

Investment Team 1

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# Perdoceo Education Corporation

6 October 2025

Fall 2025



# First Glance

Perdoceo Education Corporation

**PRDO**

Ticker

**EQT**

Asset Class

**NASDAQ**

Stock Exchange

**EDU**

Sector

**2.41**bn

Market Cap

**1.62%**

Div. Yield

**36.6**

Price

**20.6 – 38.0**

52 Week Range

**USD**

Currency



Recommendation:

**BUY**



# **AGENDA**

**Elevator Pitch**

**Company Overview**

**Industry Overview**

**Extra Features**

**Financial Analysis & Valuation**

**Thesis & Fit**

**Recommendation**

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# Elevator Pitch

*6 October 2025*

*Fall 2025*



# Elevator Pitch

*Delivering scalable, career-focused education with resilience and upside potential*

*We are pitching a company that presents ...*



## Structural Growth

Rising **online** post-secondary education  
Demand driven by workforce **upskilling trends**



## Attractive Valuation

Net cash position and **robust FCF generation**  
Trades at a **significant discount to peers**



## Tech Differentiation

Proprietary **Intellipath**<sup>®</sup> adaptive learning platform  
enhances learning outcomes



## Acquisition of USAHS

**Expansion into Health Sciences** segment  
Growing and premium-priced segment

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# Company Overview

*6 October 2025*

*Fall 2025*



# Business Overview

Accessible higher education for adult learners through flexible programs

## Corporate Overview



Founded in **1994**



Headquarters in **Illinois, USA**



Revenues of **\$681M**



+ **46,500** students



+ **4,300** employees



Online, hybrid, and on-campus

## Key Info

- Offers **career-focused degrees** in areas with strong labor market demand – e.g., *Business, IT, Engineering and Healthcare*
- ~ **70% of students** are over 30 years old
- **Flexible delivery model** supports operational scalability
- Positioned to capture **reskilling and professional upskilling trends**

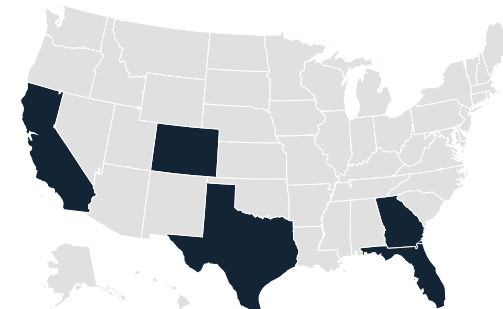
## Chief Executive Officer



**Todd S. Nelson**

- Appointed **President & CEO in November 2023**
- Over 30 years of leadership in higher education
- Recognized for **turnaround execution** and **discipline in capital allocation**

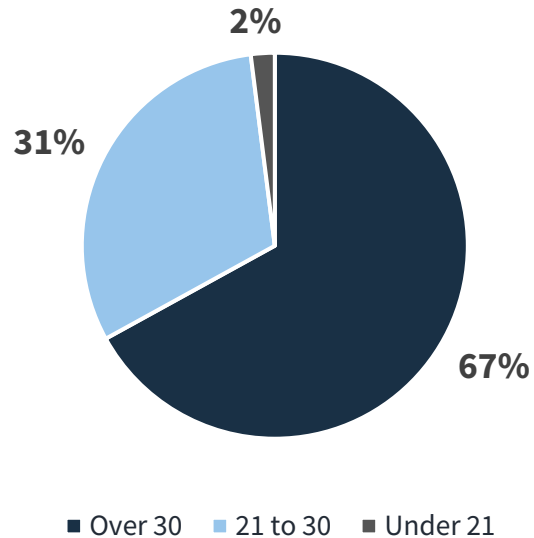
## Geographic Exposure



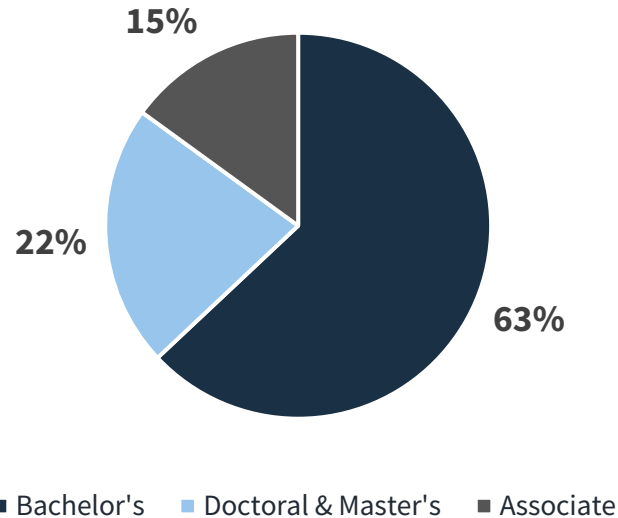
# Student Demographics

PRDO's students are primarily non-traditional adult learners

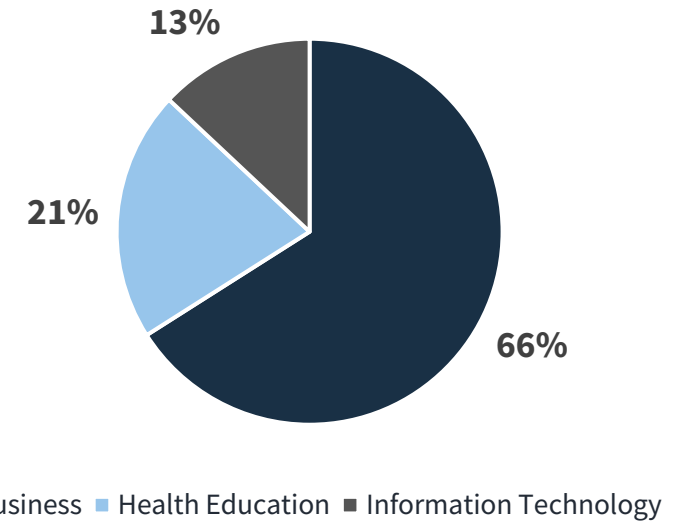
By Age Group



By Degree Type



By Core Curriculum



- Primarily serves **non-traditional** student population (67% over 30 years old)
- Need for **flexibility** and class adjustment

- Majority of students pursue **bachelor's** and **graduate degrees**
- Reflects PRDO's positioning in career-advancing credentials

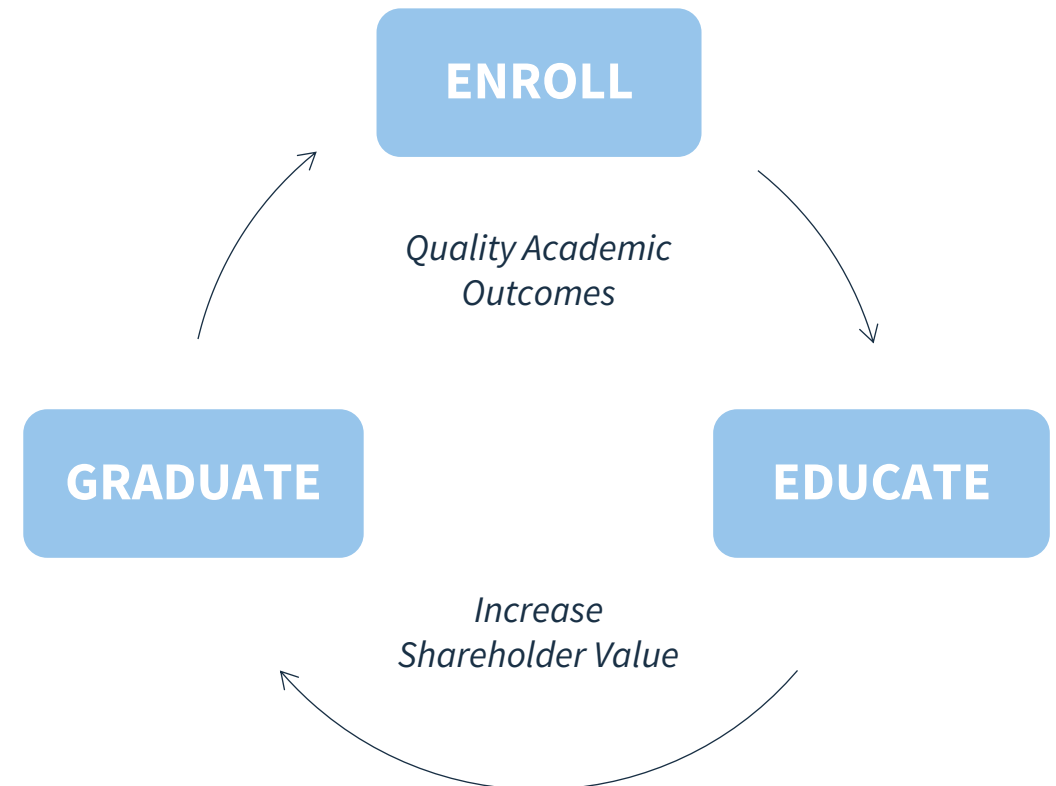
- Curriculum aligns with **high-demand job sectors**
- PRDO's tech-driven learning model **improves student retention**

