



# Career Education Corporation

Credit Suisse Global Services Conference

February 25, 2008

# Safe Harbor

*Except for the historical and present factual information contained herein, the matters set forth in this presentation, including statements identified by words such as "anticipate," "believe," "plan," "expect," "intend," "project," "will," and similar expressions, are forward-looking statements as defined in Section 21E of the Securities Exchange Act of 1934, as amended. These statements are based on information currently available to us and are subject to various risks, uncertainties and other factors that could cause our actual growth, results of operations, performance and business prospects, and opportunities to differ materially from those expressed in, or implied by, these statements. Except as expressly required by the federal securities laws, we undertake no obligation to update such factors or to publicly announce the results of any of the forward-looking statements contained herein to reflect future events, developments, or changed circumstances or for any other reason. These risks and uncertainties, the outcome of which could materially and adversely affect our financial condition and operations, include, but are not limited to, the following: risks associated with unfavorable changes in the cost or availability of financing, including alternative loans, for our students; potential higher bad debt expense or reduced revenue associated with requiring students to pay more of their educational expenses while in school; increased competition; the effectiveness of our regulatory compliance efforts; future financial and operational results, including the impact of the impairment of goodwill and other intangible assets; risks related to our ability to comply with accrediting agency requirements or obtain accrediting agency approvals; risks related to our ability to comply with, and the impact of changes in, legislation and regulations that affect our ability to participate in student financial aid programs; costs, risks, and effects of legal and administrative proceedings and investigations and governmental regulations, and class action and other lawsuits; costs, risks and uncertainties associated with our company-wide restructuring, including risks and uncertainties associated with changes in management and reporting responsibilities; costs and difficulties related to the integration of acquired businesses; risks related to our ability to manage and continue growth; risks related to the sale or teach-out of any campuses; risks related to general economic conditions including credit market conditions and other risk factors relating to our industry and business and the factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2006, and from time to time in our other reports filed with the Securities and Exchange Commission.*

# Non-GAAP Financial Information

*Note Regarding Non-GAAP Financial Information. The Company has included some non-GAAP financial measures in this presentation to discuss the Company's financial results. As a general matter, the Company uses these non-GAAP measures in addition to and in conjunction with results presented in accordance with GAAP. Among other things, the Company may use such non-GAAP financial measures in addition to and in conjunction with corresponding GAAP measures to help analyze the performance of its core business, in connection with the preparation of annual budgets, and in measuring performance for some forms of compensation. In addition, the Company believes that non-GAAP financial information is used by analysts and others in the investment community to analyze the Company's historical results and in providing estimates of future performance and that failure to report these non-GAAP measures, could result in confusion among analysts and others and a misplaced perception that the Company's results have underperformed or exceeded expectations.*

*These non-GAAP financial measures reflect an additional way of viewing aspects of the Company's operations that, when viewed with the GAAP results and the reconciliations to corresponding GAAP financial measures, provide a more complete understanding of the Company's results of operations and the factors and trends affecting the Company's business. However, these non-GAAP measures should be considered as a supplement to, and not as a substitute for, or superior to, the corresponding measures calculated in accordance with GAAP.*

# Agenda

- **Company Overview**
- **Progress Over Past Year**
- **Financial Highlights**
- **Summary**

# CEC Overview and Progress

**Gary McCullough**  
**President and Chief Executive Officer**



# Overview

- Serve approximately 90,000 students
- Offer Associates, Bachelors, Masters and Doctorate degrees and Certificates
- Core curriculum in fields of business, visual communications & design, culinary arts, health education & information technology



- Over 75 on-ground campuses in 22 states and 5 countries
- 3 online campuses without geographic boundaries

