

Universal Technical Institute, Inc. (UTI)

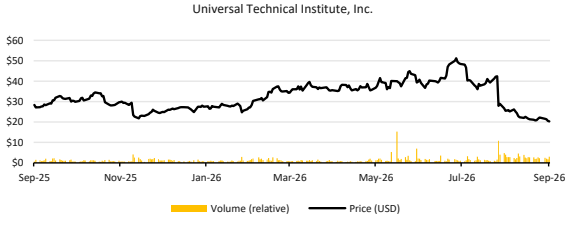
Value Fit 7 / 10

University of Wisconsin–Milwaukee | Lubar College of Business | Investment Management Certificate Program

Analyst: Lilly Keillor Recommendation: BUY As of: 09/13/2026

WISCONSIN VALUE FUND LENS — Maximize return by buying improving companies at reasonable valuations.

Performance level — ROIC (FY2026E) vs. ke	14.3% vs 8.1% → Above ke
Change in performance — ΔROIC	+0.1 pts, FY2026E vs FY2025A → Improving
Lifecycle phase	Phase III — highest expectations
Valuation gap — target vs. price	+131.4% → Price below our value



BUSINESS DESCRIPTION

Universal Technical Institute, Inc. engages in providing workforce solutions to students, partners, and communities nationwide. It operates through the following segments: Universal Technical Institute (UTI), Concorde Career Colleges (Concorde), and Corporate. The UTI segment covers 15 campuses located in nine states and offers a range of degree and non-degree transportation and skilled trades technical training programs. The Concorde segment involves 18 campuses in eight states and online, offering degree, non-degree, certificate, and continuing education programs in the allied

INVESTMENT THESIS

Universal Technical Institute is executing well as a business, and the market is currently underpricing the operating leverage that is expected to show up once growth CAPEX tapers and the campus base matures.

MARKET SNAPSHOT

Current Price	\$20.31	Market Cap (\$B)	\$1.1	Beta	0.83
52-Week Range	\$20 – \$51	Inst. Ownership	113.0%	Insider Own.	2.9%
Shares Out. (mm)	54.3	Short Interest (% float)	10.3%	Dividend Yield	0.0%
Consensus L-T Growth	#N/A	Payout Ratio	0.0%	Cost of Equity	8.1%
Price Target	\$47.00	Upside to Target	131.4%	Value Range	\$23 – \$66

VALUATION SUMMARY — equity DCF, FCFE discounted at ke

Method	Value / Share	Upside	Terminal Assumption
Equity DCF — terminal P/E	\$66.04	225.1%	18.0x P/E
Equity DCF — terminal P/S	\$44.48	119.0%	1.3x P/S
Equity DCF — terminal P/B	\$52.95	160.7%	3.0x P/B
Equity DCF — constant growth	\$23.48	15.6%	2.0% g, 8.1% ke
Average of methods	\$46.74	130.1%	Equal-weighted
Analyst price target	\$47.00	131.4%	Blue = analyst override

PHILOSOPHY FIT — Five pillars · Score: 5 / 5

		Fit?
1. Fundamental improvement & valuation discipline	ΔROIC +0.1 pts; price is 0.43x our average value	Yes
2. Investing through company cycles	Phase III; EBIT margin 10.0% → 12.0%	Yes
3. Initial position sizing & risk limits	Initial position sized within fund limits; risk limits set at entry	Yes
4. Capital allocation discipline	Net debt/invested capital 17.9%; net debt/EBIT 1.2x	Yes
5. Identifiable catalysts & conservative underwriting	Three drivers, each with a monitor; equal-weighted FCFE valuation	Yes

VALUE CRITERIA — 10-Point Checklist · Score: 7 / 10

	Pass?
1. Catalyst / Investment Drivers	Yes
Driver 1 — Operating Leverage	New campuses run at a loss for the first few years while enrollment ramps up, and once fixed costs are covered (such as facilities and equipment), UTI receives a high incremental margin. Growth investments are currently dragging EBITDA, even as revenue grows. As the current campus cohorts mature, EBITDA should scale faster than revenue.
Driver 2 — Under-Penetrated TAM	UTI currently operates 34 campuses nationally, and is actively opening new ones. Rather than saturating existing markets, they are participating in geographic expansion by opening new campuses in areas with less education opportunities.
Driver 3 — Segment-Driven Mix Shift	Their Healthcare segment (Concorde) has recently been growing revenue faster than their legacy segment, and because of this, management has been allocating a growing number of new-campus CAPEX to Concorde.
What does management say?	Management has reaffirmed its strategy framework which includes targeting \$1.2B in revenue and \$220M in adjusted EBITDA by FY2029. They are confident in their long-term math and estimates as long as they can get their timing and enrollment right.

