

# FINANCIAL INFORMATION **2020-2021**

# EXECUTIVE SUMMARY

IESE's activities in the fiscal year (FY) ending on August 31, 2021 were marked by an economic and public health context that remains uncertain. As a result, IESE developed diverse contingency plans based on several lines of action: the design of new programs, a renovated organizational structure, efforts to cut operating costs, broader scholarship opportunities, technological innovations to transform in-person programs into remote or hybrid alternatives, and investments to ensure a COVID-safe environment.

Consequently, the school was able to close the year with a positive final result. The school's revenues totaled €92.1 million in FY21, a 6% decline compared to the previous year. An effort was made to contain expenses, which amounted to €91.7 million in total, which denotes a 9.1% decline in relation to FY20.

The operating profit margin was €3.4 million and the final result was €381,000.

Revenues from IESE's MBA and Master in Management programs fell only slightly in 2020-21 while the number of students increased by 4.2% despite pandemic-related mobility constraints. At the same time, the school welcomed the second edition of the Executive MBA in Munich, further consolidating its presence in Germany, and celebrated the promising launch of the flexible-format Programa de Desarrollo Directivo, a blended Spanish-language program for high-potential functional managers.

IESE's economic model is founded on three core pillars: program revenues, endowment income and

contributions from individual and corporate donors that share the school's belief in ethical leadership and the power of global business to make the world a better place. Thanks to the contributions from alumni, friends, donors and sponsors, the school emerged from FY21 with a better capacity to increase its research activities through its chairs and initiatives, recruit top student and faculty talent, innovate with new technologies and carry out long-term campus-development projects. After all of these investments for the future of the school were taken into account, the IESE Endowment closed the fiscal year with a value of €45.4 million, which represents an increase of €9.3 million compared to the beginning of the course.

IESE's accounting records from all programs and activities provide the data from which this report is drawn. It consolidates the activities of New York, Munich and Singapore, and reflects all related economic flows. Legal requirements and accounting principles have been applied diligently to accurately reflect the school's assets and financial situation. IESE is the graduate business school of the nonprofit University of Navarra (a nonprofit entity) and its accounts are audited together with those of the rest of the university (available at [www.unav.edu](http://www.unav.edu)).

The accounts are compiled following the provisions specified in the Corporate Law Code in Spain and the New General Accounting Standards, whose main administrative framework is that of a nonprofit organization. In addition, financial statements follow the standards and procedures of

## FINANCIAL INFORMATION

the Spanish Association of Accounting and Business Administration and the pertinent fiscal regulations.

Spanish accounting standards result in financial statements that are not substantially different from those obtained when US GAAP or International Financial Reporting Standards (IFRS) apply.

IESE-USA Inc., IESE gGmbH and IESE SEA Ltd. are responsible for the school's activities in the United States, Germany and Singapore, respectively. These entities maintain their accounting records according to the legislation in their respective countries. Per current legislation, IESE, IESE-USA and IESE gGmbH have nonprofit status.

### INCOME STATEMENT (in thousand €)

	FY19	FY20	FY21
<b>Revenue</b>	<b>112,832</b>	<b>98,110</b>	<b>92,134</b>
Academic fees	101,749	87,982	81,129
Grants & contracts	1,500	1,559	715
Donations	4,449	5,155	4,656
Financial income & others	5,134	3,414	5,634
<b>Expenses</b>	<b>112,355</b>	<b>100,485</b>	<b>91,753</b>
Faculty & staff	54,426	52,100	47,752
Collaborators	4,739	4,369	2,846
Marketing	5,364	4,584	4,967
Technology	5,303	5,834	7,264
Catering	6,023	4,101	2,761
Travel & accommodation	6,699	4,061	1,325
Teaching material & printing	3,628	2,993	2,513
Facilities & supplies	9,639	8,485	9,377
Professional services	5,839	4,505	3,909
Depreciation	6,326	5,993	5,908
Other	4,369	3,462	3,128
<b>Surplus</b>	<b>478</b>	<b>-2,375</b>	<b>381</b>

