in large-loss commercial restoration and disaster recovery. Water-related events, such as natural flooding or mechanical pipe bursts, account for nearly 70% of all emergency responses for First Onsite. Integrating plumbing services directly into the restoration workflow creates a powerful operational loop. Plumbers dispatched for emergency water heaters or pipe failures naturally generate highly qualified leads for water mitigation and mold remediation services. Conversely, when First Onsite is called to a catastrophe, having a dedicated internal HVAC and plumbing arm allows the company to execute the entire reconstruction phase without relying on external subcontractors, significantly improving project margins and timeline control.

1: Pre-Synergies EV/EBITDA Multiple, 2: Based On BrightView Holdings, Inc, 3: Based On Rentokil Initial plc, 4: Based On API Group Corporation

First Services Corporation (NASDAQ: FSV)

Where Essential Services Meet Exceptional Execution.

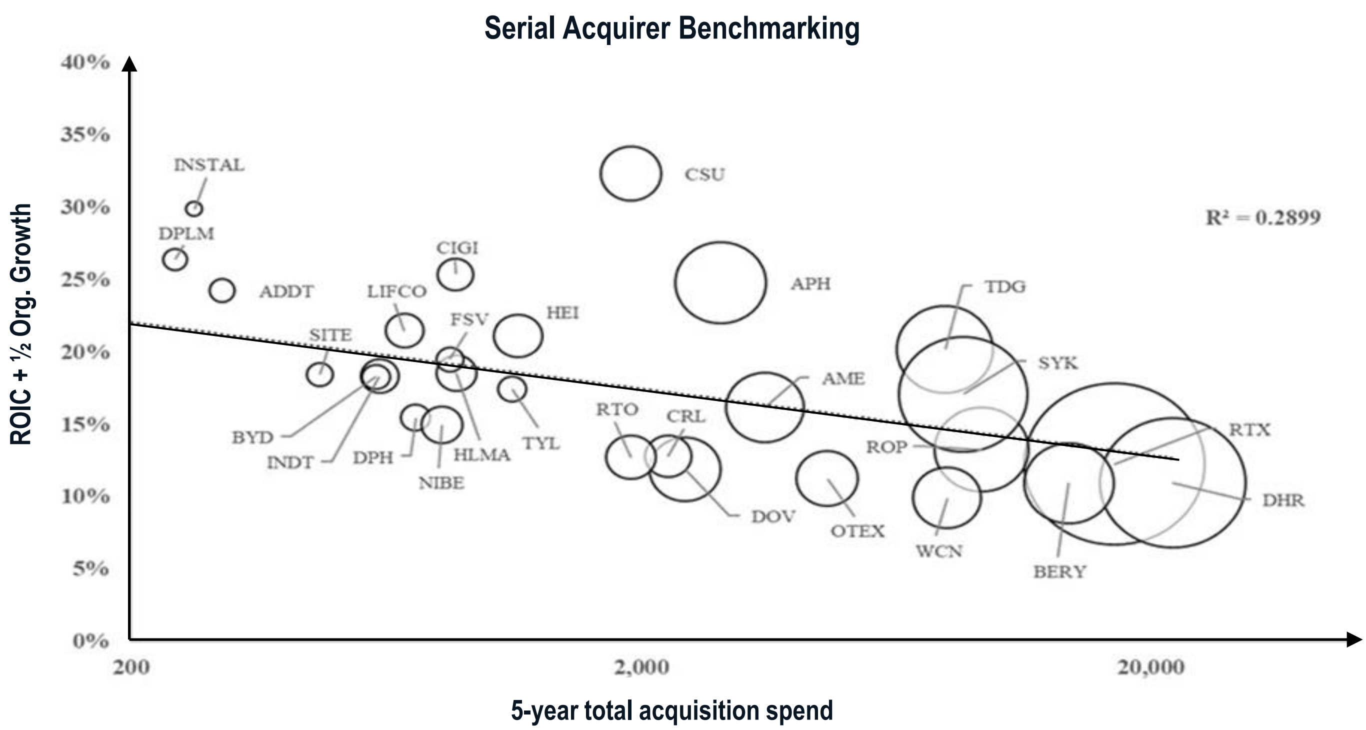
Thesis 2: A Platform Compounder with Superior Synergies and an Underestimated M&A Runway

Landscaping and Pools

To continue, further expansion in Exterior Amenities (landscaping and pool installation services) would result in great risk mitigation. Indeed, in the property management industry, the visual appearance of a community is a direct reflection of the management company's competence. If a third-party landscaping or pool vendor performs poorly, the property management firm is often blamed, risking the loss of the overarching management contract. Owning the service provider eliminates this risk, allowing FSV to guarantee service excellence across its managed portfolio. Notably, FSV is currently operating a very small number of amenity services companies, but they do not have one large platform.

How to fight the "law of diminishing returns" in M&A

A common concern for serial acquirers is the "law of diminishing returns" in M&A. Academic literature shows that as companies scale, incremental returns on acquisitions tend to decline. This is primarily because larger firms must pursue larger targets to sustain growth, which typically come at higher valuation multiples and offer fewer synergy opportunities due to prior optimization.



- Bubble size = amount of EBITDA, USD
- X axis = log scale of cumulative M&A spend over the past 5 years
- Y axis = ROIC + 50% of organic revenue growth

Sources: *REQ Capital's December 2023 research deck: A Deep Dive into Shareholder Value Creation by Acquisition-Driven Compounders*

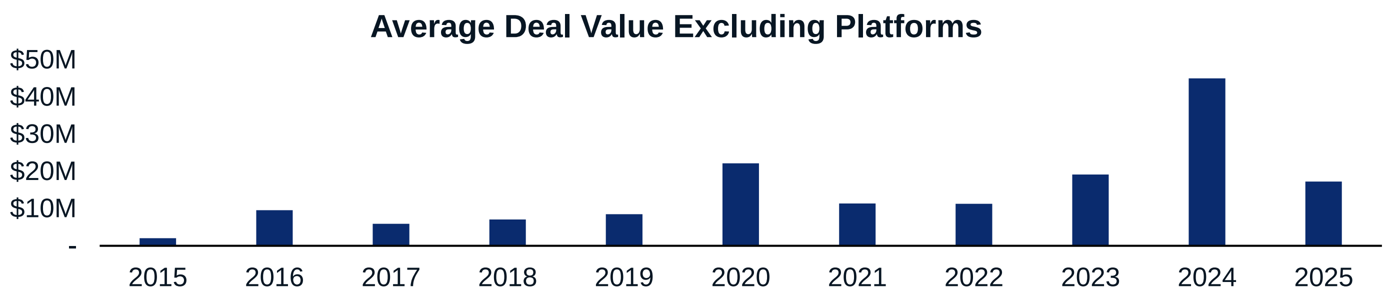
First Services Corporation (NASDAQ: FSV)

Where Essential Services Meet Exceptional Execution.

Thesis 2: A Platform Compounder with Superior Synergies and an Underestimated M&A Runway

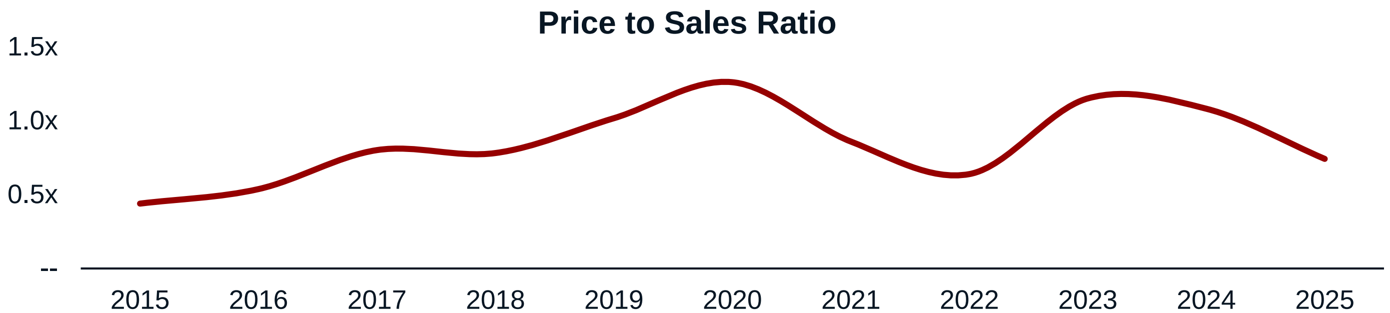
How to fight the "law of diminishing returns" in M&A (Continued)

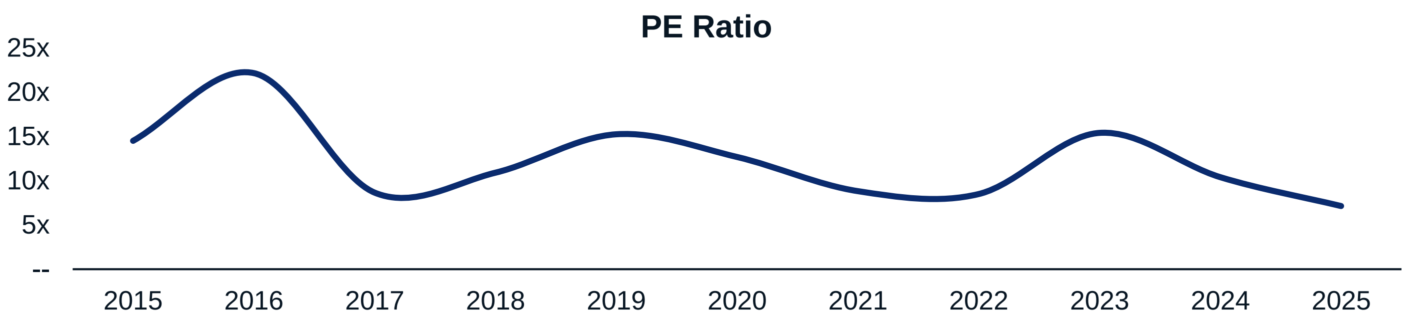
FSV is uniquely positioned to mitigate this dynamic. Its decentralized platform structure allows acquisition activity to be delegated at both the platform and regional levels, enabling the company to scale through a high volume of small transactions rather than larger, more competitive deals. This approach reduces exposure to multiple expansions inherent to acquiring larger companies and preserves the ability to generate strong returns over time.



Tuck-Ins deal value remains very small over time with most years having the average deal value (including minority ownership) under 20 million dollars.

Average Valuation Multiple of FSV Acquisitions (Including Minority Ownership Value):





FSV has a track record of paying consistent and disciplined multiples for their acquisitions. It's worth noting that values for the years 2016, 2019, and 2023 are inflated due to the acquisition of a new platform.

Sources: Company Filings

First Services Corporation (NASDAQ: FSV)

Where Essential Services Meet Exceptional Execution.

Thesis 2: A Platform Compounder with Superior Synergies and an Underestimated M&A Runway

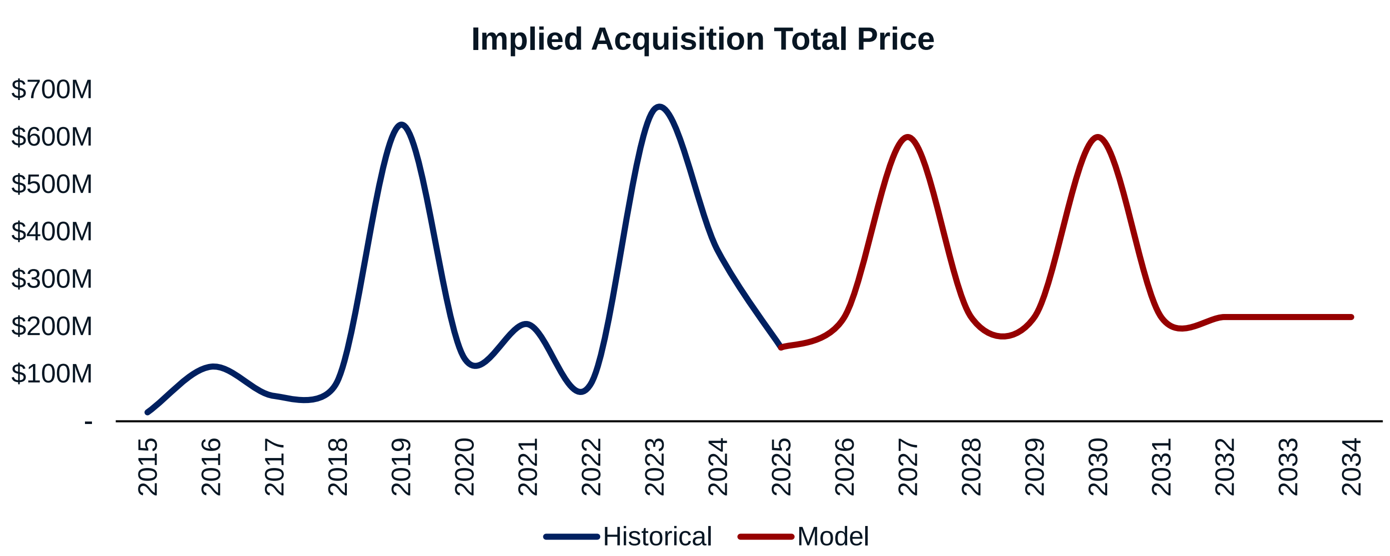
Key Characteristics of Best-in-class Serial Acquirers

FSV exhibits the key characteristics of best-in-class serial acquirers. First, it maintains a clear and disciplined acquisition strategy, consistently targeting deals with meaningful synergy potential. Second, it operates a decentralized model with strong incentives for acquired management teams, typically retaining approximately 25% ownership, ensuring alignment and operational continuity. Furthermore, a key part of their success came from the adoption of the net promoter system that they use to track performance across all its businesses. This system measures customer satisfaction and service quality at the community level. It helps the company monitor how well it is delivering its services, benchmark performance across operating teams, and ensure consistency across geographies. This helps them maintain business quality as they scale and brings accountability across the different businesses they own. Third, and most importantly, FSV demonstrates rigorous capital allocation discipline. Management adheres to strict IRR thresholds and prioritizes value creation over growth for its own sake. Notably, despite missing its historical 10% revenue growth target in 2025 due to slower organic growth, management did not compensate through aggressive M&A, underscoring its commitment to long-term shareholder value. I believe this is a direct benefit of having the founder Jay S. Hennick. as a key shareholder who supervises the company.

FSV's differentiated platform model, superior synergy extraction, and disciplined capital allocation position it to sustain high-return growth over a significantly longer runway than is currently reflected in its valuation, especially given that we see more people retiring every year as the population ages, increasing the set of opportunities and limiting the impact of increased competition from PE funds.

Model Implications

Cases with Acquisitions assume that the company will spend $220 million annually on tuck-in acquisitions. Additionally, in 2027 and 2030, in line with historical trends, I expect the company will acquire new platforms, bringing total acquisition spending in those years to $600 million. I assume that all acquisitions are made at 1x sales, 10x EBITDA, and a 13.1x P/E multiple.



Sources: Company Filings, Scott Management, LLC: SERIAL ACQUIRERS

First Services Corporation (NASDAQ: FSV)

Where Essential Services Meet Exceptional Execution.

Thesis 3: Margin Expansion Through Strategic Mix Shift, Operating Leverage and AI

3.1 Continuing mix shift toward higher-margin services in the property management segment.

The property management segment receives three types of revenues: management fees, financial transaction fees, and ancillary on-site services.

Ancillary on-site services revenues: these revenues come directly from staff in the buildings, such as security staff, concierge/front desk, cleaning / janitorial, maintenance staff, and landscaping. These represent the biggest portion of revenues, and FSV makes profit by charging a markup on the hourly rates of the staff. The industry standard for the markup is set between 8% to 12% of salaries, resulting in profit margins of around 10%.

Financial transaction fees: these fees include insurance brokerage, banking / financial services, document fees (resale certificates, disclosures), transfer fees when units are sold, and project management fees for planning / managing repairs. These are by far the highest margin fees. Expert estimates suggest that profit margins on these range between 40% to 60%.

Management fees: these fees represent the costs associated with running the buildings (compliance, administration). An interview with a past regional manager of FSV explained that these management fees are essentially there to cover overhead costs associated with running the buildings. Importantly, these fees are often what communities focus on the most when signing new contracts, as they are guaranteed recurring monthly expenses. Consequently, FSV's strategy to win more contracts is to use these management fees as a loss leader. They will usually charge less than what it truly costs them to run the building and focus on the other two types of revenues to still make money. Assuming profit margins of 40% on financial transaction fees and 10% on ancillary on-site services revenues, and given the current 9.84% EBITDA margin of the property management segment, this implies that the profit margin on management fees is -10%, confirming their use as a loss leader.

Over the years, FSV's strategy has been to increase the percentage of revenues coming from higher-margin services. I believe that FSV has still not reached saturation in its ability to push these high-margin revenues, and that the mix shift will continue, resulting in higher margins for this segment. In total, 3 external tailwinds support this revenue mix shift.

Property Management Segment Revenue Mix

Revenue Type	2018 A	2025 A	2035 E
Financial Transaction Fees	9%	10%	11%
Management Fees	20%	16%	13%
Ancillary On-Site Services Revenue	71%	74%	76%

Sources: Company Filings, AlphaSense

First Services Corporation (NASDAQ: FSV)

Where Essential Services Meet Exceptional Execution.

FirstService

Thesis 3: Margin Expansion Through Strategic Mix Shift and AI Leverage

3.1 Continuing mix shift toward higher-margin services in the property management segment. (Continued)

In total, 3 external tailwinds support this continued revenue mix shift.

Skyrocketing Coastal Insurance and Brokerage Commissions

The physical and geographical risks associated with mega-communities, particularly high-rises in coastal regions, have turned insurance procurement into an immensely lucrative revenue stream. In Florida, commercial multi-peril premiums for condo associations skyrocketed by 164% between 2021 and 2024. For properties facing strict hurricane-protection requirements and aging infrastructure, total annual insurance costs can easily consume 25% of the building's operating budget. FSV act as insurance brokers or liaisons, collecting percentage-based commissions on the policies placed. As baseline premiums surge due to climate risks and reduced insurer capacity, the percentage-based commissions earned by management companies scale up proportionally. AS insurance premiums are likely to continue increasing at above inflation rates due to climate change, this will materially increase the share of revenue coming from insurance financial transactions.

Increasing desire for ancillary on-site services

FSV is structurally positioned to keep increasing the share of revenue from ancillary on-site services as the underlying demand is behavioral and generational. Younger residents increasingly expect tech-enabled, hotel-like living environments, while all demographics are shifting toward a “lifestyle over maintenance” mindset, outsourcing everyday tasks for convenience. At the same time, FSV is deliberately moving upmarket into luxury high-rises and large-scale communities, where expectations resemble hospitality, not basic property management. These buildings require concierge services, security, package logistics, digital platforms, and integrated tech, all of which are higher margin, recurring ancillary services. Critically, demand also expands over time. HOA boards initially resist paying for add-ons, but as buildings age and operations become more complex, they are forced into professionalization. FSV actively drives this transition by educating clients and embedding higher-value services, creating a natural upselling cycle even within existing properties. This is a multi-year structural tailwind driving sustained growth in FSV’s higher-margin revenue streams.

Aging Infrastructure and Housing Transaction Normalization Fuel High-Margin Revenue

FSV’s high-margin transaction revenue is set to expand as structural forces drive more financial activity per community. Aging buildings require increasingly large capital projects for roofs, elevators, and HVAC updates, forcing HOAs to raise financing, execute projects, and rely on professional oversight. Each step creates incremental advisory, financing, and project management fees for FSV. At the same time, housing turnover is currently abnormally depressed, suppressing transfer and resale-related fees. As real estate activity normalizes, this creates a clean mean-reversion tailwind, with higher unit turnover directly translating into increased transaction revenue at above inflation rate in coming years.

