

Post-Secondary Education

Coverage Report

“Market Intelligence for Industry Players”

Q2 2008



Capstone Partners
Investment Banking Advisors

Post-Secondary Education Coverage Report



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Introduction

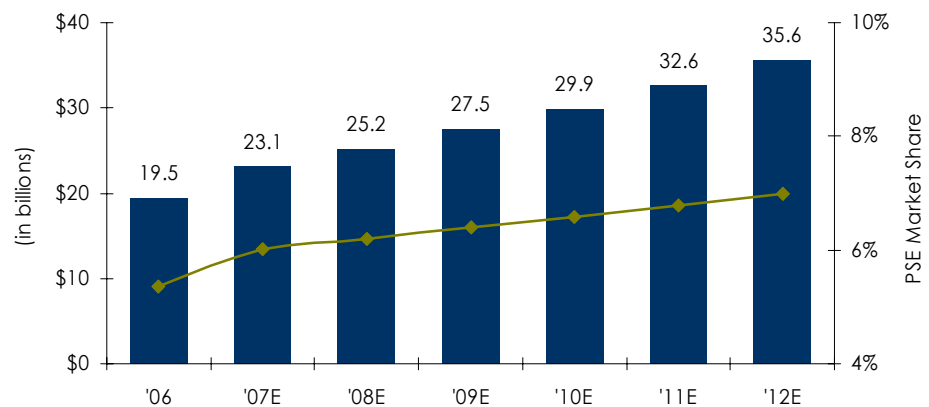
As the U.S. economy has continued to shift away from its manufacturing roots to become a more services and information-based market, advanced education programs have become even more critical. This fundamental shift in our economy, combined with a rising population of unskilled immigrant workers and the sky-rocketing costs of traditional education platforms, has created significant demand for highly-focused career college programs. Entrepreneurs have risen to meet this demand, creating a rapidly growing, highly fragmented market that is replete with creative new programs and teaching models that appeal to a broad range of individuals. Capstone believes this market will continue to grow and evolve, and that merger and acquisition activity will shape this market materially in the years ahead.

Market Overview

U.S. enrollment in post-secondary education (PSE) has grown at a steady pace over the last decade and is expected to grow at roughly 1.3% annually to nearly 19.0 million students by 2012. While enrollment barely outpaced population growth, revenues in this sector have grown significantly faster, as more programs have become available and tuition costs have soared. As a result, total post-secondary education revenues for 2007 are estimated at \$384 billion and are expected to grow at 5.8% annually to reach \$509 billion by 2012.

Driving the growth in the overall market has been the dramatic increase in revenues in the for-profit career college segment. Revenues among career colleges have grown at 18.7% annually since 1996, reaching an estimated \$23.1 billion in 2007. In 1996, career college revenues represented only 1.7% of total post-secondary education revenues; however, by 2007 this figure had increased to 6.0%. Growth in this segment is expected to moderate to a pace of 9.0% annually through 2012, reaching an estimated \$35.6 billion or 7.0% of the total post-secondary education market.

Career College Revenues



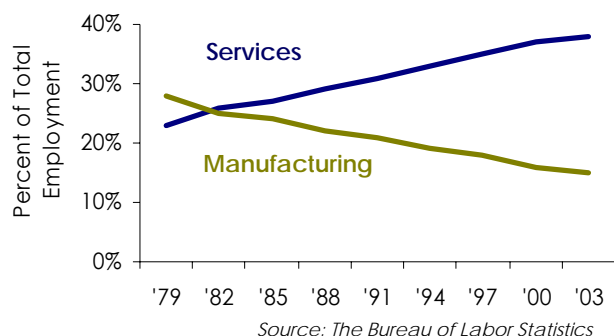
Source: BMO Capital Markets estimates and Eduventures

Drivers of Market Growth

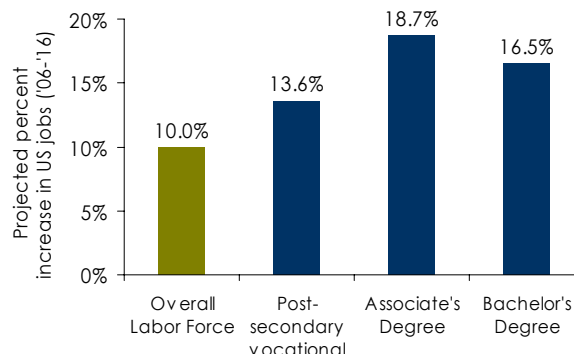
A variety of systemic and demographic factors are propelling the growth of the for-profit PSE market. These factors impact both the size of the potential student population and the incentives that encourage candidates within this population to pursue advanced degrees from career-oriented schools. These growth factors include:

