BLUEGRASS
CAPITAL RESEARCH

Noah Thornberry | *Analyst*
Consumer | *Education*
4/21/2026

Perdoceo Education Corp

Summa Cum Laude Returns

With the announcement of a $100 million share buyback program, Perdoceo continues to demonstrate strong financial discipline alongside consistent revenue and enrollment growth. The company's increased integration of AI to enhance student learning and improve enrollment targeting further supports its long-term growth outlook. **We initiate PRDO with a BUY rating and a one year price target of $46.40.**

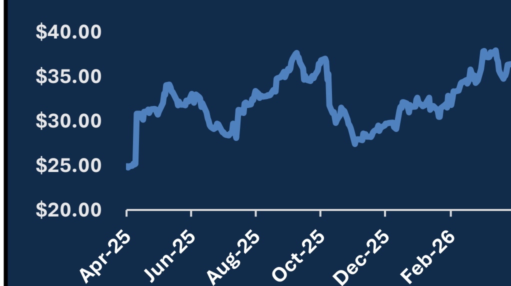
Thesis Point 1 Amid the rapid evolution of AI, Perdoceo Education Corp is aggressively integrating new AI technologies to drive better results across its programs. With 91% of the students being fully online, technology plays a significant role in each university. They not only use recent technology to help their students learn, but to also find potential candidates to be accepted into the universities that want to learn and stay for the full time to get their degree. With this the retention rate of students across all the universities is increasing, resulting in an increase in revenue. They are also focused on retaining faculty in addition to students, offering retention bonuses to employees. This approach reflects Perdoceo's recognition that a stable faculty team can improve student satisfaction and ultimately enhance student retention across its campuses. With increasing investment in AI, Perdoceo is creating more efficiency within their operations to cut costs, thus increasing margins and overall revenue.

Thesis Point 2 Rapid increase in adults re-enrolling to get a higher education will drive revenue expansion. With over 1 million adults in 2024 going back to get a bachelor's degree, and this number continuing to rise onward, this shows significant strength in the demand side for universities that Perdoceo Education Corp has to offer. Additionally, over 70% of adults without a degree think that a bachelor's degree is valuable. Thus signaling more adults going back and completing their education. Perdoceo is averaging a 13.7% increase year to year in the number of students they have enrolled throughout their universities. With the increase in revenue from tuition, this will increase EPS due to the universities having higher revenue from essentially the same fixed costs.

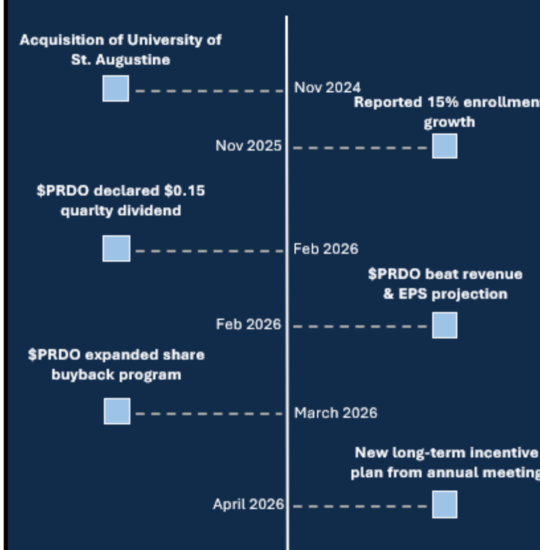
Company Overview Focused on increasing accessibility and flexibility in higher education, Perdoceo Education Corp operates three Universities to adhere to a diverse student population. In 2025 from the universities, it generated $846 million dollars in revenue, a 24% increase from 2024. Its education platform comprises Colorado Technical University, which provides industry relevant programs to a broad range of students. Here they significantly use technology to help students achieve their academic and professional goals. American InterContinental University offers services to students like the non-traditional learners and military members seeking higher education. AIUS is an umbrella composed of its own three universities that serve their own students with the best education route for them. The last university under Perdoceo Education Corp is University of St. Augustine for Health Sciences. Here they offer graduate-only education in health sciences. As of fiscal 2025, there were around 44,000 students enrolled, 91% studying fully online, spread across all the universities. What differentiates PRDO from its peers is its more aggressive use of AI. The company uses AI to support student learning, while also leveraging it in admissions to identify prospective students who are projected to have higher retention rates through to degree completion.

