



NELNET(NNI)

VALUE X VAIL - 2017



THE BUSINESS & MARKET STATISTICS

Share Price (6/5/17)	\$40.00
52-Week High/Low	\$55.05/\$31.49
Book Value/Share	\$48.94
Market Cap	\$1.8B
Total Debt	\$23.6B
Total Equity/Assets	8.14%
TTM Revenue	\$830.6M
EPS (TTM)	\$6.10

- Nelnet is an education-focused finance and services company
- Core business is in runoff
- Appears to be highly leveraged and in decline
- Second largest business is subject to a government RFP
- Founder & Insiders owns 37 % of the company
- We believe it is exceptionally safe, high quality, and offers at least 100% upside with very limited downside risk



HISTORY

- Founded in 1996 with \$50k to issue and service federal student debt, which they grew to 109 mm
- IPO'd in 2003, raising \$168M and has compounded book value at 20% since
- Began diversifying to other education-related businesses in 2005 – these now generate \$880M of revenue and \$80M of EBITDA
- In 2010, were no longer able to issue Federal student debt, so core business is in runoff
- Run by a master capital allocator who has built a diversified company positioned for future growth

Nelnet's Corporate Performance (Annual Percentage Change)			
	Nelnet Per Share Book Value With Dividends Included	Nelnet Per Share Market Value With Dividends Included	S&P 500 With Dividends Included
2004	49.2%	20.2%	10.9%
2005	41.5%	51.1%	4.9%
2006	6.3%	(32.7)%	15.8%
2007	(1.6)%	(52.5)%	5.5%
2008	6.6%	13.3%	(37.0)%
2009	21.0%	20.7%	26.5%
2010	23.7%	41.6%	15.1%
2011	22.6%	4.9%	2.1%
2012	16.7%	27.5%	16.0%
2013	26.1%	42.8%	32.4%
2014	21.1%	10.9%	13.7%
2015	16.0%	(26.6)%	1.4%
2016	15.4%	52.7%	12.0%
CAGR	19.7%	7.8%	7.7%



SEGMENT #1: ASSET GENERATION & MANAGEMENT

- Has historically issued loans under the Federal Family Education Loan Program (FFELP) – these loans are federally guaranteed
- Loans are match-funded using ABS's that are non-recourse to the parent company
- Beginning in 2010, private lenders such as Nelnet were no longer able to originate FFELP loans
- 80% of cash flows will occur in next 7 years
- Are able to acquire other FFELP portfolios
- Undiscounted Cash Flows - \$48 a share

Distribution Timing

Year		Cash Flow	Undiscounted	NPV @ 2.5%	NPV @ 5.0%
0	2017	200,000	200,000	200,000	200,000
1	2018	200,000	200,000	195,122	190,476
2	2019	180,000	180,000	171,327	163,265
3	2020	210,000	210,000	195,006	181,406
4	2021	350,000	350,000	317,083	287,946
5	2022	300,000	300,000	265,156	235,058
6	2023	75,000	75,000	64,672	55,966
7	2024	65,000	65,000	54,682	46,194
8	2025	55,000	55,000	45,141	37,226
9	2026	100,000	100,000	80,073	64,461
10	2027	35,000	35,000	27,342	21,487
11	2028	40,000	40,000	30,486	23,387
12	2029	50,000	50,000	37,178	27,842
13	2030	160,000	160,000	116,067	84,851
		2,020,000	2,020,000	1,799,335	1,619,566



SEGMENT #2: NELNET DIVERSIFIED SOLUTIONS (LOAN SERVICING)

- Has historically serviced FFELP and private loans – largest revenue source outside of loan portfolio
- In 2009, was selected as 1 of 4 servicers of Federal Direct Program, the largest pool of government student loans – contract was for 10 years
- With contract set to expire in 2019, the Dept. of Education has decided to select a single servicing platform, which will be one of the most valuable non-military government contracts in history
- Nelnet created a JV with another issuer, which is 1 of 3 finalists to win the contract – process has been redefined and delayed by new administration



Low Case (3x 2016 EBITDA)	190,041
Base Case (8x 2016 EBITDA)	506,776
High case (12x 2016 EBITDA)	760,164



SEGMENT #3: NELNET BUSINESS SOLUTIONS (EDUCATION COMMERCE & PAYMENT PROCESSING)

- FACTS and RenWeb serve private, K-12 schools in US and Australia – market leader with over 13k schools & 3M students
- FACTS provides payment solutions that enable billing and collection that is convenient for all
- RenWeb allows schools to automate admin processes such as admissions, billing, attendance, etc.
- Nelnet Campus Commerce is similar to FACTS, but for higher education institutions
- Grown revenue from \$24M in 2005 to \$126M in 2016 and continues to have a long growth runway

FACTS Management
We provide private and faith-based schools with the nation's leading Tuition Management, Financial Aid Assessment, and School Administration software.

