

CAREER EDUCATION CORPORATION

FOURTH QUARTER 2014
INVESTOR CONFERENCE CALL
MARCH 3, 2015

Ron McCray

Chairman & Interim Chief Executive Officer

Reid Simpson

Senior Vice President & Chief Financial Officer

Jason T. Friesen

Senior Vice President and Chief University Education Officer

Lysa Hlavinka Clemens

Senior Vice President and Chief Career Schools Officer

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,” “forecasted,” “believe,” “anticipate,” “will,” “expect,” “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, 2014 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.



Ron McCray, Interim President & CEO

- Strong belief in education
- Board member since late 2012, Chairman since mid-2014

Career Education Student Profile

- Roughly 50% students are minorities; average age 32 years old
- Adults looking for more out of their careers
- Mission to Enroll, Educate and Place these students

Academic Footprint

- Award winning University Group
 - Approximately 90% of AIU and CTU students are pursuing their programs online
- Career Colleges focused on placement rates



CEO Search is Under Way

- Company is in the process of retaining an executive search firm to help with the process to identify the right person to lead the Company forward
- Leadership throughout the organization remains engaged and focused on continuing to execute against the Company's strategic plan and goals

Strengthening Academic Outcomes Remains Top Priority

- Intellipath adaptive learning tool is a proven, powerful platform that is improving student experiences and pass rates
- Company has increased its investment in Intellipath parent company, CCKF, to approximately 31%
 - Investment provides access to valuable technology that will be implemented across our offerings to improve students' academic outcomes



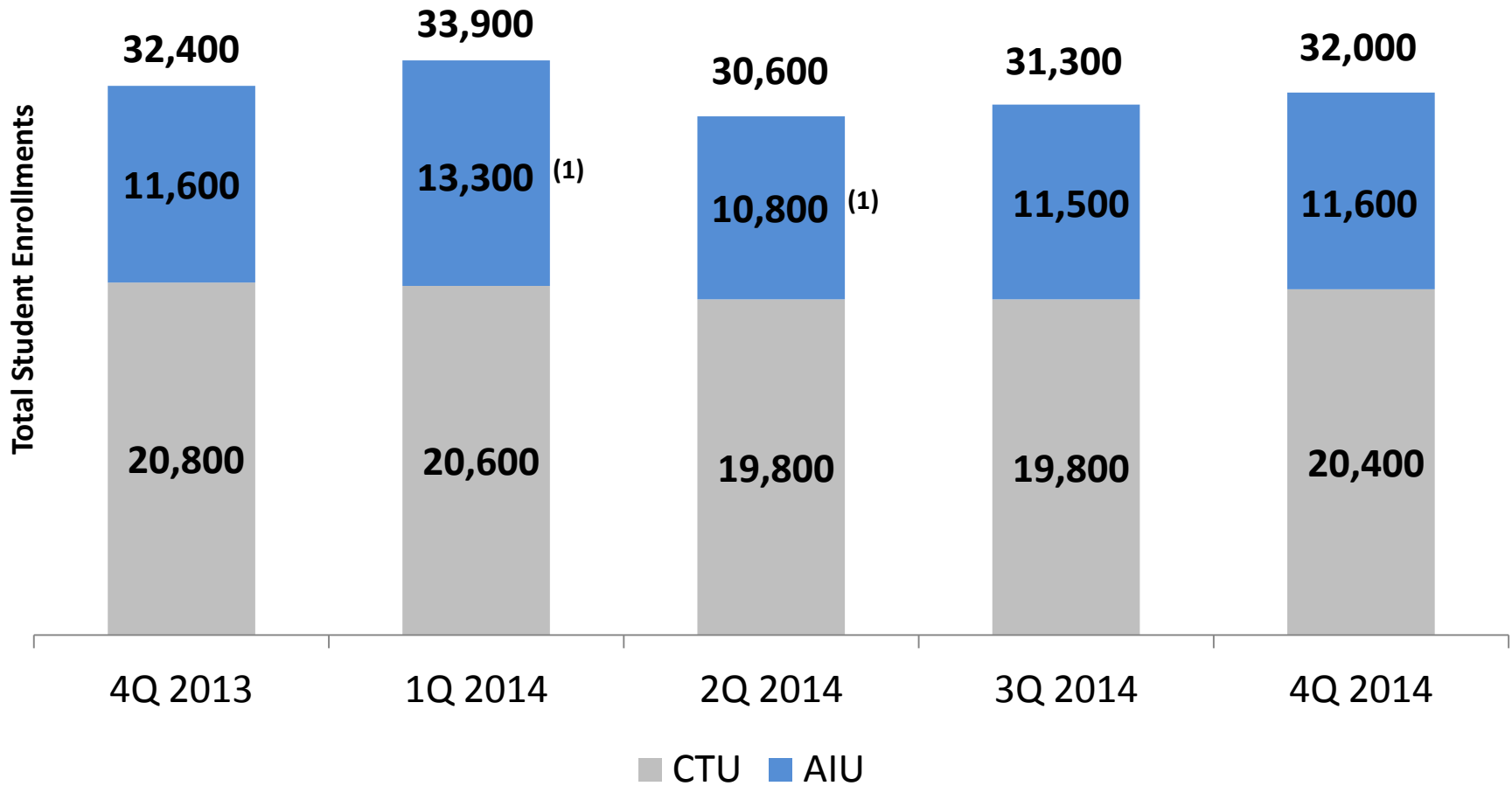
Enhance Regulatory Compliance

- Preliminary Financial Responsibility Ratio (FRR) of 1.5 achieved at year end 2014
- We believe all of our institutions will meet the 90/10 ratio for 2014
- Company improved cohort default rates for a third consecutive year, based on preliminary rates

