

# Career Education Corporation

**Recommendation** **HOLD** ★ ★ ★ ★ ★

**Price**  
\$10.78 (as of Oct 19, 2017 4:00 PM ET)

**12-Mo. Target Price**  
\$11.00

**Report Currency**  
USD

**Investment Style**  
Small-Cap Blend

**Equity Analyst Efraim Levy**

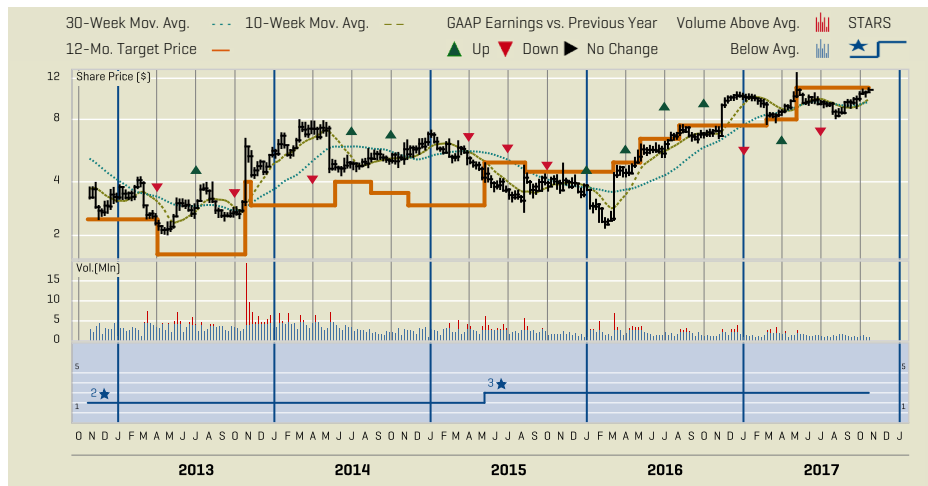
**GICS Sector** Consumer Discretionary  
**Sub-Industry** Education Services

**Summary** This for-profit, post-secondary educator, which operates more than 40 campuses is shutting down a large number of U.S. schools.

**Key Stock Statistics** (Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports)

52-Wk Range	<b>\$12.590 - 6.550</b>	Oper. EPS 2017E	<b>0.10</b>	Market Capitalization(B)	<b>\$0.745</b>	Beta	<b>2.71</b>
Trailing 12-Month EPS	<b>NM</b>	Oper. EPS 2018E	<b>0.63</b>	Yield (%)	<b>NA</b>	3-Yr Proj. EPS CAGR[%]	<b>NM</b>
Trailing 12-Month P/E	<b>NM</b>	P/E on Oper. EPS 2017E	<b>NM</b>	Dividend Rate/Share	<b>NA</b>	SPGMI's Quality Ranking	<b>C</b>
\$10K Invested 5 Yrs Ago	<b>\$27,026</b>	Common Shares Outstg.[M]	<b>69.1</b>	Institutional Ownership [%]	<b>70</b>		

**Price Performance**



Source: CFRA, S&P Global Market Intelligence  
Past performance is not an indication of future performance and should not be relied upon as such.  
Analysis prepared by Equity Analyst **E. Levy-CFA** on Aug 09, 2017 03:42 PM, when the stock traded at **\$8.79**.

**Highlights**

- Revenues in 2017 from continuing operations should decline about 15%. The company has announced plans to focus on certain universities and to divest or teach-out other schools. This makes comparisons more difficult. We see student enrollment limited by the public's generally poor perception of for-profit schools. We project modestly lower revenues in 2018.
- We expect consolidated adjusted EBITDA in 2017 of between \$55 million to \$60 million, up sharply from 2016's \$20 million. Results should largely track trends from university and corporate segments. The company will have ongoing costs related to the teach out/divestiture of other college operations. We think fully successful operational execution is needed in a challenging environment in order for the company to achieve its goal of material positive cash flow beginning in 2019.
- We estimate EPS of \$0.10 in 2017, including teach-outs. Cash balances in 2017 should decline by about \$48 million to \$53 million from the December 31, 2016's \$208 million, due to payments related to a legal settlement [\$10 million], and associated third-party legal fees [\$22 million].