2. Low P/E Ratio							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
EPS (model)	\$0.28	\$0.79	\$1.16	\$1.32	\$1.59	\$1.88	
P/E at current price	71.8x	25.6x	17.5x	15.4x	12.8x	10.8x	
Peer median P/E (FactSet, subject excl.)	17.5x	FY2026E P/E vs. peer median		(12%)			
3. Low Price / Cash Flow							No
FCFE / share	-\$0.88	\$1.40	\$0.36	\$0.20	\$0.41	\$0.28	
Price / FCFE	NM	14.5x	56.0x	101.7x	49.4x	73.3x	
Peer median P/CF (FactSet, subject excl.)	9.3x	Price / FCFE (today) vs. peer median		+504%			
4. Low Price / Book Value							No
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Book value / share	\$4.69	\$5.26	\$6.04	\$7.36	\$8.93	\$11.01	
Price / Book	4.3x	3.9x	3.4x	2.8x	2.3x	1.8x	
ROE (EOY book)	6.0%	15.0%	19.2%	17.9%	17.8%	19.1%	
Peer median P/B (FactSet, subject excl.)	2.8x	Price / book (today) vs. peer median		+21%			

Universal Technical Institute, Inc. (UTI) — Value Criteria, continued

5. Financial Soundness							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Total debt (\$mm)	350	295	279	369	389	389	
Net debt (\$mm)	193	127	103	87	66	61	
Total debt / equity (gross)	219.2%	113.3%	85.0%	92.3%	80.2%	66.4%	
Total debt / assets (gross)	47.2%	39.6%	33.8%	36.1%	33.6%	29.8%	
Net debt / invested capital	33.2%	22.5%	17.9%	11.7%	7.7%	6.4%	
Net debt / EBIT	8.1x	2.2x	1.2x	0.9x	0.5x	0.4x	
Tax rate	25.2%	Book equity (\$mm)	328				
6. Positive Earnings Dynamics							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Sales growth	45.0%	20.6%	14.0%	14.0%	16.0%	17.0%	
EBIT margin	3.9%	8.0%	10.0%	10.0%	11.0%	12.0%	
EPS growth	(47.8%)	180.1%	46.5%	13.4%	20.6%	18.5%	
7. Business Strategy & Segment Mix							No
Strategy	Geographic campus expansion paired with segment diversification (transportation/skilled trades + healthcare)- Belief that new campuses convert to high-margin assets once enrollment matures.						
Segment / geography mix	United States- Transportation/skilled trades and Healthcare						
8. Capable Management & Insider Ownership							Yes
Insider ownership	2.9%	Inst. ownership	113.0%	Buybacks, % of NOPAT (FY1E)		—	
Insider activity / governance	Insider selling in June, around the \$40-41 stock price						
9. Valuation — Value Creation (ROIC vs. ke)							Yes
ROIC (FY1E)	14.3%	Cost of equity (ke)	8.1%	EVA spread (ROIC – ke)		6.2%	
Price target / upside	\$47.00	131.4%		Value / share range (low–high)		\$23 – \$66	
10. Uses of Capital — allocation discipline							Yes
Reinvestment 84% of NOPAT, dividends + buybacks 0% in FY2026E; no dividend and no large M&A — full detail in the Uses of Capital table below.							
VALUE FIT SCORE — criteria met							7 / 10

