

Perdoceo Education Corporation (PRDO)

Value Fit 8 / 10

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

Philosophy Fit 5 / 5

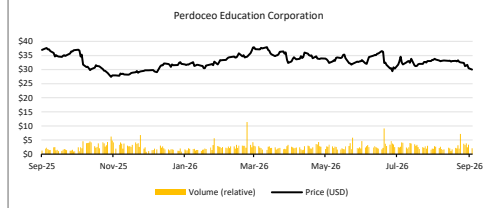
Analyst: Angelynna Ruiz

Recommendation: BUY

As of: 09/28/2026

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

Performance level — ROIC (FY2026E) vs. ke	31.4% vs 7.9% → Above ke
Change in performance — ΔROIC	+2.6 pts, FY2026E vs FY2025A → Improving
Lifecycle phase	Phase III — highest expectations
Valuation gap — target vs. price	+50.0% → Price below our value



BUSINESS DESCRIPTION

Perdoceo Education Corp. engages in the provision of educational services. It operates through the following segments: Colorado Technical University (CTU), The American InterContinental University System (AIUS or AIU System), and University of St. Augustine for Health Sciences (USAHS), Corporate and Other. The company was founded on January 5, 1994 and is headquartered in Schaumburg, IL.

INVESTMENT THESIS

At 11.1x FY2026E model EPS (12.2x FY2025A, a 25% discount to the peer median), the market prices Perdoceo as a no-growth, regulation-exposed for-profit school. That view overlooks a net-cash business earning a 31% ROIC, with ~\$735M of cash and investments (~40% of market cap) and a growing health-sciences platform: USAHS revenue rose 10% in Q2, and the pending South University acquisition (closing as early as Apr-27, funded from cash) would add ~\$290M of revenue. Delivering on raised 2026 guidance (adj. EPS \$3.10–\$3.16), plus dividend growth and buybacks, should close the gap to the \$45 target.

Current Price	\$30.01	Market Cap (\$B)	\$1.9	Beta	0.54
52-Week Range	\$27 – \$38	Inst. Ownership	101.5%	Insider Own.	2.6%
Shares Out. (mm)	62.6	Short Interest (% float)	6.7%	Dividend Yield	2.3%
Consensus L-T Growth	n/a	Payout Ratio	21.8%	Cost of Equity	7.9%
Price Target	\$45.00	Upside to Target	50.0%	Value Range	\$45 – \$224

VALUATION SUMMARY — equity DCF, FCFE discounted at ke

Method	Value / Share	Upside	Terminal Assumption
Equity DCF — terminal P/E	\$45.37	51.2%	15.0x P/E
Equity DCF — terminal P/S	\$60.29	100.9%	4.0x P/S
Equity DCF — terminal P/B	\$224.33	647.5%	11.0x P/B
Equity DCF — constant growth	\$45.69	52.3%	2.0% g, 7.9% ke
Average of methods	\$93.92	213.0%	Equal-weighted
Analyst price target	\$45.00	50.0%	Blue = analyst override

PHILOSOPHY FIT — Five pillars · Score: 5 / 5

	Fit?
1. Fundamental improvement & valuation discipline	ΔROIC +2.6 pts; price is 0.32x our average value
2. Investing through company cycles	Phase III; EBIT margin 23.2% → 23.0%
3. Initial position sizing & risk limits	Starter position at entry; exit if Title IV access or enrollments break
4. Capital allocation discipline	Net debt/invested capital -91.7%; net debt/EBIT -3.0x
5. Identifiable catalysts & conservative underwriting	Catalysts: 2026 guide, South close (Apr-27 earliest); cash = 40% of mkt cap

VALUE CRITERIA — 10-Point Checklist · Score: 8 / 10

	Pass?
1. Catalyst / Investment Drivers	Yes
Driver 1 — Scalable and efficient online platform	CTU and the AIU System (~80% of H1-26 revenue) teach online on the proprietary Intellipath® adaptive-learning platform, so each added student costs little to serve; H1-26 capex was just \$3.3M on \$435M of revenue. CTU has grown enrollments for 11 straight quarters (32,110, +0.6% y/y), and USAHS enrollments rose 6% with revenue up 10%, offsetting a 1% decline at AIUS. Monitor: quarterly total enrollments and CTU retention.
Driver 2 — Strong operating leverage and high margins	Costs are largely fixed: H1-26 revenue rose 3.0% while operating income rose 14.4%, and Q2 operating margin reached 25.7% (vs. 24.5%). USAHS swung from a \$2.0M loss to \$10.0M of operating income YTD. The model stays conservative, holding FY2026E EBIT at \$197M (~23% margin), about flat with FY2025A and below guided GAAP operating income of \$221–\$226M, yet ROIC still reaches 31.4%. Monitor: operating margin vs. guidance.
Driver 3 — Minimal debt and disciplined capital allocation	\$734.8M of cash and short-term investments at 6/30/26 against ~\$61M of debt (sale-leaseback and leases). Cash goes to dividends (raised 13.3% to \$0.17/qtr in Aug-26), buybacks (basic shares down ~4% y/y; \$85M authorization remaining) and cash-funded acquisitions: South University (signed Sep-26; up to ~\$224M incl. earn-outs; closing as early as Apr-27) extends the health-sciences platform. Monitor: South integration and returns on acquired capital.
What does management say?	Q2-26 call (Aug-26): CEO Todd Nelson pointed to sustainable, responsible growth and a balance sheet that funds organic investment, acquisitions and shareholder returns; 2026 adj. EPS guidance raised to \$3.10–\$3.16 (vs. \$2.61 in 2025). CFO Ashish Ghia cautioned that CTU faces difficult enrollment comparisons in 2H-26 as it laps strong prior-year periods and graduates a record class. 2026 adj. operating income outlook (\$258–\$263M) reaffirmed with the South deal (Sep-26).

