

CAREER EDUCATION CORPORATION

THIRD QUARTER 2014
INVESTOR CONFERENCE CALL
NOVEMBER 6, 2014

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President & Chief Executive Officer

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Cautionary Statements & Disclosures



This presentation contains “forward-looking statements,” as defined in Section 21E of the Securities Exchange Act of 1934, as amended, that reflect our current expectations regarding our future growth, results of operations, cash flows, performance and business prospects and opportunities, as well as assumptions made by, and information currently available to, our management. We have tried to identify forward-looking statements by using words such as “projected,” “believe,” “anticipate,” “will,” “expect,” “estimate,” “continue to” and similar expressions, but these words are not the exclusive means of identifying forward-looking statements. These statements are based on information currently available to us and are subject to various risks, uncertainties, and other factors, including, but not limited to, those discussed in Item 1A, “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2013 that could cause our actual growth, results of operations, financial condition, cash flows, 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 any of the forward-looking statements to reflect future events, developments, or changed circumstances or for any other reason.

Certain financial information is presented on a non-GAAP basis. The Company believes it is useful to present non-GAAP financial measures which exclude certain significant items as a means to understand the performance of its ongoing operations. As a general matter, the Company uses non-GAAP financial measures in conjunction with results presented in accordance with GAAP to help analyze the performance of its core business, assist with preparing the annual operating plan, and measure 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 to provide estimates of future performance and that failure to report non-GAAP measures could result in a misplaced perception that the Company's results have underperformed or exceeded expectations. The most directly comparable GAAP information and a reconciliation between the non-GAAP and GAAP figures are provided at the end of this presentation, and this presentation (including the reconciliation) has been posted to our website.

Strengthen Academic Outcomes, Enhance Regulatory Compliance and Simplify Business Model



Strengthen Academic Outcomes

- Intellipath adaptive learning tool is driving students to engage more in their learning.
- Significant increase in student pass rates.

Enhance Regulatory Compliance

- Higher Learning Commission continued the regional accreditation of CTU and AIU.
- 160 basis point improvement in 2011 consolidated cohort default rate (vs. 2010).
- All of our 32 ACICS-accredited campuses not in teach-out reported placement rates greater than the compliance threshold of 60 percent; 26 met or exceeded the higher benchmark rate of 70 percent.

Simplify Business Model

- Divested International Schools and consolidated Career College brands.
- Opportunities to better integrate operations.