Successfully meeting my estimates for 2035 presented in the table above, and assuming that the margins on each type of revenue remain the same, would result in an increase from a 9.84% EBITDA margin in 2025 to 10.7% in 2035. Assuming a linear increase toward these estimates, this would represent an annual margin increase of 8.6 basis points for the segment for the next 10 years.

Sources: Company Filings, AlphaSense

First Services Corporation (NASDAQ: FSV)

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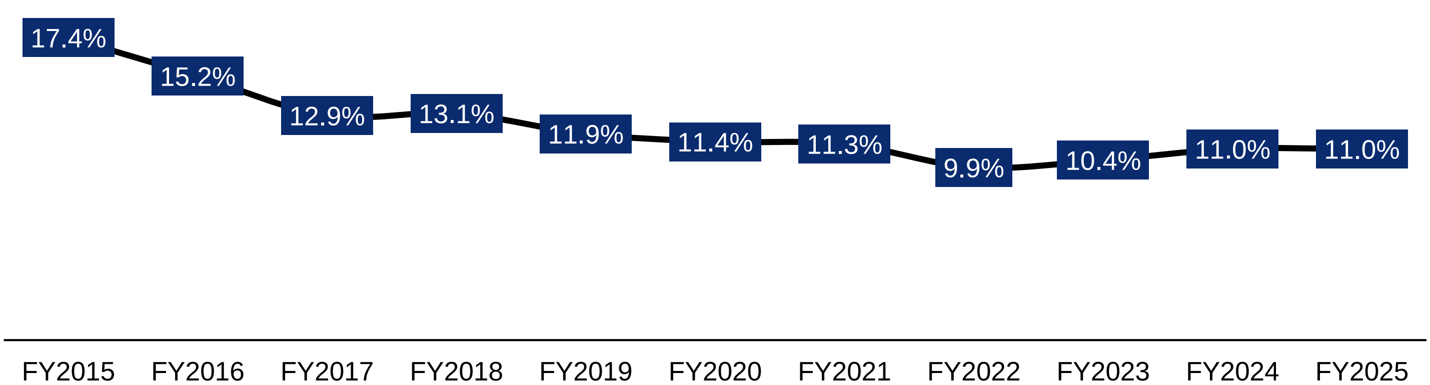
Thesis 3: Margin Expansion Through Strategic Mix Shift and AI Leverage

3.2 Historically hidden margin improvements in the Brands segment will show up amid successful operating leverage.

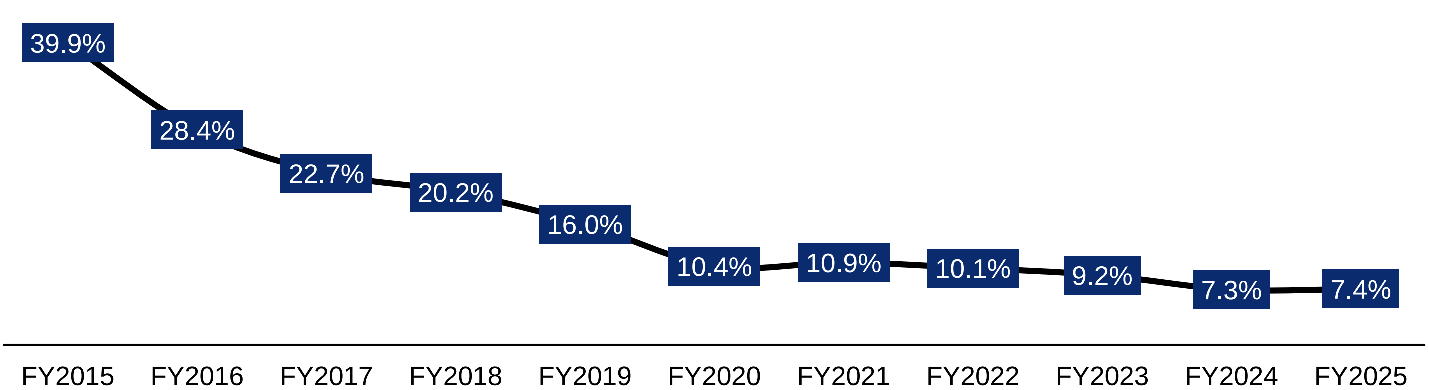
Historically, the Brands segment saw its operating margin decline significantly over time. This is a direct consequence of management focusing more on owned activities and less on franchised activities. While franchised businesses **generate high-margin (~35%) royalty income**, they limit growth since FSV only captures a small portion of total revenues and has less control over operations. In contrast, owned operations allow FSV to capture 100% of revenue and EBITDA, exercise full control over pricing, costs, and service quality, and scale more effectively through acquisitions. This shift enables stronger absolute profit growth, better operational execution, and a more scalable platform for compounding earnings over time.

As royalties have now become a very small portion of the Brands segment revenues (7.4%), their further decline will have an insignificant impact on total segment EBITDA margins.

Brands EBITDA Margin



Royalty-Based Revenue (% of Brands Revenue)



Sources: Company Filings

First Services Corporation (NASDAQ: FSV)

Where Essential Services Meet Exceptional Execution.

Thesis 3: Margin Expansion Through Strategic Mix Shift and AI Leverage

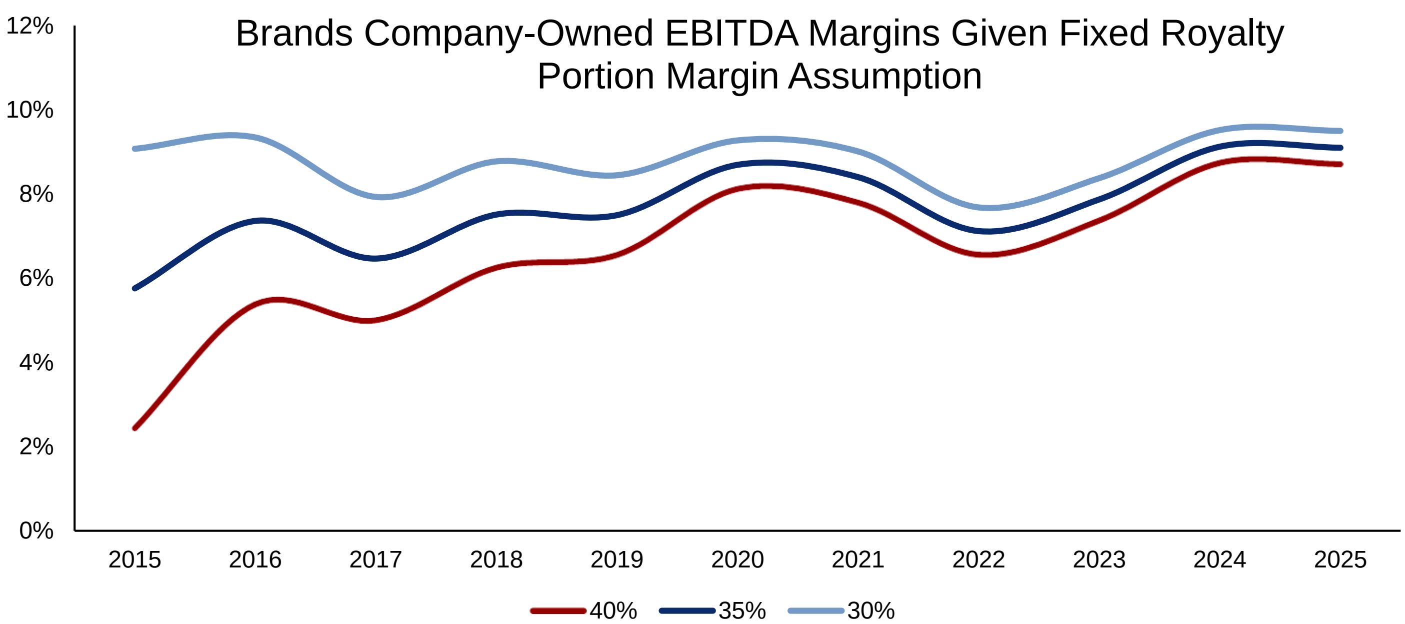
3.2 Historically hidden margin improvements in the Brands segment will show up amid successful operating leverage. (Continued)

By anchoring our analysis on a fixed estimate for the EBITDA margin of royalty-based revenue, we can infer the implied margin evolution of the company-owned operations within the Brands segment.

From a practical perspective, as an ex-franchise owner with Student Works Painting, I was exposed to internal disclosures regarding corporate-level profitability. This business is a relevant analogue to FirstService's franchise operations, particularly given that FirstService operates CertaPro Painters, the largest painting franchise globally. Based on a 2023 internal presentation, Student Works reported net profit margins of 25%, implying EBITDA margin likely in the ~35% range or higher.

From a public market standpoint, the closest comparable is Driven Brands (NASDAQ: DRVN), which operates franchise systems in labour-intensive verticals such as collision repair, automotive maintenance, and auto painting. For fiscal year 2024, Driven Brands' Franchise segment reported an adjusted EBITDA margin of 64.5%, reflecting the high-margin nature of royalty-based revenue streams.

Nevertheless, for conservatism, I believe it is appropriate to assume a 35% EBITDA margin for FirstService's royalty-based income, which likely represents the lower bound of the realistic range. Holding this assumption constant, the implied margins of company-owned operations demonstrate clear operating leverage over time, with observable margin expansion as the segment scales. Using a 35% assumption, this implies that since 2015, company-owned operations EBITDA margins have increased at an average rate of approximately 33 basis points per year. It is important to note that the results are highly sensitive to the assumed royalty margin. A higher assumed margin would further reinforce the conclusion that company-owned operations have experienced meaningful margin expansion over time. However, given the available evidence, I view 35% as a conservative and defensible estimate.



Sources: Company Filings, Driven Brands Company Filings

First Services Corporation (NASDAQ: FSV)

Where Essential Services Meet Exceptional Execution.

FirstService

Thesis 3: Margin Expansion Through Strategic Mix Shift and AI Leverage

3.2 Historically hidden margin improvements in the Brands segment will show up amid successful operating leverage. (Continued)

The Brands segment is set to reveal its previously hidden margin improvements in its wholly owned operations, resulting from the strong operating leverage that we observe in the construction industry. Indeed, the Brands segment carries a largely fixed cost base at the branch level, including a portion of labor costs (branch managers, supervisors), equipment, and offices which drive reasonable operating leverage, as these elements do not necessarily scale one for one with incremental sales.

Structure & Operating Leverage Assumptions

Semi-Fixed / Leverageable Costs	% of Revenue	% of Sales Growth (Scaling Factor)	Rational
Sales team	3.5%	70%	Benefits from scale, referrals, national accounts
Project / branch management	6.5%	85%	Largest semi-fixed layer (estimators, supervisors, managers)
Offices / occupancy	2.5%	50%	Rent + admin spread over growing volume
Corporate / regional overhead	3.5%	55%	Finance, HR, IT, exec. : strong scale benefits
Vehicles / fleet	2.5%	95%	Some variable, but utilization improves with scale
Overall / Average	18.5%	73%	Overall operating leverage
Brands Total SG&A Cost	28.5%	n/a	For reference

Management explained that for the whole year, the approximate 8% decline and 4% decline in the roofing and restoration segments respectively caused the brand margin to be compressed by 1% in 2025 due to negative operating leverage. In my model, I assume that this segment will regain 50 bps per year in the next 2 years amid sales normalization, as explained in Thesis 1. After these 2 years, assuming that 18.5% of costs will rise at 73% of the rate of sales, growing organically at 6.5% (detailed in the model), margin improvement from operating leverage would result in a 32.5 bps increase every year, in line with historical level given my assumptions detailed on the previous page.

Although I believe the 18.5% estimate is conservative, particularly given that SG&A sits at 28.5% and is likely largely composed of costs that do not scale one-for-one with revenue, I think this conservatism is warranted. As FSV continues expanding into new markets, the upfront fixed costs associated with building out these locations can temporarily dilute margins, offsetting the efficiency gains achieved in more mature, well-established regions.

Sources: AlphaSense

First Services Corporation (NASDAQ: FSV)

Where Essential Services Meet Exceptional Execution.

Thesis 3: Margin Expansion Through Strategic Mix Shift and AI Leverage

3.3 FSV is structurally positioned for AI-driven margin expansion (Bull Case Only)

AI is no longer theoretical at FirstService: it is already showing up in the numbers. As the CEO highlighted in its 2025 annual letter, FirstService Residential leveraged AI and process transformation to enhance margins by 50 basis points in 2025. 2024 earnings call revealed that the company invested significantly in AI and that, in 2025, it reduced its accounting headcount. However, the company has deliberately remained prudent, maintaining its internal call centers despite having developed AI chatbots (HODA).

Looking forward, the impact of AI goes well beyond simple cost savings. The chatbot meaningfully reduces the volume of low-value resident interactions (amenities, rules, FAQs), freeing up property managers to focus on higher-value tasks. This is critical: it creates operating leverage not just through cost reduction, but because property managers can oversee more properties, effectively increasing revenue per employee. From a cost perspective, the next legs of AI-driven savings are clear and largely untapped:

- Call center staff
- Legal and administrative functions
- Sales team: (cold call, sending emails, etc.)

Given that FirstService is a labor-heavy business, even modest automation penetration can translate into meaningful margin expansion. No numbers have been explicitly shared by management about the potential cost savings AI could bring. If we assume that 5% of FirstService's property management workforce of 15,000 employees (half of the company's total 30,000 employees) works in front desk or customer service roles (750 employees), and each employee earns an annual salary of $50,000, the potential savings from AI could be $37.5 million. This has the potential to yield a 164-bps margin improvement from AI alone for the property management segment. Assuming these savings are realized linearly over five years, this would represent an annual margin increase of 32.8-bps per year. Notably, AI-related margin improvements are only incorporated in the bull case, as they remain highly uncertain, and we do not know to what extent FSV will be able to keep charging the same prices if everyone uses AI, reducing costs and thus being able to price lower. Furthermore, from the earnings call, management does expect additional AI-related cost savings over time, but they have been clear that most of the near-term low-hanging fruit was already harvested in 2025. The bigger upside now looks more long-term and incremental, not a large 2026 step-up.

Bonus Thesis 4: AI-Proof Premium

As we have seen recently, companies like software firms, which are being endangered by AI, have corrected aggressively due to increasing fears that they will be replaced. If this proves to be true, I believe investors will be willing to pay a premium for AI-proof businesses. As a result, this could increase the valuation multiple of FSV, as it is arguably a company that is extremely well positioned to remain competitive against AI.

Sources: Company Filings

First Services Corporation (NASDAQ: FSV)

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FirstService

Valuation - Public Comparables

Integrated Facility & Real Estate Services

	Market Cap	EV	Net margin	Net debt/EBITDA	5 yr Revenue CAGR	ROIC	P/E LTM	P/E NTM	EV/EBITDA LTM	EV/EBITDA NTM
ABM Industries Inc.	2,237	3,873	2%	3.0x	6%	6%	15.1x	15.1x	7.0x	6.8x
Healthcare Services Group	1,343	1,190	3%	NM	7%	6%	23.6x	23.6x	17.5x	10.5x
Colliers Inc.	5,048	8,321	2%	2.5x	15%	5%	49.4x	49.4x	10.1x	9.9x
Mean	2,876	4,461	2%	2.8x	9%	6%	29.4x	29.4x	11.5x	9.0x
Median	2,237	3,873	2%	2.8x	7%	6%	23.6x	23.6x	10.1x	9.9x
FSV	6,348	8,048	3%	2.0x	15%	7%	44.0x	22.5x	13.3x	13.5x
Premium/(Discount) to market mean			16%	(27%)	58%	21%	50%	(23%)	15%	49%

Ancillary Services - Pest Control, Cleaning & Sanitization

	Market Cap	EV	Net margin	Net debt/EBITDA	5 yr Revenue CAGR	ROIC	P/E LTM	P/E NTM	EV/EBITDA LTM	EV/EBITDA NTM
ADT Inc.	5,376	13,049	12%	2.8x	(1%)	7%	9.7x	7.4x	4.7x	4.9x
Cintas Corporation	67,545	70,280	18%	0.9x	10%	21%	35.6x	31.9x	23.4x	21.3x
Ecolab Inc.	74,631	83,016	13%	2.0x	6%	10%	36.3x	31.2x	20.0x	19.0x
Rollings, Inc.	25,454	26,392	14%	0.9x	12%	20%	48.5x	42.3x	25.8x	27.8x
Aramark Corp.	10,658	16,814	2%	2.3x	11%	6%	34.1x	17.6x	6.4x	10.6x
Api Group Corp.	17,591	19,751	4%	1.8x	17%	7%	NM	24.5x	16.5x	16.8x
Mean	33,542	38,217	10%	1.8x	9%	12%	32.8x	25.8x	16.1x	16.7x
Median	21,522	23,071	12%	1.9x	10%	9%	35.6x	27.9x	18.3x	17.9x
FSV	6,348	8,048	3%	2.0x	15%	7%	44.0x	22.5x	13.3x	13.5x
Premium/(Discount) to market mean			(74%)	12%	60%	(42%)	34%	(13%)	(18%)	(20%)

Sources: Capital IQ

First Services Corporation (NASDAQ: FSV)

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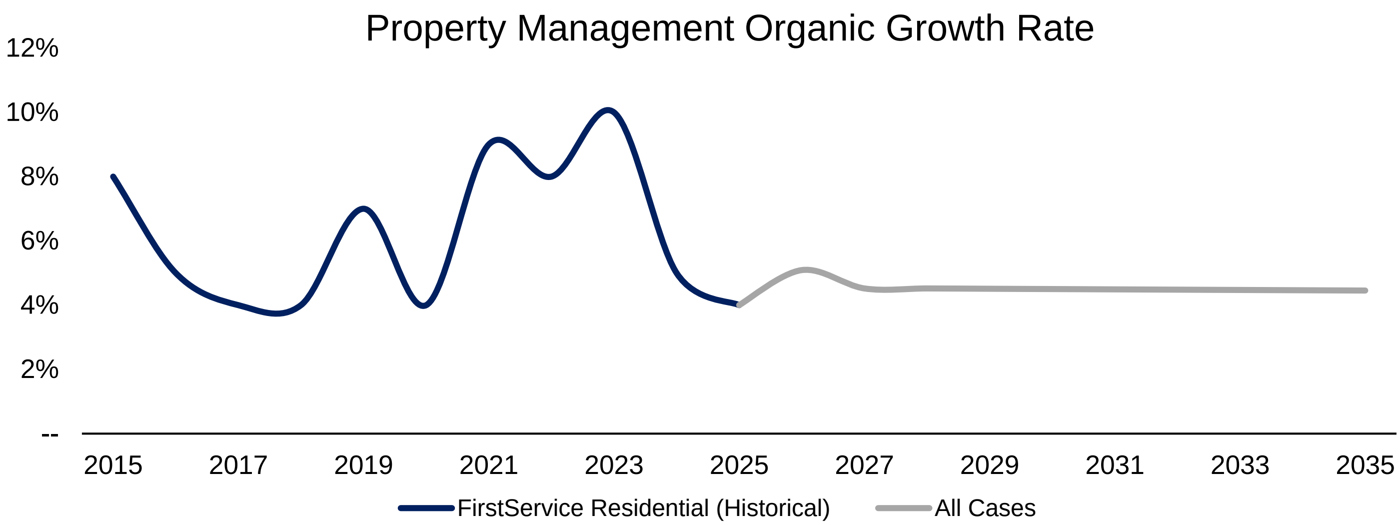
Valuation – Model Assumptions

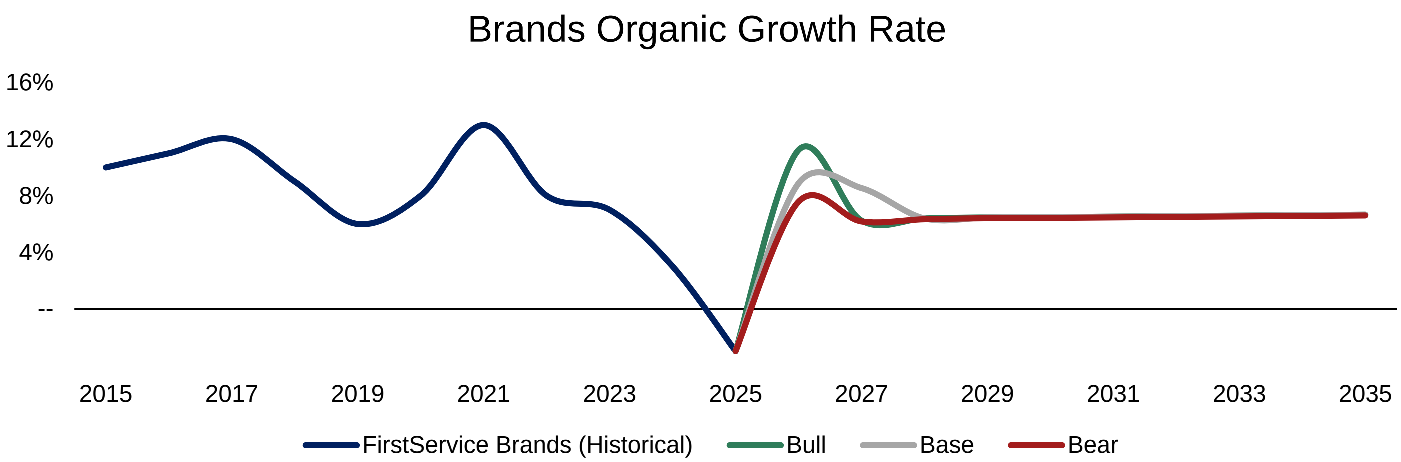
Across all cases, organic revenue growth is generally assumed to be in line with the expected CAGR of each segment's respective end market. This assumption is intentionally conservative, as FirstService has consistently demonstrated the ability to grow organically above industry averages across most of its verticals.