## PROGRAMS

### Degree programs

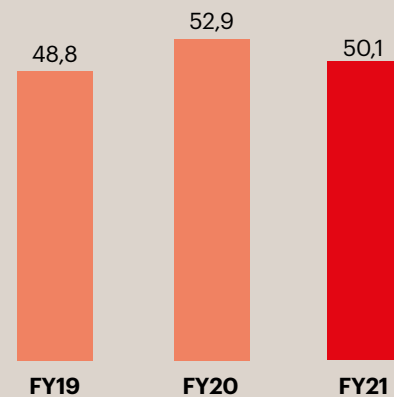
The number of students in master’s programs increased by 1.6% due to the growth of the Master in Management and the second cohort of the Executive MBA in Munich. Admissions to the Full-time MBA and Master in Management (MiM) programs were good despite the pandemic. Both programs have students from all over the world (from more than 50 different countries) and the difficulties of international mobility could have been a hindrance.

In total 1,353 students of the Master in Management (MiM), MBA, Global Executive MBA and Executive MBA were able to attend classes in Barcelona, Madrid, Munich and São Paulo in the 2020-21 academic year.

In addition, *The Economist* ranked IESE’s MBA program as the best in the world, based on the creation of career opportunities, personal development opportunities and educational experience, salary enhancement and networking potential. *The Economist* has rated IESE’s MBA #1 in the world on three previous occasions. The *Financial Times* put IESE’s MBA joint fourth and — for the second year in a row — first for CSR. In 2021, the *Financial Times* placed IESE’s Global Executive MBA third in Europe and eighth overall, thanks in large part to the caliber of its participants and their geographic diversity.

All of this was a cause for optimism in a context of uncertainty and contributed to a final result of €50.1 million in revenues from master’s programs.

### DEGREE PROGRAMS REVENUE (in million €)



### MIM & MBA PROGRAMS

Academic Year	2019	2020	2021
Enrollment	1,398	1,464	1,353

### Executive Education programs

Executive programs were most affected by the pandemic and decreased in activity, especially custom and international programs. The main reason was international travel restrictions and country quarantine compliance regulations. Custom program activity was primarily online, with revenue of €7.8 million, down 17% from FY20.

The school offered seven different general management programs in Spanish and English in 6 cities in Europe

and São Paulo in South America. These programs had revenues of €16.8 million, compared to €20.6 million in the previous year.

The most significant progress was made in online programs, which had revenues of €1.5 million. A highlight was undoubtedly the PDD-Flexible program (Programa de Desarrollo Directivo), a new format of one of the school's flagship Spanish-language executive education programs that allows participants to complete much of the learning experience online. It represents a starting point for the incorporation of online learning into long general management programs.

### FACULTY AND STAFF

During another year of changing circumstances, the school retained its focus on helping faculty and staff members continue their career and personal development with professionalism, integrity, and a spirit of service.

The physical and mental health of all employees was paramount. IESE enabled most employees to carry out at least some aspects of their job from home while diverse measures were put in place on campus to prevent COVID-19 infections.

The school streamlined its forms of communication to facilitate easy access for employees to information and networks during the pandemic.

IESE currently has 470 non-teaching staff of 38 nationalities, 75% of whom are women. IESE recruited four new faculty members, all with PhDs from top institutions, bringing the total number of professors to 118 from 25 different countries. Faculty and staff

account for more than half of the school's costs, at 52%. This year personnel expenditure €47.7 million.

### FACULTY

	FY19	FY20	FY21
Full-Time Professors	115	113	118
Part-Time Professors	68	68	70

### INFRASTRUCTURE & OTHERS

The academic year was marked by the start of activity on IESE's new campus in Madrid, which has four lecture rooms, 16 meeting rooms, an Aula Magna with 454 seats, and offices with 79 workplaces. In addition, the campus gardens were extended by 140%. IESE's new campus in Madrid extends the previous plot by tripling the surface area to reach 33,600 square meters.