Sequential Improvement in Decline of Total Student Enrollments - University

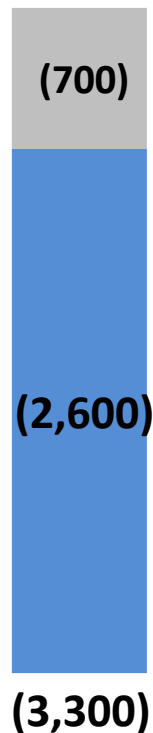


Change in Total Student Enrollments vs. Prior Year Quarter

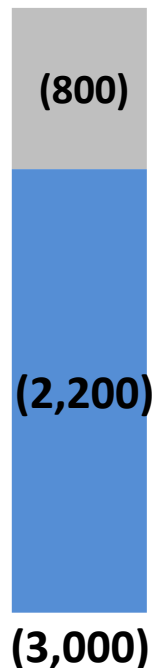
Q3 '13



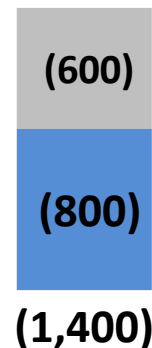
Q4 '13



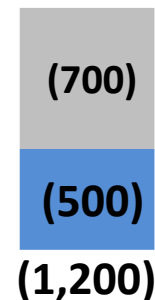
Q1 '14



Q2 '14

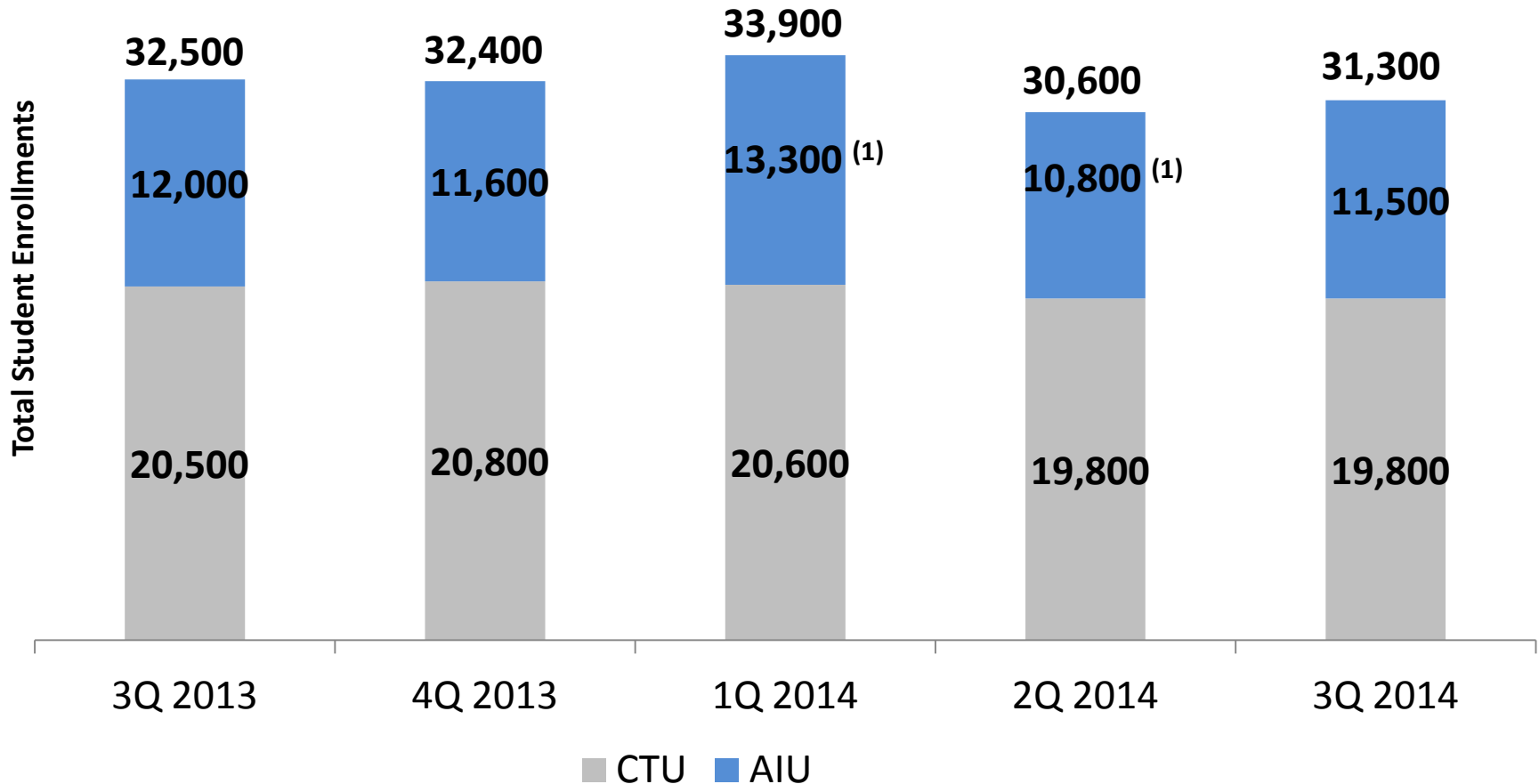