The only segments where I underwrite organic growth above market growth are restoration and fire services.

In the restoration segment, I assume 8% organic growth versus an industry CAGR of approximately 5.6%. This premium is supported by the company's track record since the platform's formation. From 2019 to 2024, the segment delivered approximately 10% CAGR, and even when extending the period to 2025 , a year characterized by historically low named storm activity, growth remained robust at approximately 8% CAGR. This demonstrates the resilience of the underlying business beyond cyclical storm-related revenues.

In fire services (Century Fire), I assume a 7% organic growth rate versus a market CAGR of approximately 4.35%. This assumption is grounded in the segment's consistent outperformance, with historical organic growth in the 8%–12% range since its acquisition in 2016.





Sources: Company Filings

First Services Corporation (NASDAQ: FSV)

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Valuation – Model Assumptions

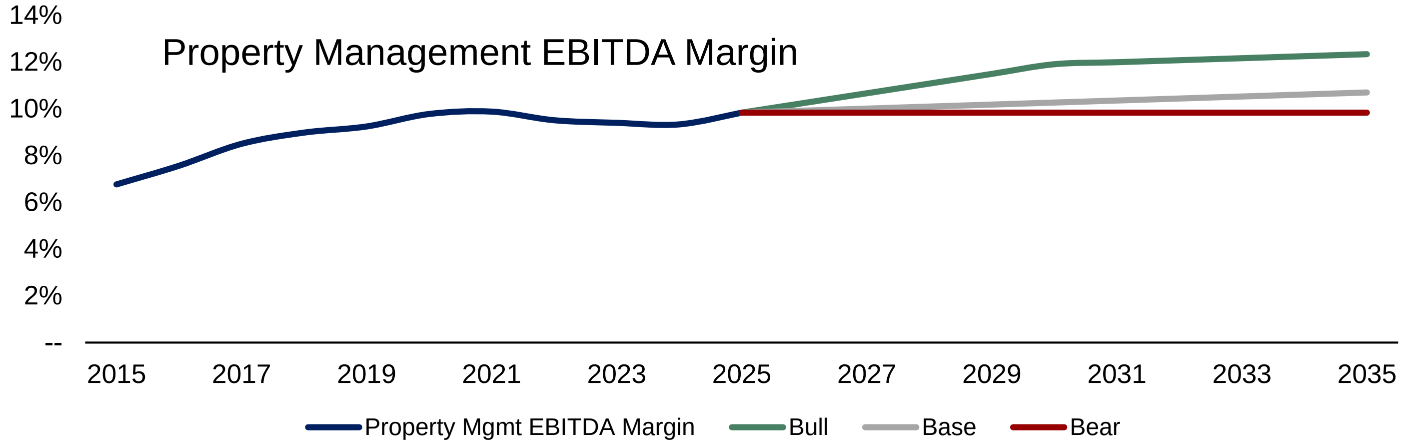
Scenario Framework

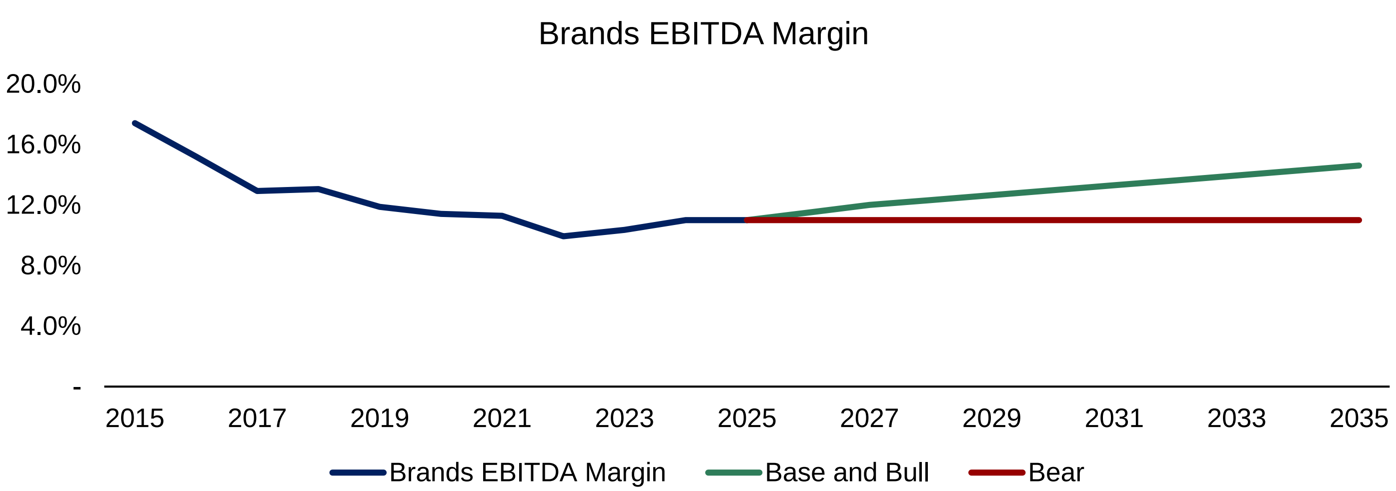
The bear case assumes that every thesis do not materialize, margins remain flat at current segment levels and named-storm-related revenues remain structurally depressed at approximately 2% of restoration sales, failing to revert to the historical 10%+ range.

The base case assumes a normalization of storm activity, with restoration revenues returning to approximately 10% exposure to named storms over the next two years. It also incorporates the margin expansion outlined in Thesis 3, excluding any benefits from AI-driven efficiencies.

The bull case assumes a faster normalization, with storm-related revenues returning to historical levels within the next year. In addition, it includes the incremental margin upside from AI-related cost savings as detailed in Thesis 3.3.

All scenarios are presented both with and without acquisition-driven growth, as outlined in Thesis 2, to isolate the contribution of inorganic expansion.





Sources: Company Filings

First Services Corporation (NASDAQ: FSV)

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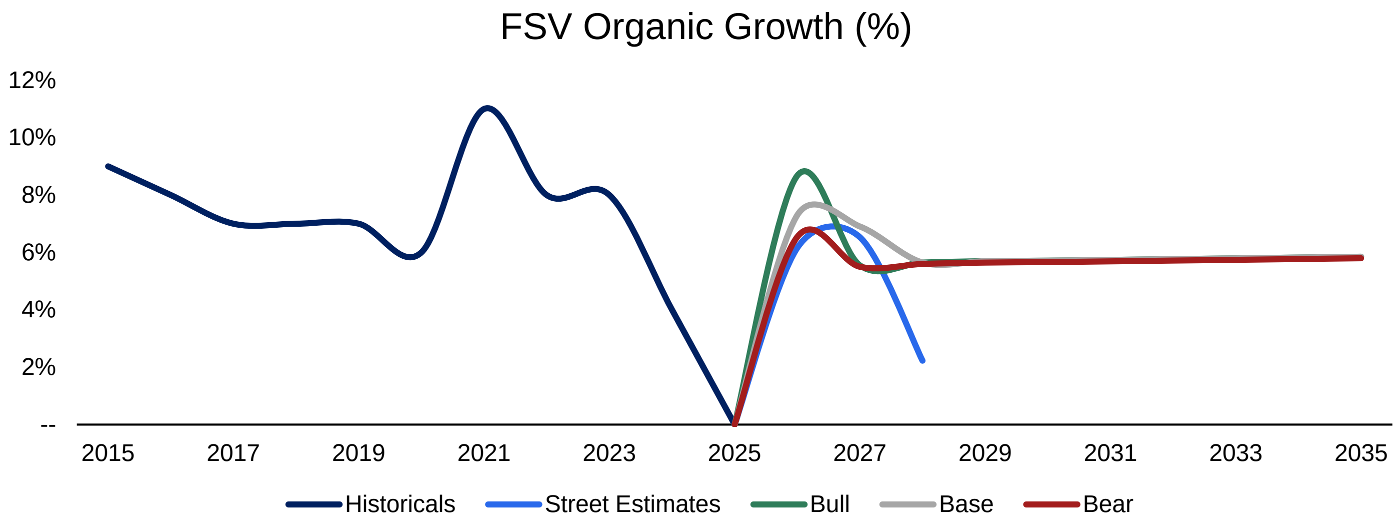
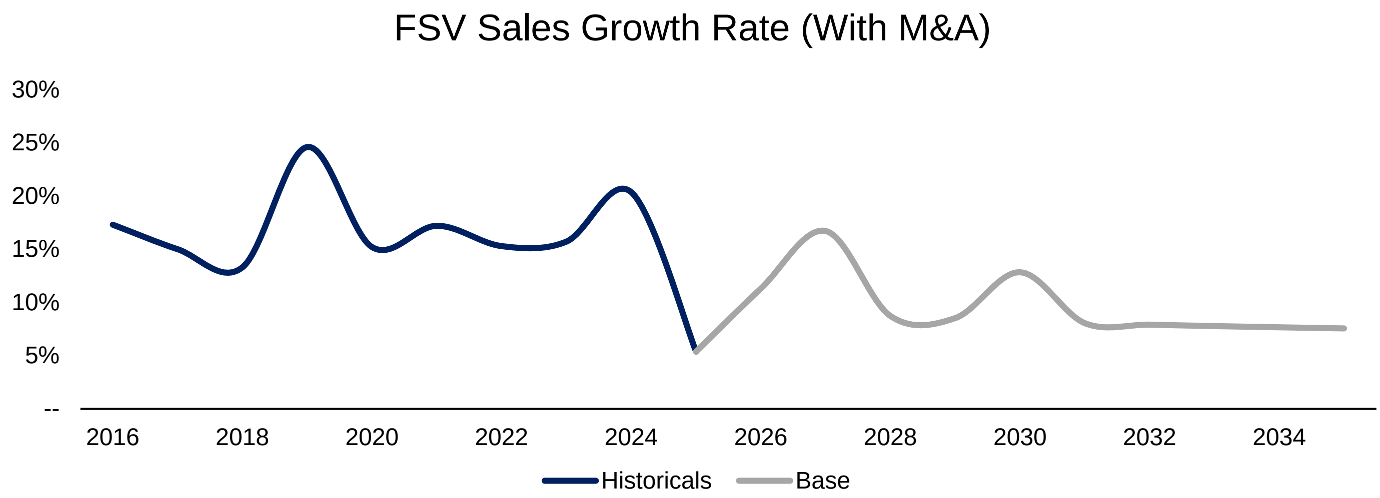
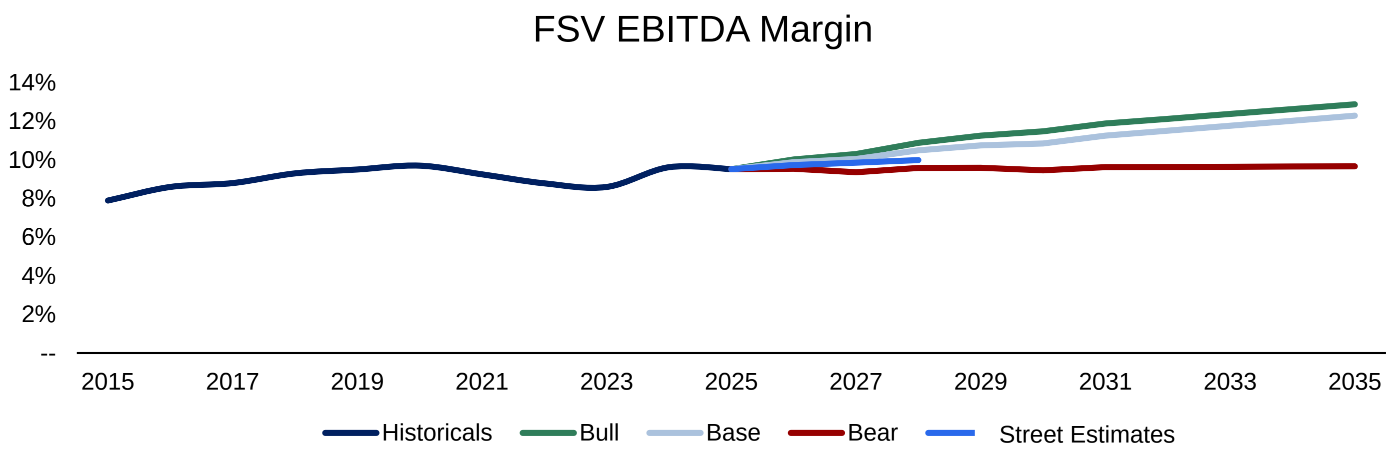
Valuation – Model Assumptions







Sources: Company Filings, Capital IQ (Organic Growth Street Estimates Assumes the market does not price Acquisitions)

First Services Corporation (NASDAQ: FSV)

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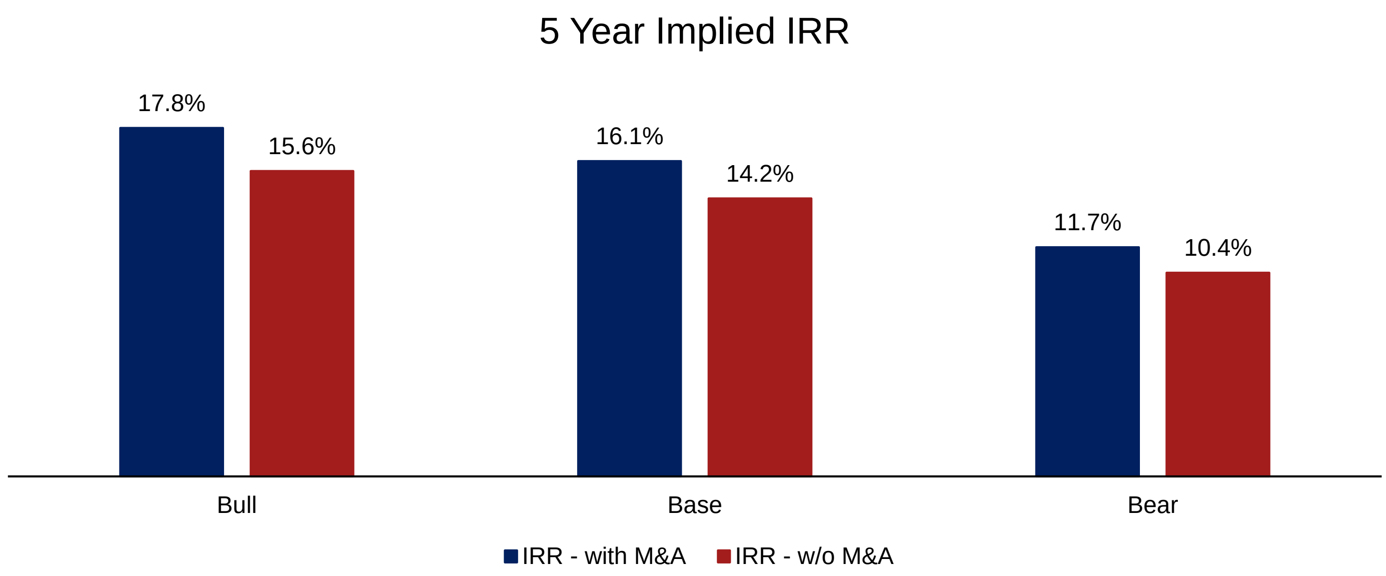
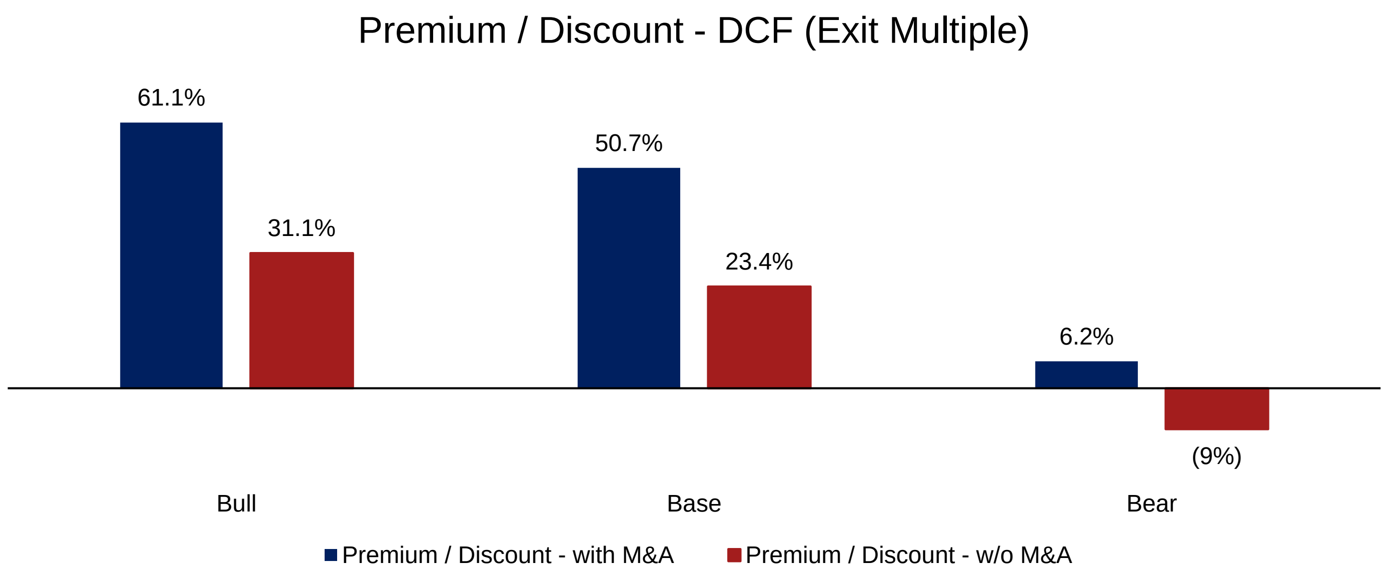
FirstService

Valuation – IRR & DCF

Scenario Framework

All scenarios use the same exit EV/EBITDA multiple: the current one of 14.6x. The IRR calculation factors in a 35% dividend payout and no buybacks, in line with historical levels. The DCF uses a WACC of 10%.