# Strategic Priorities

Driving growth through technology-enabled student success

Model fueling scalable student and earnings growth

- Optimize **student enrollment processes**
- **Boost student retention and lifetime value** via personalized learning and student success tools
- Leverage **proprietary technology (Intellipath®)** to enhance outcomes and differentiate in a competitive online market
- **Invest in student-serving processes** that support our overall academic operations



# Portfolio of Universities

Leveraging CTU and AIUS's online scale to strengthen USAHS's on-ground expansion

## CTU

- Primarily an **online institution**
- Total enrollments = **31,900**
- Ground campus located in Colorado Springs, CO



## AIUS

- Primarily an **online institution**
- Total enrollments = **10,600**
- 2 campus locations:
  - Atlanta, GA
  - Houston, TX



## USAHS

- On-ground institution
- Total enrollments = **4,000**
- 5 campus locations:
  - Austin, TX
  - Dallas, TX
  - Miami, FL
  - San Marcos, CA
  - St. Augustine , FL



# Colorado Technical University (CTU)

CTU powers PRDO growth, scaling online programs with strong retention and industry alignment

| Summary Statistics <sup>(1)</sup>     |           |
|---------------------------------------|-----------|
| <b>Founded</b>                        | 1965      |
| <b>Total Enrollments</b>              | 31,900    |
| <b>2025 (YTD) 2025 Revenue</b>        | \$237,549 |
| <b>2025 (YTD) Operating Income</b>    | \$92,359  |
| <b>% of Perdoceo Operating Income</b> | 89.6%     |

| Academic Fields of Study   |
|--|
| <b>Business Administration (all levels)</b>                            |
| <b>Criminal Justice (Bachelor's &amp; Master's level)</b>              |
| <b>Computer Science &amp; Engineering (all levels)</b>                 |
| <b>Nursing &amp; Health Sciences (Bachelor's &amp; Master's level)</b> |
| <b>Psychology (Bachelor's &amp; Master's level)</b>                    |



CTU is PRDO's profit engine, contributing ~90% of operating income. Its scalable online model and career-focused programs drive steady enrollment growth, supported by employer partnerships and strong accreditation.

(1) As of June 30, 2025.

# American InterContinental University System (AIUS)

AIUS delivers steady enrollment in business and IT fields, with consistent operational leverage

| Summary Statistics <sup>(1)</sup>     |                      |
|---------------------------------------|----------------------|
| <b>Founded</b>                        | 1970                 |
| <b>Total Enrollments</b>              | 10,600               |
| <b>2025 (YTD) 2025 Revenue</b>        | \$108,782            |
| <b>2025 (YTD) Operating Income</b>    | \$23,964             |
| <b>% of Perdoceo Operating Income</b> | 23.2% <sup>(3)</sup> |

| Academic Fields of Study <sup>(2)</sup>              |
|--|
| <b>Business Administration</b>                       |
| <b>Criminal Justice</b>                              |
| <b>Computer Science &amp; Information Technology</b> |
| <b>Nursing &amp; Health Sciences</b>                 |
| <b>Psychology &amp; Education</b>                    |



AIUS fulfills its mission of offering accessible, career-focused education to military students, working professionals, and adult learners. With enrollment growth and 23% of PRDO's operating income, it provides reliable cash flow and extends PRDO's reach into diverse learner segments.

(1) As of June 30, 2025. (2) Each field of study is offered at all levels (Bachelor's, Master's, Doctorate). (3) See Appendix.

# University of St. Augustine for Health Sciences (USAHS)

USAHS expands into high-demand health sciences, positioning PRDO for long-term margin upside

| Summary Statistics <sup>(1)</sup> |                          |
|-----------------------------------|--------------------------|
| <b>Founded</b>                    | 1979                     |
| <b>Total Enrollments</b>          | 4,000                    |
| <b>2025 (YTD) 2025 Revenue</b>    | \$75,880                 |
| <b>% of Perdoceo Revenue</b>      | 17.96%                   |
| <b>2025 (YTD) Operating Loss</b>  | (\$2,024) <sup>(2)</sup> |

| Academic Fields of Study               |
|--|
| <b>Doctor of Physical Therapy</b>      |
| <b>Doctor of Occupational Therapy</b>  |
| <b>Masters of Occupational Therapy</b> |
| <b>Speech Language Pathology</b>       |
| <b>Nursing (all levels)</b>            |



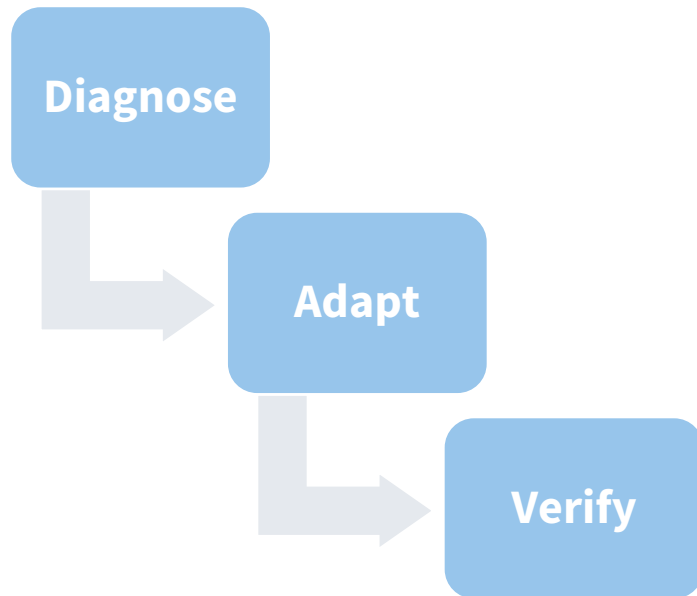
UNIVERSITY of  
ST. AUGUSTINE for  
HEALTH SCIENCES

Once enrollment scales and integration costs normalize, USAHS is expected to be margin-accretive. Healthcare degrees often carry higher tuition per student and strong labor market demand, which supports long-term profitability.

(1) As of June 30, 2025. (2) USAHS is currently in its investment phase following the 2024 acquisition, with short-term losses reflecting integration costs, amortization and depreciation expenses.