# Student Profile

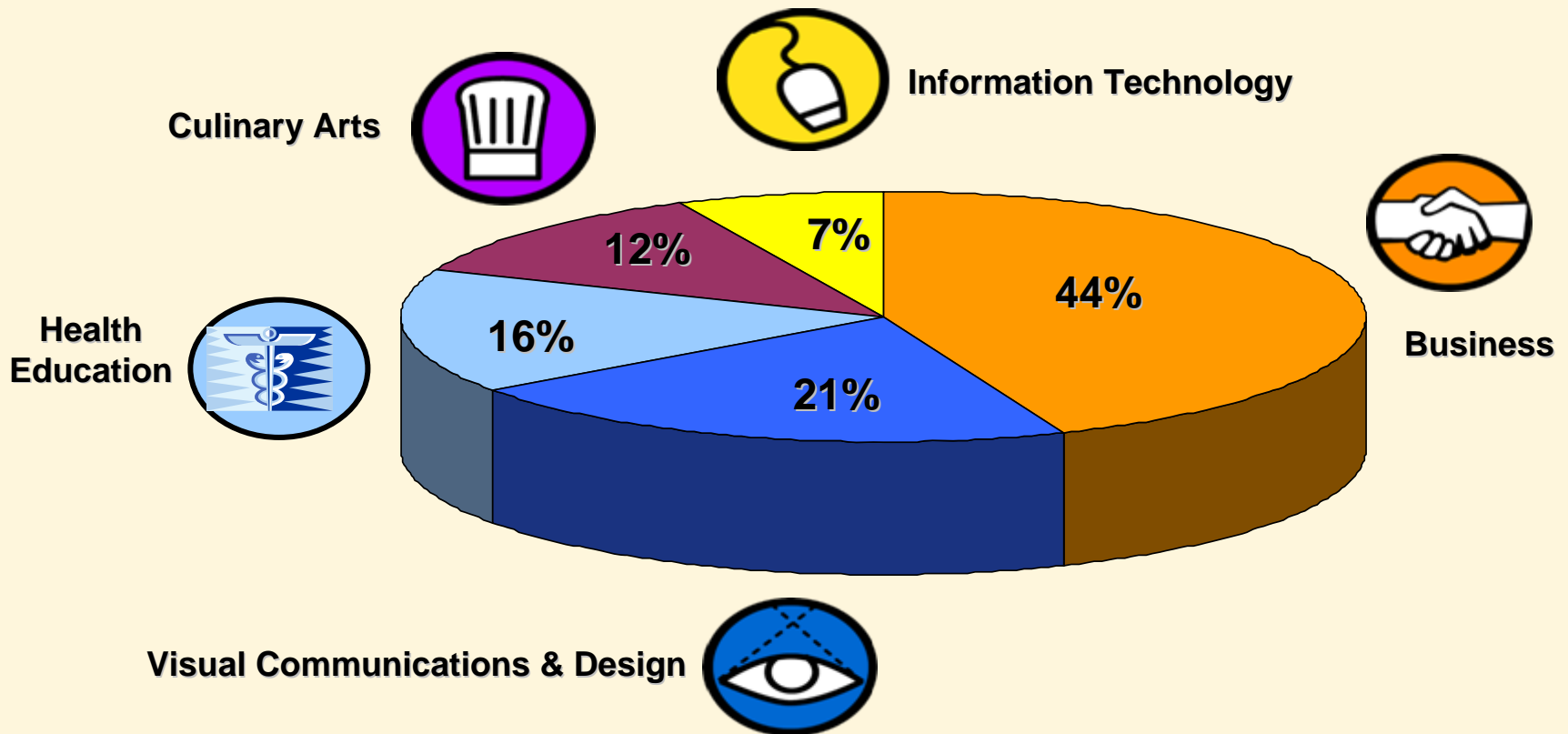
*Students from diverse demographic backgrounds seek opportunity through higher education*

	<b>On-Ground</b>	<b>Online</b>	<b>Total CEC</b>
<b>Under 21</b>	<b>28%</b>	<b>3%</b>	<b>20%</b>
<b>21-30</b>	<b>48%</b>	<b>40%</b>	<b>47%</b>
<b>Over 30 yrs</b>	<b>24%</b>	<b>57%</b>	<b>33%</b>
<b> </b>			
<b>Bachelor, Master, Doctorate</b>	<b>36%</b>	<b>37%</b>	<b>41%</b>
<b>Associate</b>	<b>36%</b>	<b>63%</b>	<b>43%</b>
<b>Certificate</b>	<b>28%</b>	<b>N/A</b>	<b>16%</b>