TICKER:	$PRDO
RATING:	BUY
PRICE:	$35.89
PRICE TARGET:	$46.40
MARKET CAP:	$2.3b
52-W RANGE:	$35.75 - $36.63
NTM P/E:	14.89x
IMPLIED UPSIDE:	28.88%

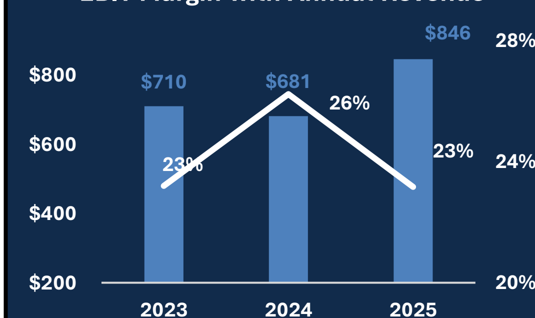
1 Year Price History



Recent Events Timeline



EBIT Margin with Annual Revenue



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Risk 1 If Perdoceo Education fails to stay current with regulatory expectations, this could significantly impact the future of the university's existence and funding. Additionally, the company operates under multiple regulatory bodies, making ongoing compliance essential for operations. One of the regulations they must follow is Title IV, created by the Higher Education Act. They must meet certain standards and maintain financial responsibility to continue getting federal aid. Non-compliance comes with legal scrutiny and potential loss of funding. Since a large portion of revenue is derived from tuition supported by financial aid programs, this would decrease revenue.

Risk 2 With Perdoceo Education generating tuition revenue primarily from federal financial aid sources, there is a level of uncertainty in how much funding they will receive year to year. Because of this reliance, the company is exposed to the risk of losing federal funding eligibility altogether if it fails the 90/10 rule. This rule states that 10% of tuition must come from nonfederal sources, so it shows that students want to go there. Given the high number of students using federal aid, Perdoceo may struggle to control where its funding is coming from, increasing the risk of falling out of compliance.

Catalysts A key catalyst for Perdoceo Education is the recent announcement of a $100 million share repurchase program, replacing its prior $75 million program. This signals strong confidence from management in the company's growing strategy in AI across its educational platforms. These initiatives aim to enhance student learning outcomes while also improving recruitment and enrollment efficiency. This not only demonstrates confidence but also enhances shareholder value by increasing earnings per share and shows the company's ability to effectively deploy excess free cash flow.