Simplify Business Model

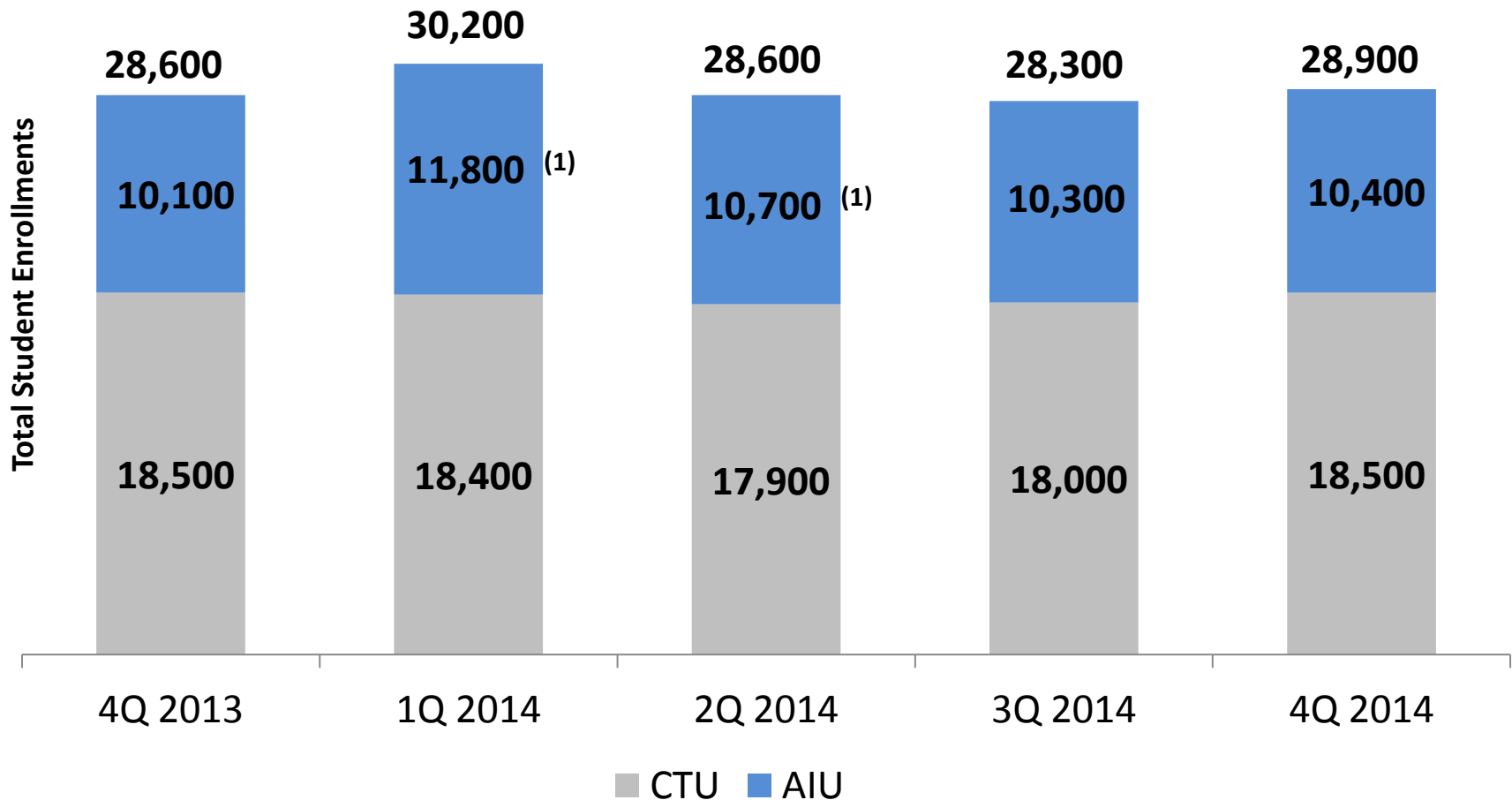
- Sale of Le Cordon Bleu is in process
 - Sale will help further strengthen our financial position and enable us to focus on and grow other parts of our business
- Efforts to better integrate ongoing operations continue

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)

