

The Daily Deal

LLR, Prairie and Apax invest in for-profit institutions

by Christine Idzelis
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It's shaping up as a good week in the for-profit post-secondary education industry, with three new investments in the sector by private equity funds, including two growth capital investments for smaller companies.

Cosmetology school operator Regency Beauty Institute is expected to announce Tuesday, March 7 that mid-market private equity firms LLR Partners and Prairie Capital LP have invested more than \$20 million of equity for a minority stake. And on Monday, Apax Partners said it was buying a minority stake in another adult educator, Learning Annex LLC.

Also on Monday, Educational Management Corp. agreed to be taken private in a \$3.4 billion leveraged buyout led by Providence Equity Partners and Goldman Sachs Capital Partners (see related story).

Scott Perricelli, a principal with LLR Partners, declined to say what percentage of the Minneapolis-based Regency the investors would take, but said the company's president and CEO Hayes Batson is the primary shareholder. Perricelli did say that LLR's stake will be larger than Prairie's.

The \$20 million investment will be used partly to expand Regency's to 17 campuses from eight by year's end.

Perricelli said his firm expects a similar growth rate during the next couple of years. The company has campuses in Chicago, Minneapolis and Madison, but plans to expand to St. Louis, Indianapolis and Kansas City.

"There are no plans for acquisitions," he said, because the industry is dominated by "undermanaged" mom and pop businesses. The country's roughly 2,000 cosmetology schools are owned by more than 1,100 entities, he said, and the largest has about 35 schools.

The investment will also fund the addition of a CFO and vice president of marketing.

The sponsors tapped Drinker Biddle & Reath LLP's John Przepyszny and Stephen Burdumy for legal advice. Parsinen Kaplan Rosberg & Gottlieb PA's Peter Shimabukuro was counsel to Batson.