- ▶ **Larger Pool of Unskilled Workers** – Immigration from Latin America and elsewhere has increased the number of unskilled workers in the job force. As these workers compete for jobs, a growing percentage have found career colleges to be a key avenue for gaining the credentials needed to land the jobs they desire.
- ▶ **Shift Away from Manufacturing** – As many large manufacturing companies have moved their operations abroad, fewer low-skilled jobs are available domestically. As a result, services and information-based jobs now represent a larger share of the available jobs in the United States. Many of these employment opportunities require advanced training, degrees and/or certifications provided by career colleges.

U.S. Employment by Job Category



Projected Job Growth By Required Education



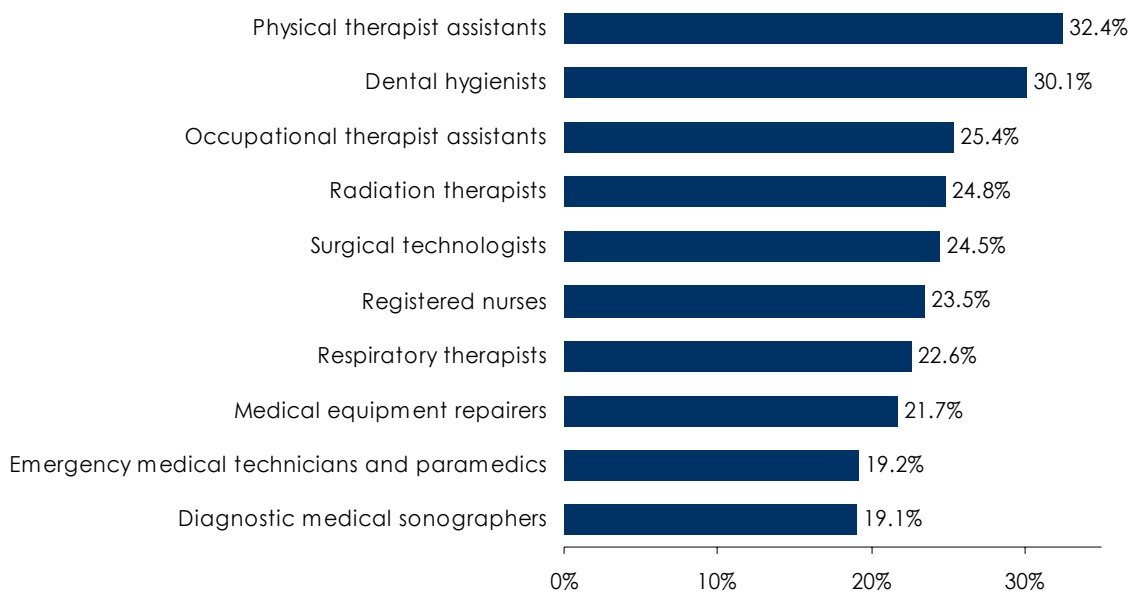
- ▶ **Significant Return on Investment** – The growing demand for employees with post-secondary education has made the economic decision to pursue this sort of education even more compelling. According to the CCA, the average first year salary for a career college graduate is over \$9,200 more than the average salary received by a high school graduate. This significant salary differential creates an average annual rate of return on a career college student's investment of 31.3%. This high rate of return makes career colleges an attractive option for many students.
- ▶ **Program Diversity** – While many traditional PSE programs focus on areas of study that appeal to the mass market, career colleges are able to target unique, high-growth fields that may attract a smaller audience in the near term. These programs can also be more flexible in adapting to market changes. As a result, career colleges are attractive to very focused students looking for careers in high-growth markets that are constantly evolving.
- ▶ **Program Shortages** – Demand far exceeds the seats available in a number of traditional programs, especially in healthcare fields. This excess demand has created an opportunity for career colleges to address this shortfall by offering programs in areas such as nursing and allied health, as well as a variety of other career paths.