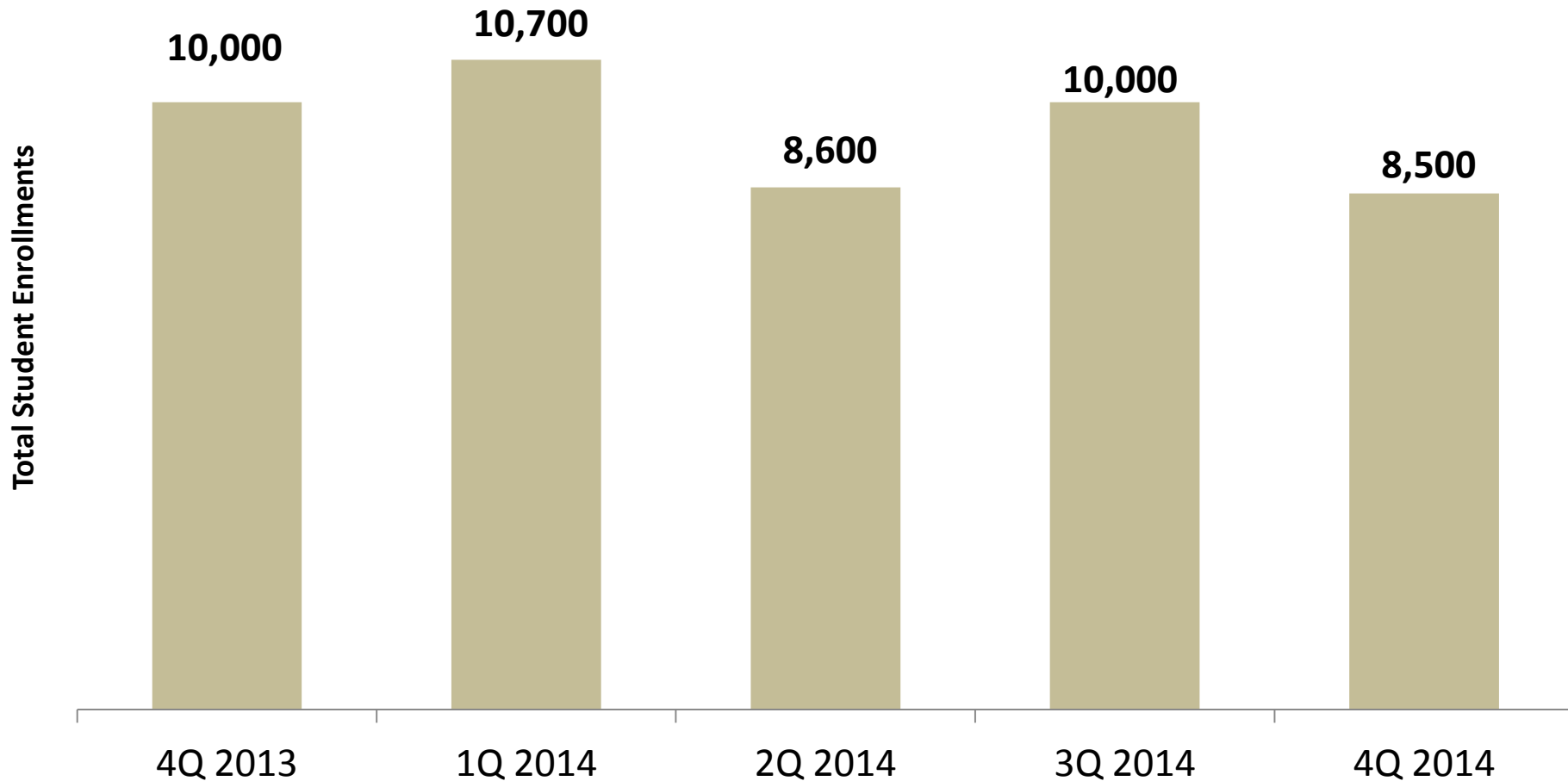


(1) AIU had three start dates in 1Q 2014 and two start dates in 2Q 2014 which explains why there is a spike in total enrollments in 1Q 2014 and a corresponding decrease in 2Q 2014. All other periods each had two AIU start dates.