Q3 '14



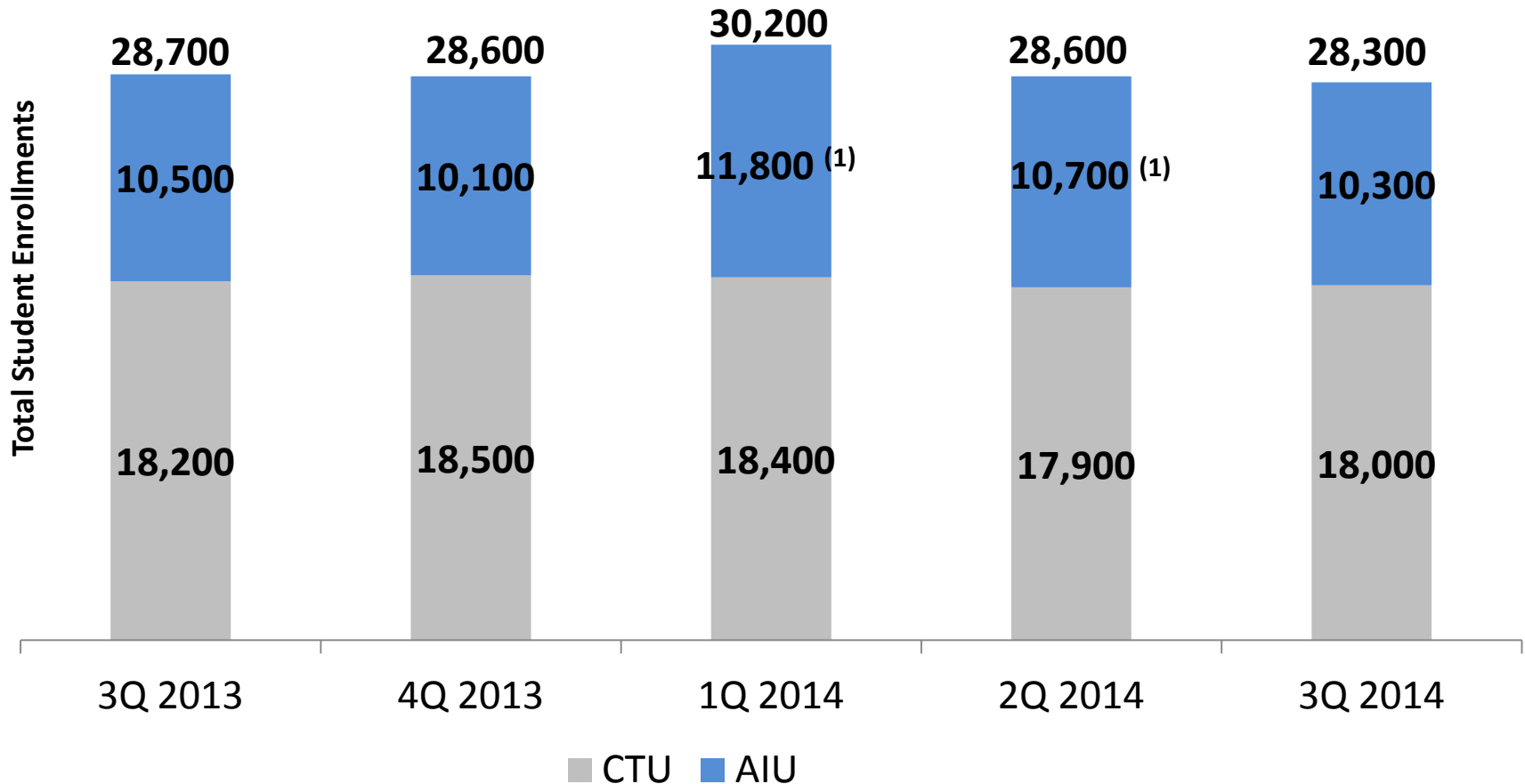
■ CTU ■ AIU

Total Student Enrollments - University



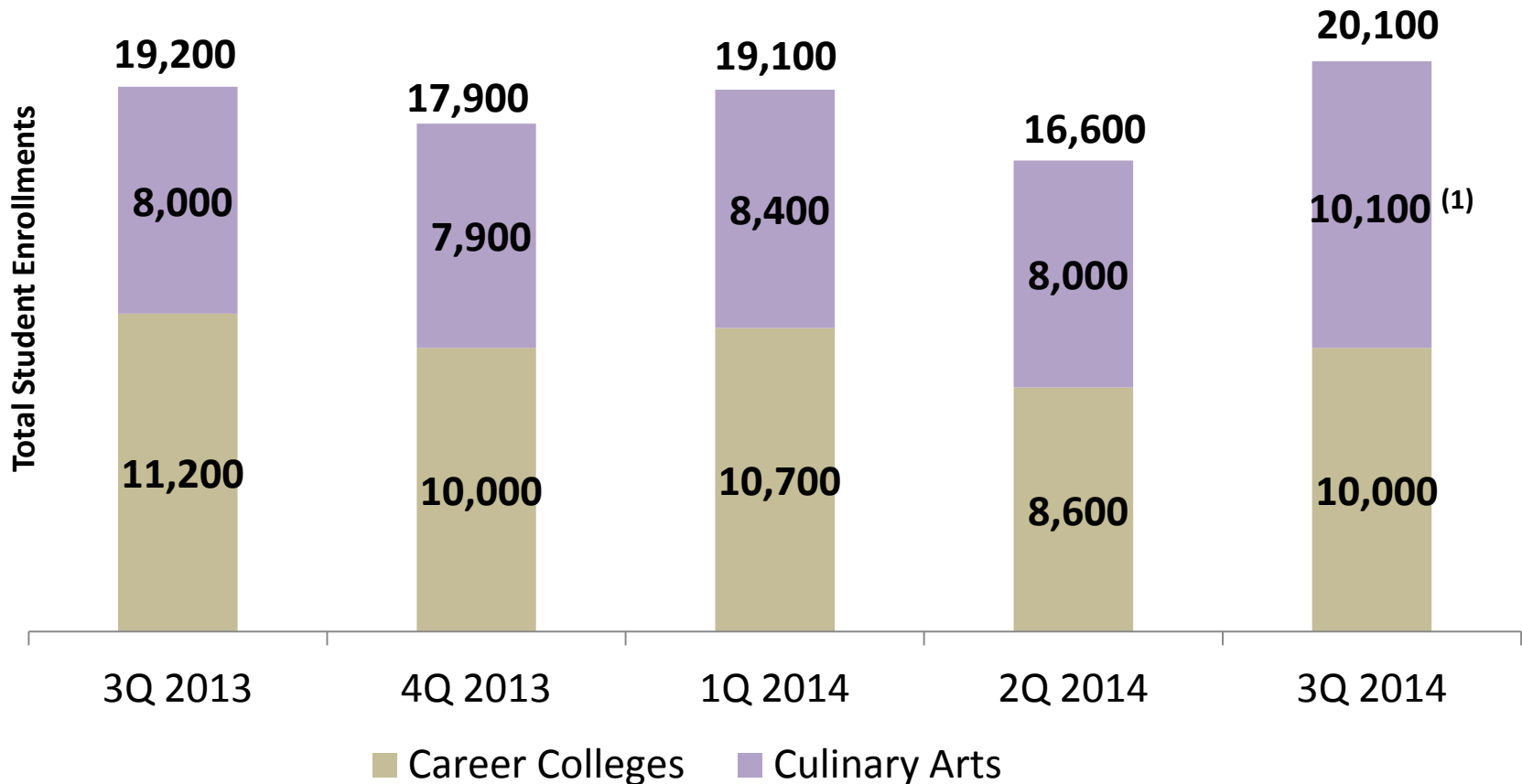
(1) AIU had three start dates in 1Q 2014 and two start dates in 2Q 2014 which explains why there is a spike in total enrollments in 1Q 2014 and a corresponding decrease in 2Q 2014. All other periods each had two AIU start dates.