# Intellipath®

PRDO's AI-powered adaptive learning platform driving retention, efficiency, and scalability



## Use Cases

**Faculty Intervention:** Access to analytics helps triage support resources & target tutoring/faculty outreach

**Personalized Learning Maps:** Path updates dynamically as students progress

**Fast Track Proficiency Credit:** Cutting down time-to-degree & tuition costs, boosting affordability

## Value Creation for PRDO

In-house adaptive platform reduces reliance on 3rd-party program managers  
→ **keeps more unit economics in PRDO**

Data-rich tracking of engagement/mastery supports reporting  
→ **compliance with gainful employment/outcomes rules**

Enhanced student retention implies lower student acquisition costs per graduate  
→ **improved ROI on marketing spend**

Perdoceo considers technology a key growth lever and continues to expand Artificial Intelligence & Machine Learning integration into Intellipath® for future scalability.

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# Industry Overview

*6 October 2025*

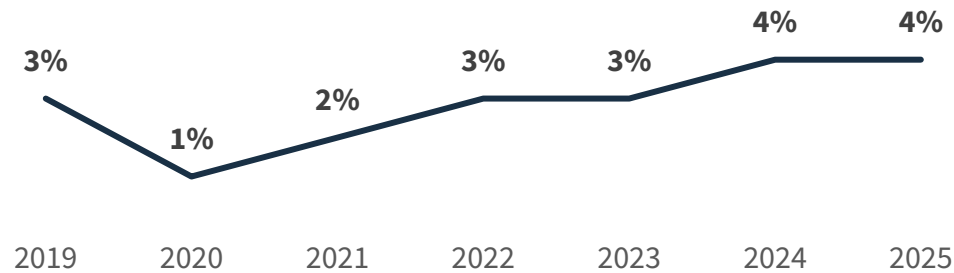
*Fall 2025*



# US Post-Secondary Market Outlook

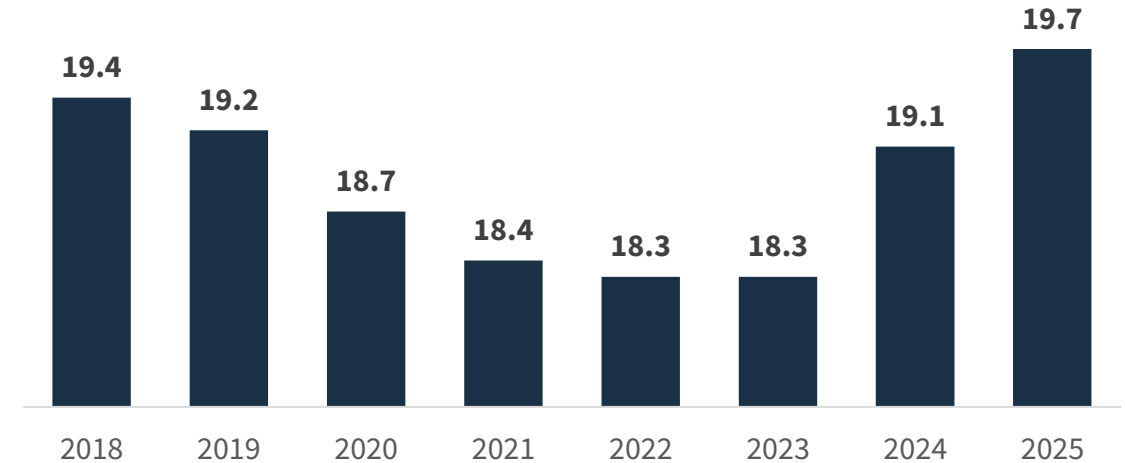
Stable industry, with enrolments momentum due to demand for new skills and flexible education

## Industry CAGR



The **U.S. education market's stability** is a result of sustained federal and state investment, societal value placed on education, and the sector's adaptability to evolving needs, enabling it to **withstand short-term fluctuations**.

## Student Enrollment



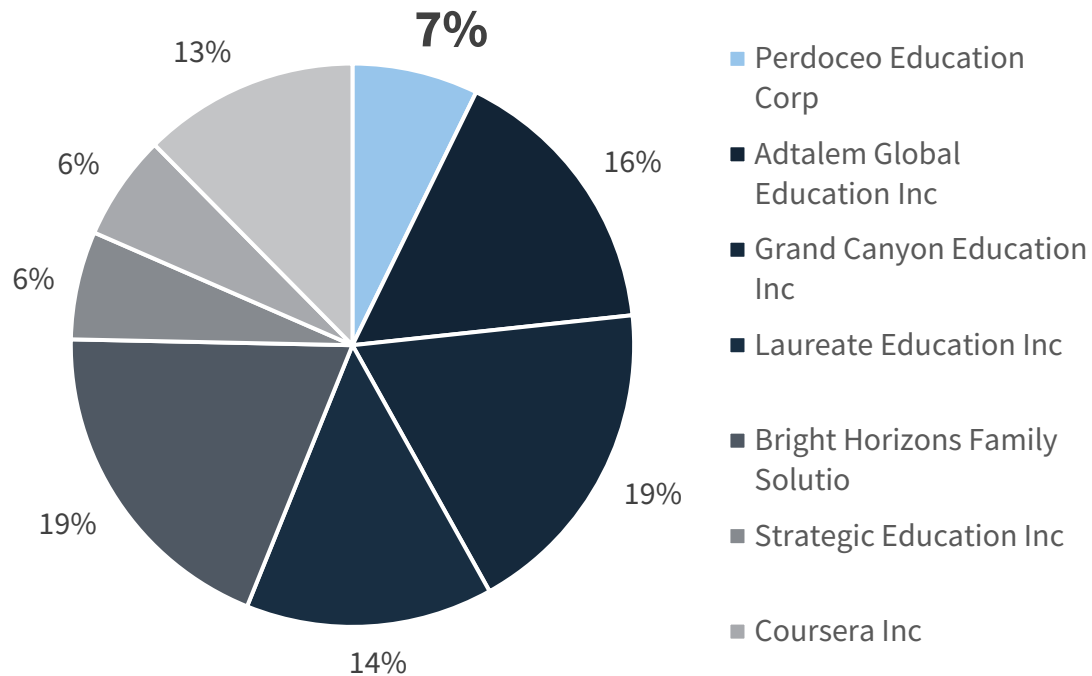
Post-secondary enrollment declined due to **demographic shifts and rising tuition costs**, with an additional sharp drop during COVID.

However, the **trend reversed beginning 2023**, as demand for new skills, adult reskilling, and flexible education formats fuelled growth.

# Main Players

No single dominant player in a fragmented for-profit post-secondary education industry

## Market Share



Highly fragmented market, with a total of **\$32.2B in revenue**

Need for a niche target audience.

## Main Peers



### **Adtalem Global Education**

Strong in healthcare and professional education.



### **Grand Canyon Education**

Focused on higher education, with both online and campus programs.



### **Laureate Education**

Operates an international network of universities, mainly in Latin America.

# Industry Key Trends

*Shifting dynamics: online growth, adult reskilling, and career-focused programs*

## Online Based Learning

After pandemic, there was a **shift on education models to online** base learning:

- Adult undergraduates studying fully online from 46% in 2019 to 63% in 2023

Online learning is no longer supplementary: it is central to U.S. higher education.

With **Perdoceo's strong online delivery model**, the company is positioned to capture a larger share of the adult and working-student market seeking flexibility.

## Adult Reskilling

**Reskilling demand** is accelerating as job markets evolve (AI, healthcare, digital business).

The for-profit sector is particularly growing in adult-oriented business and administration programs.

Perdoceo can strengthen its niche by **targeting working adults who want flexible** pathways into new careers.

## Enrollment by Program

**Business-related** bachelor's degrees remain dominant:

- Finance degrees grew 12.3% year-over-year, and Accounting 9.6%.

Online enrolment growth is concentrated in associate's degrees and healthcare fields.

**By emphasizing their business and healthcare programs**, Perdoceo can align its curriculum with the fastest-growing fields.

# Regulatory Landscape

*Impact of financial-responsibility and transparency regulations*

## *Federal Oversight and Accreditation*

- ED oversees compliance with financial stability and administrative capability, and **Accrediting Agencies** advises ED on accreditor recognition.
- Having this **accreditation grants access to Title IV aid**, which is critical for enrolment and revenue.