Total Student Enrollments – Career Colleges



Career Colleges ⁽¹⁾

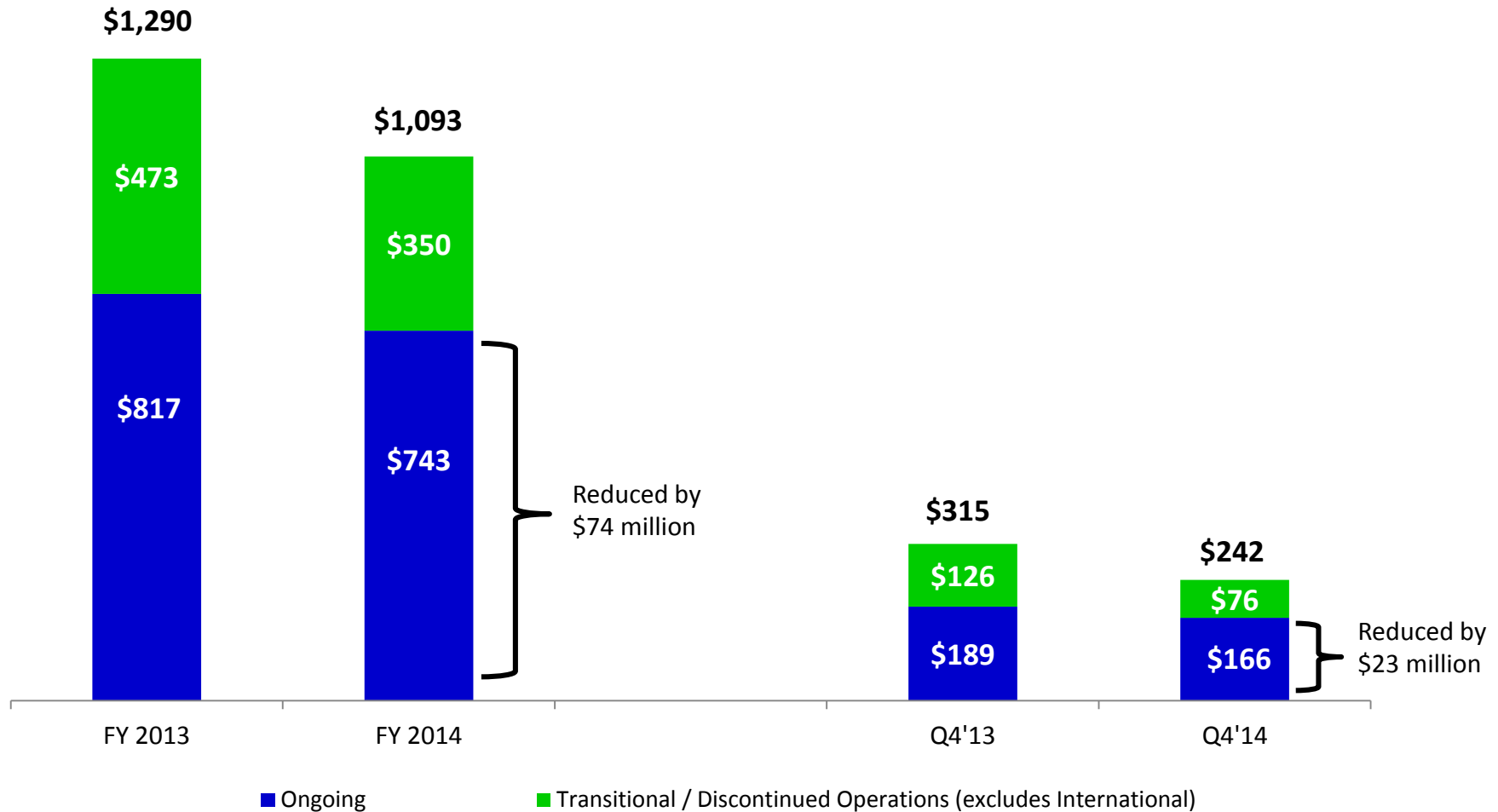


⁽¹⁾ Career Colleges excludes the Culinary Arts campuses.

Reduce Organizational Cost Structure – Progress Under Way



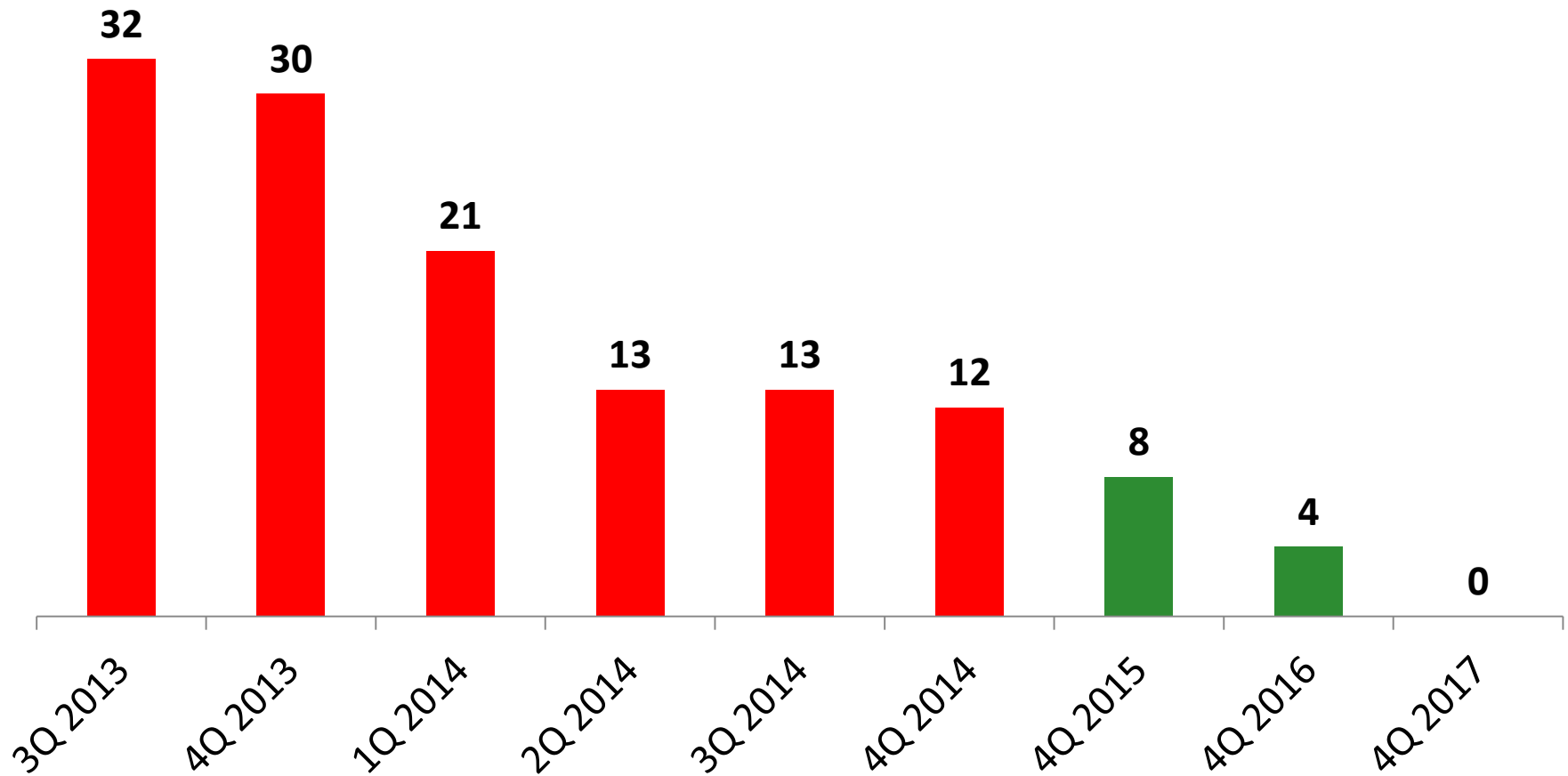
Operating Expenses (\$ in millions)