**Investment Rationale/Risk**

- CECO faces challenges related to job placement, student retention rates and low graduation rates that should persist. We expect new CEO Todd Nelson to use his prior education experience to help deliver transformation programs.
- Risks to our recommendation and target price include weaker job placement rates of CECO students, and resultant weaker business trends. Lower-than-expected enrollment and less-than-expected cost savings are also risks.
- Our 12-month target price of \$11.00 is based on the company's tangible book value at June 30, 2017 of \$3.47. We apply a valuation of about 3.2X tangible book value. This is near above its 10-year average forward price to book value ratio of 2.9X. Our valuation reflects the potential benefits from the company's strategic shift to focus on its more profitable university operations and closing/divesting its unprofitable college operations. We see CECO's operations and stock performance being limited by very difficult business trends, and ongoing regulatory issues.

**Analyst's Risk Assessment**

<b>LOW</b>	<b>MEDIUM</b>	<b>HIGH</b>
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Our risk assessment for CECO reflects considerable uncertainties about the impact of changing industry regulations, major accreditation issues and ongoing considerable changes in the company's operating strategy.

**Revenue/Earnings Data**

Revenue (Million U.S. \$)	1Q	2Q	3Q	4Q	Year
2018	--	--	--	--	--
2017	162	146	--	--	--
2016	199	183	168	155	704
2015	227	217	203	200	847
2014	198	186	183	347	914
2013	277	256	244	--	1,017

**Earnings Per Share (U.S. \$)**

	1Q	2Q	3Q	4Q	Year
2018	--	--	--	--	<b>E 0.63</b>
2017	0.08	0.07	<b>E 0.03</b>	<b>E -0.01</b>	<b>E 0.10</b>
2016	0.04	0.18	-0.01	-0.44	-0.22
2015	-0.36	-0.29	-0.66	2.08	0.78
2014	-0.32	-0.20	-0.49	-1.11	-2.12
2013	-0.26	-0.31	-0.52	--	-2.54

Fiscal year ended Dec 31. Next earnings report expected: Early Nov. EPS Estimates based on CFRA's Operating Earnings; historical GAAP earnings are as reported in Company reports.

**Dividend Data**

No cash dividends have been paid in the last year.

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## Career Education Corporation

### Business Summary May 08, 2017

Career Education provided educational services, primarily in the United States. Career Education thinks its academic institutions offer a quality education to a diverse student population in a variety of discipline through online, campus-based and hybrid learning programs. Its two universities, American Intercontinental University (AIU) and Colorado Technical University (CTU) provide degree programs through the master's or doctoral level as well as associate and bachelor's levels. Both universities predominantly serve students online with career-focused degree programs that are designed to meet the educational demands of today's busy adults. AIU and CTU continue to show innovation in higher education.

In May 2015, CECO announced its plans to focus on its universities, Colorado Technical University and American InterContinental University. It also announced it is teaching-out its Sanford-Brown institutions and looking to divest or teach-out its remaining institutions within the university group.

Career Schools Group campuses include those which are currently being taught out or those which have completed their teach-out activities or have been sold subsequent to January 1, 2015. As a result of a change in accounting guidance, campuses which have closed or have been sold subsequent to January 1, 2015, no longer meet the criteria for discontinued operations and remain reported within continuing operations in our consolidated financial statements. Campuses in teach-out employ a gradual teach-out process, enabling them to continue to operate while current students have a reasonable opportunity to complete their course of study; they no longer enroll new students.