\* As of December 31, 2007

# Program Profile

*Students pursue a variety of program offerings through both on-ground and online delivery methods*



\* As of December 31, 2007

# Progress During Past Year

- Strengthened Leadership Team
- Made Significant Progress in Addressing Legal, Regulatory and Accreditation Issues
- Developed Strategic Choices to Focus Organization Activity
- Improved Key Operational Metrics

# Strengthened Leadership Team

- **August, 2007:** Tom Budlong, Senior Vice President of Organizational Effectiveness and Administration
- **September, 2007:** Mike Graham, Executive Vice President and Chief Financial Officer
- **October, 2007:** Len Mariani, Senior Vice President of Marketing and Admissions
- **December, 2007:** Jeff Ayers, Senior Vice President, General Counsel, and Corporate Secretary

# Progress in Addressing Legal, Regulatory & Accreditation Issues

- Resolved certain securities, shareholder derivative and class action litigation
- Resolved Justice Department inquiries with no action taken against the company
- American InterContinental University (AIU) removed from probation by SACS
- SEC investigation completed with no action taken against the company

# Developed Key Strategic Choices

- Grow Our Core Educational Institutions
- Improve Academic and Operational Effectiveness
- Enter New Markets
- Build Our Reputation and External Relationships
- Grow and Develop Our People

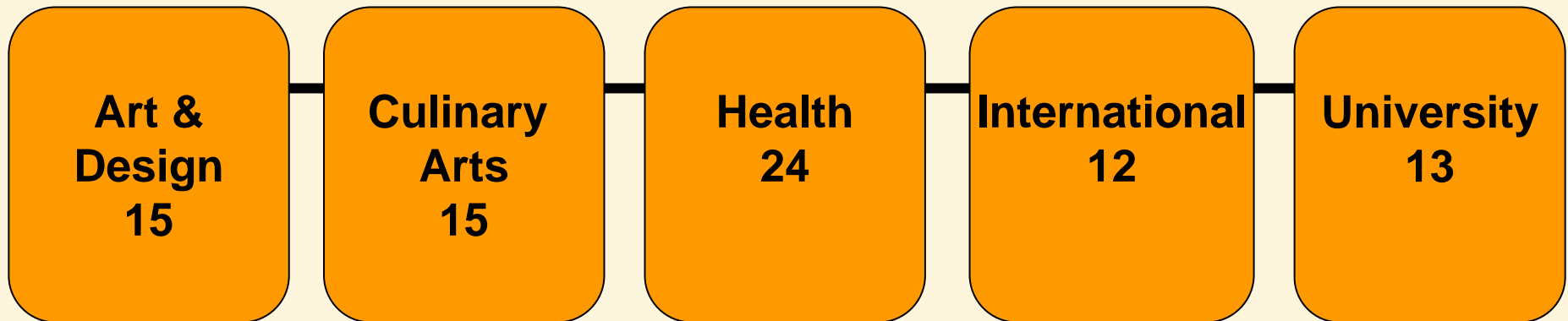
# Grow Our Core Educational Institutions

## *Began Process of Renewing AIU Brand*

- Broad Scale Marketing Campaign
  - Improve AIU's reputation;
  - Increase AIU's awareness; and
  - Increase population
- Re-launched AIU websites
- Created consistent messaging for prospective students

# Grow Our Core Educational Institutions

## *Formed Strategic Business Units (SBUs)*



IADT: 11  
Brooks  
Institute: 1  
Harrington: 1  
Collins: 1  
Brown: 1

Le Cordon  
Bleu (LCB): 13  
Kitchen  
Academy: 2

Sanford Brown: 21  
Missouri: 1  
Western School of  
Health & Business  
Careers: 2

INSEEC: 9  
Istituto  
Marangoni: 3

AIU: 6  
CTU: 5  
Briarcliffe: 2

# Enter New Markets

**1Q07**



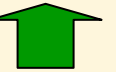



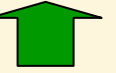
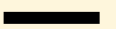