Key Growth Markets

Capstone has identified several key growth segments within the overall PSE market. These program areas provide degrees or certifications in fields that are expected to grow rapidly in the years ahead. One obvious growth field is health care. As the Baby-boomer generation continues to get older, the average age of our population will increase, and the U.S. will naturally consume a greater level of health care resources. Career colleges will help to build the pipeline of new candidates to fill a variety of important jobs in the care-giving side of the business as well as in the areas of medical equipment operation and repair.

As shown in the chart below, employment in select allied health professions (including physical, occupational, radiation and respiratory therapy) is expected to grow dramatically. These professionals work in multi-disciplinary teams to help patients rehabilitate after unfortunate events such as strokes, falls, traumatic brain injuries and heart attacks. They work in conjunction with registered nurses (also a fast-growing profession) to provide a comprehensive suite of services to patients. These care-givers play an increasingly important role in skilled nursing facilities where primarily older adults seek the type of intimate care needed to maximize the quality of life they will experience after sustaining an injury. Clearly, these workers will be in high demand as the U.S. population ages and more individuals suffer from a number of potential health issues that require rehabilitative care.

Projected Percentage Increase in Medical Occupations Requiring Post-Secondary Vocational Education or an Associate's Degree, 2006-2016



Source: Imagine America Foundation's Fact Book 2008

In addition to allied health and nursing, there are a number of other high growth segments within the healthcare arena. These include dental hygienists, emergency medical technicians (EMT), paramedics and various medical equipment technicians and repair specialists. It is possible that the expected demand for dental hygienists and emergency care professionals is also linked to the aging U.S. population, but advancements in medical technology across the entire health care sector are clearly driving demand for those with the technical proficiency to operate and repair these devices.

Key Growth Markets (continued)

Outside of health care, there are a number of fields that are also expected to grow rapidly in the years ahead. The chart below summarizes the top 10 fastest growing non-medical occupations that require some form of post-secondary schooling.

Projected Percentage Increase in Non-Medical Occupations Requiring Post-Secondary Vocational Education or an Associate's Degree, 2006-2016



Source: Imagine America Foundation's Fact Book 2008

The strong expected growth in several of these occupations can be traced to a few trends in society. First, strong growth in the U.S. pet market, and especially in veterinary services, is expected to drive additional demand for veterinary technicians. Second, the aging of the U.S. population, combined with recent advances in skin care treatments and procedures, has created a large and growing customer base with disposable income that seeks local skin care and cosmetic treatment options. Third, growing environmental awareness in our society has bolstered the need for technicians focused on the environmental sciences.

For all of these occupations, career colleges may provide the training, degrees and/or certifications needed for candidates to compete for jobs in these markets. Capstone believes that schools offering services in these high-growth segments will be particularly successful in the years ahead and will be attractive acquisition targets for corporate or financial partners who wish to either enter new sectors or gain market share in areas where they have an established presence.

The Lending Environment

In recent months, for-profit education companies have been negatively impacted by problems in the student-loan market. The credit crunch that has plagued the housing market and many Wall Street banks has also affected student financial aid. Many lenders were forced to withdraw from this market as they could no longer find investors willing to purchase student loan obligations. This, in turn, forced the remaining lenders to tighten their credit terms, making it difficult or impossible for students with marginal credit to obtain the loans they needed to attend school. As a result, challenges in the student funding environment continue to be one of the most significant challenges in the education sector.

On May 7, 2008, President Bush signed the Ensuring Continued Access to Student Loans Act of 2008 (HR 5715). This law is regarded as an important first step in addressing the financing issues for many students by increasing federal loan limits and reducing the need to seek more costly private loans. This is generally positive news for for-profit post-secondary schools, as they rely heavily on the federal student loan market. However, this increase in lending limits may put some schools in violation of the 90-10 rule.

On May 21, 2008, Sallie Mae confirmed that the terms of the government's student loan stabilization program are favorable enough that it will continue originating Family Federal Education Loan Program (FFELP) loans through at least the 2008-2009 academic year as well as taking market share by adding additional schools to its client base. This is positive news for for-profit schools since it removes the risk that the largest FFELP originator would exit the market. In addition, the Department of Education released an official letter detailing the terms of the new loan stabilization program, which stated that the Federal Direct Loan (FDL) program will double its origination capacity for 2008-2009 to \$30 billion from \$15 billion in 2007-2008.

Even if second- and third-tier FFELP lenders do exit the market, the expanded FDL program and market share gains by Sallie Mae (and possibly several other large-scale lenders) will likely be able to absorb any excess demand in the market.