Tuition Management
Help families manage costs with monthly tuition payments, while improving your school's financial stability.

Grant & Aid Assessment
FACTS takes the guesswork out of financial aid assessment, helping you award aid to those most in need.

RenWeb
Integrated school administration software that help schools adopt best practices and advance their institution.


13,500
SCHOOLS

Low Case (10x 2016 EBITDA)	453,090
Base Case (15x 2016 EBITDA)	679,635
High case (20x 2016 EBITDA)	906,180


NICOYA
CAPITAL

SEGMENT #4: TELECOMMUNICATIONS (ALLO)

- In 2016, Nelnet acquired ALLO, a Nebraska-based Fiber telecom company for \$50M
- This was the first meaningful departure from the company's educational roots
- ALLO is a capital-intensive business and Nelnet's existing businesses are generating significant cash
- \$50M purchase plus \$120M of capex over first 2 years focused on Nelnet's home of Lincoln
- Will be a drag on earnings in short-term
- Nelnet's "Railroad & Utilities"

UNBELIEVABLY FAST INTERNET

Bye-bye buffering! Hello crazy fast downloads AND uploads. Stream, game, connect like never before.



CUTTING-EDGE TECHNOLOGY

ALLO combines the latest fiber optic technology with industry leading equipment enabling you to connect up to 50 devices without slowing you down. Plus with multiple networks, our equipment keeps your devices connected seamlessly with greater range and speed throughout the house.



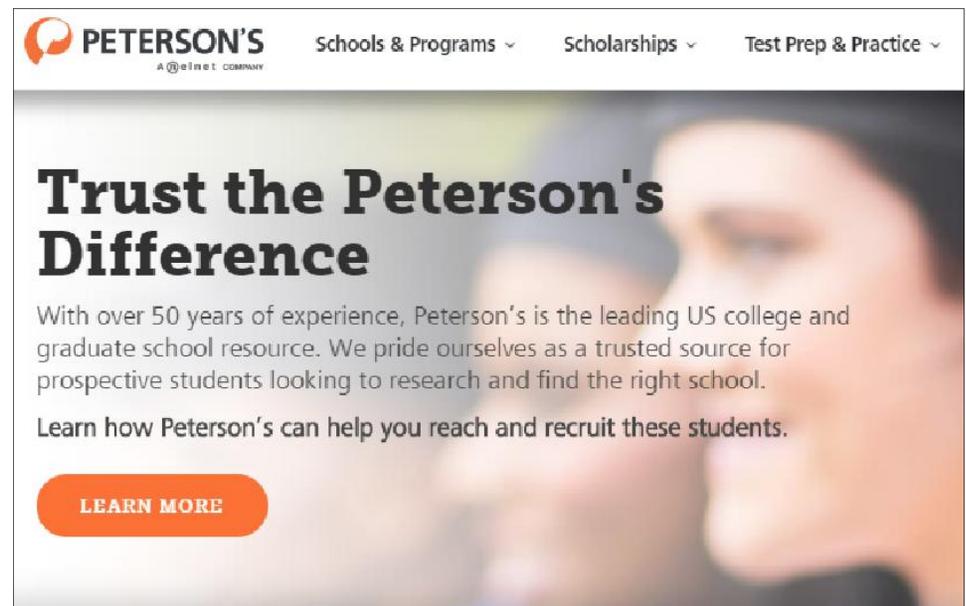
GO G1G

Our 100% fiber network provides a direct connection to every home and business so that your experience is buffer free, incredibly fast, and always reliable. One gigabit per second is 1,000 megabits per second. This kind of speed means you never have to think about your internet connection, it's revolutionizing the way we use the web. Plus, at ALLO, we don't limit you with fine print and data caps because we believe you should surf faster, with freedom.