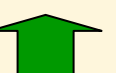

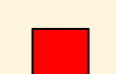
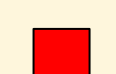
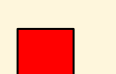
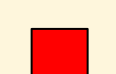
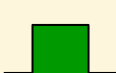
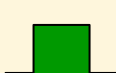
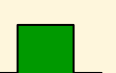

**through**

**1H08**

- Acquired Istituto Marangoni
- Kitchen Academy (KA) Sacramento
- IADT San Antonio
- IADT Sacramento
- LCB Dallas
- KA Suburban St. Louis
- KA Seattle
- LCB Boston

# Improve Academic and Operational Effectiveness

## *Improved Key Operational Metrics*

	4Q07	3Q07	2Q07	1Q07
Starts				
Population				
Retention				
Revenue per Student				
Cost per Start				

# Organizational Restructuring Objectives

- Simplify structure to eliminate redundancies
- Better utilize size and scale by using shared resource or service centers
- Develop more consistent management processes throughout the company
- Form new Strategic Business Units (SBUs) which better align our key schools consistent with their educational focus areas

# Culinary Repositioning

## *Recognized Opportunity to Reposition Culinary for Improved Results*

- Extend Le Cordon Bleu associate program from 15 months to 18-21 months
- Focus recruiting efforts on local markets
- Base new start-ups on smaller operating footprint
- Introduce additional certificate-based programs