Also in 2021, new sustainability objectives were set for 2035 with five key points: Cut CO<sub>2</sub> emissions, reduce energy consumption, increase the use of renewable energy, decrease waste generation and reduce water use. It should be noted that the new building on the Madrid campus achieved LEED Gold certification. Other notable activities included the installation of recharging points for electric vehicles on the Madrid campus, the installation of a new air-renewal management system that adapts to CO<sub>2</sub> levels in order to minimize energy consumption on the Barcelona campus, and the next phase of migration to LED lighting in some parts of the Barcelona campus. The photovoltaic plant in H Building was enlarged and the electricity used on the Madrid campus is now completely generated by renewable sources.



IESE's New Madrid Campus

## RESEARCH

IESE's research work generates and disseminates new knowledge, aiming to have a positive impact on the theory and practice of management. In 2020-2021, almost half of the school's published papers were in prestigious A or A+ journals, demonstrating the high quality of IESE's research output.

A highlight of the year was the launch of the Artificial Intelligence and the Future of Management Initiative, under the direction of professor Sampsa Samila. Other activities of note included the Center for International Finance's work on looking at accounting regulations and how they might affect the banks' contribution to the process of economic recovery. The 'Can Purpose Deliver Better Corporate Governance?' conference was organized by the IESE Center for Corporate Governance, and the Public-Private Sector Research Center published a survey on the use of NextGenerationEU funds as a way of exploring key projects in Barcelona's economic transformation.

In terms of network-building, IESE became a partner of EIT Urban Mobility, which aims to become the largest European initiative in transforming urban mobility.

The IESE Business Angels network school continued to contribute to business and management innovation and held the 1st Sustainable Investment Forum, in which eight Spanish startups working in the energy and mobility sectors presented innovative projects to respond to the planet's environmental challenges, together with technology consultancy GFT and Banco Sabadell.

Twenty-one new competitive projects, with funding reaching more than €920,000, were launched. Some of the most notable were the "Good Practices in SME Innovation Support / GO-SME" project, funded by the European Innovation Council Programme, which was awarded to the IESE Business Angels Network. "Learning from Clients: Online Reviews and Corporate Investment," by Professors Miguel Antón and Stefano Sacchetto was funded by the Ramon Areces Foundation. Professor Manuel Mueller-Frank's study "An Analysis of Protective Measures Against Strategic Misinformation on Social Networks," was funded by the BBVA Foundation's Leonardo program 2020. Additionally, the CRIHM-EIT Health Initiative was awarded eight EU KIC EIT health projects.

IESE's research work is channeled through its 25 chairs and 12 research centers. The research chairs are financed by allocated funds from the endowment and by their capacity to generate income from European funds and company grants. During the academic year, they were allocated resources worth €1.1 million.

## RESEARCH

	FY19	FY20	FY21
Research Grant (in thousand €)	4,600	4,482	3,394
Articles in refereed journals	74	59	70
Cases	75	84	86



## ENGAGEMENT & ADVANCEMENT

IESE's alumni community now exceeds 55,000 from nearly 150 nationalities. Maintaining alumni engagement during a period of mobility restrictions was a challenge. Many of the educational, career and networking activities became virtual. Despite these unusual circumstances and the COVID-19 crisis, alumni contributions exceeded our expectations and reached €4.2 million. The surplus for the year was €1.9 million and was allocated to research projects and awards, as well as to MBA and MiM scholarships. The distribution criteria for the surplus are defined by the IESE Alumni Association Executive Committee.

The collaboration of our alumni and their companies is vital for the development of the school. With the academic fees, we can cover expenses but not innovate or take on new projects that are vital to remain one of the best schools in the world according to the *Financial Times* or *The Economist*. During the year, the school focused on fundraising for scholarships, given the difficulty for many talented students in the MiM, MBA and doctoral programs to obtain funding. Also, contributions from our donors allowed us to carry out relevant research with an impact on business and society. And above all, the highlight of the year was the opening of our new campus in Madrid, which became a reality thanks to the support of individuals and companies who believe in IESE's work.