Phase Down of Transitional Campuses



of Transitional Campuses



Adjusted EBITDA – Ongoing Operations



ACTUALS

PROJECTED

Trailing Twelve Months Adjusted EBITDA

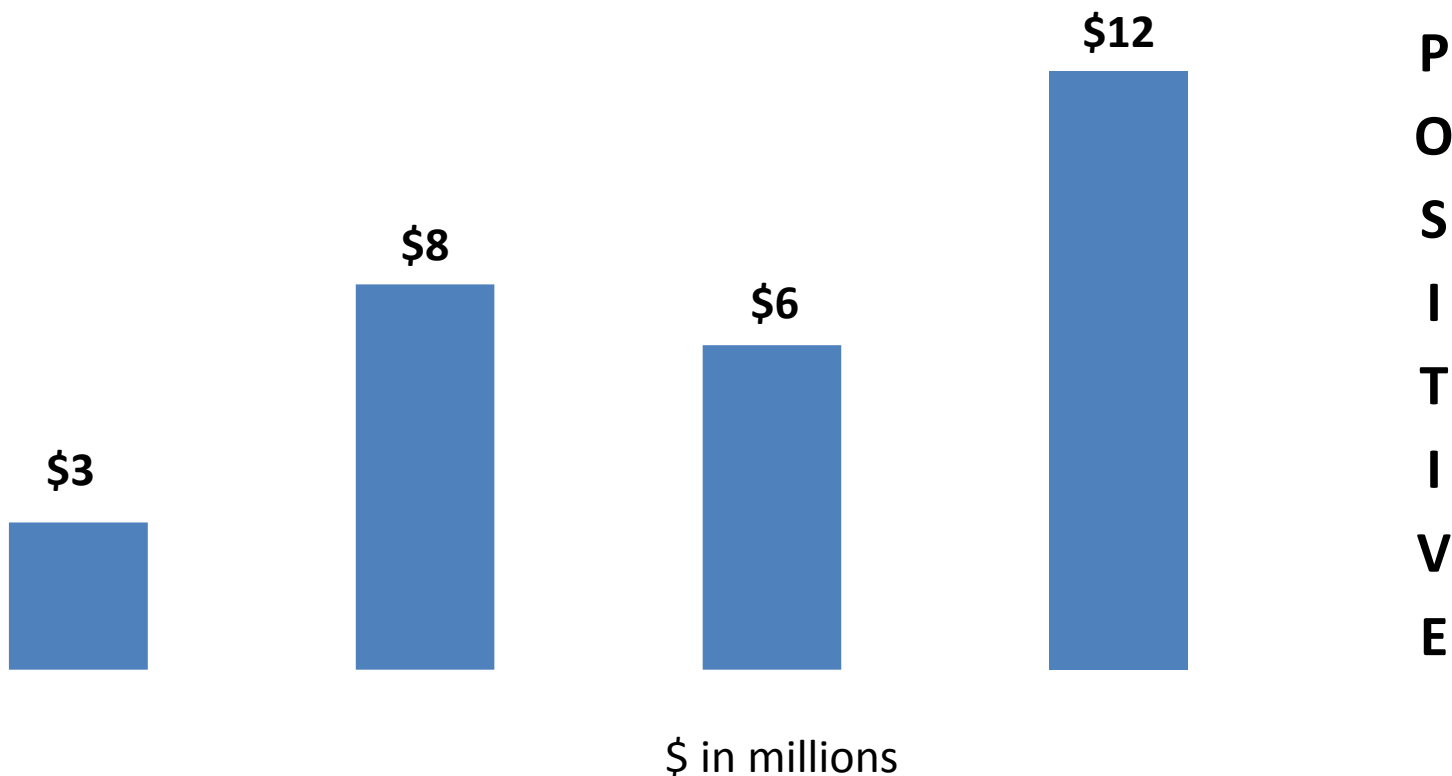
Q1 '14

Q2 '14

Q3 '14

Q4 '14

FY '15



Numbers exclude items (including the Transitional Group and Discontinued Operations) as disclosed in the non-GAAP reconciliation at the end of these slides.

Adjusted EBITDA – Transitional & Discontinued Operations



ACTUALS

PROJECTED

Trailing Twelve Months Adjusted EBITDA

Q1 '14

Q2 '14

Q3 '14

Q4 '14

FY '15



(\$131)



(\$123)



(\$112)



(\$92)



(\$62)