## *Financial Transparency*

- **New Rules (July 2024):** Institutions must demonstrate financial stability and disclose risks (Financial Value Transparency act).
- **Gainful Employment Updates:** Stricter debt-to-earnings thresholds + mandatory program-level outcome disclosures; noncompliant programs risk losing Title IV eligibility.

## *Legacy Compliance*

- PRDO faces borrower-defense claims from past students (before its current structure and compliance reforms).
- Money spent on **legal fees and compliance** to respond to ED.

### *Perdoceo Education Corporation “today”:*

- **CTU and AIUS hold accreditation** and have active Program Participation Agreements.
- Ongoing investments in IT, reporting systems, and compliance to **meet new transparency and accountability requirements.**

# Trump vs. Biden

*Political landscape effects on US post-secondary education*

## *Biden Administration*

- **Title IV Funding:** Maintains access but ties eligibility to accountability and student outcomes, programs must meet clear quality and outcome metrics.
- **Federal Oversight:** Strengthened monitoring and compliance enforcement.
- **Financial Transparency:** Increased reporting on costs, outcomes, and financial practices.
- **Gainful Employment Rule:** Strengthened; ensures programs lead to viable careers.
- **Legal Compliance:** Active enforcement; fraud and misrepresentation are prosecuted.

## *Trump Administration*

- **Title IV Funding:** Easier access for for-profit colleges to eligibility for federal aid.
- **Federal Oversight:** Reduced enforcement; less control on operations and student outcomes.
- **Financial Transparency:** Looser reporting requirements; schools have more flexibility.
- **Gainful Employment Rule:** Weakened, fewer consequences for programs with high student debt.
- **Student Debt Relief:** Limited forgiveness; focus on protecting institutions over borrowers.

Overall, **Biden's policies created a stricter regulatory environment**, prioritizing student protection, program quality, and financial accountability. **Trump pursued deregulation to ease federal oversight.** These changes lower compliance costs, allow faster program launches, and create growth opportunities for online and in-house programs.

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# Extra Features

*6 October 2025*

*Fall 2025*



# M&A Activity

Strategic acquisitions allowing Perdoceo to expand its student base and diversify program offerings

## Hippo Education



**HIPPO**  
EDUCATION

- **\$42.0M cash payment**, funded with available cash
- Provides **medical education & exam prep** for healthcare professionals;
- Expanded **healthcare program offerings**, within CTU segment.

## California Southern University



- **\$40.0M cash purchase**, covered with **cash from operations**;
- **Accredited online university** offering **undergraduate, master's & doctoral** programs, integrated in AIUS;
- **Strong tech platform** with content in behavioral sciences & business management.

## Coding Dojo



- **\$62.7M final purchase price**, incl. \$52.8M cash & contingent payments
- Provides **tech upskilling & reskilling** in software dev, data science & cybersecurity;
- Reported as part of CTU, enhancing **tech program offerings**.

## University of St. Augustine for Health Sciences



- **\$136.9M cash purchase**, covered with available cash
- Among the nation's reputable universities offering graduate **health sciences degrees**;
- Delivered via **5 U.S. campuses & online**, with strong clinical training & student outcomes.

2021

2022

2023

2024

# Risk Mitigation and Strategy

*Resilient brand and solid liquidity safeguard Perdoceo against regulatory and reputational risks*

## Risks

### High Dependency on Title IV

USA education companies' **heavy reliance on Title IV student aid programs exposes PRDO to significant regulatory and legislative risk.**

Tightening of eligibility rules or changes in funding structures could directly constrain enrolment growth, cash flow, and overall financial stability.

### Competitive Pressure and Reputation

In an increasingly **competitive higher-education landscape**, where program outcomes and brand credibility heavily influence enrolment decisions, **Perdoceo's reputation is critical.**

Past borrower complaints can affect public perception and elevate ongoing legal and compliance costs.

## Strategies

### Regulatory Compliance

Perdoceo's **institutions remain fully Title IV-eligible**, supported by strong compliance, high student satisfaction, and reputable brand.

**Trump administration ease on Title IV grants** further mitigates this risk.

### Brand Resilience

Most regulatory and legal complaints (2019–2021) did not materially affect enrolment or revenue, reflecting the **resilience of Perdoceo's brand.**

Public attention to these matters has largely faded, and ongoing **legal costs remain manageable.**

# Ownership Summary & Management Team

*Experienced leadership driving strategic execution*

## Ownership Structure

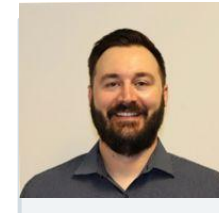
| Shareholder                              | Stake  |
|--|--------|
| BlackRock, Inc.                          | 14.07% |
| The Vanguard Group, Inc.                 | 6.73%  |
| Renaissance Technologies LLC             | 6.37%  |
| Dimensional Fund Advisors LP             | 6.35%  |
| iShares Trust – Core S&P Small-Cap ETF   | 5.64%  |
| First Trust Advisors LP                  | 4.28%  |
| First Trust SMID Cap Rising Dividend ETF | 4.02%  |
| State Street Global Advisors, Inc.       | 3.75%  |

## Management Team



### **Todd Nelson**

- CEO of Perdoceo Education Corporation
- Works at Perdoceo for more than 17 years
- Former CEO of Apollo Group and EDMC



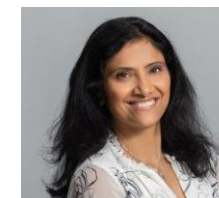
### **Ashish R. Ghia**

- CFO & Senior Vice President
- Works at Perdoceo for more than 17 years
- Advanced through finance roles before CFO



### **Elise L. Baskel**

- Senior Vice President – President of CTU
- Works at Perdoceo for more than 15 years
- Former Chief Operating Officer of CTU



### **Sunitha Araamudhu**

- Senior Vice President – President of AIUS
- Works at Perdoceo for more than 14 years
- Former Vice President of Marketing at HSBC