The table below shows the origination volume for the top 25 FFELP lenders, plus the Federal Direct Loan Program, for the 2006-2007 academic year.

Top 25 FFELP & Direct Loan Originators in 2006-2007

Lender	Originations (\$bn)	Market Share
1 Federal Direct Loan (Federal Gov't)	\$13.0	20.2%
2 Sallie Mae	\$9.0	14.0%
3 Citi Student Loans	\$4.8	7.4%
4 Bank of America	\$3.3	5.1%
5 JP Morgan Chase Bank	\$3.1	4.8%
6 Wells Fargo Education Financial Services	\$3.0	4.6%
7 Wachovia Education Finance Inc.	\$2.9	4.6%
8 College Loan Corp	\$1.5	2.3%
9 U.S. Bank	\$1.3	2.1%
10 EdAmerica	\$1.3	2.0%
11 Access Group	\$1.1	1.7%
12 Northstar Guarantee	\$1.1	1.7%
13 Education Lending Group	\$1.0	1.6%
14 Suntrust Bank	\$0.9	1.5%
15 National Education Loan Network	\$0.9	1.4%
16 Pittsburgh National Corp	\$0.8	1.3%
17 Citizens Bank Education Finance	\$0.7	1.1%
18 College Foundation Inc.	\$0.7	1.0%
19 Regions Bank	\$0.6	1.0%
20 Pennsylvania Higher Ed. Assistance Agency	\$0.6	1.0%
21 Fifth Third Bank	\$0.6	0.9%
22 Kentucky Higher Education Student Loan Corp	\$0.5	0.9%
23 Carnegie Insurance Company	\$0.5	0.8%
24 South Carolina Student Loan Corp	\$0.5	0.8%
25 National City Bank	\$0.5	0.7%

Source: Lehman Brothers

As the table shows, Sallie Mae was clearly the largest non-government originator of Title IV loans, highlighting the importance of its decision to remain in this market. In addition, the \$15 billion expansion of the FDL program for the 2008-2009 school year should more than offset the lost loan capacity should any second and third-tier FFELP lenders decide to exit the business.

M&A Activity

M&A activity in the PSE market was consistently strong throughout 2007 and into the first two quarters of 2008. Sixty-two deals were announced or closed in 2007, and 2008 is on track to surpass this figure. The credit market turmoil appears to have had little impact on this sector, and valuations continue to be quite strong.

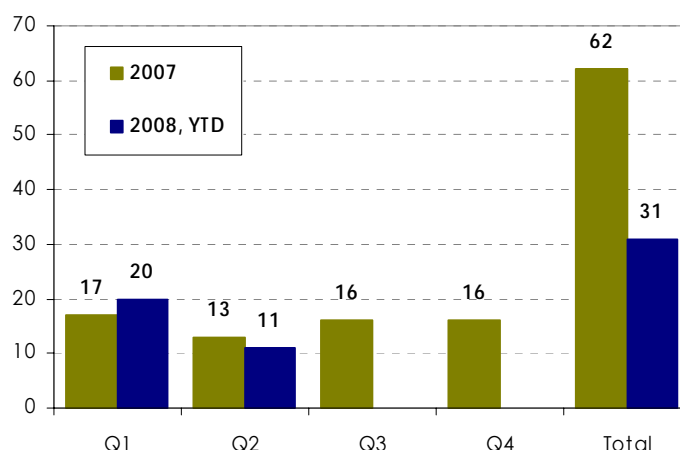
Capstone expects industry M&A activity to remain consistently robust over the next 12 to 24 months in the PSE market. Leading strategic companies seeking accelerated growth, program and geographic diversification, and market share gains remain active in the acquisition markets. Many suitors have built up significant amounts of cash on their balance sheets, which will allow them to expand their acquisition scope. Several recent acquisitions on the part of large strategic players include:

Kaplan, Inc. acquired Pacific Language Institute – In January 2008, Kaplan acquired Pacific Language Institute (PLI), a major provider of English language instruction in Canada with schools located in Vancouver and Toronto. PLI will become part of Kaplan's English language training division, which currently has 36 dedicated English language schools worldwide, as well as a selection of programs and courses at most of Kaplan's 152 permanent test prep centers located throughout the U.S. The acquisition of PLI follows Kaplan's acquisition in November of International House Queensland, an Australian-based English language school with centers in Brisbane and Cairns. These moves expand Kaplan's presence in the key English language markets of Australia and Canada. The terms of the deal were not disclosed.