SEGMENT #5: CORPORATE & OTHER

- Catch-all for a number of small businesses under the Nelnet umbrella, as well as corporate overhead
- 2 most notable companies are Peterson's (test prep services) and Whitetail Rock Capital Management (investment advisor)
- With negative earnings, we effectively view this segment as the overhead which supports the other businesses



The image shows a screenshot of the Peterson's website. At the top, there is a navigation bar with the Peterson's logo (a stylized orange and white circle) and the text "PETERSON'S A nelnet COMPANY". To the right of the logo are three menu items: "Schools & Programs", "Scholarships", and "Test Prep & Practice", each with a downward arrow. Below the navigation bar is a large banner with a blurred background of a person's face. The main headline reads "Trust the Peterson's Difference" in a large, bold, black font. Below the headline is a paragraph of text: "With over 50 years of experience, Peterson's is the leading US college and graduate school resource. We pride ourselves as a trusted source for prospective students looking to research and find the right school." Below this paragraph is another line of text: "Learn how Peterson's can help you reach and recruit these students." At the bottom of the banner is a prominent orange button with the text "LEARN MORE" in white capital letters.

Low Case (8x 2016 EBITDA)	(168,656)
Base Case (10x 2016 EBITDA)	(210,820)
High case (12x 2016 EBITDA)	(252,984)



HUDL

- Software company that allows coaches and athletes to edit and share video for coaching and recruiting purposes
- Has nearly 5.5M unique users and 150k active teams including 29 NBA teams and FC Barcelona
- In 2015, raised a \$72.5M Series B led by Accel
- Nelnet has been an investor since the beginning and now owns 18.6% of the company, or \$46.5M based on the 2015 valuation



HUDL



Hudl Raises \$72.5M Led by Accel and Nelnet to Change the Face of Sports

Bootstrapped and profitable, Hudl raises first major institutional funding to help coaches and athletes win.

Find the right solution for your team.



Video review and team feedback simplified

You want powerful results without the heavy lifting. Analyze video, track stats, manage feedback and create highlights to showcase the team's success, all in one easy-to-use online platform.

[Learn about Hudl](#)



Advanced analysis tailored to your team

Your philosophy is the team's competitive edge. Use Sporticode to customize how data and video are captured to analyze key performance indicators. Add Hudl for easy team review and feedback.

[Learn about Sporticode](#)

Corporation of Omaha. Jim recently retired from his position as the senior vice president and chief scientific officer of MDS Pharma Services.

Jeff Raikes

CEO, Bill & Melinda Gates Foundation

Jeff Raikes is the former chief executive officer of the Bill & Melinda Gates Foundation, where he led the foundation's efforts to promote equity for all people around the world. During his more than five years there, Jeff set strategic priorities, oversaw significant growth of the organization, and facilitated relationships with key partners. In 2011 he was named the Puget Sound Business Journal's Executive of the Year.

With his wife, Tricia, Jeff now co-leads the Raikes Foundation, which they founded in 2002 with a mission to empower young people to transform their lives. Based in Seattle, the Raikes Foundation's priorities are preventing and ending youth homelessness in King County; improving the quality of after school programs in Washington State; and helping students across the country develop "student agency" - the academic mindset and learning strategies that have been

Nelnet's and Hudl's hometown.

Steve Bornstein

Board Chair, V Foundation for Cancer Research

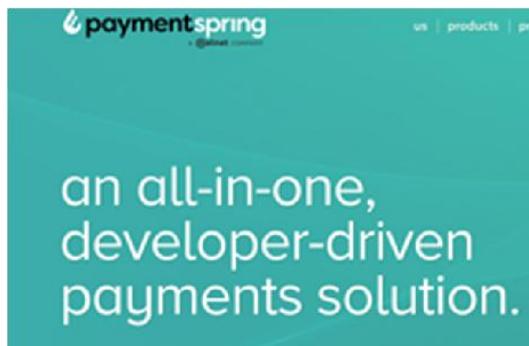
Steve Bornstein is the current Board Chair of the V Foundation for Cancer Research, an organization he founded in 1993 alongside legendary coach Jim Valvano. Prior to joining Hudl's Board of Directors, he served as President and CEO of the NFL Network, President of ABC, and Chairman, President and CEO of ESPN.