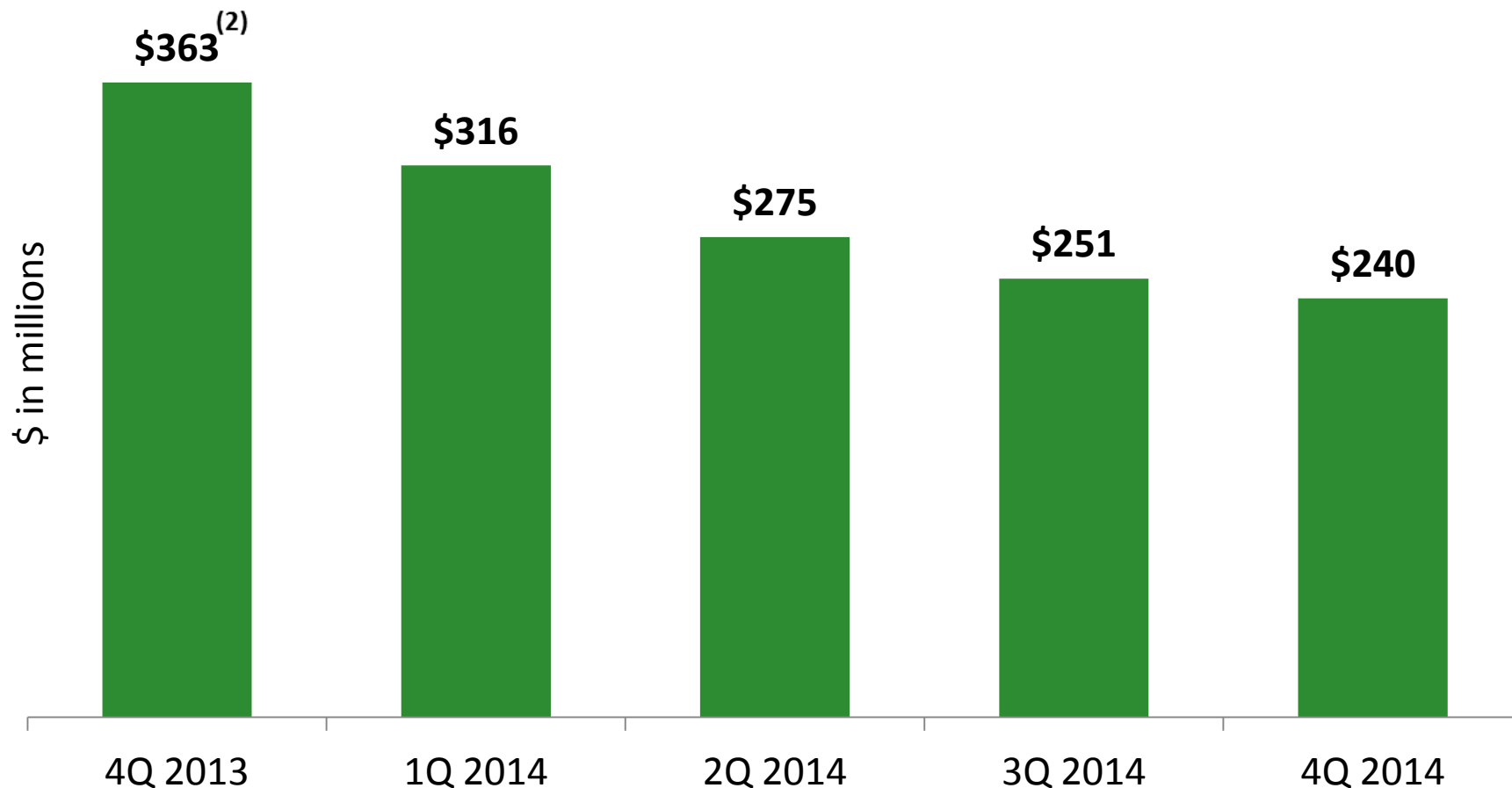
\$ in millions

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

Strong Cash Position



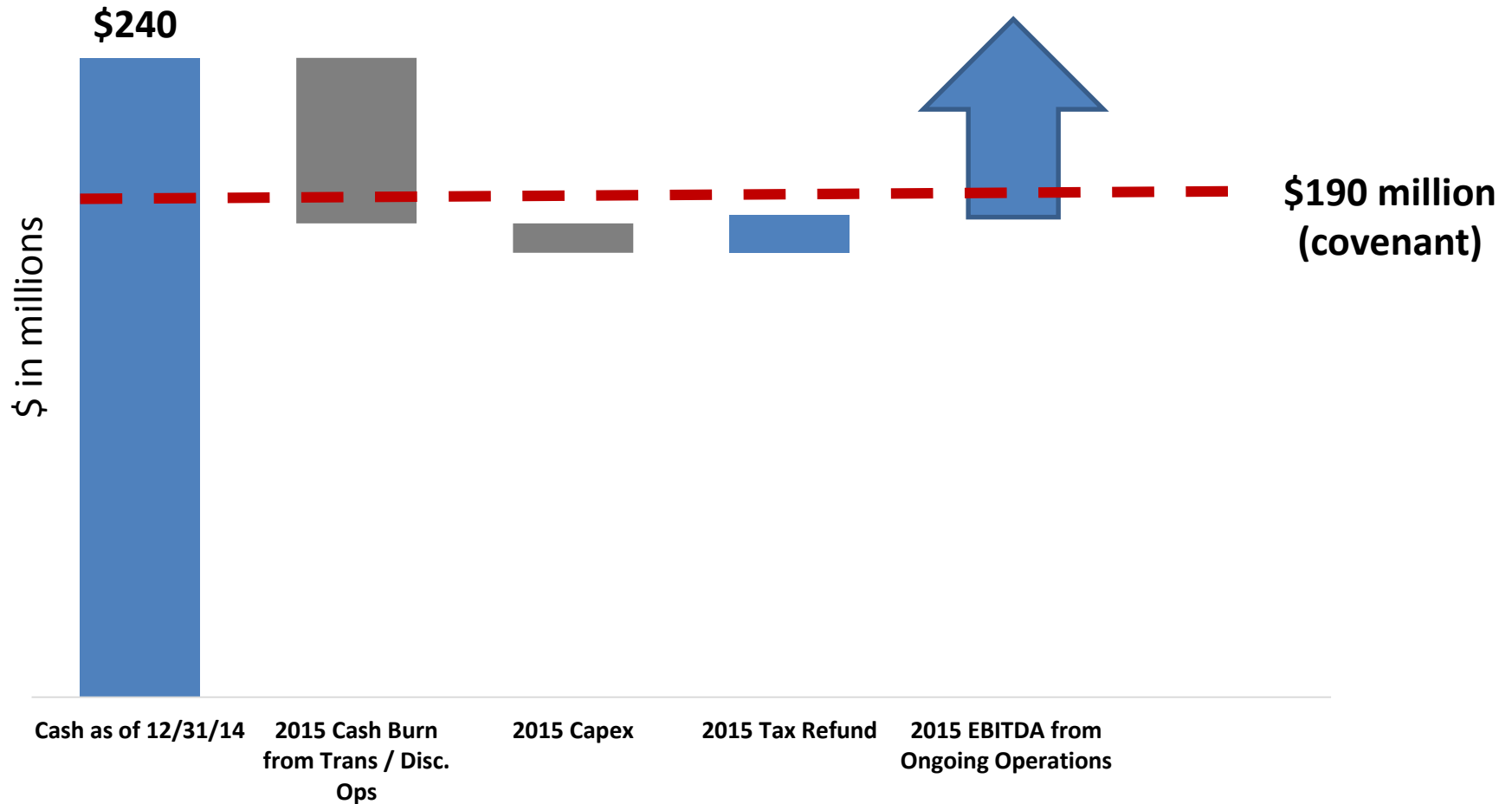
Cash, Cash Equivalents, Restricted Cash and Short-Term Investments ⁽¹⁾