Total Student Enrollments – University (Online Only)



(1) AIU had three start dates in 1Q 2014 and two start dates in 2Q 2014 which explains why there is a spike in total enrollments in 1Q 2014 and a corresponding decrease in 2Q 2014. All other periods each had two AIU start dates.

Total Student Enrollments – Career Schools

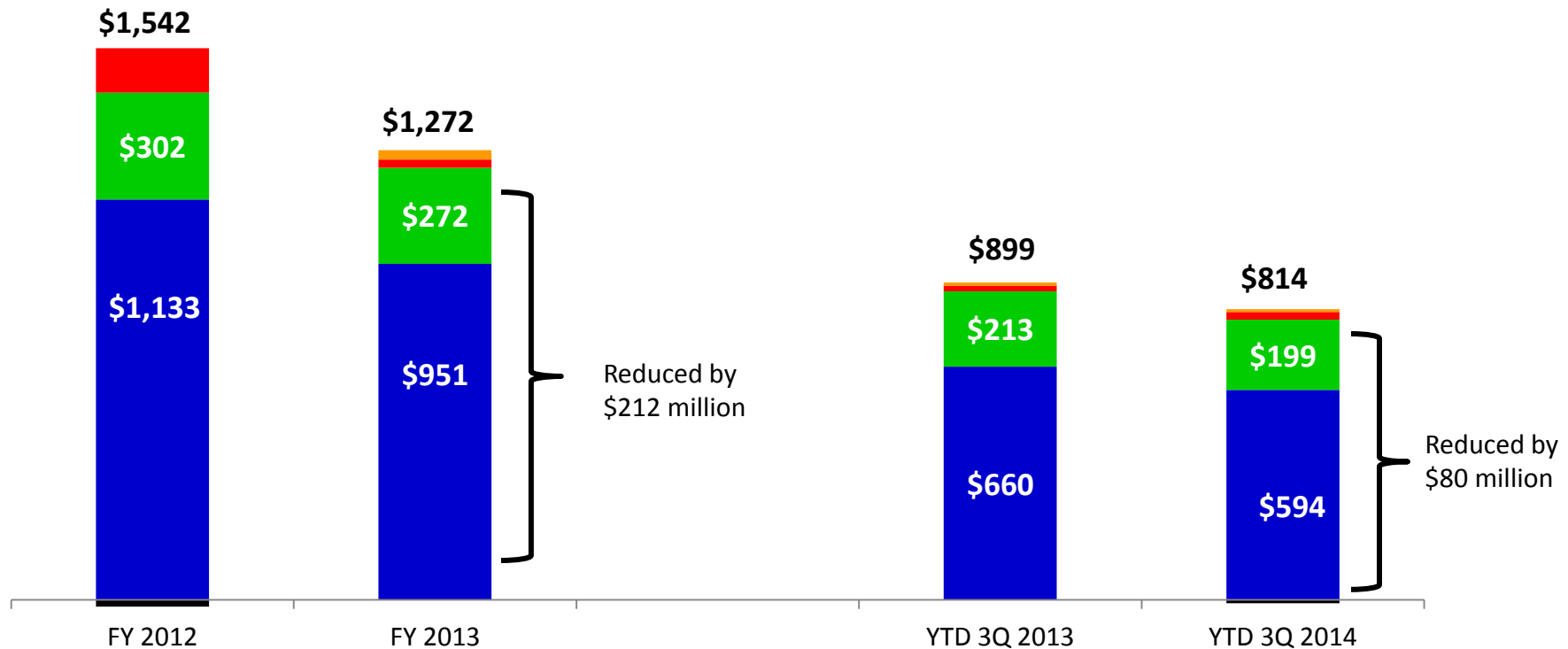


(1) Culinary Arts had a shift in start dates as compared to the prior year, therefore Q3 2014 had an additional start which was reflected in Q4 2013 in the prior year.

Reduce Organizational Cost Structure – Progress Underway



Operating Expenses (\$ millions)