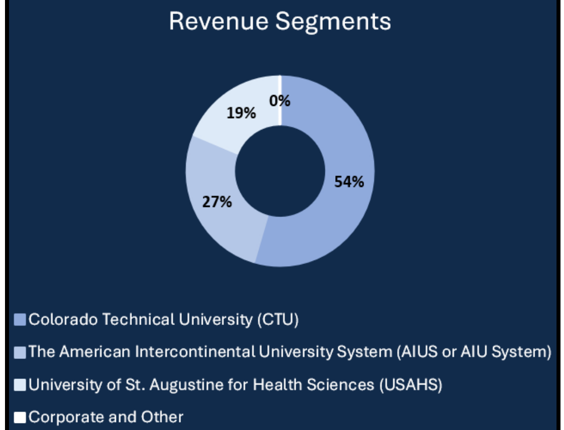
Valuation

DCF Analysis ($mm)	FY2025 12/31/2025	FY2026 12/31/2026	FY2027 12/31/2027	FY2028 12/30/2028	FY2029 12/30/2029	FY2030 12/30/2030	FY2031 12/31/2031
Revenue	846	876	916	960	1,006	1,056	1,108
Revenue Growth	*24%*	*3%*	*5%*	*5%*	*5%*	*5%*	*5%*
Colorado Technical Univ	462	480	502	526	554	585	620
The American Intercontir	226	225	236	246	253	258	261
University of St. Augustii	158	170	179	188	200	213	227
EBIT	196	220	211	228	247	267	288
EBIT Margin	*23%*	*25%*	*23%*	*24%*	*25%*	*25%*	*26%*
Tax Expense	57	65	63	68	74	80	86
Effective Tax Rate	*29%*	*30%*	*30%*	*30%*	*30%*	*30%*	*30%*
NOPAT	139.08	155.00	147.65	159.73	172.71	186.70	201.81
D&A	42	39	32	32	33	33	33
Capex	9	10	18	17	15	13	11
Changes in NWC	(4)	5	5	1	(3)	(7)	(11)
UFCF	176	179	157	174	193	213	235
PV of FCF		175	144	150	155	160	164

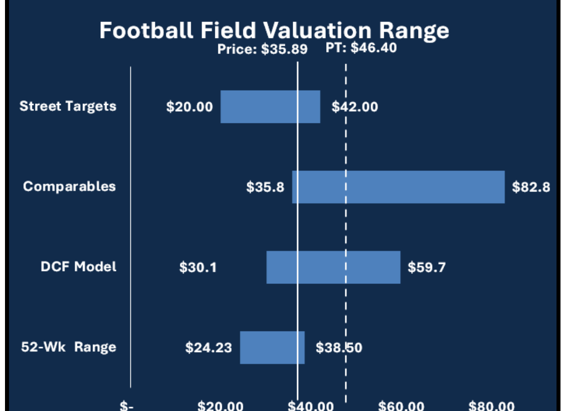
We are using a 6.5x EV/EBITDA exit multiple, which is supported by comparable company analysis and appears most appropriate for this valuation. This multiple also reflects the company's ongoing integration of AI technologies into its academic programs to enhance student outcomes. Our calculated CAGR of 4.8% indicates strong year-over-year growth. These projections are consistent with management's guidance and expectations around the expanded use of AI across the organization.

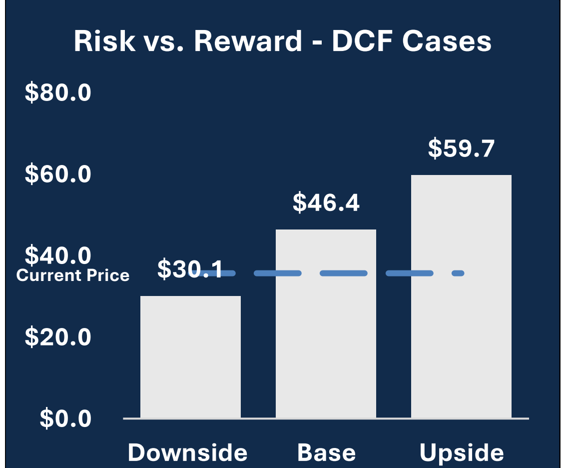
Conclusion

We recommend PRDO as a buy, driven by increasing demand from adult learners pursuing higher education and consistent enrollment growth year over year. This trend signals strong potential for continued expansion at Perdoceo. Additionally, the company's recent acquisition of a new university and implementation of an AI-driven student targeting system represent strategic steps forward.