Culinary Arts includes Le Cordon Bleu institutions in North America (LCB) which offer hands-on educational programs in the career-oriented disciplines of culinary arts and patisserie and baking in the commercial-grade kitchens of Le Cordon Bleu. LCB also provides online programs in culinary arts and hotel and restaurant management. These campuses are expected to complete their teach-out activities primarily during 2017. As of December 31, 2015, students enrolled at LCB represented approximately 18% of total enrollments.

LCB campuses were previously recorded as an asset held for sale within discontinued operations as of December 31, 2014. As a result of the decision made during December 2015 to teach-out our LCB campuses, they are now reported as part of continuing operations within the Culinary Arts segment.

Transitional Group includes non-LCB campuses which are in teach-out or those which have been closed or sold subsequent to January 1, 2015. Transitional Group offers academic programs primarily in the career-oriented discipline of health education complemented by certain programs in business studies and information technology, as well as fashion design, film and video production, graphic design, interior design and visual communications. The campuses within the Transitional Group that have not yet ceased operations as of December 31, 2015, will complete their teach-outs on varying dates through 2018. As of December 31, 2015, students enrolled at the Transitional Group campuses represented approximately 8% of total enrollments.

During 2015, CECO completed the sale of two colleges, Brooks Institute and Missouri College, and completed the teach-out of five campuses within its Transitional Group. The results of operations for these campuses will remain reported within the Transitional Group as part of continuing operations, in accordance with ASC Topic 360, which limits discontinued operations reporting effective January 1, 2015.

Its total student enrollment as of December 31, 2016, and 2015 was approximately 36,600 students and 43,200 students, respectively. Included in total student enrollment were approximately 33,600 students and 31,900 students, respectively, for its University institutions.

### Corporate Information

#### Investor Contact

Sam Gibbons (312-445-2870)

#### Office

231 North Martingale Road, Schaumburg, Illinois 60173

#### Telephone

847-781-3600

#### E-mail

CECO@alpha-ir.com

#### Website

www.careered.com

#### Officers

##### Chrmn

T.B. Lally

##### CEO & Pres

T.S. Nelson

##### CFO

A. Ghia

##### SVP, Secy & General Counsel

J.D. Ayers

##### Chief Acctg Officer

M.A. Peppers

#### Board Members

D.H. Chookaszian

K.B. Gonzales

P.W. Gross

G.L. Jackson

T.B. Lally

T.S. Nelson

L.T. Thornton

R.D. Wang

#### Domicile

Delaware

#### Founded

1994

#### Employees

3,696

#### Stockholders

112

# Career Education Corporation

Quantitative Evaluations						
<b>Fair Value Rank</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
		LOWEST				HIGHEST
		Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued [1] to most undervalued [5].				
<b>Fair Value Calculation</b>	<b>\$8.94</b>	Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that CECO is overvalued by \$1.84 or 17.1%.				
<b>Volatility</b>		LOW	AVERAGE	HIGH		
<b>Technical Evaluation</b>	<b>BULLISH</b>	Since September, 2017, the technical indicators for CECO have been BULLISH.				
<b>Insider Activity</b>		UNFAVORABLE	NEUTRAL	FAVORABLE		

Expanded Ratio Analysis				
	2016	2015	2014	2013
Price/Sales	0.98	0.29	0.51	0.37
Price/EBITDA	12.34	17.93	-10.33	-7.88
Price/Pretax Income	-21.99	-2.63	-3.37	-2.25
P/E Ratio	-45.86	4.65	-3.28	-2.24
Avg. Diluted Shares Outsg. (M)	68.37	68.33	67.17	66.74

Figures based on fiscal year-end price

Key Growth Rates and Averages			
Past Growth Rate [%]	1 Year	3 Years	5 Years
Sales	-16.86	-11.53	-16.21
Net Income	NM	-51.52	0.15
Ratio Analysis [Annual Avg.]			
Net Margin [%]	NM	NM	NM
Return on Equity [%]	-4.50	-8.68	-13.38