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

(2) The 4Q 2013 cash balance includes proceeds from the sale of the Company's International segment.

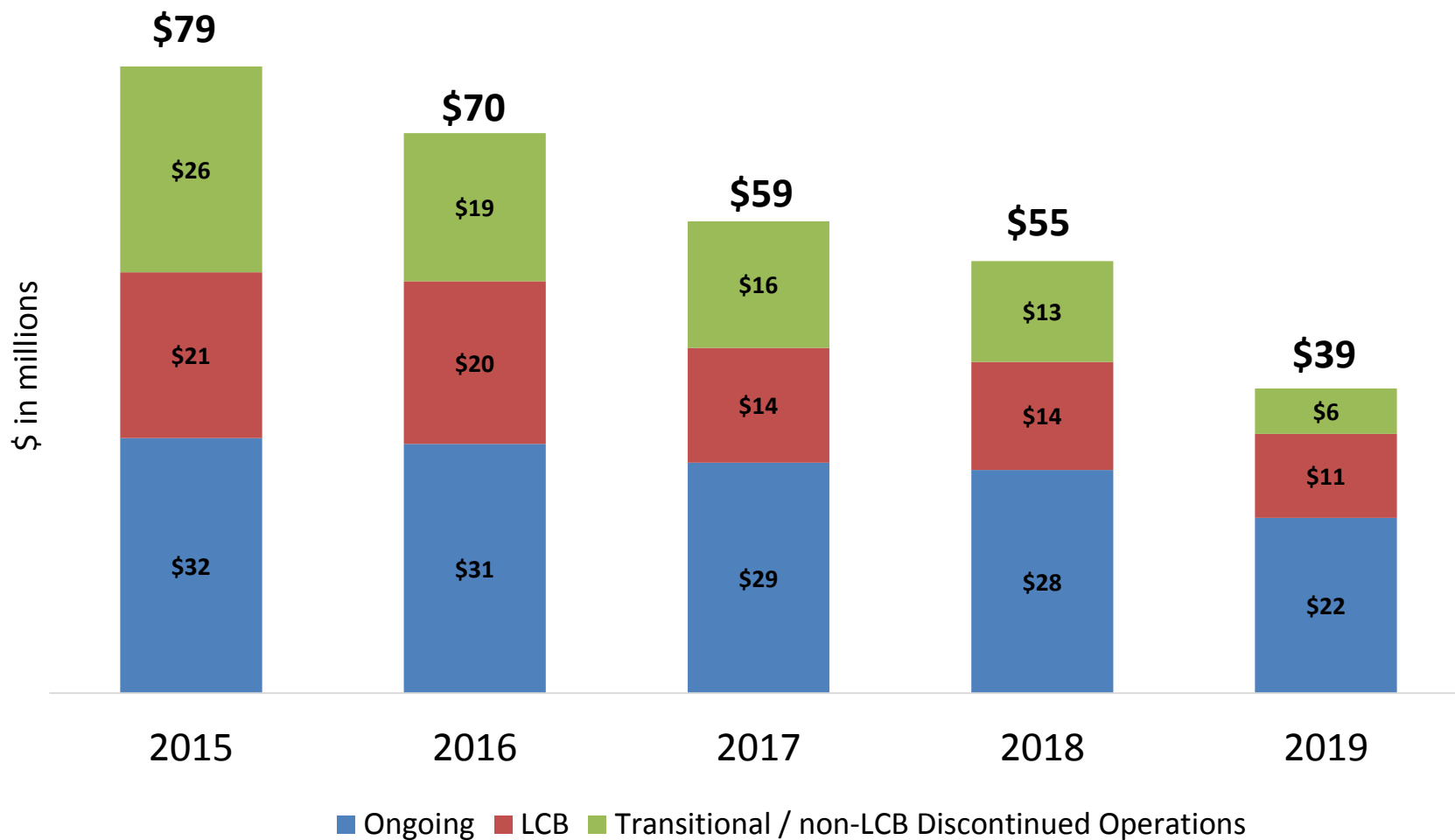
Cash Bridge 2014 to 2015



Future Lease Obligations are Declining



Future Lease Obligations⁽¹⁾



(1) Lease obligations are inclusive of rent payments, but exclude operating expenses and excludes lease obligations post 2019