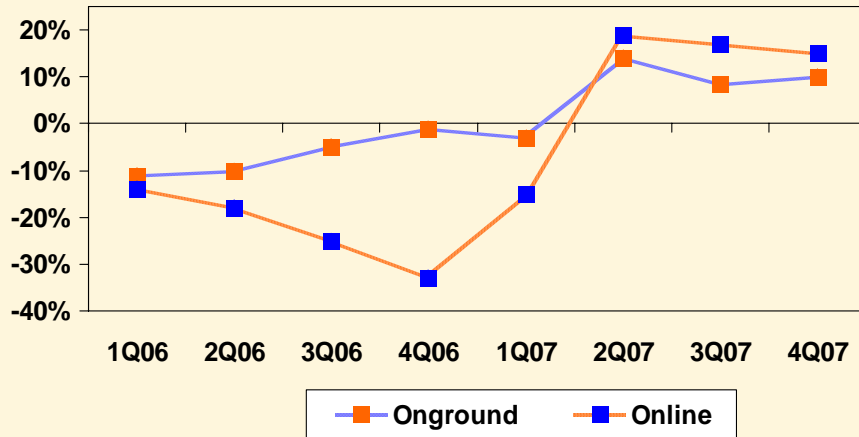
# Financial Performance

**Mike Graham**  
**Chief Financial Officer**



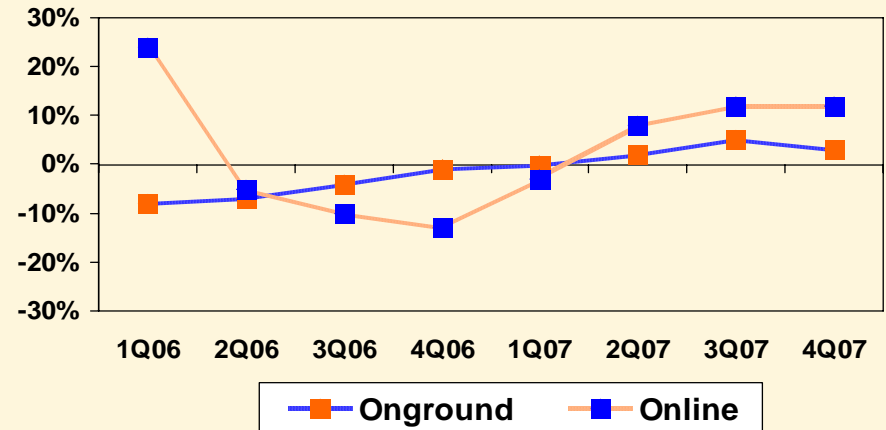
# Start and Population Growth

## Double Digit Start Growth



- Starts up 12% in 4Q07

## Mid-Single Digit Population Growth



- Population up 6% in 4Q07

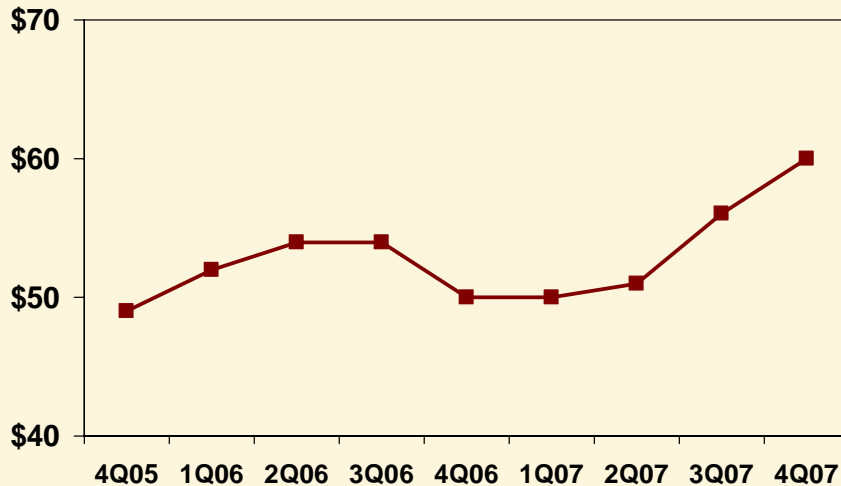
# Revenue – Improvement in Sequential Trend

- Revenue of \$437.2 million up 0.6% from fourth quarter 2006, an improvement in trend versus 5.6% decline in third quarter 2007
- Increase aided by additional \$8.7 million in International revenue from Istituto Marangoni
- University's Online revenue down 4.0% from fourth quarter 2006, an improvement in trend versus 16.7% decline in third quarter 2007

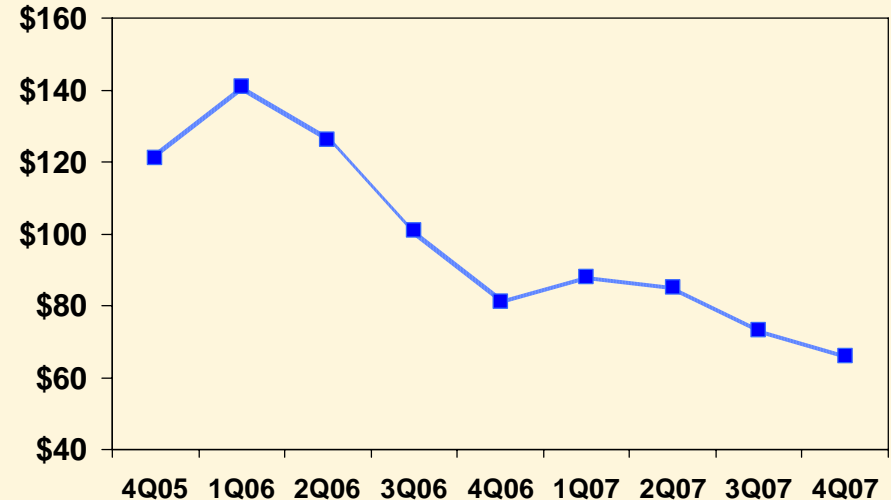
# University's Online Revenue Trend

- CTU Online revenue up 17% versus up 3% in third quarter 2007
- AIU Online revenue down 18% versus down 27% in third quarter 2007

In Millions



In Millions



# Profit Margin – Impact From Non-Comparables

- Operating profit margin for fourth quarter was 8.8%, down from 9.8%; up from 5.9% in the third quarter 2007
- Significant non-comparable items in fourth quarter 2007 and 2006