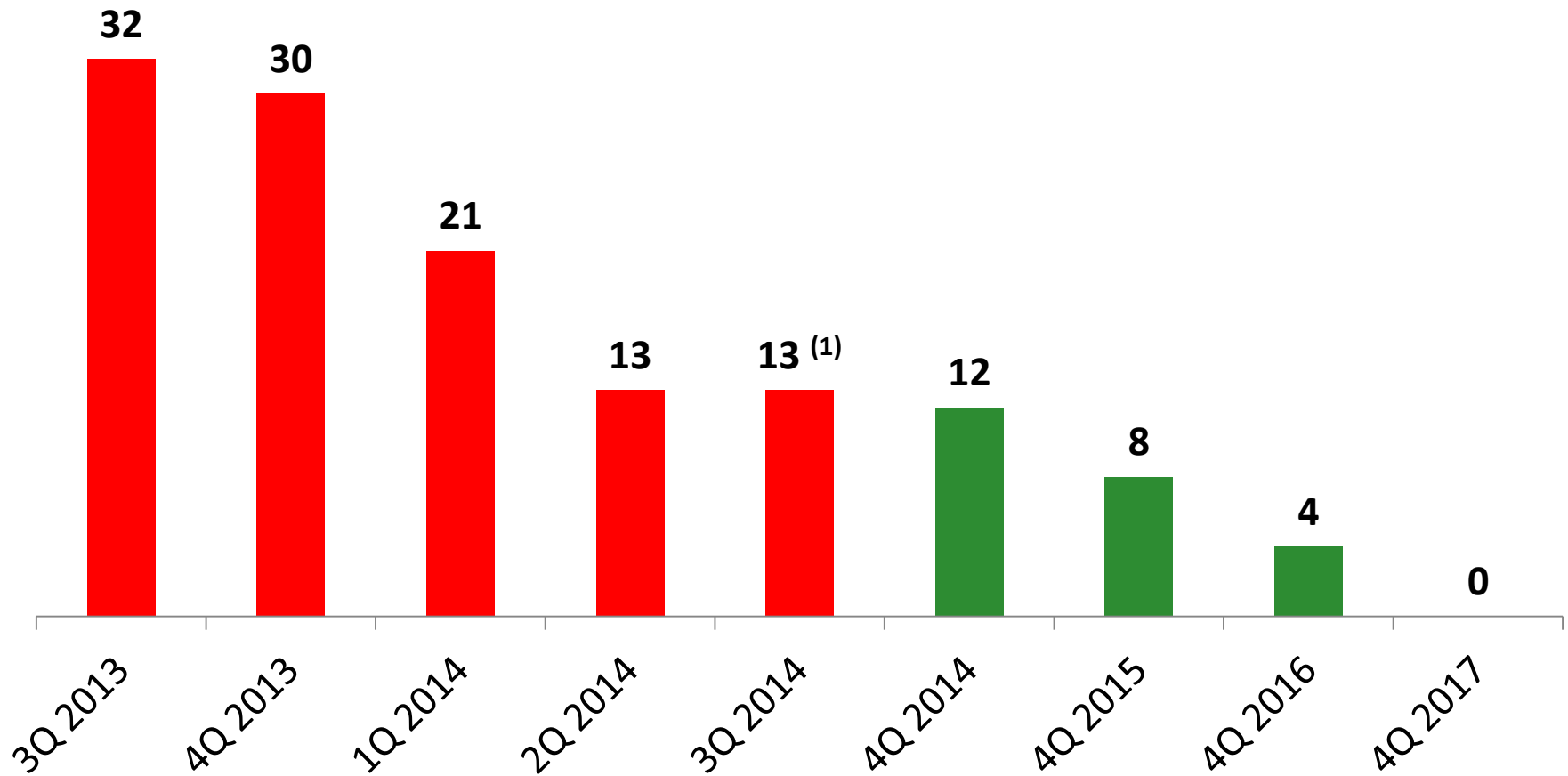
■ Other Operating Expenses ■ Advertising ■ Impairments ■ Insurance Recovery ■ Legal Settlements

FY 2012 & FY 2013 data as reported in the Company's 2013 10-K and based on schools that were in continuing operations at 12/31/13.
YTD 3Q 2013 and YTD 3Q 2014 data as reported in the Company's 3Q 2014 10-Q and based on schools that were in continuing operations at 9/30/14.

Phase Down of Transitional School Campuses



of Transitional Campuses



(1) Taught out 3 campuses and announced 3 additional campuses for teach-out during 3Q 2014.

Adjusted EBITDA – Ongoing Operations



ACTUALS

PROJECTED

Trailing Twelve Months Adjusted EBITDA

Q1 '14

Q2 '14

Q3 '14

Q4 '14

FY '15



(\$35.9)



(\$27.1)



(\$26.0)