Key Priorities:

- Strengthen Academic Outcomes, Enhance Regulatory Compliance and Simplify Business Model
- Generate Modest University Total Student Enrollment Growth
- Neutralize Negative Impact of Career Colleges & Culinary
- Reduce Organizational Cost Structure
- Successfully Complete the Teach Out of Transitional Campuses

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	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
<u>Ongoing Operations:</u>					
Pre-tax loss from continuing operations	\$ (7,747)	\$ (31,651)	\$ (11,664)	\$ (21,442)	\$ (14,230)
Transitional Group operating loss	10,138	10,856	9,091	7,789	12,126
Interest (income) expense, net	(38)	(120)	(177)	(25)	67
Loss (gain) on sale of business	-	-	-	-	(68)
Depreciation and amortization ⁽³⁾	6,965	7,668	8,244	8,761	9,397
Stock-based compensation ⁽³⁾	966	950	1,020	1,341	1,580
Legal settlements ^{(3) (5)}	-	-	(400)	2,850	1,500
Asset impairments ^{(3) (6)}	3,883	12,873	3	74	3,050
Unused space charges ^{(3) (7)}	(356)	(439)	(413)	(428)	(3,231)
Insurance recovery	-	(8,588)	-	-	-
Cumulative adjustment related to revenue recognition ^{(3) (8)}	1,815	-	-	-	-
Adjusted EBITDA--Ongoing Operations ⁽²⁾	\$ 15,626	\$ (8,451)	\$ 5,704	\$ (1,080)	\$ 10,191
Adjusted EBITDA per diluted share	\$ 0.23	\$ (0.13)	\$ 0.08	\$ (0.02)	\$ 0.15
Memo: Advertising Expenses ⁽³⁾	\$ 45,033	\$ 60,031	\$ 46,893	\$ 57,058	\$ 45,865
<u>Transitional Group and Discontinued Operations ⁽⁴⁾:</u>					
Pre-tax (loss) income from discontinued operations	\$ (17,195)	\$ (15,201)	\$ (33,046)	\$ (36,481)	\$ 88,044
Transitional Group operating loss	(10,138)	(10,856)	(9,091)	(7,789)	(12,126)
Interest (income) expense, net	-	-	-	-	(53)
Loss (gain) on sale of business ⁽⁹⁾	-	-	311	-	(130,109)
International Schools operating income ⁽¹⁰⁾	-	-	-	-	(11,434)
Depreciation and amortization ⁽⁹⁾	5,524	5,473	6,150	6,670	7,029
Legal settlements ⁽⁹⁾	-	225	2,000	3,000	15,500
Asset impairments ⁽⁹⁾	10,320	1,612	7,451	(7)	3,933
Unused space charges ^{(7) (9)}	(2,080)	(3,272)	970	2,921	6,073
Cumulative adjustment related to revenue recognition ^{(8) (9)}	568	-	-	-	-
Adjusted EBITDA--Transitional and Discontinued Operations ⁽²⁾	\$ (13,001)	\$ (22,019)	\$ (25,255)	\$ (31,686)	\$ (33,143)
Adjusted EBITDA per diluted share	\$ (0.19)	\$ (0.33)	\$ (0.38)	\$ (0.47)	\$ (0.50)

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 the Transitional Group, separately from the Transitional Group. Campuses within our Transitional Group are currently being taught out and no longer enroll new students. As a result, management views adjusted EBITDA from ongoing operations separately from the Transitional Group and discontinued operations, including assets held for sale, to assess results and make decisions. Accordingly, the Transitional Group 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 the Transitional Group.
- (4) The Company announced the Culinary Arts segment as held for sale during the fourth quarter of 2014 and it is therefore now reported within discontinued operations. Quarterly adjusted EBITDA amounts for Culinary Arts include:

Pre-tax loss
Depreciation and amortization
Legal settlements
Asset impairments
Unused space charges
Cumulative adjustment related to revenue recognition
Total

Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
\$ (15,927)	\$ (12,602)	\$ (19,771)	\$ (18,021)	\$ (28,408)
4,504	4,282	4,310	4,268	4,263
-	-	2,000	3,000	15,500
10,320	1,523	7,400	-	-
65	213	(467)	(178)	307
514	-	-	-	-
\$ (524)	\$ (6,584)	\$ (6,528)	\$ (10,931)	\$ (8,338)

- (5) Legal settlement amounts are net of insurance recoveries and are recorded within the following segments:

CTU
Career Colleges
Corporate & Other
Total

Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
\$ -	\$ -	\$ -	\$ (900)	\$ 1,300
-	-	-	-	200
-	-	(400)	3,750	-
\$ -	\$ -	\$ (400)	\$ 2,850	\$ 1,500

- (6) Asset impairments primarily relate to impairment charges within Career Colleges of \$3.9 million, \$12.8 million and \$2.9 million which were recorded during the fourth quarter of 2014, third quarter of 2014 and fourth quarter of 2013, respectively.
- (7) 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.
- (8) Revenue recognition adjustment relates to the accounting for students who withdraw from one of our institutions prior to completion of their program. A \$9.1 million decrease in revenue for ongoing operations was offset with a \$7.3 million decrease in bad debt expense for ongoing operations for the amount we previously had deemed uncollectable related to the revenue earnings for these students. This cumulative adjustment was recorded during the fourth quarter of 2014.
- (9) Quarterly amounts relate to the Transitional Group and discontinued operations, excluding International.
- (10) 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 the Transitional Group and discontinued operations.



End of Presentation