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# Financial Analysis

*6 October 2025*

*Fall 2025*

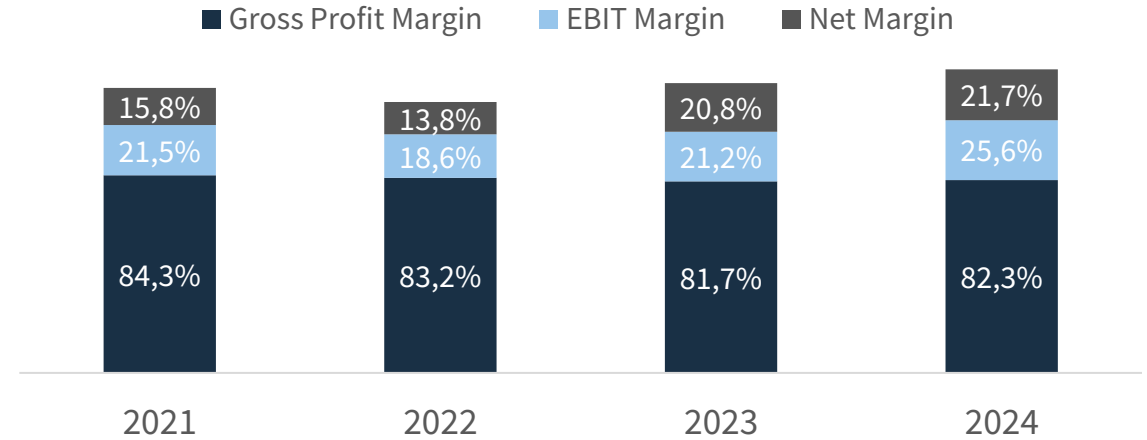


# Financial Analysis

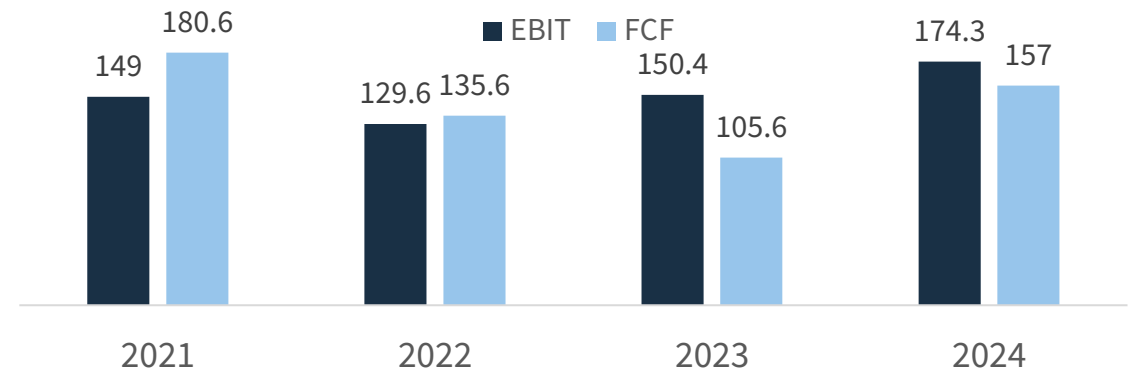
Stable and growing margins over the years

| millions USD        | 2021         | 2022         | 2023         | 2024         |
|---------------------|--------------|--------------|--------------|--------------|
| <b>Revenues</b>     | <b>693.0</b> | <b>695.2</b> | <b>710.0</b> | <b>681.3</b> |
| YoY Growth          | 0.8%         | 0.3%         | 2.1%         | (4.0%)       |
| <b>Gross Profit</b> | <b>584.3</b> | <b>578.5</b> | <b>579.7</b> | <b>560.4</b> |
| Margin              | 84.3%        | 83.2%        | 81.7%        | 82.3%        |
| <b>EBIT</b>         | <b>149.0</b> | <b>129.6</b> | <b>150.4</b> | <b>174.3</b> |
| Margin              | 21.5%        | 18.6%        | 21.2%        | 25.6%        |
| <b>Net Income</b>   | <b>109.6</b> | <b>95.9</b>  | <b>147.7</b> | <b>147.6</b> |
| YoY Growth          | (11.8%)      | (12.6%)      | 54.0%        | 0.0%         |
| Margin              | 15.8%        | 13.8%        | 20.8%        | 21.7%        |
| OCF                 | 191.1        | 148.2        | 112.0        | 161.6        |
| Capex               | (10.5)       | (12.6)       | (6.4)        | (4.6)        |
| <b>FCF</b>          | <b>180.6</b> | <b>135.6</b> | <b>105.6</b> | <b>157.0</b> |

## Margins Evolution



## Operating Income & FCF Evolution



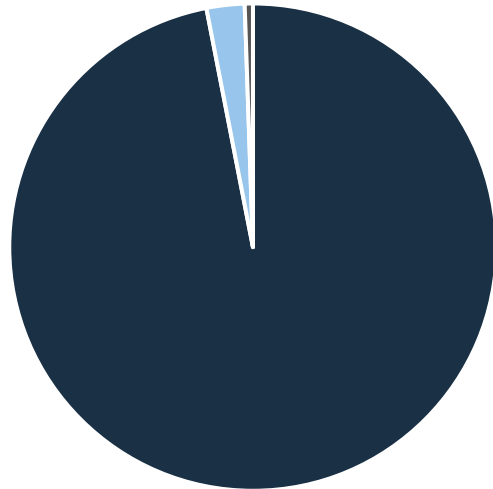
Source: [Bloomberg](#)

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# Capital Structure

Strong net cash position underpins financial flexibility for PRDO

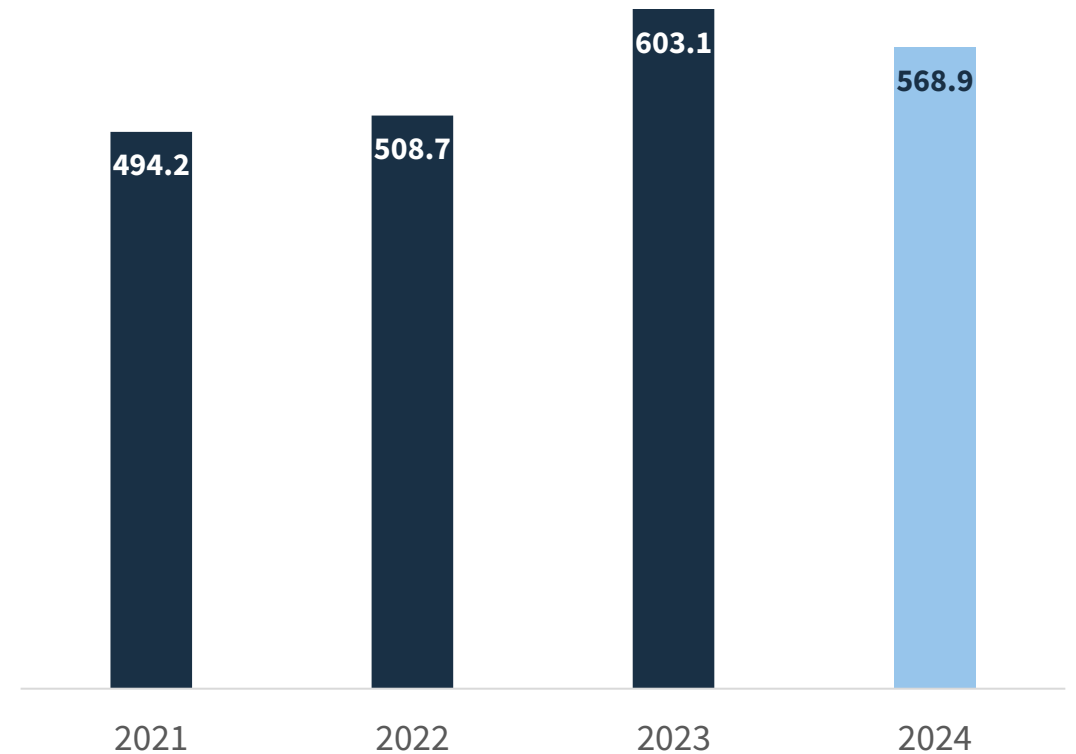
## Capital Structure



■ Market Cap ■ LT Debt ■ ST Debt

| Metric             | 2021  | 2022  | 2023  | 2024  |
|--------------------|-------|-------|-------|-------|
| Cash & Equivalents | 494.2 | 508.7 | 603.1 | 568.9 |
| ST Debt            | 9.4   | 6.6   | 5.7   | 13.3  |
| LT Debt            | 35.5  | 27.3  | 21.3  | 61.8  |