**Q
4**

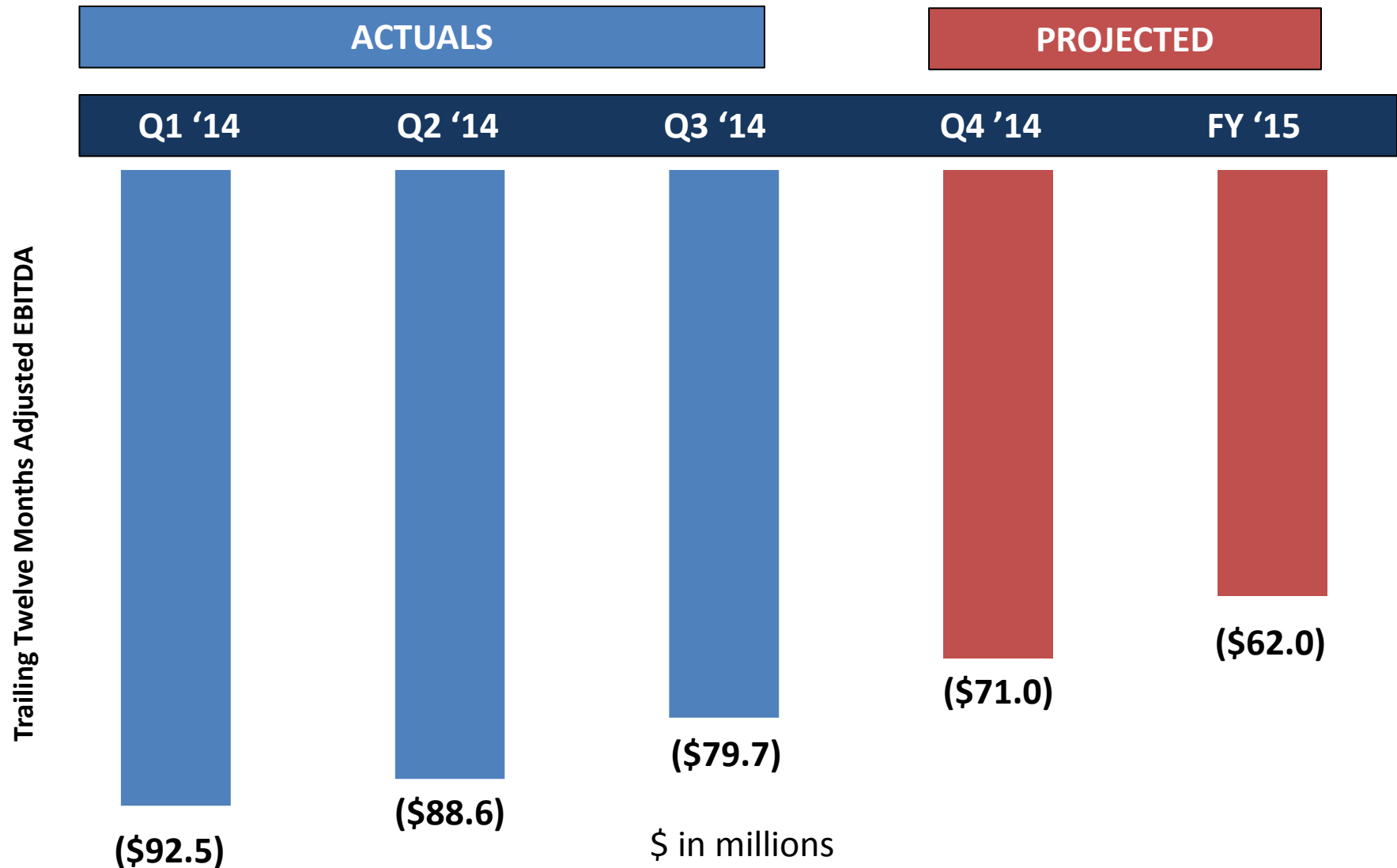
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\$ in millions

Numbers exclude significant items (including Transitional Schools) as disclosed in the Non-GAAP reconciliation at the end of these slides.

Adjusted EBITDA – Transitional & Discontinued Operations



Numbers exclude significant items (including International segment) as disclosed in the Non-GAAP reconciliation at the end of these slides.