The school is very grateful to the donors who supported the school during the year. Thanks to

them, €6.3 million was received, 3.6% more than the previous year. This ongoing assistance allows the school to continue to make the necessary investments to improve the business education we provide.

The school distributed €1.09 million in scholarships. IESE allocated funds for IESE's Master in Management, Master of Research in Management, PhD and MBA Programs (Full-time MBA, Executive MBA and Global Executive MBA). In parallel, the school also distributed funds to prepare new professors for the classroom via three- to four-year faculty development plans.

A further €1.99 million was invested in the important area of generating and sharing new ideas. These donations allow IESE to carry out relevant and impactful research, which helps students to become competent leaders and helps corporate leaders to find solutions for the real challenges they face.

A total of €3.1 million was allocated to expanding IESE's global footprint in strategic markets. The school has dramatically extended its geographic reach since its establishment, today boasting state-of-the-art campuses in Barcelona, Madrid, Munich, New York and São Paulo, and academic and corporate partnerships around the world. In 2020-21, IESE amplified its global presence by expanding its Madrid campus and fortifying academic alliances in Asia, Africa, Europe and the Americas.

# INDEPENDENT AUDITOR'S REPORT







**Informazioni generali: Stato societario e costituzione in Repubblica e in Svizzera**

Il Gruppo è costituito dalla società KPMG AG, la cui sede legale è in Svizzera, e dalla società KPMG LLP, la cui sede legale è negli Stati Uniti. Il Gruppo è controllato da KPMG Network, una società di diritto svizzero, che è a sua volta controllata da KPMG Network LLC, una società di diritto statunitense. Il Gruppo è controllato da KPMG Network, una società di diritto svizzero, che è a sua volta controllata da KPMG Network LLC, una società di diritto statunitense.

**Stato societario**

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**Struttura societaria del Gruppo e informazioni generali sui membri del Gruppo**

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# BALANCE SHEET

In €

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COMBINED FINANCIAL STATEMENT\*

	<b>31.08.20</b>	<b>31.08.21</b>
Intangible assets	5,010,630	4,290,240
Property, plant and equipment	24,686,432	24,383,301
Non-current investment	13,906,726	14,376,717
<b>Total non-current assets</b>	<b>43,603,788</b>	<b>43,050,258</b>
Trade and other receivables	18,995,539	11,711,843
Current investments	140,242	139,971
Prepayments for current assets	620,093	980,958
Cash and cash equivalents	13,337,621	25,549,498
<b>Total current assets</b>	<b>33,093,495</b>	<b>38,382,271</b>
<b>TOTAL ASSETS</b>	<b>76,697,283</b>	<b>81,432,529</b>
Funds and reserves	22,267,836	20,986,744
Valuation adjustments	-556,942	1,320,655
Grants, donations and bequests	3,314,595	2,347,636
<b>Total net assets</b>	<b>25,025,489</b>	<b>24,655,035</b>
Non-current provisions	3,536,352	3,313,927
Non-current payables	5,530,162	6,035,814
Non-current accruals	-	1,148,567
<b>Total non-current liabilities</b>	<b>9,066,514</b>	<b>10,498,308</b>
Current payables	3,445,543	4,373,300
Trade and other payables	11,344,884	14,171,693
Current accruals	27,814,853	26,657,245
<b>Total current liabilities</b>	<b>42,605,280</b>	<b>46,279,186</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>76,697,283</b>	<b>81,432,529</b>

# INCOME STATEMENT

In €

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COMBINED FINANCIAL STATEMENT\*