## '07:

\$2.1 million charge for teach-out of IADT Toronto

\$5.8 million asset impairment charge

\$6.5 million increase in legal reserves

## '06:

\$4.4 million asset impairment charge

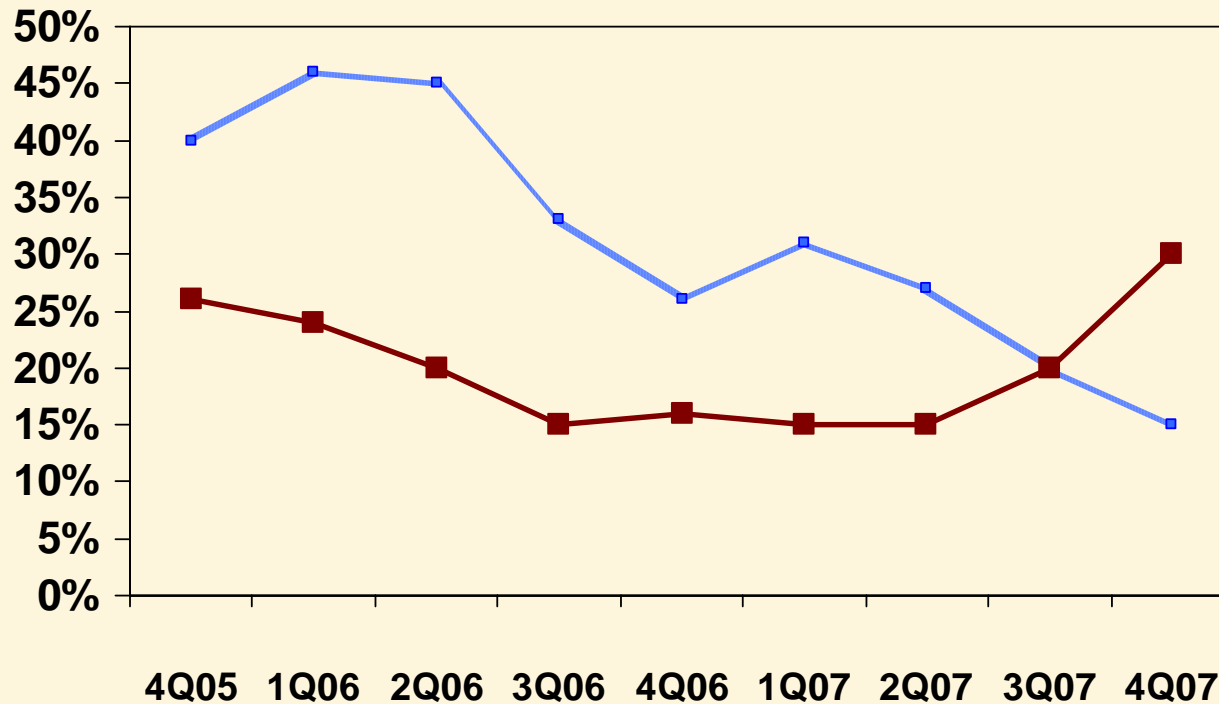
\$4.1 million severance expense

# Profit Margin – Impact From Start-ups And Teach-outs

- Start-ups and teach-outs had a significant impact on 4Q07 margins

Segment	4Q07 Actuals	Start-ups	Teach-outs	Comparable
<b>Operating Profit (Loss) Margin</b>				
Academy	(4.8%)	(40.5%)	(103.6%)	21.0%
College	16.1%		(43.6%)	19.6%
Culinary	16.0%	(83.5%)		19.0%
Health	(2.0%)			(2.0%)
International	29.0%			29.0%
University	13.6%			13.6%
Corporate and other				
	<b>8.8%</b>	<b>(58.9%)</b>	<b>(88.3%)</b>	<b>12.3%</b>

# University's Online Profit Margin %



➤ AIU Online was 14.9%, down from 25.6% in 4Q06

➤ CTU Online was 29.0%, up from 16.5% in 4Q06



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INTERCONTINENTAL  
UNIVERSITY™**