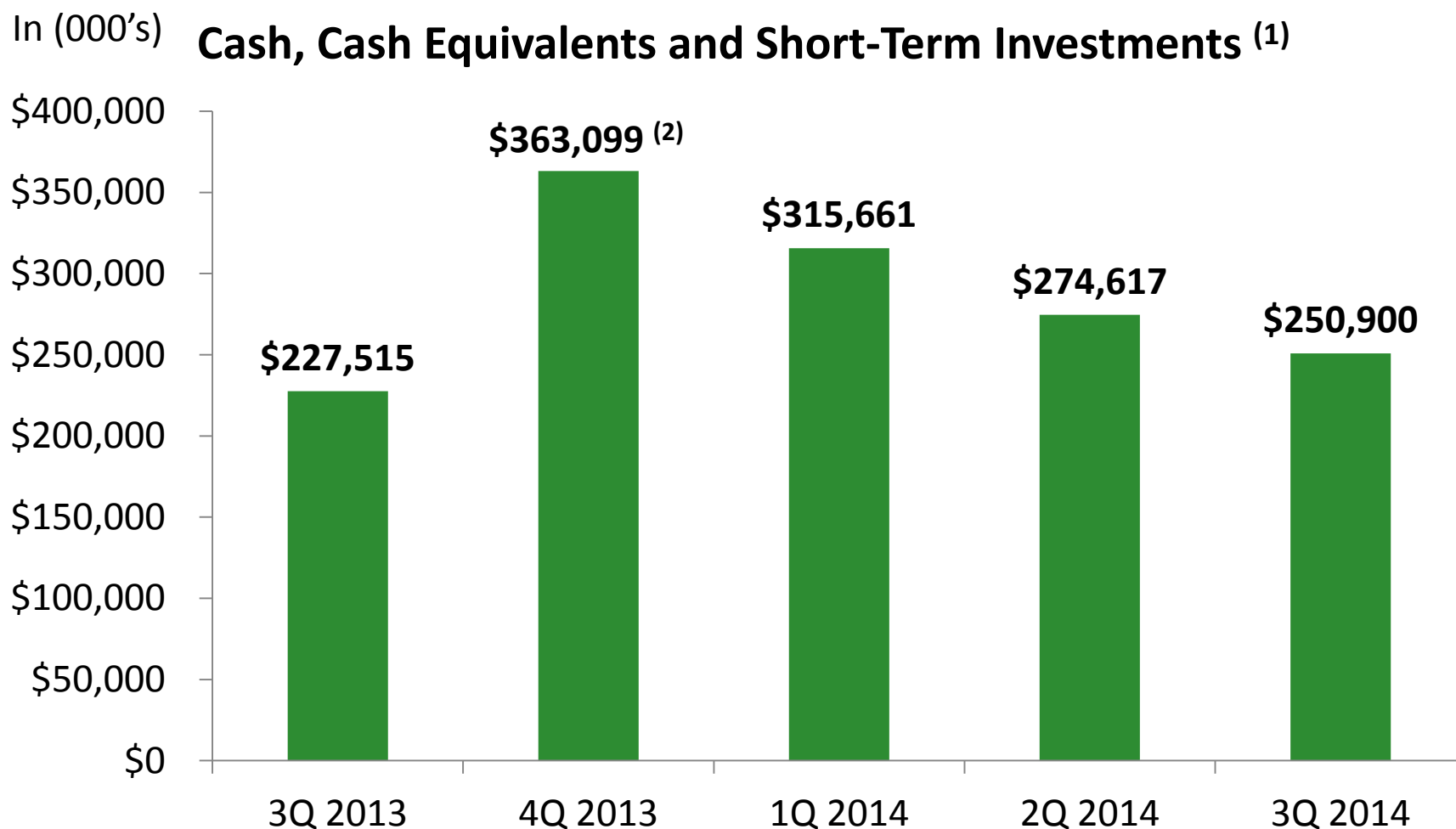
Future Lease Obligations are Declining



	2014 ⁽²⁾	2015	2016	2017	2018	2019	2020 & Thereafter	Total
Gross operating lease obligations ⁽¹⁾								
Ongoing operations	\$ 61,024	\$ 60,148	\$ 55,194	\$ 46,199	\$ 45,203	\$ 35,389	\$ 43,985	\$ 347,142
Transitional & Discontinued operations	38,024	31,541	24,045	21,357	14,122	6,516	2,863	138,468
Total gross operating lease obligations	<u>\$ 99,048</u>	<u>\$ 91,689</u>	<u>\$ 79,239</u>	<u>\$ 67,556</u>	<u>\$ 59,325</u>	<u>\$ 41,905</u>	<u>\$ 46,848</u>	<u>\$ 485,610</u>
Sublease income ⁽³⁾								
Ongoing operations	\$ 2,245	\$ 4,227	\$ 2,936	\$ 2,812	\$ 2,466	\$ 1,821	\$ 1,068	\$ 17,575
Transitional & Discontinued operations	1,145	4,737	4,510	4,190	145	-	-	14,727
Total sublease income	<u>\$ 3,390</u>	<u>\$ 8,964</u>	<u>\$ 7,446</u>	<u>\$ 7,002</u>	<u>\$ 2,611</u>	<u>\$ 1,821</u>	<u>\$ 1,068</u>	<u>\$ 32,302</u>
Net operating lease obligations								
Ongoing operations	\$ 58,779	\$ 55,921	\$ 52,258	\$ 43,387	\$ 42,737	\$ 33,568	\$ 42,917	\$ 329,567
Transitional & Discontinued operations	36,879	26,804	19,535	17,167	13,977	6,516	2,863	123,741
Total net contractual lease obligations	<u>\$ 95,658</u>	<u>\$ 82,725</u>	<u>\$ 71,793</u>	<u>\$ 60,554</u>	<u>\$ 56,714</u>	<u>\$ 40,084</u>	<u>\$ 45,780</u>	<u>\$ 453,308</u>

- (1) Lease obligations are inclusive of rent payments but exclude operating expenses.
- (2) Amounts provided are for the full year of 2014.
- (3) Amounts provided are for executed sublease agreements.

Strong Cash Position



(1) Balances presented above are quarter end balances and include both Continuing and Discontinued Operations.

(2) The increase in 4Q 2013 is attributed to proceeds from the sale of the Company's International segment.

Reconciliation of GAAP to Non-GAAP Items



CAREER EDUCATION CORPORATION AND SUBSIDIARIES UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ITEMS ⁽¹⁾

(In thousands, except per share amounts)