Sources: Company Filings

First Services Corporation (NASDAQ: FSV)

Where Essential Services Meet Exceptional Execution.

ESG

ESG Standards and Responsible-Operating Framework

FirstService Corporation applies a decentralized yet coordinated approach to ESG, where its operating platforms, FirstService Residential and FirstService Brands, integrate sustainability and governance practices aligned with their service offerings and client needs. Rather than a rigid, top-down model, ESG considerations are embedded into day-to-day operations, supported by corporate-level oversight. A cross-functional leadership group establishes priorities; monitors progress and ensures consistency in disclosures and practices. FirstService has formalized its ESG reporting in recent years, publishing sustainability updates that highlight its commitment to transparency, ethical business conduct, and long-term stakeholder value creation.

Social Responsibility and Governance

Governance at FirstService is anchored in strong board oversight, ethical standards, and a commitment to serving communities where it operates. While execution is driven at the business-segment level, corporate governance frameworks guide areas such as employee engagement, client service standards, and risk management. The company emphasizes workforce development, safety, and inclusion, particularly given its large base of frontline employees.

Environmental and Service Responsibility

Although FirstService does not operate asset-heavy industrial businesses, it plays a meaningful role in advancing environmental practices through the properties it manages and services it delivers. The company promotes energy efficiency, waste reduction, and sustainable maintenance practices across residential communities and commercial clients. Its approach focuses on practical, service-driven initiatives such as optimizing building operations and supporting clients' sustainability goals, rather than direct emissions reduction at scale.

Business and Market Risks

FirstService Corporation's performance is tied to macroeconomic conditions and activity levels in residential and commercial real estate markets. Demand for its services depends on property transaction volumes, housing turnover, and discretionary spending on maintenance and improvement projects. A slowdown in housing markets or reduced consumer and corporate spending could impact organic growth, particularly within FirstService Brands. In addition, competitive pressures from fragmented local providers and pricing sensitivity in certain service lines may affect margins, while labour availability and wage inflation remain key constraints given the company's people-intensive operating model.

Operational and Execution Risks

FirstService faces operational risks related to managing a decentralized structure across numerous service lines and geographic markets. Maintaining consistent service quality, compliance, and brand standards across a large workforce presents ongoing challenges. The company is also exposed to regulatory requirements related to labour, safety, and property management practices, which may evolve and increase compliance costs. On the financial side, growth through acquisitions introduces integration risk and reliance on successfully onboarding new businesses. Retention of skilled employees and local operators is critical to sustaining service quality and executing the company's long-term growth strategy.

Laureate Education

NASDAQ: LAUR

Laureate Education Inc. (NASDAQ: LAUR)

Connecting education to opportunity, delivering outcomes at scale.

Recommendation

The VBSC fund is recommending a **BUY** on Laureate Education Inc. with a five-year target price of US **$71.77**, giving us a **15.3% IRR**. This target price was derived from the expected forward valuation of the stock based on an EV/EBITDA multiple under the base case scenario. Additionally, based on our discounted cash flow analysis, the company is currently trading at approximately a 25.0% discount to intrinsic value. The market undervalues LAUR by overlooking that it has largely completed its transformation and is now positioned to grow at an attractive rate through new campuses and online expansion.

Investment Theses

1. Thesis I: Outsized demand to act as a sustained tailwind for Mexican private education.
2. Thesis II: The market underappreciates Laureate's ability to capture incremental demand through highly accretive, scalable campus expansion, as limited disclosure obscures the underlying economics.

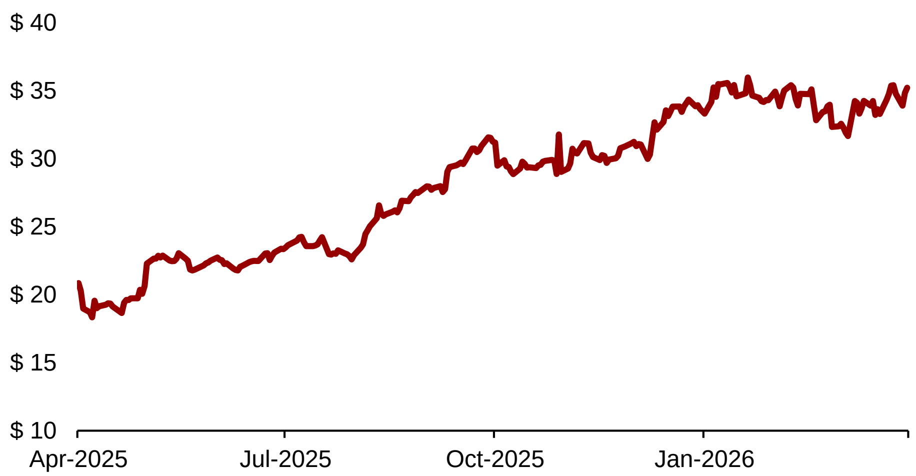
Company Overview

Laureate Education, Inc. (NASDAQ: LAUR) is a leading international provider of higher education, focused primarily on degree-granting programs across Latin America. The company operates a network of accredited universities and institutions, offering undergraduate and graduate programs in high-demand fields such as business, health sciences, and engineering. Its offerings are designed to align closely with local labor market needs, positioning Laureate as a provider of career-oriented education with strong student outcomes.

The business benefits from a concentrated portfolio of scaled institutions in key markets, particularly Peru and Mexico, where it serves a large and growing student population. Revenues are primarily tuition-based, supported by recurring enrollment cycles and relatively resilient demand for affordable, quality education. Laureate's focus on operational efficiency, academic quality, and student retention enables consistent margin generation while maintaining competitive positioning in price-sensitive markets.

Across its core markets, Laureate's competitive advantage is rooted in strong institutional brands, local market expertise, and a disciplined approach to capital allocation following its strategic repositioning. Its streamlined portfolio, emphasis on outcomes-driven education, and exposure to underpenetrated higher education markets support durable enrollment growth, margin expansion, and long-term value creation.

Dividend Adjusted Stock Price



Key Metrics

Stock Price	$35.22
Market Cap	$5.03B
EV	$5.40B
LTM Revenue	$1.7B
P/E	16.4x
EV/EBITDA	9.1x

Sources: Bloomberg, Company Filings

Laureate Education Inc. (NASDAQ: LAUR)

Connecting education to opportunity, delivering outcomes at scale.

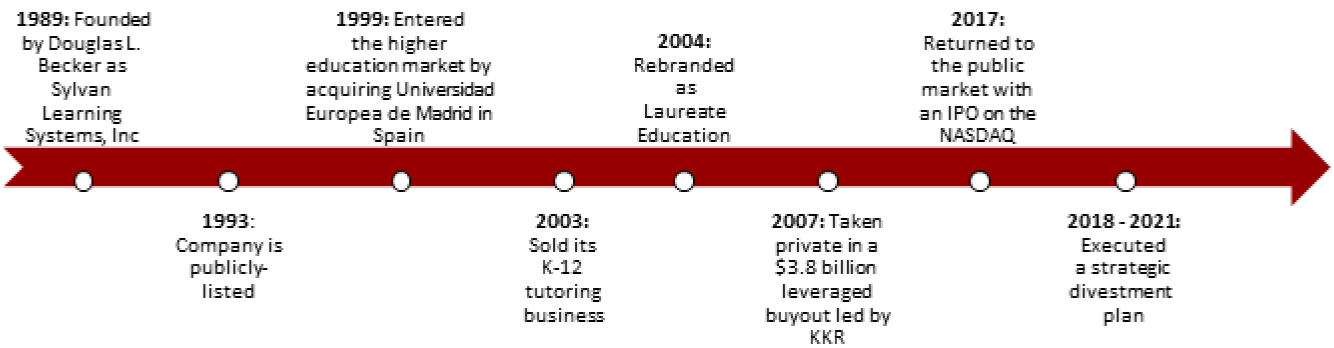
Company Overview

At a Glance

Laureate Education operates a leading network of degree-granting universities in Mexico and Peru, serving approximately 497,700 students across five scaled institutions and 50+ campuses. Approximately 75% of enrollments are concentrated in career-oriented disciplines such as healthcare, STEM, and business, supporting strong employment outcomes, pricing resilience, and sustained student demand.

Supported by strong local brands and scaled country networks, Laureate is well positioned to benefit from the structural undersupply of quality higher education in its core markets, underpinning resilient demand and long-term growth.

Historical Overview & Strategic Transformation



Laureate Education was founded in 1989 as Sylvan Learning Systems, initially focused on tutoring. The company entered higher education in 1999 through acquisitions and, by 2004, had fully shifted to post-secondary education under the Laureate name.

Between 1999 and 2008, Laureate built a large global network of universities across North America, Europe, and Latin America, becoming one of the largest private education providers. While this expansion created a broad and diversified platform, it also introduced operational complexity across geographies. After being taken private by KKR and later relisting on NASDAQ, these dynamics became more evident, with the company operating a wide portfolio that included several subscale and lower-return assets.

In response, a leadership transition in 2018 marked a clear shift toward focus and capital discipline. From 2018 to 2021, Laureate executed a comprehensive divestment program, exiting non-core geographies including the U.S., Europe, and Asia-Pacific, and monetizing assets such as Walden University and its Brazil operations at attractive valuations. This transformation significantly simplified the business, strengthened the balance sheet, and enabled over $1.8B of capital to be returned to shareholders.

Today, Laureate operates a focused portfolio of five scaled institutions in Mexico and Peru. The company is now more capital-light, operationally efficient, and better positioned for growth, with higher margins (30%+ EBITDA) and an increasing emphasis on hybrid and online delivery.

The portfolio is structured to target distinct student segments and balance pricing power with volume-driven growth. UVM and UPC serve more premium segments within their respective markets, while UNITEC and UPN drive accessibility and scale, with CIBERTEC providing vocational diversification.

Laureate Education Inc. (NASDAQ: LAUR)

Connecting education to opportunity, delivering outcomes at scale.

Company Overview

Mexico

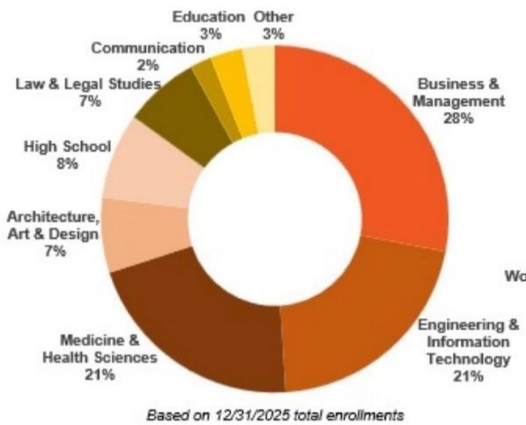
• **UVM** serves middle- to upper-middle-income students and represents Laureate's largest and most scaled platform, supporting pricing resilience and stable enrollment in high-ROI programs.
• **UNITEC** targets lower- to middle-income and working students through flexible formats, driving accessibility and higher asset utilization, with a more margin-efficient, urban-focused footprint.

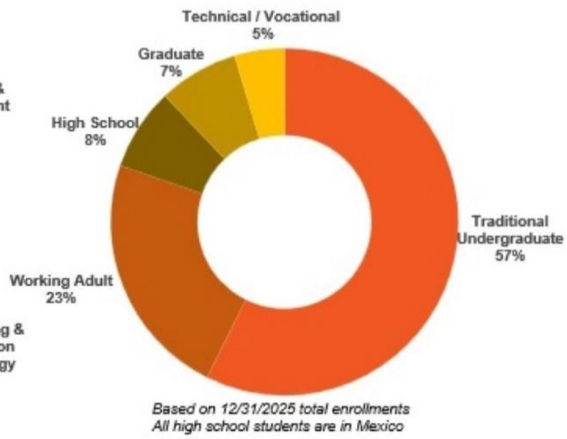
Peru

• **UPC** is a premium institution with strong brand positioning and pricing power, supporting above-average margins.
• **UPN** operates as a volume-driven platform, expanding access across lower-income segments and secondary cities, contributing to enrollment growth.
• **CIBERTEC** offers short-cycle vocational programs, expanding Laureate's exposure to shorter-duration, skills-based programs.

Student Profile, Program Mix & Geographic Footprint

Laureate's enrollment is concentrated in career-oriented disciplines, with approximately 75% of students in business, health sciences, and engineering — fields with strong employment outcomes and clear return on education. This alignment with labor market demand supports resilient and sustained student enrollment.





The student base is primarily traditional undergraduate (57%), complemented by a meaningful working adult segment (~23%), largely served through flexible and hybrid formats.

Sources: Company Filings

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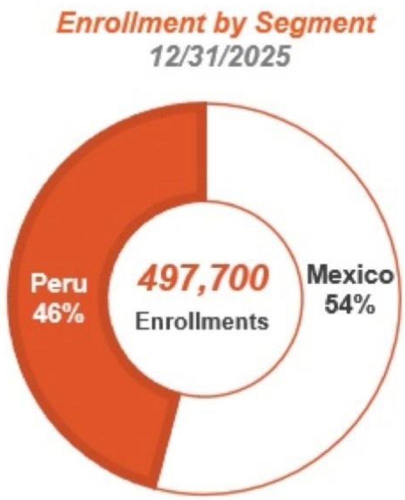
Overall, Mexico represents a slightly larger share of students, while revenue is more evenly split, implying higher revenue per student in Peru and a favorable program and pricing mix.



Campuses are concentrated in large, densely populated urban areas, supporting strong demand, high utilization, and efficient delivery at scale.

Student outcomes are strong, with approximately 90% of graduates employed within 12 months. Nearly half of students are first-generation, underscoring Laureate's role in expanding access to education while maintaining attractive economic outcomes.

Business Model & Value Proposition

Laureate operates a tuition-driven model, generating revenue from students enrolled in multi-year degree programs across its universities in Mexico and Peru. This creates a recurring, cohort-based revenue stream with strong visibility, supported by high retention.

The cost base includes a meaningful fixed and semi-fixed component, allowing incremental students to be added at low marginal cost and driving EBITDA margin expansion of over 1 p.p. annually over the past three years.
Importantly, the increasing use of hybrid delivery is a key driver of improving unit economics. A growing share of classes for in-person students is delivered online, increasing capacity utilization and allowing Laureate to expand without proportional investment in physical infrastructure. This supports structurally higher margins relative to fully in-person delivery.

Overall, this results in a high-quality, cash-generative, and scalable business model, with strong profitability (30%+ EBITDA margins) and limited incremental capital required for growth. Following its transition to a more focused portfolio, Laureate today is a more efficient and higher-quality business, with improved margins, stronger cash generation, and enhanced scalability relative to its prior, more fragmented operating model.

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Company Overview

Competitive Advantages

Laureate's improved profitability and scalability are supported by a set of structural advantages that reinforce both growth and margins.

The company benefits from meaningful scale, allowing it to amortize fixed costs such as curriculum development, technology, and administrative infrastructure across a large student base. This is particularly important in hybrid and online delivery, where high upfront investment requires scale to achieve attractive returns. Higher student density across campuses further improves asset utilization, supporting structurally higher profitability.

At the same time, barriers to entry limit the ability of new competitors to respond to incremental demand. Developing a campus requires substantial upfront investment and can take 7-10 years to reach mature utilization, creating a lag between demand growth and new supply. These long ramp-up periods introduce execution risk and uncertainty for smaller or new entrants, particularly in scaling to efficient utilization. Combined with increasing regulatory complexity, this constrains new supply and results in a disproportionate share of near-term growth being captured by leading operators.

Finally, strong local brands and employer relationships anchor student choice around outcomes, reducing sensitivity to price and limiting substitution. In a market increasingly driven by employability, this makes Laureate's institutions difficult to replicate or displace, reinforcing enrollment stability and supporting sustained growth at attractive unit economics.

Management Team

Laureate is led by an experienced management team with a strong track record of operating and transforming businesses in highly competitive and operationally demanding industries.

- Several senior leaders, including CEO Eilif Serck-Hanssen and COO Marcelo Cardoso, bring experience from highly competitive, efficiency-driven industries such as aviation, technology, and industrials, supporting a disciplined and operationally focused approach.
- These industries require tight cost control, operational discipline, and execution at scale.
- This background represents a clear advantage relative to many local education operators, which tend to be more fragmented and less operationally sophisticated

CEO Eilif Serck-Hanssen has led the company since 2018 and was instrumental in executing Laureate's strategic transformation, overseeing over $5 billion of asset divestitures and refocusing the business on Mexico and Peru.

The broader leadership team combines centralized oversight with strong regional execution.

- The COO oversees operations across Mexico and Peru, driving efficiency and consistency across the platform
- Country-level CEOs are accountable for local performance and growth, ensuring disciplined execution at the operating level

Sources: Company Filings

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Management & Incentives

Management incentives are closely aligned with shareholder value creation through a pay-for-performance structure.

• Compensation is heavily weighted toward variable and equity-based incentives, with base salary representing only ~17% of CEO target pay (~31% for NEOs).
• Key metrics include revenue, new enrollments, Adjusted EBITDA, and unlevered free cash flow
• For regional leaders, incentives are split between corporate and local performance (~50/50), reinforcing accountability
Long-term incentives are primarily equity-based and linked to EBITDA margins and total enrollment, directly aligning management with both profitability and growth, and incentivizing continued improvement in business quality.

Insider ownership is also quite meaningful.

• The CEO holds a significant equity stake (~0.8%), representing a substantial portion of his net worth
• This ensures strong alignment with long-term shareholder value creation

Overall, Laureate is led by a strong and well-incentivized management team that has already transformed the business and is well positioned to continue driving margin expansion, operational efficiency, and disciplined growth. Additional detail on management backgrounds, compensation structure, and ownership is provided in the appendix.

Market Size & Growth

Higher education markets in Mexico and Peru are supported by steady structural growth, with revenues expected to expand at mid- to high-single-digit rates (7-9% CAGR). In Mexico, the higher education market is projected to grow from approximately $14B to $27B by 2030, while Peru's education market is expected to nearly double over the same period.

This growth reflects increasing participation, expanding access, and sustained demand for skilled labor, supporting a durable long-term growth profile across both markets.

Demand for Higher Education

Demand remains structurally supported, particularly in Mexico, where tertiary attainment stands at approximately 25-30% of 25 to 34-year-olds, well below the OECD average (~48%) and the U.S. (~50%+), indicating significant room for increased participation.

Importantly, there is limited evidence of structural barriers that would prevent this gap from narrowing. Returns to education remain attractive, labor markets continue to demand skilled graduates, and demographics remain supportive, suggesting that demand growth is likely to be driven by rising participation rather than population expansion.

In Peru, participation is already high (51%), broadly in line with developed markets. However, demand remains robust, supported by continued access expansion and increasing reliance on private institutions, with growth driven by system deepening and demand for quality education.

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Industry & Market Overview

Supply & Capacity

Despite strong demand, supply remains structurally constrained, particularly in Mexico. Public higher education systems dominate enrollment but are limited by funding and capacity, with spending per student (~$4,400) significantly below OECD levels (~$15,100), restricting the ability to scale high-quality seats.

As a result, private institutions play a critical role in absorbing incremental enrollment growth. Public universities are typically filled first due to their subsidized nature, leaving private providers to capture residual demand, particularly in urban and higher-income segments.

This dynamic is reinforced by clear market segmentation. Public institutions offer highly subsidized education (~$5-$25 per semester), while private universities charge significantly higher tuition (~$3,500-$10,000+), allowing both systems to coexist without direct displacement.