# AIU Profitability Improvement Initiatives

- New programs and concentrations under development throughout 2008; majority of which are bachelor and masters programs
- Launch \$12 million new media campaign
- Teach-out L.A. campus – accounts for 50% of loss from AIU ground campuses in 2007
- End agreement with AU Dubai as of January 1, 2008
- Align ground and online educational calendars
- Initiate series of changes to leverage power of entire University

# Financial Highlights

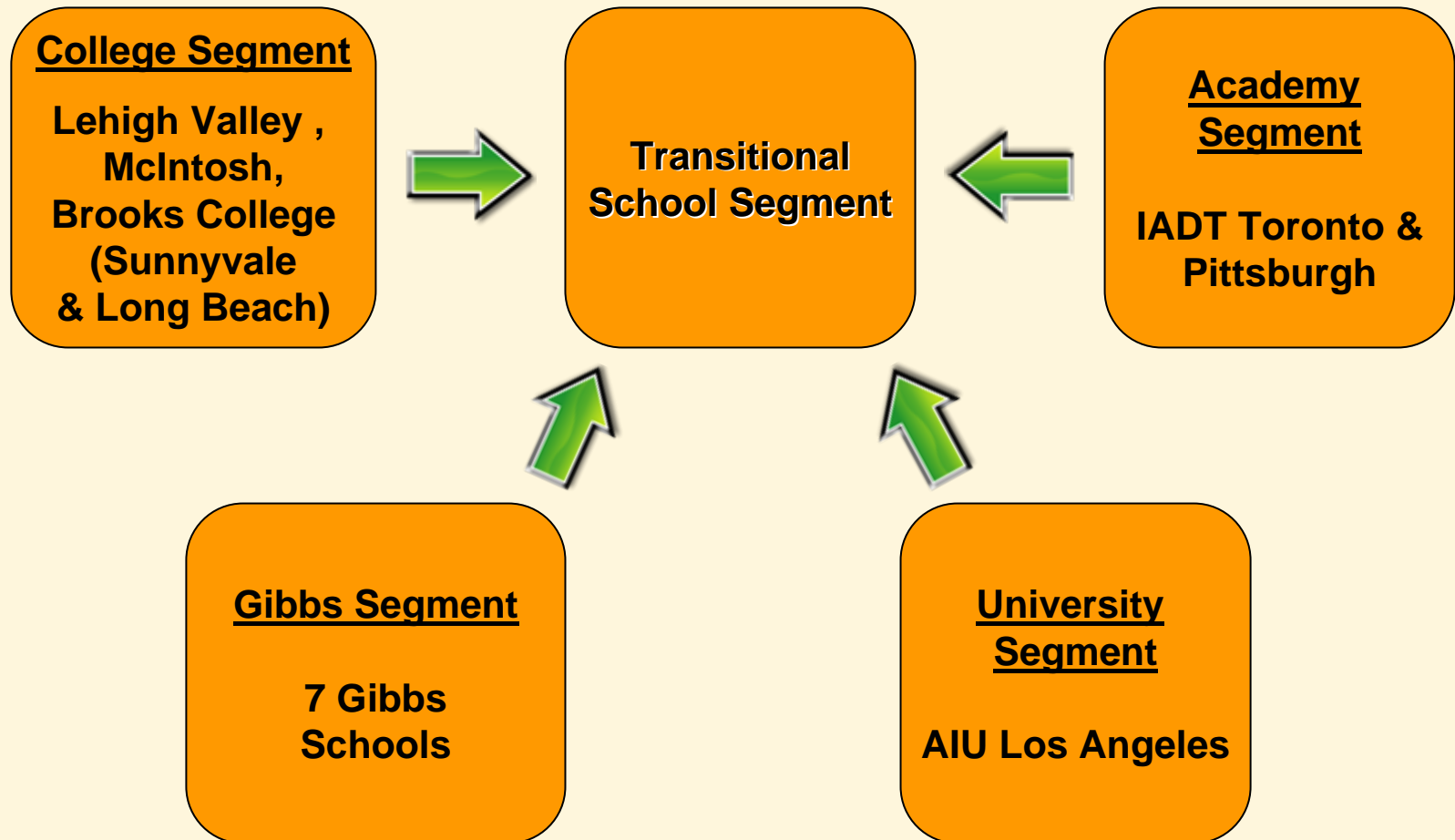
- As of December 31, 2007, cash and cash equivalents and investments totaled \$382 million
- Significantly reduced exposure to auction rate securities
- Capital expenditures decreased to \$57.6 million, or 3.2% of consolidated revenue
- Since inception, repurchased 18.2 million shares for approximately \$591 million with remaining authorization, as of December 31, 2007 of approximately \$210 million