## Company Financials Fiscal year ending Dec. 31

Per Share Data (U.S. \$)	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Tangible Book Value	3.29	3.54	2.46	5.29	6.98	7.02	5.54	4.24	5.92	5.11
Free Cash Flow	0.03	-0.49	-1.95	0.33	-1.10	2.04	1.81	2.49	1.48	1.76
Earnings	-0.22	0.78	-2.12	-2.54	-0.98	-0.39	2.02	1.70	1.04	1.13
Earnings (Normalized)	0.31	-0.11	-0.91	-1.03	0.02	1.66	2.89	1.77	1.15	1.17
Dividends	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Payout Ratio [%]	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
P/E Ratio: High	NM	9.1	NM	NM	NM	NM	17.8	17.0	24.2	32.5
P/E Ratio: Low	NM	3.5	NM	NM	NM	NM	8.1	10.0	11.1	21.6

### Income Statement Analysis

(Million U.S. \$)

Revenue	704	NA	914	NA	NA	1,706	2,070	NA	1,651	1,668
Operating Income	33.2	-11.1	-98.6	-110.5	0.8	NA	372.9	NA	146.7	154.3
Depreciation + Amortization	22.7	24.9	53.4	62.2	49.5	NA	NA	NA	70.9	73.5
Interest Expense	0.584	0.835	NA	1.354	0.134	0.155	0.381	0.225	0.869	1.183
Pretax Income	-31.4	-94.4	-138.8	-168.8	-68.8	13.7	242.6	NA	134.5	156.8
Effective Tax Rate	52.76	156.14	-2.69	NA	5.74	308.87	32.54	35.15	30.22	31.72
Net Income	-19	NA	-178	NA	-143	19	158	NA	60	60
Net Income (Normalized)	21.3	-7.2	-61.4	-69.0	1.1	123.9	233.3	153.0	NA	110.7

### Balance Sheet and Other Financial

Data (Million U.S. \$)

Cash	NA	182	217	350	177	441	420	485	494	389
Current Assets	248	NA	318	NA	544	610	627	629	643	585
Total Assets	560	611	574	805	1,123	NA	1,573	1,564	NA	1,378
Current Liabilities	169	193	180	207	353	329	457	NA	352	376
Long Term Debt	NA	NA	NA	NA	NA	NA	NA	NA	NA	2
Total Capital	322	376	NA	455	692	807	NA	925	950	900
Capital Expenditures	NA	11.7	13.2	19.6	37.9	78.3	NA	74.1	53.9	57.6
Cash from Operations	5.9	-21.7	-118.1	41.9	-35.0	230.4	272.3	288.3	NA	222.1
Current Ratio	NA	1.50	1.76	NA	1.54	1.85	1.37	1.42	1.83	1.56
% Long Term Debt of Capitalization	NA	NA	NA	NA	NA	NA	NA	NA	NA	0
% Net Income of Revenue	-2.66	6.12	-19.49	-16.15	-14.00	1.09	7.62	4.51	3.64	3.57
% Return on Assets	3.54	-1.17	NA	NA	0.04	8.47	14.86	10.21	6.56	6.89
% Return on Equity	-4.5	17.1	-38.7	-31.7	-9.1	-3.3	17.6	15.7	10.2	11.5

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

# Career Education Corporation

## Sub-Industry Outlook

Our fundamental outlook for the Education Services sub-industry is negative. The operating performances of many U.S.-based for-profit educators had been recovering in 2009 and 2010, on a shift in student demographics and degree programs, more focus on enrollment staffs, and executive changeovers. However, with the sub-industry subsequently facing much closer regulatory scrutiny, its operating performance has deteriorated significantly in recent years. Our outlook is based solely on domestic educators, as we do not have any foreign-based educators in our analytical coverage.