In Peru, while overall capacity is higher, quality-adjusted supply remains constrained. Regulatory enforcement has led to the closure of underperforming institutions, reducing low-quality capacity and strengthening the position of established private operators. At the same time, low public funding (~$1,400 per student) continues to limit the expansion of high-quality seats.

Regulatory Environment

The regulatory environment across Mexico and Peru is evolving in a way that increasingly favors scaled, established operators.

Higher compliance requirements raise the minimum efficient scale needed to operate effectively, limiting the ability of smaller and lower-quality institutions to compete. As a result, growth is increasingly concentrated among operators with the infrastructure and capabilities to meet these standards.

This dynamic reinforces industry consolidation and strengthens the competitive positioning of leading private platforms.

Additional detail on regulatory developments is provided in the appendix.

Competitive Landscape

Laureate is a top three private operator in both Mexico and Peru, benefiting from meaningful scale advantages in a highly fragmented industry. As regulatory requirements and operational complexity increase, smaller institutions face growing pressure, supporting ongoing consolidation toward larger, established players.

Laureate is well positioned within this dynamic, with a diversified portfolio spanning both premium and value-oriented segments. In Mexico, the company also has relatively greater exposure to health sciences, a segment associated with stronger pricing and employment outcomes.

Additional detail on key competitors and market structure is provided in the appendix.

Sources: Company Filings

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Industry & Market Overview

Key Industry Trends

Across both Mexico and Peru, higher education markets are increasingly shifting toward outcomes-driven demand and more disciplined operating models.

In Mexico, student preferences are becoming more focused on employability and return on investment, driving growth in career-oriented programs such as healthcare, STEM, and business. This is pushing institutions to strengthen employer partnerships, incorporate more applied learning, and differentiate based on job placement outcomes.

At the same time, delivery models are evolving toward greater flexibility, with hybrid formats allowing institutions to expand access and improve utilization of existing capacity, particularly for working students.

In Peru, recent regulatory changes have reshaped the competitive landscape, with growth increasingly driven by share gains and quality differentiation among remaining institutions, rather than system-wide expansion.

Taken together, these dynamics point toward a structurally favorable environment for scaled private operators, with demand growth, capacity constraints, and industry consolidation reinforcing long-term growth.

Thesis I: Outsized demand to act as a sustained tailwind for Mexican private education.

Overview

Mexico stands out as the most compelling private higher education market in Latin America, combining significant scale with a structurally underpenetrated system that supports a long runway for growth. Strong and sustained demand continues to outpace capacity, and this imbalance is not cyclical but embedded in the structure of the market, creating a durable and visible tailwind for private operators.

Concerns around increased public investment, partly driven by greater attention to government expansion initiatives, significantly overestimate the public sector's ability to absorb incremental demand. Even under optimistic expansion scenarios, public capacity is unlikely to close the gap, leaving private institutions structurally required to absorb incremental demand. As a result, Laureate is well positioned as private sector growth is not only resilient but expected to remain strong and increasingly visible over time.

Market Context

Mexico represents the second largest economy in Latin America, with a GDP of approximately $1.9T and a population exceeding 132M. Higher education enrollment has also expanded meaningfully in recent years, with total tertiary enrollment reaching approximately 5.4M students, a student count CAGR of approximately 3.2%.

This expansion has been supported by increasing participation in higher education, with Mexico's tertiary gross enrollment ratio rising from approximately 30% to 47% in a decade, reflecting improved access and a growing share of the population entering the education system. Despite this progress, higher education remains significantly underpenetrated relative to comparable markets, with participation rates below peer countries, indicating substantial room for continued growth.

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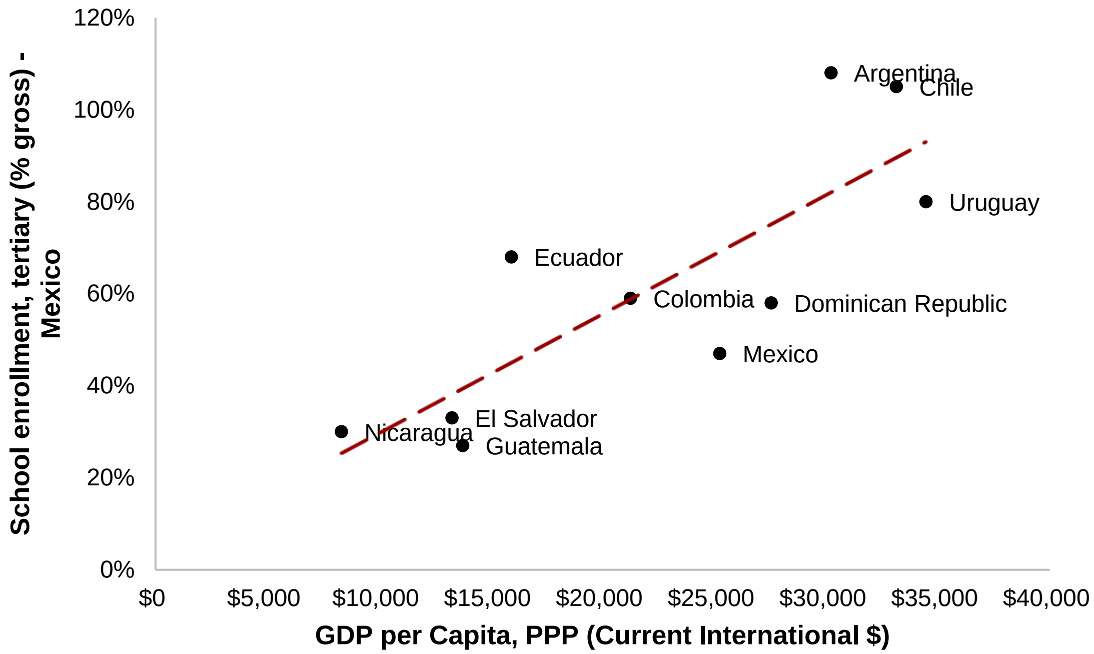
Thesis I: Outsized demand to act as a sustained tailwind for Mexican private education.

Demand Tailwinds

The following chart highlights enrollment levels and penetration rates relative to comparable markets:



As shown, the Mexican higher education market remains underpenetrated relative to regional peers. An important question is whether this gap reflects structural barriers to participation or a temporary dislocation that is likely to normalize over time.
Importantly, there is limited evidence of structural factors that would justify persistently lower participation rates. First, returns to education appear to be attractive. The earnings gap between individuals with upper secondary and tertiary education in Mexico is approximately 56%, above the OECD average, indicating a meaningful wage premium associated with obtaining a degree. This suggests that the economic incentive to pursue higher education is strong and unlikely to be a binding constraint on enrollment.

Additionally, other potential barriers to participation appear limited, supporting the view that the current gap is unlikely to persist over time. The following cases highlight structural constraints observed in other markets and demonstrate that these factors are not present, or are less binding, in Mexico.

Regulatory Constraints on Private Expansion: In some countries, regulatory frameworks restrict the role of private providers, limiting system capacity. For example, in France, the majority of students are concentrated in public institutions, and private universities account for only 20-25% of total enrollment, limiting system flexibility. In Mexico, by contrast, private institutions account for roughly 35-40% of enrollment and operate within a more flexible framework, allowing capacity to expand. This suggests supply-side constraints are less binding and positions private providers to capture a disproportionate share of incremental demand.

Sources: Company Filings

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Demographic Decline: In several developed economies, declining youth populations constrain higher education participation. For instance, in Japan, the population aged 18–22 has declined by over 25% since the 1990s, directly reducing the pool of potential students. In contrast, Mexico maintains a large and relatively stable youth cohort, with a population exceeding 130M and a growing pipeline into tertiary education, indicating demographics are not a binding constraint.

Labor Market Saturation: In some countries, weak labor market absorption reduces incentives to pursue higher education. For example, in Spain, youth unemployment has remained elevated at 25–30%, weakening the perceived value of tertiary education. In contrast, Mexico faces shortages in degree-related professions, particularly in healthcare, engineering, and technical fields, supporting continued demand for higher education.

One constraint that has historically acted as a barrier to higher education participation in Mexico is income and regional inequality. However, the impact on Laureate's business is limited, as the company does not primarily target lower-income or underserved regions. In fact, increased public investment tends to focus on these underserved and less economically attractive areas, which are typically underpenetrated by private providers. This dynamic effectively creates whitespace in the urban markets where Laureate operates, as government efforts are directed elsewhere. We discuss this dynamic in more detail below.

Taken together, strong economic incentives, favorable labor market dynamics, and the absence of binding structural constraints suggest that demand for higher education in Mexico is structurally supported and likely to increase over time, driving convergence toward average peer participation levels. For illustrative purposes, convergence to peer levels by 2040 would imply a 3.0-4.0% CAGR in enrollment, broadly consistent with the ~3.2% growth observed over the past decade.

Capacity Constraint

Over the past decade, public higher education capacity has struggled to keep pace with demand growth. Public enrollment has consistently expanded at a slower rate than total enrollment, resulting in a steady increase in private sector participation. The following graph illustrates enrollment trends over time, segmented between public and private institutions.

Sources: Company Filings

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As shown, total enrollment has grown at a 3.19% CAGR over the past decade, while public institution enrollment has expanded at only 2.32% annually. This persistent gap highlights the public system's inability to fully keep pace with demand growth. Given that public institutions are heavily subsidized and typically operate at or near capacity, available seats are likely filled first. However, this still leaves a meaningful portion of incremental demand unserved by the public sector. As a result, private institutions absorb this residual demand and, in doing so, benefit disproportionately from overall market growth, effectively exhibiting leveraged exposure to enrollment expansion.

While the past decade highlights strong structural tailwinds for private institutions, the key question for Laureate and its peers is whether this trend can be sustained. In this context, the projected expansion in public sector capacity must be assessed relative to expected demand growth.

The current Mexican administration has been very clear with its public university expansion plans. By 2030, the objective is to grow seats by 330,000. This includes 150,000 seats at Universidad Rosario Castellanos, with new campuses in Zacatecas and Michoacán, 40,000 seats at Tecnológico Nacional de México (TecNM) through nationwide infrastructure expansion, 30,000 seats at Instituto Politécnico Nacional (IPN) concentrated in high-demand urban STEM hubs, and 50,000 seats through UNISA and the Benito Juárez García Universities (UBBJ), primarily targeting rural and underserved regions. Some of these campuses have already been inaugurated.

While this expansion is significant in absolute terms, it remains insufficient to keep pace with underlying demand growth. Even under conservative assumptions, public capacity additions fall short of total enrollment growth, implying continued outperformance in private sector enrollment over the next five years, assuming the government plan is executed as expected.

The following chart illustrates a conservative enrollment growth scenario, assuming 3% annual growth in total enrollments (at the lower end of the forecasted range and below historical growth) and a constant CAGR in public seat additions over the 2025-2030 period, resulting in 330,000 incremental public seats from the 2024-2025 academic year by 2030.

Sources: Company Filings

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As shown, even under a best-case public enrollment scenario, a significant gap remains for the private sector over the next five years, driven by public seat growth trailing past decade trends by approximately 45 bps annually. This suggests in excess of ~549k incremental private sector seats by 2030, creating a meaningful opportunity for Laureate and other private institutions to expand their footprint.

Taken together, these dynamics point to a durable capacity shortfall that should support sustained private sector enrollment growth, while also reducing the risk of demand pressure on existing campuses, positioning leading private operators such as Laureate as key beneficiaries. In this context, operators with the ability to add capacity efficiently are particularly well positioned to capture a multi-year growth runway.

Thesis II: The market underappreciates Laureate's ability to capture incremental demand through highly accretive, scalable campus expansion, as limited disclosure obscures the underlying economics.

Overview

As Laureate has largely completed its asset optimization strategy, the market is significantly underestimating the economics of its next phase of growth. By anchoring to country-level data due to the lack of brand-level disclosure, investors are overlooking a structurally more attractive and sustainable growth opportunity than the company has experienced in its recent history: the expansion of the UNITEC brand through new campus development, which operates with structurally stronger unit economics and supports a highly accretive, scalable, and decade-long growth runway. As recently opened UNITEC campuses mature, we expect these economics to become increasingly visible and recognized by the market.

The following sections assess the attractiveness of this opportunity both qualitatively and quantitatively. Leveraging alternative data sources and expert commentary, we derive robust brand-level economics and evaluate the return potential of new UNITEC campus development.

UNITEC As the Primary Expansion Vehicle

To better understand this overlooked driver of Laureate's growth, it is helpful to step back and assess the current landscape. Given the structural demand tailwinds identified previously, the key question becomes which operators are best positioned to capture this opportunity. In this context, campus-level returns are primarily driven by profit per square foot, reflecting both revenue density and operating margins. Institutions that combine scale, operating efficiency, and strong margins are therefore positioned to expand at higher returns and with lower development risk.

Laureate aligns closely with these characteristics. Its scale, with more than twice the enrollment of its largest competitors, enables meaningful fixed cost absorption, while its hybrid delivery model increases capacity utilization by incorporating online instruction even for in-person students. Together, these advantages support higher student density per square foot and position the company to develop new campuses efficiently and at attractive returns.

Sources: Company Filings

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Despite these favorable attributes, implied Mexican net revenue per square foot, based on disclosed owned and leased space, is approximately $27.78, which appears low relative to estimated development costs of $100 to $200 per square foot. At face value, this would suggest limited returns on new campus development. However, this conclusion is misleading and reflects the distortion created by Laureate's two-brand structure, as UVM and UNITEC operate under fundamentally different economic models, with materially different implications for capital efficiency and returns.

This distinction becomes particularly evident when comparing representative campuses.

UVM Campus Puebla

Sources: Company Filings

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UNITEC Campus Guadalajara

UNITEC Campus Guadalajara

As illustrated by these satellite images, UNITEC locations are purpose-built for efficiency, featuring more standardized buildings, higher density, and significantly fewer non-academic facilities such as sports complexes and open spaces. This results in materially more efficient land utilization and a structurally higher revenue-generating capacity per square foot. While UNITEC campuses typically generate lower revenue per student, this is more than offset by their ability to serve a significantly larger student base within a given footprint, supporting stronger overall unit economics.

In contrast, UVM campuses follow a more premium, lower-density model, with greater allocation to non-core infrastructure and less efficient use of space. While this supports higher pricing, it results in lower revenue density and weaker capital efficiency. As a result, consolidated metrics—such as revenue per square foot—are diluted by this mix and understate the economics of incremental campus development, particularly for UNITEC.

This distinction is critical. By relying on aggregated country-level metrics, the market effectively benchmarks new campus development against a blended model that does not reflect how capital can be deployed going forward. In practice, expansion can be fully concentrated in UNITEC, where economics are stronger, scalability is higher, and returns are more attractive.

Sources: Company Filings

Thesis II: The market underappreciates Laureate's ability to capture incremental demand through highly accretive, scalable campus expansion, as limited disclosure obscures the underlying economics.

The runway for expansion further reinforces this opportunity. While Laureate operates approximately 50 campuses, UNITEC has only 12, including two recently opened locations, and is present in fewer than 10 cities. Management has indicated a long-term objective of expanding each brand's presence across Mexico's top 20 cities, implying substantial room for geographic expansion. In addition, large urban markets can support multiple campuses, suggesting growth is unlikely to be constrained even after broader geographic coverage is achieved.

Taken together, UNITEC combines stronger unit economics with a long and underpenetrated expansion runway, making it particularly well positioned to capture the demand identified earlier. This supports a compelling case for evaluating returns on new UNITEC campus development, both as a source of attractive incremental returns and as a scalable driver of long-term growth.

Campus Development Economics

To evaluate the returns Laureate can generate through new campus development, we assess the underlying economics of these projects. At a high level, returns are driven by two components: (i) the cost to develop a campus of a given size, and (ii) the cash flows it generates over its life, including their timing.

To do so, we first establish a representative UNITEC campus profile, which serves as the basis for both development costs and operating performance. The analysis is then structured across three components: (i) estimating development cost per square foot, (ii) deriving revenue per square foot and its ramp over time, and (iii) assessing operating margins and the timing of associated expenses.

Given the need to combine multiple data sources and detailed calculations to produce reasonably accurate estimates, the full quantitative framework is presented in the appendix, while the discussion below focuses on the key drivers at a high level.

1. Development Costs

To estimate development costs, we first determine the profile of a representative UNITEC campus. This requires identifying the average size of a campus, as well as the composition of total land area across building footprint, non-built land, and building height. These elements allow for the estimation of total gross floor area (GFA) and the allocation of development costs across land acquisition, building construction, and site-related improvements.

The key differentiator of this analysis is the use of satellite imagery and mapping tools to derive precise campus-level characteristics, including total square footage, land composition, and building height. As Laureate does not disclose square footage or campus profiles at the brand level, this information must be reconstructed manually by analyzing each UNITEC location. While time-intensive, this approach provides a highly detailed and data-backed view of campus size, layout, and density, enabling a more accurate assessment of development economics than would otherwise be possible.

Development cost assumptions are then derived by combining this campus profile with observed market data for comparable land and construction costs. Specifically, land pricing is based on commercial land transactions in comparable urban areas, while building costs are benchmarked against disclosed construction data—primarily from a government-led development of 18 schools in Mexico—and cross-checked against market estimates for comparable building types. These inputs are applied to the estimated

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On this basis, the average occupied square foot (GFA) requires approximately $100 of building development cost, $63.57 of land cost, and $4.40 of non-built area costs. The base case cost per occupied square foot (GFA) is therefore $167.97, consistent with observed transaction values for comparable non-prime commercial buildings.

2. Expected Revenue

Having established development costs, we now turn to revenue generation. Revenue per square foot is driven by two factors: revenue per student and student density.

While Laureate does not disclose UNITEC revenue directly, it provides sufficient pricing and enrollment data to estimate it reliably. At a high level, we allocate total Mexico revenue across brands based on relative pricing and student counts, creating a coherent and internally consistent framework. Pricing is consistent across segments, with UNITEC in-person tuition at ~50% of UVM and online pricing at ~50% of in-person levels.

The key step is reconstructing UNITEC's student mix. Student count by brand and total online enrollment are publicly disclosed. Total online enrollment (~114,000) almost exactly matches the number of working adult students, which management indicates are predominantly enrolled online. Given that ~50% of UNITEC students are working adults, this implies a roughly even split between online and in-person enrollment.

Applying these pricing relationships to the estimated student mix yields revenue per student consistent with observable market pricing. Applied to the UNITEC campus profile (~2.5M sq ft of GFA), this results in an estimated in-person revenue density of approximately $79 per square foot, excluding online revenue which is not tied to physical capacity.. Given UNITEC's average program duration of approximately four years, this level is assumed to be reached on a straight-line ramp over that period.

Despite lower pricing per student, UNITEC's higher density more than offsets this, supporting strong revenue generation per square foot and reinforcing the scalability of the model.

3. Expected Margins

We now turn to cost structure and margins, which determine the conversion of revenue into cash flows. At a high level, margins are driven by delivery mix and operating efficiency, particularly personnel intensity and facility utilization.

Margins are estimated based on the revenue mix between online and in-person programs at the Mexico segment level. Online education carries structurally higher margins, and the higher share of online delivery supports overall profitability. Assuming an online EBITDA margin of ~45%, conservatively set based on a range of public comps, and anchoring to the reported Mexico segment EBITDA margin of ~34% (excluding rent, as new campuses are assumed to be owned), this implies a blended EBITDA margin of approximately ~31% for Mexican operations on a rent-free basis.

Sources: Company Filings

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From a timing perspective, revenue and margins ramp alongside enrollment over an average program duration of approximately four years, as cohorts are gradually built. While certain costs are incurred from day one, most scale with enrollment, supporting operating leverage as campuses mature. This results in an implied EBITDA of approximately ~$28 per square foot at full ramp.