# Schools Held For Sale & Teach-outs

- Company was unable to find a suitable sale arrangement for remaining 11 schools

<u>Teach-outs Announced</u>	<u>Institution</u>
June, 2007	Brooks College, two campus locations
June, 2007	IADT Pittsburgh
December, 2007	IADT Toronto
February, 2008	Seven Gibbs Schools, Lehigh Valley & McIntosh Colleges
February, 2008	AIU Los Angeles

# Transitional School Segment



# Transitional School Segment – Operating Income Impact

	<u>For the Year Ended December 31, 2007</u>		
	<u>As Reported</u>	<u>Decision Not to Sell</u>	<u>Recast</u>
Operating Income	\$120.4	(\$55.5)	\$64.9
Loss from Discontinued Operations, net	(\$35.9)	\$35.9	\$0.0

	<u>For the Year Ended December 31, 2007</u>		
	<u>Transitional Segment</u>	<u>Remaining Segments</u>	<u>Recast</u>
Operating (Loss) / Income:			
Schools in teach out as of 12/31/07	(\$21.5)		
AIU - Los Angeles, CA	(\$10.9)		
9 schools to be taught out	(\$53.6)		
2 schools moving to Health segment <sup>(1)</sup>		(\$1.9)	
Operating (Loss) / Income:	<u>(\$86.0)</u>	<u>\$150.9</u>	<u>\$64.9</u>

(1) Updated schedule as of 2/29/08 represents a \$1.9MM loss associated with Gibbs College Vienna & Katharine Gibbs School Melville previously reflected as \$0.3

# Student Lending Transition

- January 18, 2008: Received notification Sallie Mae (SLM) was terminating recourse loan program effective February 18, 2008
- Received extension of termination to March 31, 2008
- Increase in interim period discount rate from 25% to 44%
- February 14, 2008: Received notification SLM would no longer continue to offer recourse to serial students and removed certain FICO bands from their non-recourse programs

# Student Lending Transition – Revenue Impact

Less: Discontinue existing EPP	(\$20)	to	(\$25)
Less: Loss Culinary - SLM Recourse & Repositioning	(\$50)	to	(\$65)
Less: Loss Other Segments- SLM Recourse	(\$25)	to	(\$35)
Subtotal	<u>(\$95)</u>	to	<u>(\$125)</u>
Add: CEC New Payment Plan For New Starts	\$20	to	\$25
Subtotal	<u>\$20</u>	to	<u>\$25</u>
TOTAL NET LOSS REVENUE	<u>(\$75)</u>	to	<u>(\$100)</u>
Alternate Lenders	\$0		\$10
TOTAL NET LOSS PROFIT	<u>(\$40)</u>	to	<u>(\$60)</u>

\* In addition, CEC intends to use its balance sheet to replace existing serial volume

# Perspectives on 2008

- Significant amount of change in quarterly earnings pattern
- First quarter investment in marketing for AIU renewal
- Change in earnings days at AIU from first quarter 2008 to third quarter 2008
- Severance costs related to organizational restructuring

# Summary

**Gary McCullough**  
**President and Chief Executive Officer**



# Summary

- Encouraged by Progress and Key Metric Improvements
- 2007 Focus was on:
  - Learning
  - Improving Leadership Talent
  - Identifying Significant Operating Issues
- Aligned our Goals and Strategic Choices
- Building for Improved Performance and a Brighter Future

# Q&A