<b>CONTINUING OPERATIONS</b>	<b>2019-2020</b>	<b>2020-2021</b>
<b>Income on the entity's own activity</b>	<b>92,827,600</b>	<b>87,134,303</b>
Services rendered	88,448,804	85,447,365
Grants, donations and bequests recognised in surplus for the year	4,378,796	1,686,938
<b>Other operating income</b>	<b>4,057,441</b>	<b>2,627,075</b>
Non-trading and other operating income	4,057,441	2,627,075
<b>Personnel expenses</b>	<b>(52,446,939)</b>	<b>(47,666,910)</b>
Salaries and wages	(42,773,635)	(39,314,231)
Employee benefits expenses	(9,673,304)	(8,352,679)
<b>Other operating expenses</b>	<b>(41,780,348)</b>	<b>(37,639,991)</b>
External services	(41,104,359)	(36,806,991)
Losses, impairment and changes in trade provisions	(675,989)	(367,290)
<b>Amortisation and depreciation</b>	<b>(6,808,859)</b>	<b>(6,698,504)</b>
<b>Grants, donations and bequests taken to surplus for the year</b>	<b>1,005,141</b>	<b>973,872</b>
<b>Provision surpluses</b>	<b>-</b>	<b>313,773</b>
<b>Other income / (expenses)</b>	<b>154,854</b>	<b>5,540</b>
<b>RESULTS FROM OPERATING ACTIVITIES</b>	<b>(2,991,110)</b>	<b>(950,393)</b>
<b>Finance income</b>	<b>415,219</b>	<b>318,927</b>
Marketable securities and other financial instruments	415,219	318,927
<b>Finance costs</b>	<b>(17,851)</b>	<b>(64,439)</b>
Other	(17,851)	(64,439)
<b>Exchange gains/(losses)</b>	<b>182,745</b>	<b>(4,272)</b>
<b>Impairment and gains on disposal of financial instruments</b>	<b>35,724</b>	<b>1,081,246</b>
Gains on disposal and other	35,724	1,081,246
<b>NET FINANCE INCOME</b>	<b>615,837</b>	<b>1,331,462</b>
<b>Surplus before tax</b>	<b>(2,375,273)</b>	<b>381,069</b>
<b>SURPLUS/(DEFICIT) FROM CONTINUING OPERATIONS AND COMBINED SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>(2,375,273)</b>	<b>381,069</b>
<b>Income and expense recognised directly in net assets</b>		
Available-for-sale financial assets	(692,550)	1,877,597
Grants, donations and bequests received	1,811,630	-
<b>Change in net assets to income and expense recognised directly in net assets</b>	<b>1,119,080</b>	<b>1,877,597</b>
<b>Reclassifications to combined surplus/deficit for the year</b>		
Grants, donations and bequest received	(1,005,141)	(973,872)
Translation difference	(146,465)	6,913
<b>Change in net assets due to reclassifications to surplus/deficit for the year</b>	<b>(1,151,606)</b>	<b>(966,959)</b>
<b>Changes in net assets due to income and expense recognised directly in combined net assets</b>	<b>(32,526)</b>	<b>910,638</b>
<b>TOTAL COMBINED SURPLUS/(DEFICIT), CHANGE IN COMBINED NET ASSETS FOR THE YEAR</b>	<b>(2,407,788)</b>	<b>1,291,707</b>



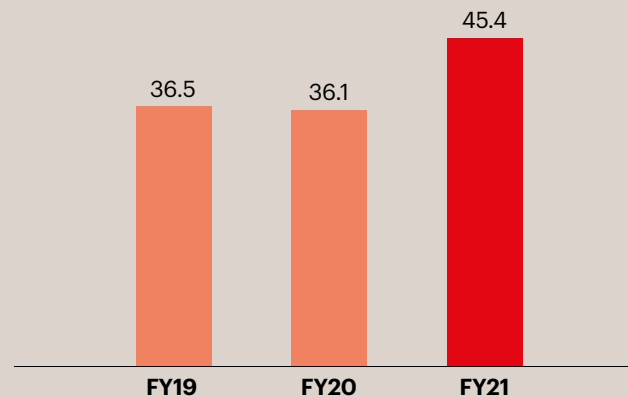
Dean Franz Heukamp in a sesión with business leaders