For-profit educators offer degrees in areas such as business, information technology and nursing, and diploma programs in trade areas. These schools are attended by individuals who are typically attracted by flexible class schedules, as well as by the ability to conduct learning through online programs.

Most U.S. for-profit educators have had highly diminished performances over the past few years, and we see that going on for an extended period. We think the weakness has stemmed mostly from Department of Education regulations. While the regulation that we saw as the most challenging was rejected in July 2012 by a federal judge, we still think the information it uncovered will greatly hamper for-profit educators. That rule, which is known as the "gainful employment" regulation, would have made schools ineligible for federal student loan programs (called Title IV loans) if former students failed three separate repayment and debt-to-income tests three times in a four-year period. The regulations were that at least 35% of former students were paying down their loans,

and spending less than 12% of their total income and 30% of discretionary income on loan payments. The judge's ruling was related to his belief that the guidelines were arbitrary, but he upheld the part requiring schools to report graduation and placement rates, and students' median debt load. In that regard, we think very poor graduation and repayment data is the primary reason behind major downturns in new students at nearly all for-profit educators. Members of this sub-industry have recently been responding to that by announcing the shutdown of campuses. We think the new Trump administration will be more favorable to the industry, including the potential rollback of "gainful employment" regulations.

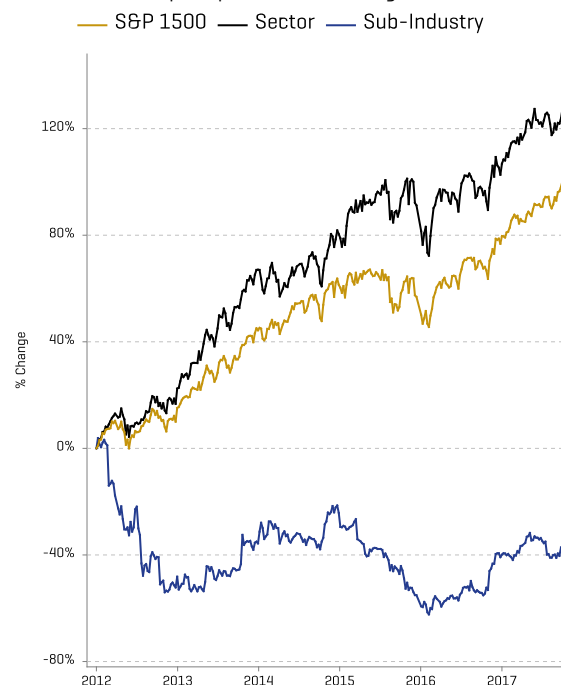
Year to date through October 13, the S&P Education Services Index was up 4.2%, versus a 13.5% increase for the S&P 1500. It rebounded 29.2% in 2016, after a 41.2% decline in 2015, and versus a 10.6% increase for the S&P 1500 in 2016.

/Efraim Levy, CFA

## Industry Performance

### GICS Sector: Consumer Discretionary Sub-Industry: Education Services

Based on S&P 1500 Indexes  
Five-Year market price performance through Oct 21, 2017



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS).

Past performance is not an indication of future performance and should not be relied upon as such.