FINANCIAL SUMMARY (\$mm except per share)							
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	CAGR 2023–2028
Sales	607	733	836	953	1,105	1,293	16.3%
Gross margin	45.4%	47.2%	49.4%	48.0%	50.0%	52.0%	
EBIT	24	59	84	95	122	155	45.6%
Net income	10	39	63	71	86	102	60.4%
EPS (basic)	\$0.28	\$0.79	\$1.16	\$1.32	\$1.59	\$1.88	46.1%
Dividend / share	\$0.15	\$0.02	—	—	\$0.02	\$0.02	
FCFE / share	-\$0.88	\$1.40	\$0.36	\$0.20	\$0.41	\$0.28	(179.3%)
Invested capital	581	565	575	741	850	954	10.4%
ROIC	3.8%	11.1%	14.2%	14.3%	16.0%	17.4%	
NOPAT margin	2.7%	6.0%	7.5%	7.5%	8.3%	9.0%	
Sales / NWC	-5.44x	-5.83x	-6.01x	-6.10x	-6.58x	-6.67x	
Sales / NFA	1.13x	1.40x	1.44x	1.45x	1.50x	1.50x	
Sales / invested capital (ex cash)	1.43x	1.85x	1.90x	1.90x	1.94x	1.94x	

USES OF CAPITAL — full range, as % of cash generated (NOPAT)							
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	Avg 2023–2028
NOPAT before reinvestment (\$mm)	16	44	62	71	91	116	
Uses, as % of NOPAT							
CapEx, R&D & content (Δ NFA)	417.2%	(29.7%)	91.1%	108.4%	87.4%	107.6%	130.3%
Working capital (Δ NWC)	(155.0%)	(31.7%)	(21.7%)	(23.9%)	(12.9%)	(22.3%)	(44.6%)
Dividends	31.4%	2.5%	—	—	1.1%	0.9%	6.0%
Share buybacks	(37.3%)	(142.5%)	(7.8%)	0.0%	0.0%	0.0%	(31.3%)
Debt repaid (neg. = borrowing)	(866.0%)	124.8%	25.4%	(126.0%)	(21.9%)	—	(144.0%)
Cash & securities build	359.3%	24.0%	13.5%	148.5%	45.2%	4.2%	99.1%
Interest & other (residual)	350.6%	152.7%	(0.5%)	(7.0%)	1.1%	9.6%	84.4%
Total uses of capital	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Discipline — reinvestment, % of NOPAT	262.1%	(61.4%)	69.4%	84.5%	74.6%	85.3%	85.7%
Dividends + buybacks, % of NOPAT	(5.9%)	(140.0%)	(7.8%)	0.0%	1.1%	0.9%	(25.3%)

Framework: the full range of capital allocation — CapEx/R&D/brand, dividends, buybacks, cash and debt. Cautious at the top of the cycle; invest for the future at the bottom, without over-levering. Total ties to 100% by construction, with interest and unallocated items in the residual.

COMPS OVERVIEW (current multiples, FactSet)						
Ticker	Company	P/E	P/S	P/B	P/CF	EV/EBIT
LINC	Lincoln Educational Services Corporation	34.4x	1.4x	3.9x	8.4x	25.3x
PRDO	Perdoceo Education Corporation	12.0x	2.4x	2.0x	9.3x	6.7x
STRA	Strategic Education, Inc.	13.6x	1.4x	1.1x	8.2x	8.8x
CVSA	Covista Inc.	16.7x	2.3x	2.9x	9.2x	12.0x
APEI	American Public Education, Inc.	18.5x	1.3x	2.6x	9.9x	11.6x
LOPE	Grand Canyon Education, Inc.	18.3x	3.5x	5.9x	14.2x	14.4x
Median	Peer median (subject excluded)	17.5x	1.8x	2.8x	9.3x	11.8x
UTI	Subject, at current price	17.5x	1.3x	3.4x	56.0x	14.4x
Premium / (discount) to peer median		+0%	(28%)	+21%	+504%	+22%

Peer set from AutoTearSheet-5Page!D14:D19. Median is of peers only and excludes blanks.

KEY RISKS

1. Campus Enrollment Execution Risk- The margin expansion thesis depends on new campuses executing enrollment as planned. They have had issues with this in the past, and management has said they are aware, and are fixing the issues.

2. Regulatory/Federal Funding Risk- In general, the education sector is dependent on federal student financial aid. Rule changes could impair enrollment or funding with little warning.

3. Debt Funded Expansion- Total debt has risen to fund campus growth, if this CAPEX doesn't pay off UTI will have prolonged issues with FCF.

Exit Discipline- Exit if new student growth turns negative for two consecutive quarters or if net debt continues climbing without a corresponding deceleration in growth CAPEX.