## Cash & ST Investments Evolution (\$M)



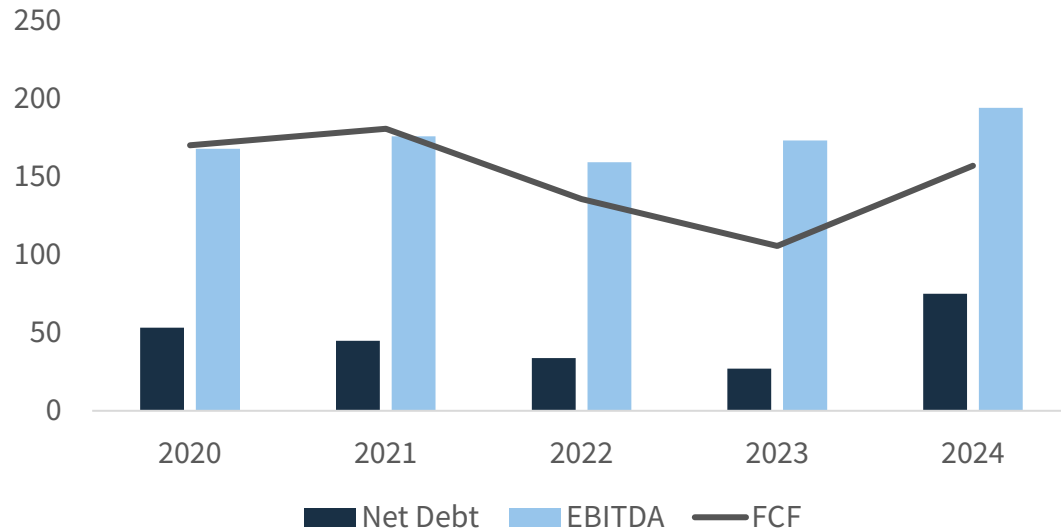
Source: [Bloomberg](#)

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# Credit Analysis

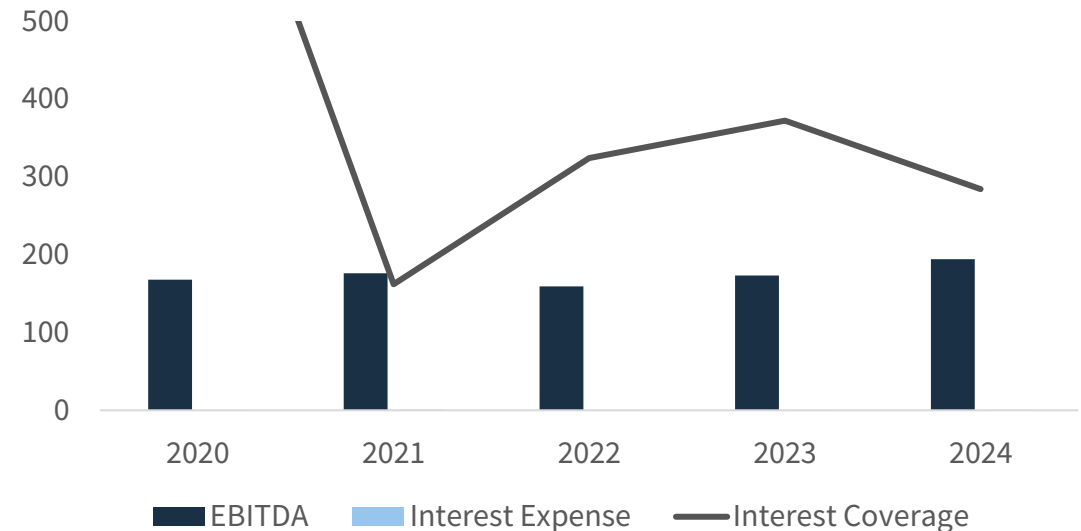
Disciplined leverage and strong coverage underscore financial stability

## Leverage (\$M)



- **Low Leverage:** PRDO maintains a conservative balance sheet, with net debt remaining modest relative to EBITDA and FCF.
- **Management has prioritized liquidity**, through selective M&A, generating higher EBITDA through the restructuring of PRDO's education plans and strong OCF recently.

## Interest Expense vs. Interest Income



- **Improved Interest Coverage:** Although 2021 saw higher interest expenses from a new \$125M revolving facility, EBITDA and rising interest income have restored since 2022.
- Overall **refinancing/default risk is low** given the company's cash generation and light leverage.

# Peer Analysis

*Outperforming peers on liquidity and margins*

| Metric           | PRDO   | ATGE   | LOPE   | LAUR   | LINC   | UTI    | MEDIAN |
|------------------|--------|--------|--------|--------|--------|--------|--------|
| Net Debt/EBITDA  | 2.54x  | 1.94x  | 0.33x  | 1.01x  | 5.23x  | 2.23x  | 2.09x  |
| Current Ratio    | 4.30x  | 0.72x  | 3.55x  | 0.75x  | 0.90x  | 1.00x  | 0.95x  |
| Cash Ratio       | 8.60x  | 0.39x  | 2.92x  | 0.25x  | 0.66x  | 0.79x  | 0.72x  |
| FCF/EBITDA       | 0.76x  | 0.67x  | 0.79x  | 0.46x  | -1.67x | 0.51x  | 0.59x  |
| ROE              | 16.39% | 16.60% | 30.77% | 26.01% | 8.27%  | 23.11% | 19.85% |
| Operating Margin | 28.16% | 16.91% | 20.92% | 36.88% | 2.25%  | 6.93%  | 18.90% |
| Net Margin       | 19.20% | 13.26% | 22.15% | 16.41% | 3.05%  | 7.80%  | 14.83% |

Source: Yahoo Finance

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# Valuation

*6 October 2025*

*Fall 2025*



# Relative Valuation

*Discounted multiples suggest upside potential relative to education peers*

| Metric           | PRDO    | ATGE    | STRA    | LOPE    | UTI     | LAUR    | MEDIAN  |
|------------------|---------|---------|---------|---------|---------|---------|---------|
| P/E              | 16.40x  | 39.67x  | 18.40x  | 27.05x  | 45.27x  | 14.81x  | 27.05x  |
| P/E Fwd.         | 14.03x  | 22.89x  | 17.79x  | 25.40x  | 39.85x  | 14.24x  | 22.89x  |
| P/S              | 3.24x   | 3.21x   | 1.66x   | 5.86x   | 2.16x   | 3.03x   | 3.12x   |
| P/B              | 2.45x   | 3.76x   | 1.23x   | 7.88x   | 5.58x   | 4.37x   | 4.07x   |
| EV/Sales         | 2.83x   | 3.79x   | 1.64x   | 5.72x   | 2.53x   | 3.02x   | 3.02x   |
| EV/Sales Fwd.    | 2.39x   | 3.36x   | 1.59x   | 5.37x   | 2.23x   | 2.90x   | 2.90x   |
| EV/EBITDA        | 10.02x  | 18.40x  | 9.91x   | 18.01x  | 15.87x  | 8.79x   | 15.87x  |
| EV/EBITDA Fwd.   | 9.32x   | 14.04x  | 9.59x   | 16.91x  | 13.97x  | 8.45x   | 13.97x  |
| Market Cap (USD) | 2 420 M | 5 426 M | 2 070 M | 6 120 M | 1 723 M | 4 727 M | 3 406 M |

Source: [Bloomberg](#)

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# DCF Assumptions – Revenue Forecast

Main highlights from the assumptions

| Assumptions                | 2024           | 2025    | 2026    | 2027    | 2028    | 2029    |
|----------------------------|----------------|---------|---------|---------|---------|---------|
| <b>CTU</b>                 | <b>456 899</b> | 474 255 | 491 329 | 508 034 | 524 291 | 540 019 |
| Growth Rate                |                | + 3.8%  | + 3.6%  | + 3.4%  | + 3.2%  | + 3.0%  |
| <b>AIUS</b>                | <b>213 547</b> | 217 818 | 221 085 | 224 401 | 226 646 | 228 912 |
| Growth Rate                |                | + 2.0%  | + 1.5%  | + 1.5%  | + 1.0%  | + 1.0%  |
| <b>USAHS</b>               | <b>10 041</b>  | 113 820 | 119 511 | 124 889 | 129 885 | 134 431 |
| Growth Rate                |                | + 1034% | + 6.0%  | + 6.0%  | + 5.5%  | + 5.5%  |
| <b>Corporate and Other</b> | <b>776</b>     | 792     | 807     | 823     | 840     | 857     |
| Growth Rate                |                | + 2.0%  | + 2.0%  | + 2.0%  | + 2.0%  | + 2.0%  |