Source: S&P Global Market Intelligence

## Sub-Industry: Education Services Peer Group\*: Education Services

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price [\$]	Stk. Mkt. Cap. [M \$]	30-Day Price Chg. [%]	1-Year Price Chg. [%]	P/E Ratio	Yield [%]	Return on Equity [%]	LTD to Cap [%]
<b>Career Education Corporation</b>	<b>CECO</b>	<b>NasdaqGS</b>	<b>USD</b>	<b>10.78</b>	<b>745</b>	<b>9.2</b>	<b>52.9</b>	<b>NM</b>	<b>Nil</b>	<b>-4.5</b>	<b>NA</b>
American Public Education, Inc.	APEI	NasdaqGS	USD	20.35	331	8.2	1.5	21	Nil	9.6	NA
Cambium Learning Group, Inc.	ABCD	NasdaqCM	USD	6.160	286	-0.5	19.1	19	Nil	-15.4	507.9
Capella Education Company	CPLA	NasdaqGS	USD	68.65	801	1.9	14.8	18	2.4	20.9	NA
Hailiang Education Group Inc.	HLG	NasdaqGM	USD	19.40	499	-1.6	128.9	23	Nil	12.3	NA
K12 Inc.	LRN	NYSE	USD	17.73	723	1.4	22.7	NM	Nil	-0.1	NA
Laureate Education, Inc.	LAUR	NasdaqGS	USD	13.98	496	-2.9	NM	NM	Nil	51.3	70.3
RYB Education, Inc.	RYB	NYSE	USD	27.37	594	NM	NM	91	Nil	NM	NA
School Specialty, Inc.	SCOO	OTCPK	USD	16.75	821	0.0	6.6	9	Nil	16.4	56.0
Strayer Education, Inc.	STRA	NasdaqGS	USD	89.52	1,000	8.4	95.7	28	1.1	21.0	NA
Tarena International, Inc.	TEDU	NasdaqGS	USD	14.51	730	-0.1	-3.5	25	1.1	16.5	NA

\*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.

NA-Not Available NM-Not Meaningful.

Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

## Career Education Corporation

### Analyst Research Notes and other Company News

#### September 21, 2017

Career Education Corporation announced that A.J. Cederroth, Senior Vice President and Chief Financial Officer, will be leaving the company to pursue other opportunities. Mr. Cederroth's employment with the company is expected to continue through September 30, 2017. Ashish Ghia, Vice President Finance, has been appointed as Interim Chief Financial Officer, effective September 21, 2017. Ashish Ghia joined the company in June 2008 and has served in various financial planning and analysis roles of increasing responsibility, most recently as Vice President Finance since February 2016.

#### August 09, 2017

03:23 pm ET... CFRA MAINTAINS HOLD OPINION ON SHARES OF CAREER EDUCATION CORP. [CECO 8.3\*\*\*]: Our 12-month target of \$11.00 is 3.2X's 6/30 tangible book value [TBV] of \$3.47. This is above its 10-year average forward price to TBV ratio of 2.9, reflecting potential valuation creation from plans to teach out or divest its remaining career colleges and focus on its university group. We set '18's EPS at \$0.63 and raise '17's by \$0.03 to \$0.10. We expect '18 operating and cash flow improvement. Q2 EPS from continuing operations of \$0.07 vs. \$0.11 was above our \$0.04 loss per share estimate. Revenues were slightly below expectations, despite higher university enrollment. /E. Levy-CFA

#### May 05, 2017

03:56 pm ET... CFRA REITERATES HOLD OPINION ON SHARES OF CAREER EDUCATION [CECO 11.51\*\*\*]: We raise our 12-month target by \$3 to \$11.00. This is 3.3X's 3/31 tangible book value [TBV] of \$3.36. This is above its 10-year average forward price to TBV ratio of 2.9%, reflecting potential valuation creation from plans to teach out or divest its remaining career colleges and focus on its university group. We see EPS of \$0.07 [up \$0.06] in '17, with operating and cash flow improvements in '18. CECO's Q1 loss per share from cont. operations of \$0.08 vs. EPS of \$0.04 was below our \$0.11 EPS estimate. Revenues were slightly above expectations, on rising university enrollment. /E. Levy-CFA

#### February 24, 2017

02:02 pm ET... S&P CAPITAL IQ REITERATES HOLD OPINION ON SHARES OF CAREER EDUCATION CORP. [CECO 8.27\*\*\*]: We raise our 12-month target by \$0.50 to \$8.00. This is about 2.4X CECO's 12/31 tangible book value [TBV]. This is near its three-year average forward price to TBV ratio, reflecting potential valuation creation from plans to teach out or divest its remaining career colleges and focus on its university group. We see EPS of \$0.01 in '17, with operating and cash flow improvements in '18. CECO's Q4 loss per share from continuing operations of \$0.44 vs. EPS of \$2.08 was wider than the Capital IQ consensus of a \$0.06 loss. Revenues were in line, helped by rising university enrollment. /E. Levy-CFA