Terminal Value	
Exit Multiple Method	
2034 EBITDA	$322
EV/EBITDA Exit Multiple	6.5x
Terminal Value	$2,090
PV of Terminal Value	$1,460
PV of Projection Period	$947
PV of Terminal Value	$1,460
Implied TEV	$2,407
(-) Debt	$118
(+) Cash	$622
Implied Equity Value	$2,911
Diluted Shares Outstanding	63
Implied Share Price	$46.43
Upside/Downside	30.3%





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Income Statement ($mm)	2025A	2026E	2027E	2028E	2029E	CAGR%
Revenue	846	876	916	960	1,006	4.4%
EBITDA	238	259	243	261	279	4.1%
EBIT	196	220	211	228	247	5.9%
NOPAT	139	155	148	160	173	5.6%

Margin & Growth Data	2025A	2026E	2027E	2028E	2029E	AVG%
EBITDA Margin	28.1%	29.6%	26.5%	27.1%	27.8%	27.8%
EBIT Margin	23.2%	25.1%	23.0%	23.8%	24.5%	23.9%
Revenue Growth	24.2%	3.5%	4.6%	4.8%	4.8%	8.4%
EBIT Growth	9.7%	12.2%	-4.1%	8.2%	8.1%	6.8%

Valuation Metrics	2025A	2026E	2027E	2028E	2029E	AVG%
P/FCF	12.7x	12.5x	14.2x	12.8x	11.6x	12.8x
EV/Sales	2.0x	2.0x	1.9x	1.8x	1.7x	1.9x
EV/EBITDA	7.3x	6.7x	7.1x	6.6x	6.2x	6.8x
FCF Yield	7.9%	8.0%	7.0%	7.8%	8.6%	7.9%

Comparable Companies

$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
Universal Technical Institute, Inc. (NYSE:UTI)	$1,958	$2,084	37.1x	$855	$106
American Public Education, Inc. (NasdaqGS:AF	$1,073	$1,062	42.9x	$649	$70
Lincoln Educational Services Corporation (Nasd	$1,295	$1,471	63.8x	$518	$50
Strategic Education, Inc. (NasdaqGS:STRA)	$1,816	$1,772	15.0x	$1,268	$242
Perdoceo Education Corp	$2,211	$1,707	-3.3x	$846	$238

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate LF
Universal Technical Institute, Inc. (NYSE:UTI)	19.7x	56.3%	12.3%	8.4%	12.6%
American Public Education, Inc. (NasdaqGS:AF	15.2x	54.2%	10.8%	8.3%	3.9%
Lincoln Educational Services Corporation (Nasd	29.5x	60.4%	9.6%	5.6%	17.8%
Strategic Education, Inc. (NasdaqGS:STRA)	7.3x	49.0%	19.1%	15.5%	4.0%
Perdoceo Education Corp	7.2x	79.6%	28.1%	23.2%	24.2%
High	29.53x	79.6%	28.1%	23.2%	24.2%
75th Percentile	19.73x	60.4%	19.1%	15.5%	17.8%
Average	15.79x	59.9%	16.0%	12.2%	12.5%
Median	15.17x	56.3%	0.0%	8.4%	12.6%
25th Percentile	7.33x	54.2%	10.8%	8.3%	4.0%
Low	7.18x	49.0%	9.6%	5.6%	3.9%

Perdoceo Education Corp		
Implied Enterprise Value (25th Percentile)	$	1,742
Implied Enterprise Value (Median)	**$**	**3,605**
Implied Enterprise Value (75th Percentile)	$	4,689
Implied Share Price (25th Percentile)	$	35.82
Implied Share Price (Median)	**$**	**65.53**
Implied Share Price (75th Percentile)	$	82.82

Weighted Average Cost of Capital ($mm)	
Market Risk Premium	4.33%
Beta	0.80
Risk Free Rate	4.25%
Cost of Equity	6.49%
Weighted Average Cost of Debt	6.00%
Tax Rate	30.00%
Cost of Debt	0.66%
Total Equity	$2,237
Total Debt	$502
Equity/Total Capitalization	84.39%
Debt/Total Capitalization	15.61%
WACC	7.15%

Downside Case: Our downside case applies a 4x multiple and assumes plateauing revenue growth. Resulting in a price of $30.11, a 15% downside.

Upside Case: Our Upside case applies an 8x multiple and assumes a significant growth at each university from their application of A.I. Resulting in a price of $59.71, a 67% upside.