**CTU:** Sustained growth driven by high student retention, career-aligned programs, and stable pricing power

- **Enrollment (2024-2025):** + 7.41%
- **H1 Revenue (2024-2025):** + 4.93%

**AIUS:** Moderate growth as enrolments normalize post pandemic, supported ongoing adoption of Intellipath®

- **Enrollment (2024-2025):** + 7.07%
- **H1 Revenue (2024-2025):** + 0.51%

**USAHS:** Substantial growth in 2025 reflected by FY consolidation of the acquisition in December 2024

- **H1 Revenue (2025):** \$75.9 million
- Rising national demand for healthcare professionals in the US
- Specialized in physical therapy, occupational therapy, speech language therapy and nursing

# DCF Assumptions – Others

Main highlights from the assumptions

| Assumptions                             | 2024          | 2025  | 2026  | 2027  | 2028  | 2029  |
|---|---------------|-------|-------|-------|-------|-------|
| SG&A (% of Rev)                         | <b>71.6%</b>  | 75.1% | 75.1% | 75.1% | 75.1% | 75.1% |
| Other Income/Expenses (% of Rev)        | <b>(0.2%)</b> | 0.7%  | 0.7%  | 0.7%  | 0.7%  | 0.7%  |
| D&A (% of Previous Year's Fixed Assets) | <b>7.7%</b>   | 9.0%  | 8.9%  | 9.0%  | 9.4%  | 9.6%  |
| Gross Debt (% of Rev)                   | <b>11.0%</b>  | 6.5%  | 6.5%  | 6.5%  | 6.5%  | 6.5%  |
| Payout Ratio                            | <b>21.5%</b>  | 15.6% | 15.6% | 15.6% | 15.6% | 15.6% |
| Effective Income Tax Rate               | <b>26.7%</b>  | 26.2% | 26.2% | 26.2% | 26.2% | 26.2% |
| Receivables Days                        | <b>15.1</b>   | 20.1  | 20.1  | 20.1  | 20.1  | 20.1  |
| Inventory Days                          | <b>10.2</b>   | 8.3   | 8.3   | 8.3   | 8.3   | 8.3   |
| Payable Days                            | <b>38.7</b>   | 36.9  | 36.9  | 36.9  | 36.9  | 36.9  |
| CAPEX (% of Previous Year's Rev)        | <b>0.9%</b>   | 1.4%  | 1.4%  | 1.4%  | 1.4%  | 1.4%  |

- **SG&A:** Assumed at the 4-year historical average, reflecting stable cost efficiency
- **D&A:** Based on the average of the 3 preceding years' D&A figures
- **Gross Debt:** Maintained at the 4-year historical average, consistent with PRDO's low leverage and financing strategy
- **Payout Ratio:** Held at the 2-year historical average (15.6%) following the initiation of quarterly dividends in Q3 2023
- **Effective Tax Rate:** Assumed constant at 26.2%, in line with historical average tax levels
- **CAPEX:** Projected at 1.4% of revenue, given PRDO's asset-light operating model and continued investment in digital infrastructure

# DCF Valuation

Main highlights from the Valuation

| DCF (millions \$)    | 2024     | 2025    | 2026    | 2027    | 2028    | 2029     |
|----------------------|----------|---------|---------|---------|---------|----------|
| <b>Total Revenue</b> | 681 263  | 806 685 | 832 732 | 858 148 | 881 661 | 904 219  |
| <i>Growth</i>        | (4.0%)   | + 18.4% | + 3.2%  | + 3.1%  | + 2.7%  | +2.6%    |
| <b>EBITDA</b>        | 192 158  | 206 663 | 213 336 | 219 847 | 225 871 | 231 650  |
| <i>EBITDA Margin</i> | 28.2%    | 25.6%   | 25.6%   | 25.6%   | 25.6%   | 25.6%    |
| <b>OCF</b>           | 145 895  | 161 385 | 166 077 | 170 820 | 175 381 | 179 586  |
| Change in NWC        | (53 733) | (3 846) | (3 753) | (3 472) | (3 331) | (53 733) |
| CAPEX                | 9 598    | 11 365  | 11 732  | 12 090  | 12 421  | 9 598    |
| <b>Unlevered FCF</b> | 154 300  | 205 521 | 158 557 | 162 841 | 166 762 | 170 495  |
| <i>FCF / EBITDA</i>  | 0.76x    | 0.78x   | 0.78x   | 0.78x   | 0.78x   | 0.78x    |

Note: Terminal value equivalent to 2.0%

# WACC Estimation

Describe the Sensitivity of WACC and your valuation

| Cost of Equity                  |              |
|---------------------------------|--------------|
| Risk Free Rate*                 | 4.20%        |
| Unlevered Beta                  | 0.85         |
| Marginal Tax Rate               | 26.23%       |
| Re-Levered Beta                 | 0.87         |
| Market Risk Premium             | 3.67%        |
| <b>Unlevered Cost of Equity</b> | <b>7.33%</b> |
| <b>Levered Cost of Equity</b>   | <b>7.40%</b> |

| Cost of Debt        |              |
|---------------------|--------------|
| Risk Free Rate      | 4.20%        |
| Spread on Debt      | 0.45%        |
| <b>Cost of Debt</b> | <b>4.65%</b> |

| Capital Structure |               |
|-------------------|---------------|
| Market Cap        | 2 420M        |
| Gross Debt        | 75.0M         |
| <b>Equity (%)</b> | <b>96.99%</b> |
| <b>Debt (%)</b>   | <b>3.01%</b>  |