During his 22 years with ESPN, Steve played a pivotal role in the creation of several programs and affiliates, including SportsCenter, ESPN2, and ESPN Classic, as well as ESPN.com. As Executive Vice President of Media for the NFL, Bornstein launched NFL Network, NFL RedZone and NFL Sunday Ticket. He oversaw all negotiations with the nation's largest television providers, ultimately reaching more than 72 million homes.

A native of Fair Lawn, N.J. and graduate of the University of Wisconsin-Madison, Steve now lives in Los Angeles with his wife and four children.



NELNET INNOVATION – SILICON PRAIRIE



Tim Tewes, Nelnet's president, said the management team of PaymentSpring, an online payments platform the company bought in January from Lincoln marketing firm Firespring, will rival Square and Paypal within five years.



Founded out of Nelnet's Innovation Hub, BenefitEd brings custom student loan repayment programs and college savings plans to employers looking to build highly competitive, differentiated benefits programs. We offer these programs direct to employers, through benefits brokers, and white label solutions. Contact us today to see how we can work with you.



Source: Nelnet annual letters

CAPITAL ALLOCATION

	As of December 31,				
	2016	2015	2014	2013	2012
Balance Sheet Data:	(Dollars in thousands, except share data)				
Cash and cash equivalents	\$ 69,654	63,529	130,481	63,267	66,031
Student loans receivable, net	24,903,724	28,324,552	28,005,195	25,907,589	24,830,621
Goodwill and intangible assets, net	195,125	197,062	168,782	123,250	126,511
Total assets	27,180,108	30,419,144	30,027,739	27,704,028	26,543,573
Bonds and notes payable	24,668,400	28,105,021	27,056,046	25,888,468	25,024,513
Nelnet, Inc. shareholders' equity	2,061,655	1,884,432	1,725,448	1,443,662	1,165,208
Tangible Nelnet, Inc. shareholders' equity (a)	1,866,530	1,687,370	1,556,666	1,320,412	1,038,697
Outstanding common shares	42,105,044	43,953,460	46,243,316	46,376,715	46,612,290
Book value per common share	48.96	42.87	37.31	31.13	25.00
Tangible book value per common share (a)	44.33	38.39	33.66	28.47	22.28
Ratios:					
Shareholders' equity to total assets	7.59%	6.19%	5.75%	5.21%	4.39%

	Total shares repurchased		Purchase price (in thousands)		Average price of shares repurchased (per share)	
Year ended December 31, 2016		2,038,368	\$	69,091	\$	33.90
Year ended December 31, 2015		2,449,159		96,169		39.27
Year ended December 31, 2014		381,689		15,713		41.17



ROLLED-UP VALUATION

<i>(in thousands)</i>	Low	Base	High
Segment Value			
Loan Servicing	\$ 190,041	\$ 506,776	\$ 760,164
Education Commerce & Payment Processing	453,090	679,635	906,180
Corporate & Other	(168,656)	(210,820)	(252,984)
Asset Generation & Management	1,619,566	1,799,335	2,020,000
Hudl	46,500	93,000	139,500
Allo	97,523	146,284	195,045
Corporate Cash/Investments	418,478	418,478	418,478
Corporate Debt	76,397	76,397	76,397
Total Value	2,580,145	3,356,290	4,109,986
Per Share Value	\$ 61.12	\$ 79.50	\$ 97.36
<i>% return over today</i>	<i>52.80%</i>	<i>98.76%</i>	<i>143.39%</i>

*\$46.5M per 2015 valuation

*Book value of \$97.5M - purchase price + capex

*Backs out Hudl investment and adds equity of warehouse facility

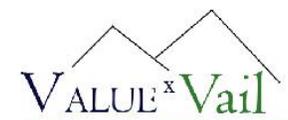


SUMMARY

- Buy low risk loan book and get everything else for “free”
- No credit for re-investment of cash flow from loan book.
- Limited analyst coverage, no presentations, or earnings calls.
- Fortress balance sheet – Debt free
- Invest next to Dunlap family – Mike Dunlap is 53
- Get a Buffett “Quality” company at a Cigar Butt price
- Lots of optionality beyond core businesses
- Read the letters!

“We’ve all heard the saying that a bird in the hand is worth two in the bush, but with Nelnet stock, you get two in the hand and two in the bush.”

**-Mike Dunlap,
Executive Chairman**





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