Apollo Global acquired Universidad de Artes, Ciencias, y Comunicacion (IACC) – In April 2008, Apollo Global acquired IACC, an accredited private arts and communications university in Chile. Apollo Global, a \$1 billion joint venture formed in 2007, is 80.1% owned by Apollo Group, Inc. and 19.9% owned by private equity firm, The Carlyle Group. Apollo Global was formed with the intention of making a range of investments in the international education services sector, and this is the first transaction for the group. The purchase price for IACC was approximately \$44.0 million composed of cash and assumed debt, plus an earn-out based on a multiple of earnings to be paid in four years. If the earn-out were paid based on current earnings, it would equal approximately \$9.0 million.

DeVry Inc. acquired Advanced Academics (AAI) – In October 2007, DeVry acquired AAI, an Oklahoma City-based company that supplements traditional classroom programs through online course instruction using highly qualified teachers and a proprietary technology platform. AAI also operates virtual high schools in partnership with school districts and charter schools in 6 states. The transaction expands DeVry's online post-secondary education offerings. The total purchase price for AAI was \$27.5 million.

PSE Transactions by Quarter



Source: Capital IQ, Capstone Research

YTD = year-to-date

Q2 volume reflects transactions announced or closed up until June 6, 2008

Private Equity Investments

The private equity community is still quite active in the PSE sector. These investors are especially attracted to the long-term growth prospects for this sector - driven by fundamental trends in U.S. and international markets – and many successful exits. For some private equity groups these investments represented new platform holdings in the PSE space, but for many these acquisitions were expected to diversify or simply expand their current related holdings. Private equity groups often provide an attractive alternative to a sale to a strategic buyer, as these groups can develop creative financing arrangements. Some of these creative arrangements include allowing existing shareholders to “roll” some equity into the new arrangements or allowing management to participate in the new equity structure. Both of these approaches can often help to make the transition process smooth and orderly, and can allow founders and management to participate in the “up-side” of the business. This sort of participation typically does not occur in a strategic acquisition. Notable recent private equity transactions include:

Bryant & Stratton College acquired by Parthenon Capital – In February 2008, Parthenon Capital purchased a controlling ownership stake in Bryant & Stratton College, a Buffalo-based career college that offers bachelor's and associate's degrees in a diverse range of areas through 15 physical campuses and a robust online program. According to insiders, the acquisition created an “orderly succession plan” for Bryant H. Prentice III, the founder, who had controlled 73 percent of the company. Mr. Prentice will retain some equity in the new deal structure. The specific terms of the deal were not disclosed.

Heald College acquired by a private investor group – In September 2007, a private investor group purchased Heald College, one of the most well-established providers of post-secondary educational programs in the Western United States. With 11 campuses in California, Oregon and Hawaii, Heald offers a broad curriculum of degree, diploma and certificate opportunities in business administration, information and networking technology, and allied healthcare. Because of Heald's non-profit status, this complex transaction required conversion to a for-profit entity before consummating the deal. Capstone Partners advised Heald College in this deal, closing an industry-leading transaction. The terms of the deal were not disclosed.

Touro University International acquired by Summit Partners – In November 2007, Summit Partners purchased Touro University International from Touro College for \$190 million. Touro University (now called TUI University) is a provider of online postsecondary education. TUI University's existing management team partnered with Summit Partners in the acquisition and will continue to oversee day-to-day operations of the university going forward. Touro College, through its affiliated institution Touro University, retained a minority interest in TUI University. TUI University offers programs that lead to bachelor's, master's, and doctoral degrees in business administration, health sciences, education, and information systems, primarily to working adults and members of the U.S. military.

Laureate Education taken private by an investor group – In July 2007, a group of investors led by Kohlberg Kravis Roberts & Co. and Citigroup Private Equity acquired Laureate Education, a provider of higher education programs and services to students through a network of campus-based and online universities, and higher education institutions, primarily in the Americas, Europe, and Asia. The purchase price for the deal was \$3.9 billion or \$62.0 per share, representing a 27.5% premium over the stock price one month prior to the transaction and transaction multiples of 3.3x last twelve months (LTM) revenue and 18.1x LTM EBITDA.