Other assumptions are consistent with the existing business, including a 30% tax rate and a conservative capital structure. Capital expenditures are assumed to be deployed evenly over the construction period, with 50% incurred at project inception and 50% after one year, with the latter discounted to present value.

Return Analysis

Bringing together the assumptions outlined above, the campus development model implies a 10-year IRR of approximately 14.3%. Given the largely unlevered nature of the project (1x EBITDA) and the high degree of predictability associated with replicating UNITEC's proven operating model, these returns are highly attractive on a risk-adjusted basis and underscore the strength of this growth avenue.

The table below presents returns across a range of sensitivities.

		UNITEC Fully Online Student %				
	14.3%	45.0%	47.5%	50.0%	52.5%	55.0%
Online Margin	35.0%	15.8%	15.7%	15.6%	15.5%	15.5%
	40.0%	15.1%	15.0%	15.0%	14.9%	14.8%
	45.0%	14.4%	14.3%	14.3%	14.2%	14.2%
	50.0%	13.7%	13.6%	13.6%	13.6%	13.5%
	55.0%	13.0%	12.9%	12.9%	12.9%	12.9%

		UNITEC Fully Online Student %				
	14.3%	45.0%	47.5%	50.0%	52.5%	55.0%
UNITEC Margin Premium	–	12.5%	12.4%	12.4%	12.4%	12.3%
	2.0%	13.4%	13.4%	13.4%	13.3%	13.3%
	4.0%	14.4%	14.3%	14.3%	14.2%	14.2%
	6.0%	15.3%	15.3%	15.2%	15.1%	15.1%
	8.0%	16.2%	16.1%	16.1%	16.0%	15.9%

		Exit Multiple				
	14.3%	8.2x	8.7x	9.2x	9.7x	10.2x
Construction Costs	148.00	14.8%	15.4%	15.8%	16.3%	16.8%
	156.22	14.0%	14.6%	15.0%	15.5%	16.0%
	164.44	13.3%	13.8%	14.3%	14.8%	15.2%
	172.66	12.6%	13.1%	13.6%	14.1%	14.5%
	180.88	12.0%	12.5%	12.9%	13.4%	13.9%

Sources: Company Filings

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Investment Takeaway

Returns on Laureate's new campuses are rarely discussed by analysts and investors, primarily due to limited disclosure on key inputs such as brand-level square footage and revenue per square foot. By leveraging alternative data sources such as satellite imaging, this analysis reconstructs these inputs with a high degree of precision, enabling a differentiated view of campus-level economics. Combined with a disciplined approach to uncertainty, this supports strong conviction that returns are both attractive and highly replicable, assuming UNITEC continues to replicate its existing cost and revenue profile.

More importantly, this opportunity extends well beyond incremental returns. Campus expansion represents a structurally durable and scalable growth lever that is not yet reflected in current expectations. As a capacity-driven growth story with a long and visible runway, Laureate is positioned to sustain double-digit growth over an extended period, supported by persistent demand for private higher education in Mexico.

At the same time, rising development costs are increasing the importance of scale and efficiency. Operators without these advantages are increasingly constrained, limiting their ability to meet demand. This dynamic creates meaningful whitespace for Laureate to expand its footprint and supports a more favorable pricing environment. Taken together, Laureate is uniquely positioned to capture this opportunity through a combination of strong unit economics, scalable infrastructure, and disciplined capital deployment.

Valuation – Comparables

Given its unique market exposure and limited comparability in its core markets, Laureate is best valued using a discounted cash flow approach, with public comps serving primarily to anchor exit assumptions. The following table highlights a relevant set of peers:

	Market	Enterprise	Trading Multiples			Revenue Growth %		EBITDA Growth %		LTM Margin		Debt /
$ in millions, except per share data	Cap.	Value	TEV/NTM Rev	TEV/NTM EBITDA	Forward P/E	LTM	NTM	LTM	NTM	EBITDA	Net Income	LTM EBITDA
US Peers												
Covista Inc.	$3,955	$4,628	2.3x	8.8x	14.1x	11.90%	4.80%	11.10%	22.10%	22.70%	13.40%	1.5x
Perdoceo Education Corporation	$2,326	$1,822	2.1x	7.1x	12.2x	24.20%	2.20%	22.90%	8.00%	28.10%	18.90%	0.5x
Strategic Education, Inc.	$1,822	$1,778	1.4x	6.0x	11.6x	4.00%	2.60%	20.00%	22.60%	19.10%	10.00%	0.4x
Lincoln Educational Services Corporation	$1,297	$1,472	2.5x	19.4x	59.3x	17.80%	12.80%	81.40%	52.40%	9.60%	3.90%	2.9x
Phoenix Education Partners, Inc.	$1,097	$992	1.0x	4.0x	6.8x	-	3.00%	-	29.20%	19.20%	10.10%	0.3x
American Public Education, Inc.	$1,052	$1,041	1.5x	10.9x	24.0x	3.90%	6.40%	18.90%	36.30%	10.80%	4.90%	1.9x
Grand Canyon Education, Inc.	$4,466	$4,274	3.6x	10.9x	16.5x	7.10%	6.60%	2.90%	14.40%	31.00%	19.50%	0.3x
Universal Technical Institute, Inc.	$2,046	$2,173	2.3x	18.8x	51.7x	12.60%	8.70%	-	9.70%	12.30%	6.30%	1.8x
South American Peers												
Ânima Holding S.A.	$289	$1,160	1.4x	3.9x	5.7x	5.90%	5.10%	10.40%	26.70%	30.30%	3.10%	4.2x
Yduqs Participações S.A.	$561	$1,376	1.2x	3.7x	5.9x	3.20%	5.80%	5.30%	42.90%	24.70%	3.30%	3.5x
High			**3.6x**	**19.4x**	**59.3x**	**24.20%**	**12.80%**	**81.40%**	**52.40%**	**31.00%**	**19.50%**	**4.2x**
75th percentile			**2.3x**	**10.9x**	**22.1x**	**12.60%**	**6.50%**	**20.70%**	**34.50%**	**27.30%**	**12.60%**	**2.7x**
Mean			**1.9x**	**9.3x**	**20.8x**	**10.00%**	**5.80%**	**21.60%**	**26.40%**	**20.80%**	**9.30%**	**1.7x**
Median			**1.8x**	**8.0x**	**13.2x**	**7.10%**	**5.40%**	**15.00%**	**24.60%**	**21.00%**	**8.10%**	**1.7x**
Low			**1.0x**	**3.7x**	**5.7x**	**3.20%**	**2.20%**	**2.90%**	**8.00%**	**9.60%**	**3.10%**	**0.3x**

Sources: Company Filings

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Valuation – Comparables

A clear valuation gap exists between U.S. and LATAM peers. While LATAM multiples reflect perceived regulatory risk, this is overstated. Laureate's core markets in Mexico and Peru are not only stable, but arguably offer more predictable and supportive regulatory environments than the U.S. for private education. Combined with superior growth, this supports a materially higher valuation.

Despite this, we conservatively anchor Laureate's multiple between LATAM and U.S. peers. At ~9x EBITDA, a ~1.5x discount to U.S. peers, the stock is clearly mispriced relative to its growth and market positioning.

Valuation – Financial Model

Financial Summary

	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
Net Revenue	1,868,854	1,979,444	2,102,982	2,222,399	2,403,842	2,639,026	2,934,151	3,275,717	3,647,851	4,042,357
Growth (%)	*9.8%*	*5.9%*	*6.2%*	*5.7%*	*8.2%*	*9.8%*	*11.2%*	*11.6%*	*11.4%*	*10.8%*
Operating Income	501,982	536,785	565,885	588,563	621,148	678,888	766,046	881,041	1,009,731	1,148,697
Margin (%)	*26.9%*	*27.1%*	*26.9%*	*26.5%*	*25.8%*	*25.7%*	*26.1%*	*26.9%*	*27.7%*	*28.4%*
Net Income	345,665	368,372	386,505	400,026	420,325	458,208	516,776	594,945	682,473	776,922
Margin (%)	*18.5%*	*18.6%*	*18.4%*	*18.0%*	*17.5%*	*17.4%*	*17.6%*	*18.2%*	*18.7%*	*19.2%*
Shares Outstandin	137.12	135.04	132.94	130.88	128.40	125.67	122.59	119.08	114.82	110.16
EPS (Basic)	2.48	2.72	2.90	3.05	3.26	3.62	4.18	4.94	5.85	6.93
Operating CF	419,372	443,375	482,229	513,865	556,293	612,571	688,235	781,687	883,846	992,419
Total CAPEX	(213,421)	(392,716)	(417,226)	(440,918)	(448,001)	(460,089)	(476,248)	(492,287)	(504,335)	(510,255)
Free Cash Flow	205,951	50,659	65,003	72,947	108,291	152,482	211,987	289,400	379,511	482,164
Margin (%)	*11.0%*	*2.6%*	*3.1%*	*3.3%*	*4.5%*	*5.8%*	*7.2%*	*8.8%*	*10.4%*	*11.9%*
FCF / Share	1.47	0.37	0.49	0.55	0.84	1.20	1.71	2.39	3.25	4.29
Growth (%)	–	*(74.7%)*	*30.3%*	*14.0%*	*51.1%*	*43.7%*	*42.3%*	*40.2%*	*35.5%*	*32.1%*

Laureate is valued using a four-scenario framework: base, bull, bear, and a base case excluding new campus development. The analysis focuses primarily on the base case, with selective references to other scenarios. As less material line items are assumed to track historical trends and align with street expectations, value creation and differences across cases are driven by three core levers: revenue growth, margin evolution, and capital allocation.

<u>Revenue growth:</u> For both operating segments (Mexico and Peru), revenue and expenses were forecast in local currency and translated into USD using forward FX rates, fully capturing currency effects. This discussion reflects revenue from existing assets, with new campus development modeled separately at the project level (as discussed in Thesis 2) and added back to consolidated financials.

Revenue growth is driven primarily by increases in revenue per square foot and pricing. The increase in revenue density is largely driven by growth in the online segment and improved utilization of existing campuses through a shift of in-person instruction online. For example, in Mexico, online revenue is assumed to grow at approximately 10% annually and represents roughly 30% of segment revenue, contributing ~3% to total growth. Given Mexico's higher exposure to online delivery, this dynamic results in higher growth relative to Peru.

Pricing growth is largely tied to inflation in both markets, with a modest annual premium (<100bps), partially offset by FX headwinds. Other revenue drivers are assumed to remain in line with historical trends. Overall, consolidated revenue growth in USD from existing assets is expected to be mid-single digits for most years, conservative relative to both historical performance and consensus expectations, with 2026 benefiting from a temporary FX tailwind.

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Valuation – Financial Model

Operating expenses: Overall, expenses are expected to gradually decline as a percentage of revenue (a few bps per year), reflecting the increasing mix of the higher-margin online segment, which requires significantly fewer resources, particularly at scale. Online margins are assumed to be approximately 10–20 percentage points higher than in-person margins, resulting in structurally higher incremental profitability as the mix shifts.

Advertising is the only expense expected to increase as a percentage of revenue, reflecting incremental investment required to gain share in the online segment. As a result, consolidated margins are expected to expand, albeit at a more moderate pace than historically for conservatism.

Capital allocation: Capital allocation is the primary driver of differences across scenarios, with varying strategies implying a range of outcomes. The company's main capital allocation options include dividends, share repurchases, and growth capex. As discussed in Thesis 2, growth capex offers the most attractive returns and is therefore prioritized, but is assumed to ramp gradually to mitigate execution risk, increasing from approximately 7% of revenue in the first year to a peak of ~14%.

Remaining capital is returned through share repurchases, consistent with recent strong buyback activity. Revenue and expenses from new developments are modeled at the project level and consolidated at the operating income level. Additionally, for campuses developed before the exit year but not yet mature, an adjustment is made to reflect the present value of cash flows generated between exit and full maturity, ensuring their full economic contribution is captured.

Across scenarios, growth capex is only increased in the bull case and set to zero in both the bear and no-new-campus cases. As shown in the base case with and without new campuses, expansion drives significant incremental value, yet returns remain attractive even without it, despite conservative assumptions.

Key assumptions	
Valuation assumptions	
Scenario	Base Case
Entry price ($/share)	35.22
Cost of equity	13.0%
Exit multiple (EV/EBITDA)	9.2x
Capital allocation	
Terminal year	**FY2035**
Dividend payout (% of NI)	52.0%
Buyback payout (% of NI)	52.0%
Growth CAPEX (% of Rev)	–
Key outputs	
Return analysis	
Implied share price	42.97
IRR	15.3%
Upside / (downside)	22.0%
Bridge to equity	
Enterprise value at exit	12,829,984
Less: net debt at exit	(522,641)
Add: unramped campus premium	3,761,616
Equity value at exit	**16,068,960**

Key assumptions	
Valuation assumptions	
Scenario	No New Campus
Entry price ($/share)	35.22
Cost of equity	13.0%
Exit multiple (EV/EBITDA)	9.2x
Capital allocation	
Terminal year	**FY2035**
Dividend payout (% of NI)	52.0%
Buyback payout (% of NI)	52.0%
Growth CAPEX (% of Rev)	–
Key outputs	
Return analysis	
Implied share price	35.48
IRR	13.1%
Upside / (downside)	0.7%
Bridge to equity	
Enterprise value at exit	9,660,452
Less: net debt at exit	(265,824)
Add: unramped campus premium	–
Equity value at exit	**9,394,628**

Sources: Company Filings

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Risks & Catalysts

Risk

Regulatory risk and policy changes: As discussed in the industry section, evolving regulation in Mexico and Peru (e.g., tighter RVOE enforcement, changes to online delivery rules, and updated licensing frameworks) could increase compliance costs or slow program and campus approvals. Laureate's scale, compliance capabilities, and alignment with accreditation standards help limit disruption and position it better than smaller operators.

Public capacity expansion over the long term: Governments have signaled intentions to expand public higher education capacity, which could increase competition over time, particularly beyond 2030. However, as outlined previously, public systems have historically struggled to scale due to funding and execution constraints, and Laureate remains focused on segments (working adults, flexible formats, career-oriented programs) that are less directly served by public institutions.

Foreign exchange exposure: With revenues generated in Mexican Pesos and Peruvian Sol, but reported in USD, FX volatility can impact reported results and valuation. This risk is largely translational, as revenues and costs are largely locally matched, limiting the impact on underlying operating performance.

Cost inflation in land and construction: As discussed in the campus development section, new campus returns are sensitive to land and building costs. Increases in land prices or construction costs could reduce returns on new capacity and slow expansion. Laureate mitigates this through standardized campus designs, higher-density formats (particularly at UNITEC), and a disciplined approach to site selection and development.

Catalysts

Recognition of returns on new campus expansion: As discussed in the campus development section, new campuses are currently in ramp-up phase and under-earning relative to mature assets. As utilization increases over the next few years, margins and returns should expand, making the economics of incremental capacity more visible in reported results and demonstrating the attractiveness of reinvestment.

Market realization that public supply risk is overstated: As outlined in the industry section, recently announced multi-year public expansion plans appear to have weighed on sentiment by increasing perceived long-term competition. However, historical underinvestment and execution constraints suggest these plans are unlikely to materially close the supply gap. As this becomes clearer over time, the market may reassess the durability of private sector growth, supporting a more constructive view on long-term demand and competitive positioning.

Sources: Company Filings

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ESG Analysis

Environmental

While lower in materiality for Laureate specifically than social factors, Laureate is still cautious of its environmental footprint. Laureate manages its environmental footprint as a strategic operational hedge rather than a primary materiality driver. In 2024, UVM and UNITEC earned the CREA certification across 11 Mexican sites, delivering a sub-six-month ROI through 35% energy and 22% water savings. Verified against 250+ criteria by Earthgonomic Mexico, this initiative unlocks tax incentives and Ministry of Labor-recognized staff training, bolstering Laureate's international competitiveness and "Socially Responsible Business" credentials.

However, these efficiencies are a critical defense against Mexico's 2026 structural water crisis and a tightening Updated Water Law, where municipal supply failures could spike OpEx via water hauling or trigger regulatory liability. Furthermore, as Laureate scales its AI-driven digital platforms in 2026, it faces a rising "digital carbon debt"—a material Scope 3 risk that requires transparent disclosure to protect its Certified B Corp status amid increasing energy demands for digital infrastructure.

Social

Laureate's positive social impact is a major strength of the business. In 2024, the company provided over $485 million USD in scholarships and discounts to students across Mexico and Peru. Furthermore, 47% of Laureate students are first-generation college students and 90% of job-seeking graduates are employed within 12 months. This performance directly aligns with three UN Sustainable Development Goals, Quality Education (4), Decent Work and Economic Growth (8), and Reduced Inequalities (10), while satisfying critical SASB metrics regarding Graduation and Job Placement rates (SV-ED-260a.1 and SV-ED-260a.3). Additionally, all of Laureate's full-time institutions carry a 5-star QS World University Ranking for social impact. Regarding potential social risks, these include the regulatory and public expansion risks mentioned on the previous page.

Governance

Laureate's governance framework reflects strong ESG alignment, reinforced by its Certified B Corp status, which embeds high standards of transparency, accountability, and stakeholder consideration. The company maintains robust policies around ethics, compliance, and data protection, increasingly important as operations scale and digital platforms expand. Governance also supports effective navigation of evolving regulatory environments in Mexico and Peru, while ESG disclosures are broadly aligned with recognized frameworks such as SASB. Overall, Laureate demonstrates solid governance practices that underpin responsible growth and long-term sustainability.

Sources: Laureate Impact Report

Laureate Education Inc. (NASDAQ: LAUR)

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Appendix 1 – Institutions Owned (Current Portfolio)

Universidad del Valle de Mexico (UVM)
Country: Mexico
Date Founded: 1960
Date Acquired: 2000
Enrollment: 132,200 students
Marketing Segment: Middle-income; full-time
Campus Count: 22 campuses
Tuition Cost: MXN 80,000 - 140,000
Program Mix: Medicine & Health Sciences, Engineering & IT, Business, Social Sciences (strong presence in regulated and high-ROI programs)

Universidad del Valle de México (UVM) is Laureate's largest and most scaled platform in Mexico, operating a nationwide campus network with meaningful online penetration. The institution targets the middle-income segment, where demand is driven by limited public capacity and strong ROI on professional degrees.

UVM's concentration in health sciences, business, and engineering supports pricing resilience and steady enrollment, particularly in programs with regulatory or capacity constraints (e.g., medical). Its scale enables shared infrastructure and standardized curricula, driving operating leverage within Laureate's Mexico segment.

Universidad Tecnológica de México (UNITEC)

Country: Mexico
Date Founded: 1966
Date Acquired: 2008
Enrollment: 137,200 students
Marketing Segment: Low/mid-income; part-time
Campus Count: 12 campuses
Tuition Cost: Affordable (not publicly disclosed)
Program Mix: Business, Engineering, Health Sciences, Social Sciences (with emphasis on employability and flexible delivery formats)

Universidad Tecnológica de México (UNITEC) operates as a complementary, urban-focused platform within Laureate's Mexico network, with a higher concentration of working-adult and commuter students. The institution primarily targets lower- to middle-income segments through more flexible scheduling and pricing, supporting accessibility and broadening Laureate's reach beyond UVM's core demographic.

UNITEC's program mix is similarly oriented toward business, engineering, and health-related fields, but with greater emphasis on employability and modular pathways tailored to part-time students. Its campus footprint is more concentrated in major metropolitan areas, enabling efficient utilization and supporting margins through higher student density and lower fixed infrastructure intensity relative to UVM.

