

DeVry Education Group Inc. (DV)

Rating **(from NEUTRAL) OUTPERFORM [V]**
Price (08-Nov-16, US\$) 23.50
Target price (US\$) (from 24.00) 30.00
52-week price range 26.30 - 15.84
Market cap (US\$ m) 1,471.64

*Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.

*Target price is for 12 months.

[V] = Stock Considered Volatile (see Disclosure Appendix)

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UPGRADE RATING

Trump Win Lightens Regulatory Load

- **We upgraded DeVry to Outperform from Neutral and raised our target price to \$30 based on last night's election outcome:** We believe the risk represented by defense to repayment (DTR) is greatly reduced in a Trump administration, if not through a reversal of the rule, then through a school-friendly definition of harm. We think Gainful Employment (GE) regulations are likely to be similarly muted, through either executive or legislative action and that DeVry will successfully receive a waiver or other consideration to allow the Ross School of Veterinary Medicine to avoid GE sanctions.
- **Sum of the parts suggests upside:** DeVry's problems have not evaporated overnight. Its core DeVry University (DVU) business continues to experience double-digit volume declines, as it struggles to differentiate itself in an increasingly competitive market. Its medical schools have seemed to wilt under new competitive pressure and its nursing school has recently exhibited signs of stress and slowing growth. Nevertheless we believe that in total these assets are undervalued. What prevented us from recommending the stock was fear of potential DTR claims. With a new Dept. of Ed likely to interpret misrepresentation more narrowly, these concerns have abated and made the upside more compelling in our view.
- **Catalysts and Risks:** Continued improvement at DVU, Ross, and AUC, stabilization at Chamberlain and resolution of FTC claim are all potential positives. Most likely risk includes continued underperformance.
- **Raising target price to \$30 from \$24:** Our target is based on our view of the sum of the parts of DeVry's business, which we believe ranges between \$27 and \$33. The biggest swing factor between the extremes remains an assessment of the company's regulatory liability.

Share price performance



On 08-Nov-2016 the S&P 500 INDEX closed at 2139.56
Daily Nov10, 2015 - Nov08, 2016, 11/10/15 = US\$23.31

Quarterly EPS	Q1	Q2	Q3	Q4
2016A	0.08	-0.78	0.81	-0.14
2017E	0.39	0.73	0.75	0.68
2018E	0.51	0.79	0.82	0.81

Financial and valuation metrics

Year	6/16A	6/17E	6/18E
EPS (CS adj.) (US\$)	2.42	2.65	2.93
Prev. EPS (US\$)	-	-	-
P/E (x)	9.7	8.9	8.0
P/E rel. (%)	52.1	48.2	48.9
Revenue (US\$ m)	1,843.5	1,829.9	1,900.4
EBITDA (US\$ m)	288.3	300.6	313.6
OCFPS (US\$)	3.60	3.72	4.87
P/OCF (x)	5.0	6.3	4.8
EV/EBITDA (current)	4.9	4.7	4.5
Net debt (US\$ m)	-308	-91	-325
ROIC (%)	17.48	10.36	11.62
Number of shares (m)	62.62	IC (current, US\$ m)	1,279.04
BV/share (Next Qtr., US\$)	25.6	EV/IC (x)	.9
Net debt (Next Qtr., US\$ m)	12.3	Dividend (current, US\$)	-
Net debt/tot eq (Next Qtr., %)	.8	Dividend yield (%)	-

Source: Company data, Thomson Reuters, Credit Suisse estimates

DISCLOSURE APPENDIX AT THE BACK OF THIS REPORT CONTAINS IMPORTANT DISCLOSURES, ANALYST CERTIFICATIONS, LEGAL ENTITY DISCLOSURE AND THE STATUS OF NON-US ANALYSTS. US Disclosure: Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

DeVry Education Group Inc. (DV)

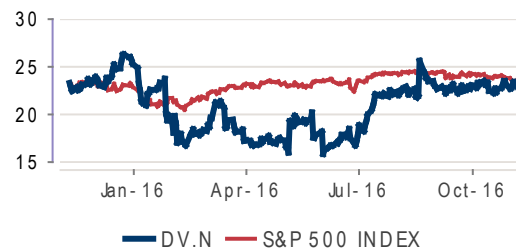
Price (08 Nov 2016): **US\$23.5**; Rating: (from NEUTRAL) **OUTPERFORM [V]**; Target Price: (from **US\$24.00**) **US\$30.00**; Analyst: Trace Urdan