Selected PSE M&A Transactions

Date	Target / Acquirer	Target Business Description	Transaction Value (mm)	TV / LTM	
				Revenue	EBITDA
Pending	Multi-Campus Accredited Institution Private Equity Group	Offers doctorate, masters, bachelors and associates degrees and certification and diploma programs in the various disciplines of medicine and massage	CF	CF	CF
5/15/08*	Myers University Significant Ventures	Offers masters, bachelors and associate degrees with certificate programs and online courses in a variety of programs, including criminal justice, business, and health services management	\$18.3	---	---
5/14/08*	Universidad Tecnologica de Mexico (Unitec) Laureate Education, Inc.	Private educational institute located in Mexico that focuses on science technology curricula; university has eight campuses and more than 40,000 students	---	---	---
5/10/08*	Estacio Participacoes SA Moena Participacoes SA	Offers degrees in law, business administration, and communications, as well as education programs in the areas of engineering and technology, life and health sciences, and social sciences in Brazil	\$766.8	1.5x	15.1x
4/28/08	Potomac College Hamilton White Group, LLC	An accredited college offering more than 40 degree specializations that are tailored to a working population driven to seek the training necessary to reach the next career level	---	---	---
4/1/08	Universidad de Artes, Ciencias y Comunicacion Apollo Group	Accredited private arts and communications university, which includes the Instituto Superior de Artes y Ciencias de la Comunicacion, S.A., the first online autonomous professional institute in Chile	\$44.0	---	---
3/6/08	Corinthian Colleges (12 Canadian Schools) The Eminata Group	Offers diploma programs and associates, bachelor's and master's degrees in a variety of high-demand occupational areas, including healthcare, business, criminal justice, and information technology	\$3.0	---	---
2/19/08	INTI Universal Holdings Bhd Laureate Education Inc.	Engages in managing colleges for higher education and the provision of corporate training and advisory services to adults and other professionals in Malaysia	\$44.5	2.5x	15.1x
2/1/08	Bryant & Stratton College Parthenon Capital	Degree-granting career college that is committed to outcomes-based career education across a number of program areas. Operates through 15 physical campuses and an online segment	---	---	---
1/15/08*	Pacific Language Institute Kaplan, Inc.	Offers training services in English language and provides General English, Business English, Career English Internship, TOEFL® iBT, TOEIC, and Cambridge programs, and a University Link Program	---	---	---
11/1/07	Touro University International (Touro College) Summit Partners	Provides online post-secondary education in business administration, health sciences, education, and information systems, primarily to working adults and members of the U.S. military	\$190.0	---	---
10/31/07	Advanced Academics, Inc. Devry, Inc.	Offers advanced and college preparatory curriculum online, including regular semester offerings, electives, health education, foreign languages, language arts, and mathematics	\$27.5	---	---
10/9/07	The Porter & Chester Institute, Inc. Thoma Cressey Bravo	Provides technical, business, and health related occupational preparation programs, including computer aided drafting and design, electronics technician, medical assisting and dental assisting	---	---	---
9/10/07	Heald College Private Equity Group	Offers a broad curriculum of degree, diploma and certificate opportunities in business administration, information and networking technology, and allied healthcare	CF	CF	CF
8/7/07*	Polytechnic University New York University	Offers undergraduate, graduate, postgraduate, and doctoral degree courses in chemical, biomedical, civil, computer, electrical, financial, information systems, mechanical, industrial, and systems engineering	---	---	---
8/1/07	Regis Corp, 51 Cosmetology Schools Empire Beauty School Inc.	Regis Corp merged its 51 accredited cosmetology schools with Empire Beauty Schools, Inc.'s 37 accredited cosmetology schools, creating a new company called Empire Education Group	---	---	---
7/19/07	Laureate Education, Inc. A consortium of PE firms	Provides higher education programs and services to students through a network of campus-based and online universities, and higher education institutions worldwide	\$3,912.4	3.3x	18.1x
6/8/07	Florida Career College Greenhill Capital Partners & Abrams Capital	Provides training and testing services in the fields of allied health and information technology	---	---	---
2/9/07	South Texas Vocational Technical Institute ATI Enterprises, Inc.	Offers undergraduate and higher education in areas such as administration, massage therapy, child care development and computer accounting	---	---	---
1/2/07	Rockport College & The Workshops Non-Profit Educational Corp.	Provides education and training for photographers, cinematographers, directors, actors, documentary producers, screen writers, editors and digital media technicians	CF	CF	CF
8/31/06	Concorde Career Colleges Liberty Partners	Owens and operates proprietary and post-secondary institutions that offer career vocational training programs primarily in the allied health field in the United States	\$114.4	1.3x	14.2x
6/1/06	Education Management Corp Goldman Sachs Capital, Providence Equity Partners	Offers academic programs through The Art Institutes, Argosy University, Brown Mackie College, and South University, and Western State University College of Law in California	\$3,380.9	3.1x	13.1x
		Mean	\$850.2	2.3x	15.1x
		Median	\$79.4	2.5x	15.1x