## ENDOWMENT

The IESE Endowment was created in 2011 to promote the school’s research and scholarship programs, as well as drive its broad-based institutional development. On August 31, 2021, the endowment was valued at €45.4 million, a 25.8% increase compared to the previous academic year. Over the past decade, the fund has grown 7.3% per year on average, the result of endowment returns and the generosity of donors. The endowment expanded by €9.25 million in 2020-21, recording €2.4 million in new gifts and €8.5 million in returns, and distributions totaling €1.65 million. The endowment’s allocations increased by 3% in 2020-21 compared to the previous year. The fund channeled 67% (€1.1 million) to research chairs and centers, 22% (€361,000) to scholarships and

11% (€178,000) to other initiatives out of the €1.65 million total.

### EVOLUTION OF THE ENDOWMENT (in million €)

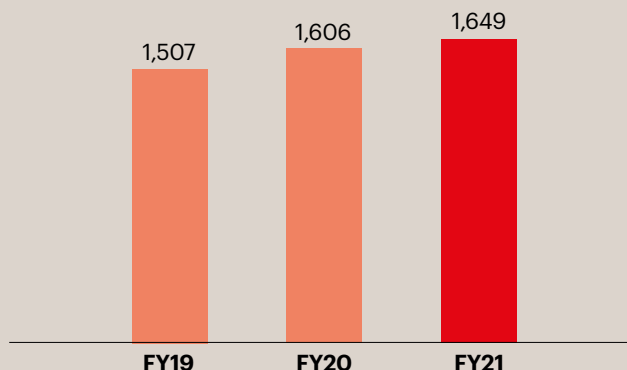


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## DISTRIBUTION OF THE ENDOWMENT

(in thousands €)

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The return on investment during FY21 was 24%, compared to 21.5% for the Benchmark. It is worth noting not only the good performance of equities (33%) and commodities (27%), in line with the market, but especially that of fixed income (22%), contrary to the market.

Since its inception, the average return has been 5.2% compared to 4.6% for the Benchmark.

The Investment Policy establishes the target asset allocation. Following an analysis that has taken into account a scenario of rising inflation and low interest rates, it has been decided to seek growth opportunities in both equities and bonds, and to reserve alternative strategies to protect the portfolio against various risks (inflation, deflation and stock market declines). The Investment Committee, at its last meeting in October 2021, maintained its position on these decisions, confirming the target asset allocation.

The risk of illiquidity is minimal, as 88% of the assets can be liquidated overnight. The average duration of Fixed Income has been kept low (1.7 years), to minimize interest rate risk.

## SUPPORTING ORGANIZATIONS

IESE's fundraising activity is supported by several other non-profit organizations. A number of independently governed foundations contribute to the school in line with their own statutes. Full details can be found in their own published annual reports.

IESE International Foundation promotes excellence in teaching, research and innovation from a humanistic standpoint. It collaborates with IESE's endowed Chairs, and it raises scholarship funds for foreign students enrolled in IESE's Master of Research in Management, PhD and MBA programs. In addition, the foundation works with IESE's partner schools in Africa.

Fundación IESE promotes and develops comprehensive academic, cultural and professional education based on humanistic values. Its activities include the provision of funding for the construction of IESE facilities as well as for tuition and grants for university students and researchers.

The U.S. IESE Foundation is a U.S. 501[c]3 nonprofit organization that aids management-related research and education programs in nonprofit organizations in the U.S. and other countries. Its activities include providing support to the Alumni Learning Program sessions and helping IESE establish a New York research center.

The IESE Foundation UK is a British charity registered number 11287347. As well as promoting research and educational projects with universities and business schools, it provides scholarships and bursaries to IESE MBA students from the Commonwealth and other countries.

The International Foundation for Educational Development supports culture and training by awarding university scholarships, funding cultural and educational centers, promoting scientific research, backing university initiatives, and leading social and economic development and volunteer work. In recent decades it has helped build IESE facilities, including the 2007 Barcelona campus expansion, and continues to support the school's development.

# www.iese.edu

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A Way to **Learn**. A Mark to **Make**. A World to **Change**.