Adjusted EBITDA	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
<u>Ongoing Operations:</u>					
Pre-tax loss from continuing operations	\$ (44,787)	\$ (31,984)	\$ (39,930)	\$ (43,458)	\$ (54,989)
Transitional Schools operating loss	11,390	9,642	8,259	12,944	10,099
Interest (income) expense, net	(120)	(177)	(25)	65	15
Loss (gain) on sale of business	-	-	-	(68)	39
Depreciation and amortization ⁽³⁾	11,950	12,554	13,029	13,661	13,990
Stock-based compensation ⁽³⁾	950	1,020	1,341	1,580	1,713
Legal settlements ^{(3) (4)}	-	1,600	5,850	17,000	300
Asset impairments ^{(3) (5)}	14,396	7,403	74	3,050	11,513
Unused space charges ^{(3) (6)}	(226)	(879)	(606)	(2,924)	1,184
Insurance recovery	(8,588)	-	-	-	-
Adjusted EBITDA--Ongoing Operations ⁽²⁾	\$ (15,035)	\$ (821)	\$ (12,008)	\$ 1,850	\$ (16,136)
Adjusted EBITDA per diluted share	\$ (0.22)	\$ (0.01)	\$ (0.18)	\$ 0.03	\$ (0.24)
Memo: Advertising Expenses ⁽³⁾	\$ 69,875	\$ 56,224	\$ 69,379	\$ 56,077	\$ 70,936
<u>Transitional Schools and Discontinued Operations:</u>					
Pre-tax (loss) income from discontinued operations	\$ (2,065)	\$ (12,726)	\$ (17,993)	\$ 117,272	\$ (21,712)
Transitional Schools operating loss	(11,390)	(9,642)	(8,259)	(12,944)	(10,099)
Loss (gain) on sale of business ⁽⁸⁾	-	311	-	(130,109)	-
International Schools operating (income) loss ⁽⁷⁾	-	-	-	(11,434)	7,608
Interest (income) expense, net	-	-	-	(51)	(21)
Depreciation and amortization ⁽⁸⁾	1,191	1,840	2,402	2,765	2,961
Legal settlements ⁽⁸⁾	225	-	-	-	-
Asset impairments ⁽⁸⁾	89	51	(7)	3,933	72
Unused space charges ^{(6) (8)}	(3,485)	1,436	3,099	5,766	(3,092)
Adjusted EBITDA--Transitional and Discontinued Operations ⁽²⁾	\$ (15,435)	\$ (18,730)	\$ (20,758)	\$ (24,802)	\$ (24,283)
Adjusted EBITDA per diluted share	\$ (0.23)	\$ (0.28)	\$ (0.31)	\$ (0.37)	\$ (0.36)

Reconciliation of GAAP to Non-GAAP Items – con't



- (1) The Company believes it is useful to present non-GAAP financial measures which exclude certain significant items as a means to understand the performance of its ongoing operations. As a general matter, the Company uses non-GAAP financial measures in conjunction with results presented in accordance with GAAP to help analyze the performance of its ongoing operations, assist with preparing the annual operating plan, and measure 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 to provide estimates of future performance and that failure to report non-GAAP measures could result in a misplaced perception that the Company's results have underperformed or exceeded expectations.

We believe Adjusted EBITDA allows us to compare our current operating results with corresponding historical periods and with the operational performance of other companies in our industry because it does not give effect to potential differences caused by items we do not consider reflective of underlying operating performance. We also present Adjusted EBITDA because we believe it is frequently used by securities analysts, investors and other interested parties as a measure of performance. In evaluating Adjusted EBITDA, investors should be aware that in the future we may incur expenses similar to the adjustments presented above. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by expenses that are unusual, non-routine or non-recurring. Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for net income (loss), operating income (loss), or any other performance measure derived in accordance and reported under GAAP or as an alternative to cash flow from operating activities or as a measure of our liquidity.

Non-GAAP financial measures when viewed in a reconciliation to corresponding GAAP financial measures, provides an additional way of viewing the Company's results of operations and the factors and trends affecting the Company's business. Non-GAAP financial measures should be considered as a supplement to, and not as a substitute for, or superior to, the corresponding financial results presented in accordance with GAAP.

- (2) Management assesses results of operations for ongoing operations, which excludes Transitional Schools, separately from Transitional Schools. As schools within the Transitional Schools segment are fully taught-out, these schools will be recast as components of Discontinued Operations. As a result, management views adjusted EBITDA from ongoing operations separately from Transitional Schools and Discontinued Operations to assess results and make decisions. Accordingly, Transitional Schools operating loss is added back to pre-tax loss from continuing operations and subtracted from pre-tax loss from discontinued operations.
- (3) Quarterly amounts relate to ongoing operations, which excludes Transitional Schools.
- (4) Legal settlement amounts are net of insurance recoveries and are recorded within the following segments:

	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
CTU	\$ -	\$ -	\$ (900)	\$ 1,300	\$ -
Career Colleges	-	-	-	200	300
Culinary Arts	-	2,000	3,000	15,500	-
Corporate & Other	-	(400)	3,750	-	-
Total	\$ -	\$ 1,600	\$ 5,850	\$ 17,000	\$ 300

- (5) Asset impairments primarily relate to impairment charges within Culinary Arts of \$1.5 million, \$7.4 million and \$10.7 million which were recorded during the third quarter of 2014, second quarter of 2014 and third quarter of 2013, respectively, and within Career Colleges of \$12.8 million and \$2.9 million recorded during the third quarter of 2014 and fourth quarter of 2013, respectively.
- (6) Unused space charges represent the net present value of remaining lease obligations less an estimated amount for sublease income as well as the subsequent accretion of these charges.
- (7) The International Schools segment was sold during the fourth quarter of 2013. As such, management excludes operations from the International Schools when assessing results and trends of Transitional Schools and Discontinued Operations.
- (8) Quarterly amounts relate to Transitional Schools and Discontinued Operations, excluding International.



End of Presentation