

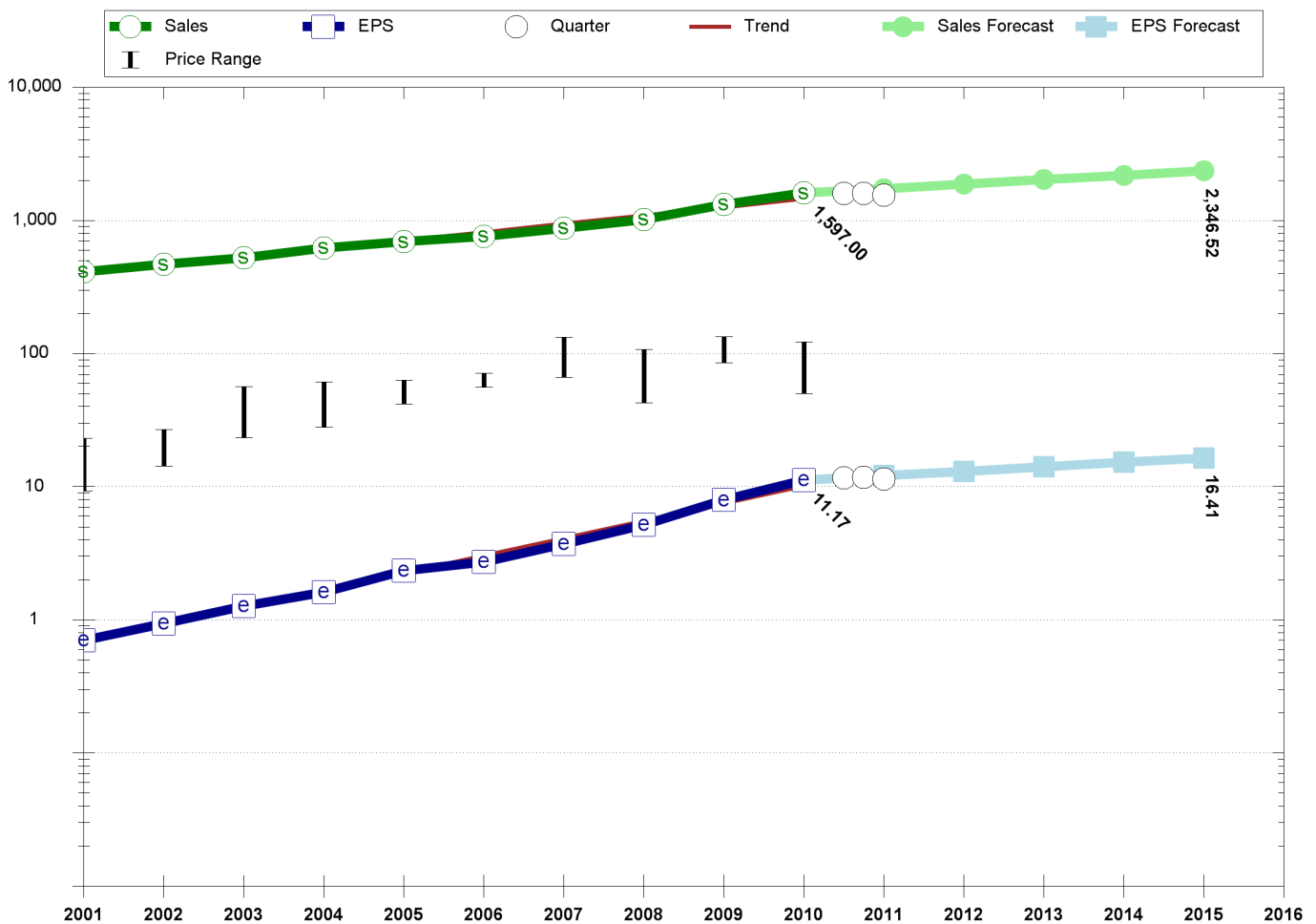
Company	ITT Educational Serv		Date	11/18/2011	
Prepared by	Taylor IV		Data taken from	BI Stock Data	
Where traded	NYSE	Industry	Education & Training Services		
Capitalization ---	Outstanding Amounts	Reference			
Preferred (\$M)	0.0	% Insiders	% Institution		
Common (M Shares)	26.8	1.7	0.0		
Debt (\$M)	150.0	% to Tot Cap	53.9	% Pot Dil	1.0