#### November 04, 2016

12:16 pm ET... S&P CAPITAL IQ REITERATES HOLD OPINION ON SHARES OF CAREER EDUCATION CORP. [CECO 6.81\*\*\*]: Our 12-month target of \$7.50 is about 2.0X CECO's 9/30 tangible book value [TBV]. This equals its three-year average forward price to TBV ratio, reflecting potential valuation creation from plans to teach out or divest its remaining career colleges and focus on its university group. We see improvement in '16, then some weakness in '17, before operating improvements again in '18. CECO's Q3 loss per share from continuing operations of \$0.01 vs. a \$0.66 loss was better than the Capital IQ consensus of a \$0.09 loss. Revenues beat forecast, helped by favorable university enrollment /E. Levy-CFA

#### October 26, 2016

Career Education Corporation announced that Kenda B. Gonzales has been appointed to the company's Board of Directors. Ms. Gonzales was also appointed to the Audit Committee of the Board of Directors. Ms. Gonzales' appointment follows an October 24, 2016 vote by the Board of Directors to expand the number of eligible board seats from seven to eight. For the past nine years, Ms. Gonzales has served as the Chief Financial Officer for Harrison Properties LLC.

#### August 04, 2016

03:30 pm ET... S&P GLOBAL KEEPS HOLD OPINION ON SHARES OF CAREER

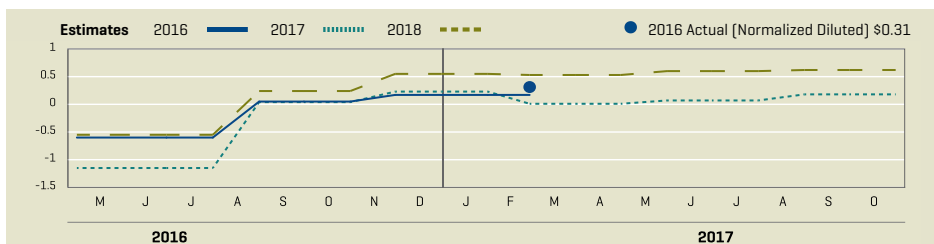
EDUCATION CORP. [CECO 7.23\*\*\*]: We raise our 12-month target by \$1.00 to \$7.50, or 2.0X CECO's 6/30 tangible book value [TBV]. This equals its three-year average forward price to TBV ratio, reflecting potential valuation creation from plans to teach out or divest its remaining career colleges and focus on its university group. We see breakeven EPS in '16 [up \$0.42] and operating improvements through '18. CECO's Q2 EPS from continuing operations of \$0.18 vs. a loss per share of \$0.29 was better than the Capital IQ consensus of a \$0.14 loss. Revenues beat expectations, helped by favorable university enrollment. /E. Levy-CFA

#### May 05, 2016

02:57 pm ET... S&P GLOBAL KEEPS HOLD OPINION ON SHARES OF CAREER EDUCATION CORP. [CECO 6.08\*\*\*]: We raise our 12-month target by \$1.50 to \$6.50, or 1.8X CECO's 3/31 tangible book value [TBV]. This is between its three- and five-year average forward price to TBV ratios, reflecting potential valuation creation from new plans to teach out or divest its remaining career colleges and focus on its university group. We expect operating improvements through '18. CECO posts Q1 adjusted EPS from continuing operations of \$0.05 vs. a \$0.26 loss per share, better than the Capital IQ consensus of a \$0.07 loss. Revenues exceeded expectations, helped by higher university enrollment. /E. Levy-CFA

Note: Research notes reflect S&P Global Market Intelligence's published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect S&P Global Market Intelligence's current view on the company.