2. Low P/E Ratio							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
EPS (model)	\$2.22	\$2.25	\$2.47	\$2.71	\$2.83	\$2.97	
P/E at current price	13.5x	13.3x	12.2x	11.1x	10.6x	10.1x	
Peer median P/E (FactSet, subject excl.)	16.2x	FY2026E P/E vs. peer median		(32%)			
3. Low Price / Cash Flow							No
FCFE / share	\$2.00	-\$1.39	\$3.14	\$3.10	\$3.07	\$2.48	
Price / FCFE	15.0x	NM	9.6x	9.7x	9.8x	12.1x	
Peer median P/CF (FactSet, subject excl.)	8.8x	Price / FCFE (today) vs. peer median		+9%			
4. Low Price / Book Value							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Book value / share	\$12.66	\$14.62	\$15.01	\$16.73	\$18.73	\$20.82	
Price / Book	2.4x	2.1x	2.0x	1.8x	1.6x	1.4x	
ROE (EOY book)	17.5%	15.4%	16.4%	16.2%	15.1%	12.9%	
Peer median P/B (FactSet, subject excl.)	2.6x	Price / book (today) vs. peer median		(22%)			

Perdoceo Education Corporation (PRDO) — Value Criteria, continued

5. Financial Soundness							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Total debt (\$mm)	27	132	61	61	61	61	
Net debt (\$mm)	-577	-460	-582	-757	-948	-1,134	
Total debt / equity (gross)	3.2%	13.7%	6.3%	5.8%	5.3%	4.7%	
Total debt / assets (gross)	2.7%	10.5%	4.8%	4.4%	3.9%	3.4%	
Net debt / invested capital	-135.4%	-67.9%	-91.7%	-98.5%	-102.2%	-100.7%	
Net debt / EBIT	-3.5x	-2.6x	-3.0x	-3.9x	-4.7x	-5.3x	
Tax rate	26.3%	Book equity (\$mm)		972			

6. Positive Earnings Dynamics							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Sales growth	2.1%	(4.0%)	24.2%	1.0%	3.0%	5.0%	
EBIT margin	23.2%	26.2%	23.2%	23.0%	23.0%	23.0%	
EPS growth	57.4%	1.2%	9.8%	9.7%	4.5%	5.0%	

7. Business Strategy & Segment Mix							Yes
Strategy	Grow enrollment and retention at its mostly online universities (CTU, AIUS) through technology and student support, expand healthcare graduate programs via USAHS (acquired Dec-24) and the pending South University deal, and return cash via dividends and buybacks.						

Segment / geography mix	CTU ~54%, AIUS ~27%, USAHS ~19% of Q2-26 revenue; U.S. only, predominantly online						
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8. Capable Management & Insider Ownership						Yes
Insider ownership	2.6%	Inst. ownership	101.5%	Div+buybacks, % NOPAT (FY1E)	59.9%	
Insider activity / governance	CEO and CFO were net sellers in 2026 (partly 10b5-1 plans); insider ownership is only 2.6%, so alignment rests on comp design.					

9. Valuation — Value Creation (ROIC vs. ke)							Yes
ROIC (FY1E)	31.4%	Cost of equity (ke)		7.9%	EVA spread (ROIC – ke)		23.5%
Price target / upside	\$45.00	50.0%		Value / share range (low–high)		\$45 – \$224	

10. Uses of Capital — allocation discipline							No
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Reinvestment -28% of NOPAT, dividends + buybacks 60% in FY2026E; pending South University deal (up to ~\$224M cash) not modeled — detail in Uses of Capital table below.