Stock Selection Guide

Symbol: ESI

1 VISUAL ANALYSIS of Sales, Earnings, and Price

FY2010 QuarterEnding (09/11)	Sales (\$M)	Earnings Per Share
Latest Quarter	360.6	2.48
Year Ago Quarter	400.6	2.82
Percentage Change	-9.97%	-12.06%



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|-----------------------------------|-------|--|-------|
| (1) Historical Sales Growth | 15.6% | (3) Historical Earnings Per Share Growth | 35.0% |
| (2) Estimated Future Sales Growth | 8.00% | (4) Estimated Future Earnings Per Share Growth | 8.00% |

2 EVALUATING Management

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Last 5 Year Avg.
Pre-tax Profit on Sales (Net Before Taxes/Sales)	13.23%	15.27%	18.46%	19.97%	25.33%	25.02%	28.12%	32.48%	37.25%	38.47%	32.27%
% Earned on Equity (E/S / Book Value)	42.36%	47.99%	39.35%	31.46%	34.97%	108.25%	209.03%	115.07%	179.06%	261.60%	174.60%

3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is building block for translating earnings into future stock prices.

PRESENT PRICE 55.8

HIGH THIS YEAR 95.52

LOW THIS YEAR 54.01

	A	B	C	D	E	F	G	H	
Year	Price		Earnings	Price Earnings Ratio		Dividend	% Payout	% High Yield	
	High	Low	Per Share	High A / C	Low B / C	Per Share	F / C * 100	F / B * 100	
1 2006	70.99	55.70	2.72	26.10	20.48	0.000	0.00	0.00	
2 2007	131.82	66.30	3.71	35.53	17.87	0.000	0.00	0.00	
3 2008	106.75	42.24	5.17	20.65	8.17	0.000	0.00	0.00	
4 2009	133.75	85.00	7.91	16.91	10.75	0.000	0.00	0.00	
5 2010	121.98	50.00	11.17	10.92	4.48	0.000	0.00	0.00	
6 TOTAL		299.2		110.1	61.7		0.0		
7 AVERAGE		59.8		22.0	12.3		0.0		
8 AVERAGE PRICE EARNINGS RATIO 17.2					9 CURRENT PRICE EARNINGS RATIO 4.9				

4 EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

A HIGH PRICE - NEXT 5 YEARS

Avg. High P/E 12.00 X Estimate High Earnings/Share 16.41 = Forecasted High Price \$ 196.92

B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E 12.35 X Estimate Low Earnings/Share 11.17 = Forecasted Low Price \$ 137.95

(b) Avg. Low Price of Last 5 Years 59.85

(c) Recent Market Low Price 50.00

(d) Price Dividend Will Support $\frac{\text{Present Dividend}}{\text{High Yield}} = \frac{0.000}{0.00\%} = 0.00$

Selected Forecasted Low Price 50.00

C ZONING using 25%-50%-25%

Forecasted High Price 196.92 Minus Forecasted Low Price 50.00 = 146.92 Range. 25% of Range 36.73

Buy Zone 50.00 to 86.73

Hold Zone 86.73 to 160.19

Sell Zone 160.19 to 196.92

Present Market Price of 55.75 is in the **Buy** Zone

D UPSIDE DOWNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)

$\frac{\text{High Price} - \text{Present Price}}{\text{Present Price} - \text{Low Price}} = \frac{196.92 - 55.75}{55.75 - 50.00} = \frac{141.17}{5.75} = 24.55$ To 1

E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

$\frac{\text{High Price} - \text{Present Market Price}}{\text{Present Market Price}} = \frac{196.92 - 55.75}{55.75} = 3.53$ X 100 = 353.22 - 100 = 253.22 % Appreciation

5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

A $\frac{\text{Present Full Year's Dividend \$}}{\text{Present Price of Stock}} = \frac{0.000}{55.75} = 0.00 = 0.00\%$ Present Yield

B AVERAGE YIELD - USING FORECAST HIGH P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast High PE}} = \frac{0.00\%}{12.00} = 0.00\%$

C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

Annualized Appreciation 28.71 %

Average Yield 0.00 %

Annualized Rate of Return 28.71 %