**Wall Street Consensus Estimates**



**Wall Street Consensus Opinion**

**HOLD**

**Wall Street Consensus vs. Performance**

For fiscal year 2017, analysts estimate that CECO will earn USD \$0.18. For the 2nd quarter of fiscal year 2017, CECO announced earnings per share of USD \$0.07, representing 38.9% of the total revenue estimate. For fiscal year 2018, analysts estimate that CECO's earnings per share will grow by 244% to USD \$0.62.

Fiscal Years	Avg Est.	High Est	Low Est.	# of Est.	Est. P/E
2018	0.62	0.62	0.62	1	17.4
2017	0.18	0.18	0.18	1	59.9
<b>2018 vs. 2017</b>	<b>▲244%</b>	<b>▲244%</b>	<b>▲244%</b>	<b>0%</b>	<b>▼-71%</b>
Q3'18	0.13	0.13	0.13	1	82.9
Q3'17	0.00	0.00	0.00	1	NM
<b>Q3'18 vs. Q3'17</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>0%</b>	<b>NA</b>

Forecasts are not reliable indicator of future performance.

Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

**Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.**

# Career Education Corporation

## Glossary

### STARS

Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index [S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index]), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

### S&P Global Market Intelligence's Quality Ranking

(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

### EPS Estimates

CFRA's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

### 12-Month Target Price

The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

### CFRA Equity Research

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### Abbreviations Used in Equity Research Reports

CAGR	- Compound Annual Growth Rate
CAPEX	- Capital Expenditures
CY	- Calendar Year
DCF	- Discounted Cash Flow
DDM	- Dividend Discount Model
EBIT	- Earnings Before Interest and Taxes
EBITDA	- Earnings Before Interest, Taxes, Depreciation & Amortization
EPS	- Earnings Per Share
EV	- Enterprise Value
FCF	- Free Cash Flow
FFO	- Funds From Operations

FY	- Fiscal Year
P/E	- Price/Earnings
P/NAV	- Price to Net Asset Value PEG Ratio - P/E-to-Growth Ratio PV - Present Value
R&D	- Research & Development ROCE - Return on Capital Employed ROE - Return on Equity
ROI	- Return on Investment
ROIC	- Return on Invested Capital
ROA	- Return on Assets
SG&A	- Selling, General & Administrative Expenses
SOTP	- Sum-of-The-Parts
WACC	- Weighted Average Cost of Capital

**Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).**

### Qualitative Risk Assessment

Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

### STARS Ranking system and definition:

#### ★★★★★ 5-STARs (Strong Buy):

Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.

#### ★★★★★ 4-STARs (Buy):

Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

#### ★★★★★ 3-STARs (Hold):

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

#### ★★★★★ 2-STARs (Sell):

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price is not anticipated to show a gain.

#### ★★★★★ 1-STAR (Strong Sell):

Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

### Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

## Career Education Corporation

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Stocks are ranked in accordance with the following ranking methodologies:

#### STARS Stock Reports:

Qualitative STARS recommendations are determined and assigned by equity analysts. For reports containing STARS recommendations refer to the Glossary section of the report for detailed methodology and the definition of STARS rankings.

#### Quantitative Stock Reports:

Quantitative recommendations are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative recommendations refer to the Glossary section of the report for detailed methodology and the definition of Quantitative rankings.

#### STARS Stock Reports and Quantitative Stock Reports:

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#### STARS Stock Reports:

Global STARS Distribution as of June 30, 2017

Ranking	North America	Europe	Asia	Global
Buy	37.4%	25.9%	36.6%	35.4%
Hold	55.1%	56.1%	39.4%	53.5%
Sell	7.5%	18.0%	24.0%	11.1%
Total	100.0%	100.0%	100.0%	100.0%

#### Analyst Certification:

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