Source: Capital IQ

* Transaction pending

TV = transaction value; LTM = last twelve months; CF-Confidential information

Transactions in yellow have been completed by Capstone Partners, LLC

Public Company Trading & Operating Data

\$ in millions, except per share data

Company	Price 6/6/08	% 52 Wk High	Market Cap	Enterprise Value	LTM			1-Yr Rev Growth	EV / LTM		EV / NTM	
					Revenue	EBITDA	Margin		Revenue	EBITDA	Revenue	EBITDA
Apollo Group Inc.	\$47.74	58.4%	\$ 8,033.4	\$ 7,590.5	\$ 2,921.6	\$ 755.3	25.9%	14.4%	2.6x	10.0x	2.4x	8.9x
Capella Education Company	\$62.78	83.3%	1,052.6	920.8	238.7	42.2	17.7%	25.1%	3.9x	21.8x	3.2x	16.8x
Career Education Corp.	\$17.82	49.4%	1,596.1	1,194.6	1,674.7	199.9	11.9%	(5.7)%	0.7x	6.0x	0.7x	7.5x
Corinthian Colleges Inc.	\$12.83	70.3%	1,092.4	1,075.7	1,036.5	78.6	7.6%	16.0%	1.0x	13.7x	0.9x	NA
DeVry Inc.	\$57.96	94.6%	4,134.0	3,882.1	1,047.9	197.7	18.9%	14.5%	3.7x	19.6x	3.2x	15.9x
ITT Educational Services Inc.	\$72.21	54.8%	2,803.9	2,644.8	900.2	288.7	32.1%	14.6%	2.9x	9.2x	2.6x	8.4x
Lincoln Educational Services	\$11.86	73.3%	308.7	320.4	335.7	45.2	13.5%	7.8%	1.0x	7.1x	0.9x	6.8x
Strayer Education Inc.	\$198.90	96.8%	2,827.6	2,708.7	334.9	113.1	33.8%	21.0%	8.1x	24.0x	6.7x	20.2x
Universal Technical Institute Inc.	\$12.93	49.7%	324.1	249.0	350.4	38.8	11.1%	(1.0)%	0.7x	6.4x	0.7x	5.3x
Mean		70.1%					19.1%	11.8%	2.7x	13.1x	2.4x	11.2x
Median		70.3%					17.7%	14.5%	2.6x	10.0x	2.4x	8.6x
High		96.8%					33.8%	25.1%	8.1x	24.0x	6.7x	20.2x
Low		49.4%					7.6%	(5.7)%	0.7x	6.0x	0.7x	5.3x