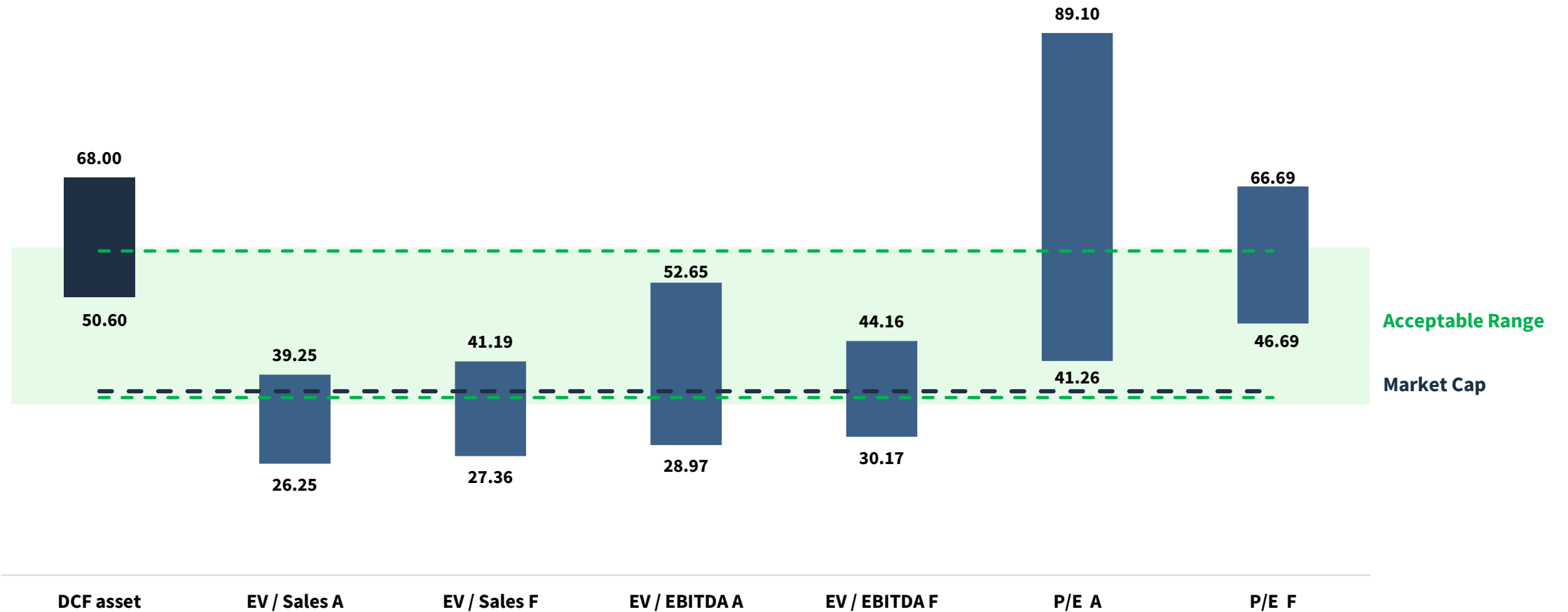
**WACC 7.28%**

|     |        | Spread on Debt |         |       |       |       |
|-----|--------|----------------|---------|-------|-------|-------|
|     |        | (1,55%)        | (0,55%) | 0,45% | 1,45% | 2,45% |
| D/E | (0,9%) | 7,25%          | 7,25%   | 7,25% | 7,25% | 7,25% |
|     | 1,1%   | 7,30%          | 7,30%   | 7,30% | 7,30% | 7,30% |
|     | 3,10%  | 7,34%          | 7,34%   | 7,34% | 7,34% | 7,34% |
|     | 5,1%   | 7,39%          | 7,39%   | 7,39% | 7,39% | 7,39% |
|     | 7,1%   | 7,43%          | 7,43%   | 7,43% | 7,43% | 7,43% |

Source: [Bloomberg](#), Damodaran's model | \*Average in 2024 of 10Y US treasury rate

# Football Field

DCF and multiples align, indicating PRDO as an undervalued opportunity



Investment Team 1

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# Thesis & Fit

*6 October 2025*

*Fall 2025*



# Portfolio Fit

*PRDO strengthens portfolio diversification with high-growth, niche-focused education sector*



## Industry Growth

**The education industry is experiencing strong growth**, driven by expanding online learning platforms, increasing demand for adult reskilling, and an increase in postsecondary enrolments.



## Attractive Valuation

PRDO's **growth prospects, positive relative valuation, and strong liquidity position** make it a **highly attractive investment opportunity**.



## Portfolio Diversification

This investment increases our **exposure to the Education Sector (under Consumer Services)**, which aligns with our **portfolio diversification strategy**.

# Investment Thesis

*Liquidity strength, scalable model and structural education shifts drive resilience and long-term growth*

## CATALYSTS

- **Acquisition of USAHS** adds high-margin healthcare programs and drives revenue diversification
- Structural **shift towards online and hybrid learning in US post-secondary education** supports sustained enrollment growth
- **Intellipath® adaptive learning platform** enhances student retention, operational scalability and quality of education offered
- Focus on **adult learners and reskilling programs** provides resilience across economic cycles
- Robust net cash position and minimal leverage provide **strong liquidity and short-term resilience** in current time of uncertainty

## RISKS

- Heavy **dependence on Title IV federal funding** exposes PRDO to changes in U.S. education regulation
- Heightened **competition from nonprofit and public institutions** could pressure pricing and enrollment.

# Investment Team 1



**André Tavares**

*Head of Investment Team*

(+351) 964 148 783

[LinkedIn](#)



**Leonor Monteiro**

*Investment Analyst*

(+351) 916 658 230

[LinkedIn](#)



**Leonor Ferreira**

*Investment Analyst*

(+351) 914 545 674

[LinkedIn](#)



**Miguel Hann**

*Investment Analyst*

(+351) 913 614 162

[LinkedIn](#)



**Manuel Vilhena**

*Investment Analyst*

(+351) 924 358 614

[LinkedIn](#)



**Emily Rahmig**

*Investment Analyst*

(+49) 173 2846715

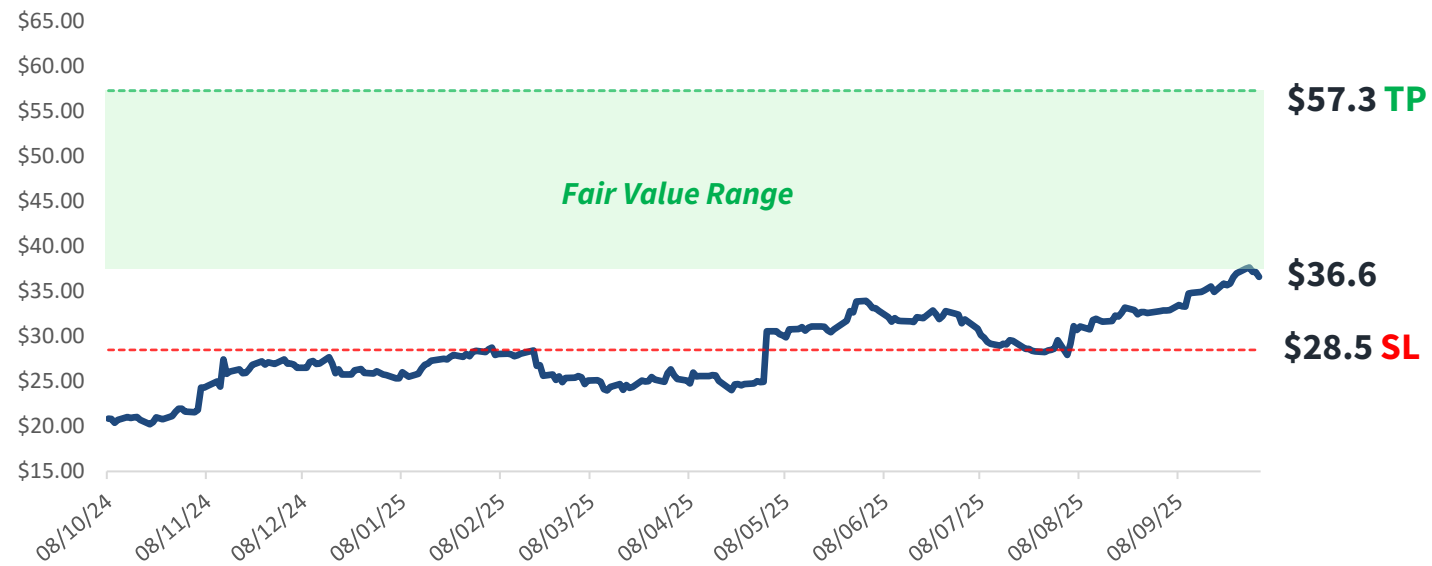
[LinkedIn](#)

# Recommendation: Buy


**Perdoceo Education Corporation (PRDO)** presents a strong buy opportunity, supported by its strong liquidity position, scalable online model, and robust operating margins. The firm's asset-light structure and technology-driven platforms (Intellipath®) enable consistent cash generation and cost efficiency, even in periods of enrollment volatility.

|                          |                 |
|--------------------------|-----------------|
| Investment Horizon:      | 4 years         |
| Fair Value Range:        | \$35.9 / \$57.3 |
| Entry Price:             | \$36.6          |
| Take Profit / Stop Loss: | \$57.3 / \$28.5 |
| Proposed Allocation:     | 4%              |


Historical Stock Price:



# PMIC

 R. da Holanda 1, 2775-405 Carcavelos

 [Portfolio Management Club](#)

 [pmcnovasbe.com](http://pmcnovasbe.com)

 [pmcnovasbe](#)

Investment Team 1

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# Appendix

*6 October 2025*

*Fall 2025*



# Operating Income Breakdown

| Operating Income (\$ in thousands) | 2025 YTD       | Percentage  |
|------------------------------------|----------------|-------------|
| CTU                                | 92,359         | 89.6%       |
| AIUS                               | 23,964         | 23.2%       |
| USAHS                              | (2,024)        | (2.0)%      |
| Corporate & Other                  | (11,173)       | (10.8)%     |
| <b>Total</b>                       | <b>103,126</b> | <b>100%</b> |