Sources: Company Filings

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Appendix 1 – Institutions Owned (Current Portfolio)

Universidad Peruana de Ciencias Aplicadas (UPC)
Country: Peru
Date Founded: 1994
Date Acquired: 2004
Enrollment: 78,400 students
Marketing Segment: Mid/high-income; full-time
Campus Count: 4 campuses
Tuition Cost: Premium (not publicly disclosed)
Program Mix: Business, Engineering, Health Sciences, Social Sciences (with emphasis on employability and international standards)

Universidad Peruana de Ciencias Aplicadas (UPC) is Laureate's flagship institution in Peru, positioned at the premium end of the private higher education market. The university targets upper-middle-income students seeking high-quality, career-oriented education, with strong brand recognition and selective admissions supporting pricing power.

UPC's program mix is concentrated in high-demand disciplines such as business, engineering, and health sciences, with a focus on employability and international standards. Its urban campus network, primarily in Lima, benefits from strong demand dynamics and limited high-quality private alternatives, supporting stable enrollment growth and above-average margins within Laureate's Peru segment.

Universidad Privada del Norte (UPN)
Country: Peru
Date Founded: 1994
Date Acquired: 2007
Enrollment: 129,900 students
Marketing Segment: Low/mid-income; flexible
Campus Count: ~8 campuses
Tuition Cost: Affordable (not publicly disclosed)
Program Mix: Business, Engineering, Health Sciences, Social Sciences (with emphasis on employability and accessibility)

Universidad Privada del Norte (UPN) operates as Laureate's more accessible, volume-driven platform in Peru, targeting lower- to middle-income students across both Lima and secondary cities. The institution emphasizes affordability and geographic reach, expanding Laureate's penetration beyond the premium segment served by UPC.

UPN's program offering is focused on business, engineering, and applied disciplines aligned with local labor market needs, with flexible delivery formats supporting working students. Its multi-campus footprint and lower price point drive higher enrollment volumes, positioning UPN as a key contributor to growth within Laureate's Peru segment, albeit with structurally lower pricing and margins relative to UPC.

Sources: Company Filings

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Appendix – Institutions Owned (Current Portfolio)

<u>CIBERTEC</u>
Country: Peru
Date Founded: 1983
Date Acquired: 2012
Enrollment: 20,000 students
Marketing Segment: Low-income; technical
Campus Count: 4 campuses
Tuition Cost: Low-cost (not publicly disclosed)
Program Mix: IT, Engineering Technologies, Business (short-cycle, skills-based programs focused on employability)

CIBERTEC operates as Laureate's technical and vocational platform in Peru, focused on short-cycle, skills-based education aligned with immediate employability. The institution targets price-sensitive students seeking faster entry into the workforce, complementing Laureate's university offerings with a more practical, career-oriented alternative.

CIBERTEC's program mix is concentrated in IT, engineering technologies, and business-related technical fields, with an emphasis on hands-on training and industry-relevant curricula. Its lower-cost structure and shorter program duration support high turnover and enrollment flexibility, positioning the platform as a feeder into the labor market and a diversification driver within Laureate's Peru segment.

Sources: Company Filings

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Appendix 2 – Campus Footprint

Campus Name	Institution	Campus Location	Population
Coyoacán – Tlalpan	UVM	Mexico City	22,000,000
Hispano	UVM	Mexico City	22,000,000
Lomas Verdes	UVM	Naucalpan	850,000
Reforma - San Rafael	UVM	Mexico City	22,000,000
Texcoco	UVM	Texcoco	300,000
Toluca	UVM	Toluca	2,300,000
Aguascalientes	UVM	Aguascalientes	1,400,000
Cuernavaca	UVM	Cuernavaca	1,000,000
Guadalajara Sur	UVM	Guadalajara	5,300,000
Puebla	UVM	Puebla	3,200,000
Querétaro	UVM	Querétaro	2,500,000
Zapopan	UVM	Zapopan	1,500,000
Chihuahua	UVM	Chihuahua	1,000,000
Ciudad Victoria	UVM	Ciudad Victoria	350,000
Hermosillo	UVM	Hermosillo	1,000,000
Mexicali	UVM	Mexicali	1,100,000
Monterrey Cumbres	UVM	Monterrey	5,300,000
Saltillo	UVM	Saltillo	900,000
San Luis Potosí	UVM	San Luis Potosí	1,300,000
Mérida	UVM	Mérida	1,300,000
Veracruz	UVM	Veracruz	900,000
Villahermosa	UVM	Villahermosa	900,000
Campus Toluca	UNITEC	Toluca	2,300,000
Campus Sur	UNITEC	Mexico City	22,000,000
Campus Querétaro	UNITEC	Querétaro	2,500,000
Campus Marina	UNITEC	Mexico City	22,000,000
Campus Los Reyes	UNITEC	La Paz	300,000
Campus León	UNITEC	Leon	2,100,000
Campus Guadalajara	UNITEC	Guadalajara	5,300,000
Campus Ecatepec	UNITEC	Ecatepec	1,700,000
Campus Cuitláhuac	UNITEC	Mexico City	22,000,000
Campus Atizapán	UNITEC	López Mateos	1,700,000
Campus Monterrey	UNITEC	Monterrey	5,300,000
Campus Puebla	UNITEC	Puebla	3,200,000
Campus Monterrico	UPC	Lima	11,000,000
Campus Villa	UPC	Lima	11,000,000
Campus San Isidro	UPC	Lima	11,000,000
Campus San Miguel	UPC	Lima	11,000,000
Campus Ate	UPN	Lima	11,000,000
Campus Brena	UPN	Lima	11,000,000
Campus Cajamarca	UPN	Cajamarca	250,000
Campus Chorrillos	UPN	Lima	11,000,000
Campus Comas	UPN	Lima	11,000,000
Campus Los Olivos	UPN	Lima	11,000,000
Campus San Juan de Lurigancho	UPN	Lima	11,000,000
Campus Trujillo El Molino	UPN	Trujillo	1,100,000
Campus San Isidoro	UPN	Trujillo	1,100,000
Sede Lima Centro	CIBERTEC	Lima	11,000,000
Sede San Juan de Lurigancho	CIBERTEC	Lima	11,000,000
Sede Independencia	CIBERTEC	Lima	11,000,000
Sede Trujillo	CIBERTEC	Trujillo	1,100,000

Sources: Company Filings

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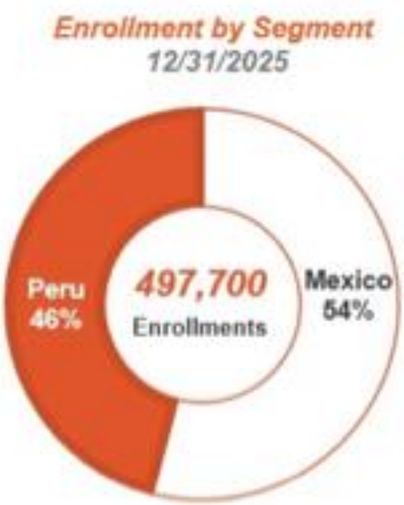
Appendix 3 – Enrollment by Segment



Appendix 4 – Management Team

<u>**Eilif Serck-Hanssen**</u>
Title: President and Chief Executive Officer
Country: United States
Current Role Since: 2018
At Company Since: 2008
Key Expertise: Transformation / Restructuring, International Operations, Asset-Intensive Business Optimization
Previous Roles: Laureate: Chief Financial Officer, Chief Administrative Officer, and Executive Vice President; Other: CFO & President International Operations at XOJET Aviation, CFO at EOS Airlines, SVP Finance & Treasurer at US Airways, etc.

Eilif Serck-Hanssen has served as CEO of Laureate since 2018 and has been with the company since 2008, previously holding senior roles including CFO and COO. He led a major strategic transformation, overseeing the divestiture of over $5 billion of assets and refocusing the company on Mexico and Peru, while driving digital transformation and navigating the COVID-19 disruption. Prior to Laureate, he held senior finance and operational roles across airlines and multinational companies, bringing strong experience in large-scale operations and restructuring.

Sources: Company Filings

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Appendix 4 – Management Team

<u>Marcelo Cardoso</u>
Title: Executive Vice President and Chief Operating Officer
Country: Brazil
Current Role Since: 2021
At Company Since: 2011
Key Expertise: Regional Operations (LatAm), Process Optimization, Operational Turnaround & Transformation
Previous Roles: Laureate: CEO & COO - Brazil/Global CTO, Vice-President, Strategy, Business Development and M&A; Other: Latin American Vice-President, Business Ops & CFO at Dell Technologies, South American Regional Manager, Six-Sigma, Materials & Logistics at Johnson Controls Automotive, etc.

Marcelo Cardoso has served as COO of Laureate since 2021 and has been with the company since 2011, previously serving as Chief Transformation Officer and CEO of Laureate Brazil. He oversees operations across Mexico and Peru, focusing on execution, efficiency, and academic quality. Prior to Laureate, he held senior roles at Dell EMC and Johnson Controls.

<u>Leslie Brush</u>
Title: Senior Vice President, Chief Legal Officer, and Secretary
Country: United States
Current Role Since: 2024
At Company Since: 2019
Key Expertise: Corporate Governance, Regulatory Compliance, Board Advisory
Previous Roles: Laureate: Deputy General Counsel and Secretary, Vice President, Assistant General Counsel and Secretary; Other: Vice President-Legal, Chief Governance Officer and Secretary at SunGard (now part of FIS), Associate at Lewis & Bockius LLP, etc.

Leslie Brush has served as Chief Legal Officer and Secretary of Laureate since 2024 and has been with the company since 2019, previously holding roles including Deputy General Counsel. She oversees legal affairs, corporate governance, compliance, and regulatory matters, supporting the company's operations across Mexico and Peru. Prior to Laureate, she spent over 20 years at SunGard (now part of FIS), advising boards and executive teams on governance, transactions, and securities matters.

Sources: Company Filings

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Appendix 4 – Management Team

Martin N. Fienkeng
Title: Chief Information Officer, and Chief Information Security Officer
Country: United States
Current Role Since: 2022
At Company Since: 2015
Key Expertise: IT Operations, Cybersecurity, Digital Infrastructure
Previous Roles: Laureate: CISO & Vice President, Global IT Operations, Vice President, Global IT Operations, Executive Director of Information Security, Lead IT Security Consultant; Other: Director, Enterprise Security & Compliance at McCormick & Company, Director, Enterprise Systems Technologies at McCormick & Company, Director, IT Infrastructure at Ciena, etc.

Martin Fienkeng serves as CIO and CISO of Laureate, a role he has held since joining the company in 2015. He leads global IT operations, cybersecurity, and enterprise technology, supporting Laureate's digital infrastructure across Mexico and Peru. Prior to Laureate, he held senior IT and security leadership roles at McCormick and Ciena, with experience managing enterprise systems and cybersecurity for multinational organizations.

Alejandro Gallo
Title: CEO, Laureate Mexico
Country: Mexico
Current Role Since: 2025
At Company Since: 2012
Key Expertise: Operational Execution, Process Optimization, Regional Operations
Previous Roles: Laureate: Chief Operating Officer (Mexico), Campus Operations VP (UVM), Market Analysis and Strategic Planning Director, etc.; Other: Government Executive Manager at Johnson & Johnson Medical, Key Account Manager at Johnson & Johnson Medical, Subdirector Customer Experience at HSBC Mexico, etc.

Alejandro Gallo has served as CEO of Laureate Mexico since 2025 and has been with the company since 2012, previously serving as COO of Laureate Mexico. He oversees UVM and UNITEC, focusing on operational execution, efficiency, and growth. Prior to Laureate, he held leadership roles at Johnson & Johnson, HSBC, and Eli Lilly across operations, process engineering, and customer service.

Sources: Company Filings

Laureate Education Inc. (NASDAQ: LAUR)

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Appendix 4 – Management Team

Álvaro Ramos
Title: CEO, Laureate Peru
Country: Peru
Current Role Since: 2025
At Company Since: 2017
Key Expertise: Operational Execution, Business Transformation, Regional Operations
Previous Roles: Laureate: Chairman of the Board of Directors (CIBERTEC), CEO (UPN), COO (UPN), Regional Transformation Officer; Other: Marketing Manager – CMO at Laive, Marketing Manager – Western Andean Region & Central America at Mondelēz International, etc.

Álvaro Ramos has served as CEO of Laureate Peru since 2025 and has been with the company since 2017, previously serving as COO and CEO of UPN and holding regional transformation roles. He oversees UPC, UPN, and Cibertec, focusing on operational execution, growth, and transformation initiatives. Prior to Laureate, he held senior marketing and leadership roles at Nestlé, Whirlpool, SABMiller, and Kraft Foods.

Rick Buskirk
Title: Senior Vice President and Chief Financial Officer
Country: United States
Current Role Since: 2021
At Company Since: 2015
Key Expertise: Financial Planning & Analysis, Corporate Development, Financial Strategy
Previous Roles: Laureate: Senior Vice President, Corporate Development M&A), Vice President, Global FP&A; Other: Senior Advisor, New Market Entry at Vodafone, Vice President, Strategy & Operations at NII Holdings, Senior Manager, Finance at Sprint Nextel, etc.

Rick Buskirk has served as CFO of Laureate since 2021 and has been with the company since 2015, previously leading Financial Planning & Analysis and Corporate Development. He has played a key role in the company's strategic review and portfolio optimization, supporting capital allocation and financial transformation initiatives. Prior to Laureate, he worked in investment banking at Deutsche Bank and held finance and strategy roles at EY, Vodafone, and Sprint/Nextel.

Sources: Company Filings

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Appendix 10 – Thesis II Detailed Framework

Campus Development Model

We now examine the economics of new campus development and the returns on incremental capacity. To do so, we must first evaluate land acquisition costs and the development costs of buildings, multi-storey parking structures, and non-built land areas.

Land: UNITEC campuses are typically located in urban, middle-income areas within major metropolitan regions, but outside prime downtown districts. These locations offer high population density and accessibility while avoiding the higher land costs associated with central business districts.

The following box plot presents commercial land pricing data for a sample of top 20 Mexican cities where Laureate has not yet expanded. Cities were randomly selected and then screened to broadly align with UNITEC's existing location profile, with outliers excluded.

The average price per square foot is approximately $45. Including outliers, the average increases to roughly $50. For conservatism, we assume a base case of $55 per square foot.

Building Costs: Building costs can vary significantly depending on the type of development. While data on education-specific development costs is limited, the Mexican government has disclosed details on the construction of 18 schools across various regions, implying an average cost of approximately $98 per square foot (including basic infrastructure such as utilities, structure, and finishes). This level is broadly in line with commercial construction costs; including land, total development costs are comparable to those of commercial properties available for sale.

To account for slightly higher costs associated with laboratory and specialized facilities at the university level, the base case building cost is rounded to $100 per square foot.

Non-built land areas: An additional $5 per non-built square foot is assumed to account for site-related development costs associated with outdoor parking, circulation areas, yards, and other uncovered improvements.

Campus Profile and Cost per Square Foot: Laureate does not disclose square footage by brand, which contributes to the lack of clarity around revenue per square foot metrics (often implicitly assumed to be similar across brands) and helps explain why most sell-side analysts do not assess returns on new campus development. However, using satellite imagery and Google Street View, it is possible to derive reasonably accurate estimates of campus characteristics. This approach allows for the estimation of total land area, building footprint, number of floors, and Gross Floor Area (GFA) for each campus. Excluding two recently opened campuses that are not yet fully ramped (and therefore not comparable in terms of revenue or student metrics), the UNITEC portfolio is estimated to comprise approximately 2.9 million sq ft of land, 0.7 million sq ft of building footprint, and 2.5 million sq ft of GFA.

Therefore, each occupied square foot (GFA) requires approximately $100 of building development cost, $63.57 of land cost (assuming total land area is 15.6% greater than GFA at $55 per sq ft), and $4.40 of non-built area costs (calculated as total non-built land area divided by GFA). Total base case cost per occupied square foot (GFA) is therefore $167.97, consistent with observed transaction values for comparable non-prime commercial buildings.

Sources: Company Filings

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Appendix 10 – Thesis II Detailed Framework

Operating Economics

Having established the cost of developing new campus capacity, we now turn to the operating economics of these assets, focusing on revenue generation, cost structure, and the timing of cash flows.

Revenue per Square Foot: Laureate does not disclose revenue figures specifically for UNITEC, nor does it break out revenue generated by fully online students across its brands. However, the company provides sufficient pricing and enrollment data to derive reasonable estimates.

For its Mexico operations, Laureate indicates that tuition pricing for UVM online students and UNITEC in-person students is approximately 50% of UVM in-person pricing, while UNITEC online pricing is approximately 50% of UNITEC in-person pricing (i.e., 25% of UVM in-person pricing).

Given disclosed total net revenue per student of $3,717.76 in Mexico for FY2025, and using segment-level student counts, these relative pricing relationships allow us to infer implied revenue per student across the four segments (UVM in-person, UVM online, UNITEC in-person, and UNITEC online).

The company discloses that student enrollment at UNITEC prior to the launch of the new campus (Q2 disclosure) was approximately 128,000 students, compared to 108,000 students at UVM. While Laureate does not disclose fully online enrollment by brand, it reports total online enrollment of 114,310 students in 2025.

Importantly, this figure closely matches the total number of working adult students across Laureate's institutions (~114,000). Combined with management commentary that online students are primarily working adults, this strong alignment suggests that online enrollment is almost entirely composed of working adults.

Laureate further discloses that approximately 50% of UNITEC students are working adults. As a result, the working adult population provides a reasonable, data-supported proxy for UNITEC's online enrollment. Under this base case, UNITEC is estimated to have approximately 64,000 fully online students and 64,000 in-person students.

The remaining online students are allocated across other brands based on relative enrollment and country-level online penetration rates. This implies that UVM has approximately 31,750 fully online students and 76,250 in-person students.

Having established assumptions for student distribution by brand, along with relative pricing and average net revenue per student, we can estimate segment-level revenue per student. This implies average revenue of approximately $6,261 for UVM in-person students and $3,131 for UVM online students, while UNITEC generates approximately $3,131 per in-person student and $1,565 per online student, broadly consistent with observable pricing data.

Sources: Company Filings

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Appendix 10 – Thesis II Detailed Framework

Applying these figures to estimated enrollment, UNITEC in-person operations generate approximately $200.4 million in revenue. Using total gross floor area (GFA) derived from satellite imaging, this corresponds to an implied revenue per square foot of approximately $78.90 for UNITEC campuses.

Cost Structure (% of Revenue): Operating expenses for new UNITEC campuses are expected to be broadly in line with those of Laureate's Mexico segment. While Laureate does not disclose margins by brand, a former Regional CEO at Laureate indicated that UNITEC margins exceed those of UVM, which has relatively lower operating efficiency.

We first estimate UNITEC brand EBITDA margins of approximately 35.9 percent on a rent-free basis, based on the observed revenue mix between online and in person programs (33%), compared to the same mix for UVM (17%) and benchmarked against overall EBITDA margins excluding rent of 34.44%. This estimate assumes a 45 percent EBITDA margin for the fully online segment, which is above margins observed at scaled online education providers and implies a more conservative estimate for in person margins.

Based on the 45 percent online margin assumption and revenue mix, we derive an in-person margin of approximately 31.3 percent. In addition, a 3 percentage point premium is applied to in person margins to reflect commentary from a former Laureate Regional CEO indicating that UNITEC operates with a structurally he campu more efficient and higher margin model than UVM, which has demonstrated relatively weak operating efficiency. An additional 1 percentage point is added to reflect the expected increase in margins as t s matures over a six-year period, driven by a higher share of classes delivered online for in-person students and therefore improved resource utilization.

While inherently uncertain, these assumptions are further tested through sensitivity analysis to assess their impact on returns. As such, the margin advantage is primarily driven by lower personnel intensity associated with larger average class sizes and a higher share of online delivery, with smaller contributions from more efficient facility utilization and other operating expenses.