Source: Capital IQ as of June 6, 2008

EV = enterprise value

NA = not available

LTM = last twelve months

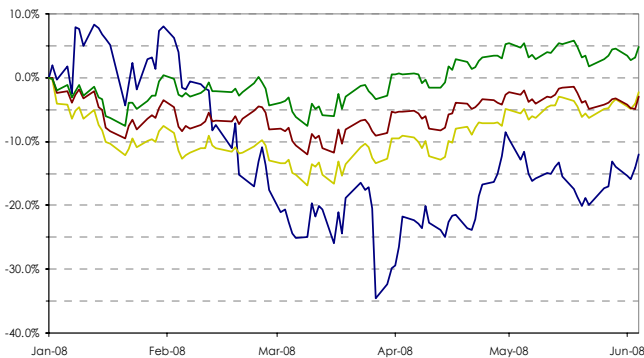
NTM = next twelve months

Public Company Analysis

- ▶ For the PSE peer group, revenue growth averaged 11.8% on an LTM basis over the comparable period one year earlier. The average LTM EBITDA for the peer group was 19.1%, a decline from the 21.3% margin reported for the group this time last year. Career Education and Universal Technical Institute experienced revenue declines, while the rest of the peer group enjoyed significant revenue growth. Strayer Education, ITT Educational Services and Apollo Group were the most profitable schools, with EBITDA margins of 33.8%, 32.1% and 25.9%, respectively.
- ▶ Valuation multiples for public PSE companies averaged 2.7x LTM revenues and 13.1x LTM EBITDA. Although these multiples are quite high relative to the broader market, they have declined considerably since this time last year. Multiples for the Capstone PSE Index in June of 2007 had an LTM revenue multiple of 3.9x and an LTM EBITDA multiple of 16.0x. Although much of this multiple erosion is linked to declines in the broader market, some of the sector softness may be tied to concerns related to how the credit market issues will impact student lending.
- ▶ Strayer Education is the highest performer in the peer group as the company continues to successfully execute on its national growth plan focused on driving enrollment through enhanced market penetration, new campus openings and development of its online segment. Strayer is currently trading at the top of its 52-week range, likely driven by an industry-leading LTM EBITDA margin of 33.8% and LTM revenue growth of 21.0%.
- ▶ Universal Technical Institute (UTI) appears to be the lowest performer in the peer group. UTI is currently trading in the mid-point of its 52 week range. This lackluster performance is mainly due to the 7.9% decrease in enrollment in the first quarter of this year. To increase enrollment, management is working on a new marketing plan, which includes additional ad spending and the hiring of enrollment reps.

The Capstone PSE Index

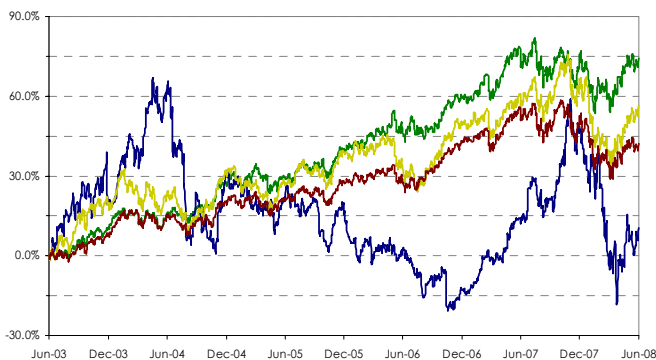
Year-to-Date



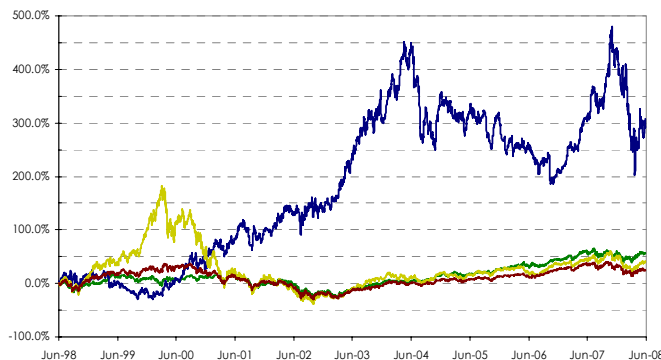
1-Year



5-Year



10-Year



— Capstone PSE Index
 — S&P 500 Index

— NASDAQ Composite Index
 — Dow Jones Composite Average Index

Source: Capital IQ, charts developed after market close on June 6, 2008

Market Outlook

- ▶ The Capstone PSE index has underperformed the NASDAQ, S&P 500 and Dow Jones on a 5-year, 1-year and year-to-date historical stock performance analysis. This poor performance has been largely brought on by recent concerns related to the student lending environment. The PSE peer group has outperformed market indices significantly, however, over a 10-year time horizon. The 10-year analysis reflects the incredible growth experienced by this sector in the late 1990's.
- ▶ Due to recent positive news regarding federal aid, Capstone expects industry valuations to expand modestly, and potentially reflect some of the positive defensive (modestly counter-cyclical) attributes of many for-profit school programs.
- ▶ As these companies continue to diversify their programs, scale their operations and move more of their programs to the web, we believe trading and transaction multiples will expand. The broader macroeconomic trends driving long-term growth in this sector are undeniable and will continue to make the PSE sector a solid area for long-term investment.



Post-Secondary Education


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Capstone Partners LLC is a leading national investment banking advisory firm dedicated to serving the transaction needs of middle-market companies. The firm provides corporate sale & divestiture, merger & acquisition and private placement advisory services across three major industry practices: Specialty Products, Business Services and Technology & Media. Our team possesses significant experience spanning hundreds of M&A and financing transactions. All of our transactions are supported through industry-specific research and relationship coverage capabilities.



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