VALUE FIT SCORE — criteria met	8 / 10
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FINANCIAL SUMMARY (\$mm except per share)

	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	CAGR 2023–2028
Sales	710	681	846	855	880	924	5.4%
Gross margin	79.3%	80.1%	71.7%	72.0%	73.0%	74.0%	
EBIT	165	179	196	197	202	213	5.2%
Net income	148	148	160	171	176	185	4.6%
EPS (basic)	\$2.22	\$2.25	\$2.47	\$2.71	\$2.83	\$2.97	6.0%
Dividend / share	\$0.22	\$0.48	\$0.57	\$0.58	\$0.59	\$0.59	
FCFE / share	\$2.00	-\$1.39	\$3.14	\$3.10	\$3.07	\$2.48	4.4%
Invested capital	426	678	635	769	928	1,126	21.4%
ROIC	41.2%	24.0%	28.8%	31.4%	34.7%	35.5%	
NOPAT margin	17.8%	19.2%	17.1%	17.0%	17.0%	17.0%	
Sales / NWC	-13.02x	-9.69x	-11.60x	-11.76x	-10.00x	-9.09x	
Sales / NFA	1.96x	1.11x	1.47x	1.60x	1.70x	1.70x	
Sales / invested capital (ex cash)	2.31x	1.25x	1.68x	1.85x	2.05x	2.09x	

USES OF CAPITAL — full range, as % of cash generated (NOPAT)

	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	Avg 2023–2028
NOPAT before reinvestment (\$mm)	127	131	145	145	149	157	
Uses, as % of NOPAT							
CapEx, R&D & content (Δ NFA)	(24.2%)	194.5%	(28.3%)	(28.5%)	(10.9%)	16.5%	19.9%
Working capital (Δ NWC)	35.8%	(12.0%)	(1.8%)	0.2%	(10.3%)	(8.7%)	0.5%
Dividends	11.4%	24.2%	25.5%	25.4%	24.7%	23.5%	22.5%
Share buybacks	14.0%	(1.7%)	76.2%	34.5%	20.1%	0.0%	23.8%
Debt repaid (neg. = borrowing)	5.4%	(79.8%)	48.6%	—	—	—	(4.3%)
Cash & securities build	67.9%	(9.6%)	35.9%	120.7%	127.9%	118.5%	76.9%
Interest & other (residual)	(10.3%)	(15.5%)	(56.1%)	(52.4%)	(51.4%)	(49.8%)	(39.2%)
Total uses of capital	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Discipline — reinvestment, % of NOPAT	11.7%	182.4%	(30.1%)	(28.2%)	(21.2%)	7.8%	20.4%
Dividends + buybacks, % of NOPAT	25.3%	22.5%	101.7%	59.9%	44.8%	23.5%	46.3%

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
STRA	Strategic Education, Inc.	12.7x	1.3x	1.0x	7.6x	8.8x
APEI	American Public Education, Inc.	16.7x	1.1x	2.4x	8.9x	11.6x
CVSA	Covista Inc.	15.7x	2.1x	2.8x	8.7x	12.0x
LAUR	Laureate Education, Inc.	16.9x	2.9x	4.5x	12.9x	11.6x
LRN	Stride, Inc.	10.7x	1.4x	1.9x	8.2x	8.0x
UTI	Universal Technical Institute, Inc.	30.0x	1.2x	3.0x	13.9x	20.6x
Median	Peer median (subject excluded)	16.2x	1.4x	2.6x	8.8x	11.6x
PRDO	Subject, at current price	12.2x	2.3x	2.0x	9.6x	7.0x
Premium / (discount) to peer median		(25%)	+69%	(22%)	+9%	(40%)

KEY RISKS

1. Regulation and federal aid — about 99% of revenue is tuition, much of it funded by Title IV aid. Tighter 90/10 or earnings-premium rules, the Grad PLUS elimination (USAHS, South) or an adverse outcome in open legal matters could cut enrollment or lift costs. Watch Department of Education rulemaking and legal fees.
 2. Enrollment stalls — total enrollments grew only 0.7% in Q2-26, AIUS fell 1.0% and CTU faces hard 2H-26 comparisons; if starts weaken, even 1.0% FY2026E revenue growth is at risk and largely fixed costs cut the other way. Watch quarterly enrollments and retention.
 3. South University execution — up to ~\$224M of cash for a deal that still needs regulatory and accreditator approval and a nonprofit-to-for-profit conversion; a delay or weak integration would dilute returns. At 2.3x sales versus a peer median of 1.4x, the valuation cushion sits in earnings and cash, not sales.
- Exit discipline — exit if TTM ROIC falls two consecutive quarters, if full-year EBIT margin guidance drops below the 23.2% FY2025A base, or if the position breaches the fund's drawdown limit.

Sources: model outputs linked to Auto-FinandValInfo and AutoTearSheet-5Page (FactSet). Information for educational purposes only. Not a recommendation to buy or sell any security.