While the exact contribution of each cost component is difficult to isolate, the key driver of value is the resulting improvement in overall margins rather than the precise allocation across individual cost line items. New campuses are modeled as fully owned.

Sources: Company Filings

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Appendix 10 – Thesis II Detailed Framework

Timing Assumptions: The ramp-up in revenues and certain operating expenses is primarily driven by the average program duration at Laureate of approximately four years, as cohorts are gradually built over time. This dynamic explains why some costs, particularly labor expenses driven by faculty salaries, increase progressively as enrollment scales.

However, we assume that a significant portion of costs is incurred from the first day of operations. This includes facilities costs, advertising expenses, and the IT-related portion of other costs, estimated at approximately 10 percent of revenue once the campus is fully ramped up. The remaining portion of other expenses is assumed to scale with revenue.

For labor, we assume that 20 percent of labor costs at full ramp are incurred from day one, reflecting baseline staffing requirements, while the remaining 80 percent scales with enrollment growth.

Other Assumptions: A Mexican corporate tax rate of 30% is applied. Campus development CAPEX is depreciated on a straight-line basis over a 30-year useful life, while maintenance CAPEX is depreciated over 15 years, consistent with peer practices. Also, a conservative level of debt of 1x EBITDA (same ratio as the company once operating leases are capitalized). Efficiencies related to in person students having a higher percentage of their classes online are also related to slight revenue growth as well as a slight decrease in labour and facilities costs. The exit multiple is assumed to be consistent with the company's current trading multiple. Other assumptions are assumed to be the same as the rest of the company. CAPEX is assumed to be deployed evenly over the construction period, with 50 percent incurred at project inception and 50 percent after one year. For modeling simplicity, total CAPEX is reflected at project start, with the second tranche discounted to present value at the risk-free rate (implying a present value of 164.44 per sq ft, compared to a nominal cost of 167.97 per sq ft).

Sources: Company Filings

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Appendix 11 New Campus Model (at the Asset Level)

Transaction Assumptions

Deal Assumptions	
Entry Multiple	5.9x
Exit Multiple	9.2x
Total Leverage	1.0x
First Lien Term Loan	*100.0%*
PIK Preferred	–
Revolving Credit Facility	–
Transaction Expenses	–
Cash to B/S	–
Rollover from Management	–
Usefull Life of Campus	30
Usefull Life - CAPEX	15
Sweep	–
NWC Revenue %	(10.9%)
Cash Flow Payout	100.0%
Tax Rate	30.0%

Current Capitalization	
Entry EBITDA	28
(x) Entry Multiple	5.9x
Enterprise Value	**164**
Less: Debt	–
Add: Cash	–
Equity Value	**164**

Financing Assumptions

	(x) EBITDA	Allocation	Rate	Fees (%)	OID (%)	Capacity
Total	1.0x					
Revolving Credit Facility	–	–	S+200	–	–	50
First Lien Term Loan	1.0x	100.0%	S+200	2.3%	1.0%	
PIK Preferred	–	–	12.0%	4.0%	3.0%	

Sources & Uses of Funds

Sources of Funds	$	%	(x) EBITDA
Revolving Credit Facility	–	–	–
First Lien Term Loan	28	16.9%	1.0x
PIK Preferred	–	–	–
Total Debt	**28**	**16.9%**	**1.0x**
New Equity	137	83.1%	4.9x
Rollover Equity	–	–	–
Total Equity	**137**	**83.1%**	**4.9x**
Existing Cash on B/S	–	–	–
Total Sources of Funds	**165**	**100.0%**	**5.9x**

Uses of Funds	$	%	(x) EBITDA
Purchase Existing Equity	164	99.5%	5.9x
Paydown Exiting Debt	–	–	–
Cash to B/S	–	–	–
Transaction Fees	–	–	–
Underwriting Fees	1	0.4%	0.0x
OID	0	0.2%	0.0x
Total Uses of Funds	**165**	**100.0%**	**5.9x**

Sources: Company Filings

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Appendix 11 New Campus Model (at the Asset Level)

Financial Forecast

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Inlfation Adjusted Revenue per Sq ft	78.9	81.3	83.7	86.2	88.8	91.5	94.2	97.0	99.9	102.9	106.0
Revenue	–	–	–	**22**	**44**	**69**	**94**	**98**	**101**	**104**	**108**
% Scaled	–	–	–	*25.0%*	*50.0%*	*75.0%*	*100.0%*	*100.5%*	*101.0%*	*101.5%*	*102.0%*
Labour Costs		–	–	(13)	(21)	(28)	(33)	(34)	(35)	(36)	(38)
% Revenue		–	–	*61.8%*	*46.4%*	*41.2%*	*35.3%*	*35.2%*	*35.0%*	*34.9%*	*34.7%*
Facilities Costs		–	–	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
% Revenue		–	–	*11.6%*	*5.6%*	*3.6%*	*2.6%*	*2.5%*	*2.4%*	*2.3%*	*2.2%*
Advertising Expense		–	–	(6)	(6)	(6)	(6)	(6)	(6)	(7)	(7)
% Revenue		–	–	*28.0%*	*13.6%*	*8.8%*	*6.4%*	*6.4%*	*6.4%*	*6.4%*	*6.4%*
Other Costs		–	–	(6)	(11)	(16)	(19)	(20)	(20)	(21)	(22)
% Revenue		–	–	*28.8%*	*24.5%*	*23.1%*	*20.3%*	*20.3%*	*20.3%*	*20.3%*	*20.3%*
EBITDA		–	–	**(7)**	**4**	**16**	**33**	**35**	**36**	**38**	**39**
EBITDA Margin		–	–	*(30.2%)*	*9.9%*	*23.2%*	*35.3%*	*35.6%*	*35.8%*	*36.1%*	*36.3%*
Less: D&A (Initial Cost)		(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)
Less: D&A (CAPEX)		–	–	–	(0)	(0)	(0)	(0)	(1)	(1)	(1)
EBIT		**(6)**	**(6)**	**(12)**	**(1)**	**10**	**28**	**29**	**30**	**31**	**33**
EBIT Margin		–	–	*(55.7%)*	*(2.6%)*	*15.0%*	*29.2%*	*29.5%*	*29.7%*	*30.0%*	*30.3%*
Less: Net Interest Expense		(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
EBT		**(7)**	**(7)**	**(14)**	**(3)**	**9**	**26**	**27**	**28**	**30**	**31**
EBT Margin		–	–	*(63.9%)*	*(6.6%)*	*12.5%*	*27.4%*	*27.7%*	*28.0%*	*28.3%*	*28.6%*
Less: Taxes		2	2	4	1	(3)	(8)	(8)	(8)	(9)	(9)
Net Income	–	**(5)**	**(5)**	**(10)**	**(2)**	**6**	**18**	**19**	**20**	**21**	**22**
Net Margin											
Add: PIK Interest		–	–	–	–	–	–	–	–	–	–
Add: D&A		6	6	6	6	6	6	6	6	6	7
Less: (Increase) / Decrease in NWC		–	–	2	2	3	3	0	0	0	0
Less: Capex		–	–	(1)	(1)	(2)	(3)	(3)	(3)	(3)	(3)
Free Cash Flow for Debt Paydown		**0**	**0**	**(2)**	**5**	**12**	**24**	**22**	**23**	**24**	**25**
Free Cash Flow Conversion		–	–	*37.3%*	*105.9%*	*76.7%*	*71.5%*	*64.2%*	*64.4%*	*64.5%*	*64.6%*
Free Cash Flow Yield		*0.4%*	*0.3%*	*(1.8%)*	*3.4%*	*8.9%*	*17.3%*	*16.2%*	*16.9%*	*17.7%*	*18.5%*

Pricing	3.0%
Efficiencies	0.5%
Efficiencies	(0.2%)
Efficiencies	(0.1%)
Efficiencies	–
Efficiencies	–

Sources: Company Filings

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Appendix 11 New Campus Model (at the Asset Level)

Debt Schedule

			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
SOFR			3.5%	3.6%	3.6%	3.7%	3.7%	3.8%	3.8%	3.9%	3.9%	4.0%
Free Cash Flow for Debt Paydown			**0**	**0**	**(2)**	**5**	**12**	**24**	**22**	**23**	**24**	**25**
Revolving Credit Facility												
Beginning Balance			–	–	–	2	–	–	–	–	–	–
Add: Draws / (Repayments)			–	–	2	(2)	–	–	–	–	–	–
Ending Balance	*Rate*	–	–	–	**2**	–	–	–	–	–	–	–
Interest Rate	S+200		5.5%	5.6%	5.6%	5.7%	5.7%	5.8%	5.8%	5.9%	5.9%	6.0%
Interest Expense			–	–	0	0	–	–	–	–	–	–
Capacity		50	50	50	50	50	50	50	50	50	50	50
Available Capacity		50	50	50	50	48	50	50	50	50	50	50
Free Cash Flow Available for First Lien Term Loa			**0**	**0**	**–**	**2**	**12**	**24**	**22**	**23**	**24**	**25**
First Lien Term Loan												
Beginning Balance			28	28	28	28	28	28	28	28	28	28
Add: Draws / (Repayments)			–	–	–	–	–	–	–	–	–	–
Ending Balance	*Rate*	**28**	**28**	**28**	**28**	**28**	**28**	**28**	**28**	**28**	**28**	**28**
Interest Rate	S+200		5.5%	5.6%	5.6%	5.7%	5.7%	5.8%	5.8%	5.9%	5.9%	6.0%
Interest Expense			2	2	2	2	2	2	2	2	2	2
Free Cash Flow Available for PIK Preferred			**0**	**0**	**–**	**2**	**12**	**24**	**22**	**23**	**24**	**25**
PIK Preferred												
Beginning Balance			–	–	–	–	–	–	–	–	–	–
Add: PIK Interest			–	–	–	–	–	–	–	–	–	–
Ending Balance	*Rate*	–	–	–	–	–	–	–	–	–	–	–
Interest Rate	12.0%		12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Interest Expense			–	–	–	–	–	–	–	–	–	–
Cash Flow Paid Out			**0**	**0**	**–**	**2**	**12**	**24**	**22**	**23**	**24**	**25**

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Sources: Company Filings

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Appendix 11 New Campus Model (at the Asset Level)

Credit Statistics

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Memo: EBITDA	*–*	*–*	*–*	*(7)*	*4*	*16*	*33*	*35*	*36*	*38*	*39*
Debt Balances											
Revolving Credit Facility	–	–	–	2	–	–	–	–	–	–	–
First Lien Term Loan	28	28	28	28	28	28	28	28	28	28	28
Total 1st Lien Debt	**28**	**28**	**28**	**30**	**28**	**28**	**28**	**28**	**28**	**28**	**28**
PIK Preferred	–	–	–	–	–	–	–	–	–	–	–
Total Debt	**28**	**28**	**28**	**30**	**28**	**28**	**28**	**28**	**28**	**28**	**28**
Less: Cash	–	–	–	–	–	–	–	–	–	–	–
Net Debt	**28**	**28**	**28**	**30**	**28**	**28**	**28**	**28**	**28**	**28**	**28**
Leverage Metrics											
First Lien Leverage (x)		–	–	(4.7x)	6.3x	1.8x	0.8x	0.8x	0.8x	0.7x	0.7x
First Lien Net Leverage (x)		–	–	(4.7x)	6.3x	1.8x	0.8x	0.8x	0.8x	0.7x	0.7x
Total Leverage		–	–	(4.7x)	6.3x	1.8x	0.8x	0.8x	0.8x	0.7x	0.7x
Total Net Leverage		–	–	(4.7x)	6.3x	1.8x	0.8x	0.8x	0.8x	0.7x	0.7x
Interest Coverage Ratios											
EBITDA / Cash Interest Expense		–	–	(4.0x)	2.7x	10.0x	20.8x	21.5x	22.2x	22.9x	23.7x
EBITDA / Total Interest Expense		–	–	(3.7x)	2.5x	9.3x	19.2x	19.9x	20.5x	21.2x	22.0x
Paydown											
First Lien Paydown	28	–	–	(8.7%)	–	–	–	–	–	–	–
Total Debt Paydown	28	–	–	(8.7%)	–	–	–	–	–	–	–
Interest Expense											
Revolving Credit Facility		–	–	0	0	–	–	–	–	–	–
First Lien Term Loan		2	2	2	2	2	2	2	2	2	2
Total Cash Interest		**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**
PIK Preferred	*Amort. Time*	–	–	–	–	–	–	–	–	–	–
Amortization of OID & Underwriting Fee	7 Years	0	0	0	0	0	0	0	0	0	0
Total Interest Expense		**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Less: Interest Income		–	–	–	–	–	–	–	–	–	–
Net Interest Expense		**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Cash Schedule											
Beginning Balance		–	–	–	–	–	–	–	–	–	–
Add: Change in Cash		–	–	–	–	–	–	–	–	–	–
Ending Balance	–	–	–	–	–	–	–	–	–	–	–
Interest Rate 2.0%		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Interest Expense		–	–	–	–	–	–	–	–	–	–

Sources: Company Filings

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Appendix 11 New Campus Model (at the Asset Level)

Returns Analysis

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
EBITDA	–	–	(7)	4	16	33	35	36	38	39
(x) Exit Multiple	9.2x	9.2x	9.2x	9.2x	9.2x	9.2x	9.2x	9.2x	9.2x	9.2x
Enterprise Value	**–**	**–**	**(60)**	**41**	**146**	**306**	**319**	**333**	**347**	**362**
Less: Debt	(28)	(28)	(30)	(28)	(28)	(28)	(28)	(28)	(28)	(28)
Add: Cash	–	–	–	–	–	–	–	–	–	–
Equity Value	**(28)**	**(28)**	**(90)**	**13**	**119**	**278**	**291**	**305**	**319**	**334**
Less: Rollover Equity –	–	–	–	–	–	–	–	–	–	–
Net Proceeds to New Equity	**(28)**	**(28)**	**(90)**	**13**	**119**	**278**	**291**	**305**	**319**	**334**
Add: Cash Flow Paid Out	0	0	–	2	12	24	22	23	24	25
Total Cash Flow	**(27)**	**(27)**	**(90)**	**15**	**131**	**302**	**314**	**328**	**343**	**359**

Year 1 Exit	(137)	(27)									
Year 2 Exit	(137)	0	(27)								
Year 3 Exit	(137)	0	0	(90)							
Year 4 Exit	(137)	0	0	–	15						
Year 5 Exit	(137)	0	0	–	2	131					
Year 6 Exit	(137)	0	0	–	2	12	302				
Year 7 Exit	(137)	0	0	–	2	12	24	314			
Year 8 Exit	(137)	0	0	–	2	12	24	22	328		
Year 9 Exit	(137)	0	0	–	2	12	24	22	23	343	
Year 10 Exit	(137)	0	0	–	2	12	24	22	23	24	359

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
IRR	**–**	**–**	**–**	**(42.4%)**	**(0.5%)**	**15.2%**	**14.9%**	**14.6%**	**14.4%**	**14.3%**
MOIC	**–**	**0.0x**	**0.0x**	**0.1x**	**1.0x**	**2.3x**	**2.6x**	**2.8x**	**3.1x**	**3.4x**

Sources: Company Filings

Laureate Education Inc. (NASDAQ: LAUR)

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Appendix 12 Key Regulation (Mexico)

RVOE Tightening & Enforcement: Mexico's RVOE framework has seen stricter enforcement and administrative tightening in 2024–2025, led by Secretaría de Educación Pública and Procuraduría Federal del Consumidor. This increases compliance requirements, slows approval timelines for new programs, and raises the risk of sanctions or reputational damage for non-compliant institutions, effectively constraining growth and operational flexibility.

Consumer Protection Enforcement: New coordination between regulators increases scrutiny on advertising and RVOE disclosure. Raises legal/reputational risk and may constrain enrollment practices. Watch: expansion to tuition/refund regulation.

Modality & Program Regulation (Online/Hybrid): 2024 updates increasing scrutiny / evolving standards on program delivery formats. Disproportionately affects private providers with digital/hybrid offerings. Watch: further standardization of online education.

Data Protection Reform (Expected 2026): Upcoming stricter data laws (not yet passed) could increase compliance costs for student data management. Watch: final scope and enforcement requirements.

Institutional Quality Shift (Policy Direction): Policy discussions suggest a move toward stronger institution-level oversight (not enacted). Would increase regulatory burden if implemented. Watch: creation of centralized accreditation mechanisms.

Public Sector Expansion (Non-Regulatory): Government expansion of low-cost public education increases competition and pricing pressure. Watch: scale of new public capacity.

Fee Regulation - Free Titling Proposals (To Monitor): 2025 congressional proposals seek to eliminate degree/titling fees at private universities (not passed). Would reduce high-margin ancillary revenue and pricing flexibility. Watch: inclusion in broader affordability reforms.

Sources: Company Filings

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Appendix 13 Key Regulation (Peru)

Permanent Licensing & Continuous Supervision (Law No. 32105, 2024): Law 32105 replaced periodic license renewals with permanent licensing, reducing formal renewal risk but significantly increasing ongoing oversight. Universities must continuously demonstrate compliance with Basic Quality Conditions through annual reporting and periodic audits, raising operational burden and persistent regulatory risk.

Annual Compliance Reports & Audits (IAC – Resolution 0011-2026): Since 2026, licensed universities must submit annual compliance reports and undergo mandatory public audits every three years. This formalizes continuous supervision and increases transparency requirements, raising compliance costs and the risk of sanctions if standards are not consistently met.

Academic Program Modification Rules (Directive 092-2024-SUNEDU): Updated SUNEDU rules require detailed justification and approval for any changes to academic programs, including new offerings, format changes, or expansions. This slows program innovation and limits operational flexibility, particularly for private universities adapting to market demand.

100% Virtual Education Authorization (Law No. 32105): The law allows universities to offer programs fully online, reversing prior limits on virtual credits. While expanding market reach and scalability, it also increases regulatory scrutiny and requires institutions to meet stricter quality assurance standards for digital delivery.

Distance Education Quality Standards (Proposed, 2025–2026): SUNEDU has proposed new regulations to establish stricter quality benchmarks for fully online programs, currently under consultation. If implemented, these would increase compliance requirements and could limit the economic benefits of scaling digital education.

Mandatory Research Course Requirement (Law No. 31803): Universities are required to include a research course in the final semester of all undergraduate programs, with implementation deadlines in 2025. This increases curriculum rigidity and may raise instructional costs, particularly for institutions with standardized program structures.

Faculty Qualification Exception (Law No. 32551, 2026): This law allows certain faculty to continue teaching without a master's or doctoral degree, creating a permanent exception to prior qualification requirements. This reduces cost pressure and increases staffing flexibility, partially offsetting broader regulatory tightening.
Removal of Modality from Degrees (SUNEDU, 2026): SUNEDU now prohibits indicating whether a degree was obtained online or in person on diplomas. This reduces labor market discrimination against online degrees and structurally benefits private universities with hybrid or digital offerings.

Closure of Non-Compliant Universities (Ongoing Policy): Peru continues to enforce strict licensing standards, with SUNEDU empowered to deny or revoke licenses for institutions that fail to meet quality conditions. This creates a credible risk of closure but also reduces low-quality competition in the sector.

Tax Privilege Removal Proposal (Not Passed): A 2025 proposal considered eliminating tax advantages for private universities, potentially subjecting them to the general corporate tax regime. While not enacted and currently uncertain, it represents a potential downside risk to profitability if revisited. Watch: legislative traction and political support.

Governance & Political Intervention Risk (Ongoing Legislative Trend): Recent laws and proposals affecting governance, asset use, and non-licensed institutions highlight the government's willingness to intervene directly in private universities. This creates ongoing regulatory uncertainty and potential constraints on operational autonomy.

Sources: Company Filings

VBSC Founding Cohort
Class of 2025-2026

“You have to find what’s the story behind the story”

- Benoit Durand

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