Income Statement	6/16A	6/17E	6/18E
Revenue (US\$ m)	1,843.5	1,829.9	1,900.4
EBITDA	288	301	314
Depr. & amort.	(86)	(86)	(86)
EBIT (US\$)	203	215	228
Net interest exp	(5)	0	0
Associates	-	-	-
Other adj.	0	0	0
PBT (US\$)	198	215	228
Income taxes	15	(47)	(42)
Profit after tax	212	168	186
Minorities	0	-0	-0
Preferred dividends	-	-	-
Associates & other	(56)	0	0
Net profit (US\$)	156	168	186
Other NPAT adjustments	0	0	0
Reported net income	156	168	186
Cash Flow	6/16A	6/17E	6/18E
EBIT	203	215	228
Net interest	(5)	0	0
Cash taxes paid	(27)	(65)	(41)
Change in working capital	(78)	4	(8)
Other cash & non-cash items	139	83	129
Cash flow from operations	232	237	308
CAPEX	(69)	(71)	(74)
Free cashflow to the firm	162	166	234
Aquisitions	(146)	(331)	0
Divestments	-	-	-
Other investment/(outflows)	(0)	0	0
Cash flow from investments	(215)	(402)	(74)
Net share issue/(repurchase)	(31)	(32)	0
Dividends paid	(23)	(23)	0
Issuance (retirement) of debt	0	130	0
Other	(11)	(127)	0
Cashflow from financing activities	(66)	(52)	0
Effect of exchange rates	5	1	0
Changes in Net Cash/Debt	(45)	(217)	234
Net debt at start	(353)	(308)	(91)
Change in net debt	45	217	(234)
Net debt at end	(308)	(91)	(325)
Balance Sheet (US\$)	6/16A	6/17E	6/18E
Assets			
Cash & cash equivalents	308	221	455
Account receivables	162	158	167
Inventory	0	0	0
Other current assets	48	47	49
Total current assets	518	426	671
Total fixed assets	522	516	514
Intangible assets and goodwill	931	1,274	1,264
Investment securities	-	-	-
Other assets	126	125	128
Total assets	2,097	2,340	2,577
Liabilities			
Accounts payables	65	63	66
Short-term debt	0	0	0
Other short term liabilities	297	290	305
Total current liabilities	362	353	372
Long-term debt	0	130	130
Other liabilities	148	144	152
Total liabilities	510	627	654
Shareholder equity	1,582	1,708	1,918
Minority interests	5	5	5
Total liabilities and equity	2,097	2,340	2,577
Net debt	(308)	(91)	(325)

Source: Company data, Thomson Reuters, Credit Suisse estimates

Per share	6/16A	6/17E	6/18E	
No. of shares (wtd avq)	64	64	63	
CS adj. EPS	2.42	2.65	2.93	
Prev. EPS (US\$)	-	-	-	
Dividend (US\$)	0.00	0.00	0.00	
Dividend payout ratio	0.00	0.00	0.00	
Free cash flow per share	2.52	2.60	3.70	
Earnings	6/16A	6/17E	6/18E	
Sales growth (%)	(3.5)	(0.7)	3.9	
EBIT growth (%)	0.1	5.9	6.1	
Net profit growth (%)	14.7	7.9	10.4	
EPS growth (%)	16.2	11.1	10.3	
EBITDA margin (%)	15.6	16.4	16.5	
EBIT margin (%)	11.0	11.7	12.0	
Pretax margin (%)	10.7	11.7	12.0	
Net margin (%)	8.5	9.2	9.8	
Valuation	6/16A	6/17E	6/18E	
EV/Sales (x)	0.63	0.75	0.60	
EV/EBITDA (x)	4.9	4.7	4.5	
EV/EBIT (x)	5.7	6.4	5.0	
P/E (x)	9.7	8.9	8.0	
Price to book (x)	1.0	0.9	0.8	
Asset turnover	0.9	0.8	0.7	
Returns	6/16A	6/17E	6/18E	
ROE stated-return on (%)	9.9	10.2	10.3	
ROIC (%)	0.2	0.1	0.1	
Interest burden (%)	0.97	1.00	1.00	
Tax rate (%)	(10.3)	21.7	18.5	
Financial leverage (%)	0.00	0.08	0.07	
Gearing	6/16A	6/17E	6/18E	
Net debt/equity (%)	(19.4)	(5.3)	(16.9)	
Net Debt to EBITDA (x)	Net Cash	Net Cash	Net Cash	
Interest coverage ratio (X)	39.3	(686.6)	(728.7)	
Quarterly EPS	Q1	Q2	Q3	Q4
2016A	0.08	-0.78	0.81	-0.14
2017E	0.39	0.73	0.75	0.68
2018E	0.51	0.79	0.82	0.81

Share price performance



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Figure 1: DeVry Education: Sum of the Parts

	CY2017 Revenue	CY:17 Taxed Earnings	CY:17 Untaxed Earnings	Tax Rate	Low	High	Low	High
DeVry University	451	(2)	(4)	40%	15.0x	13.0x	(\$35)	(\$30)
Ross / AUC Medical	297	42	60	30%	16.0x	18.0x	\$673	\$757
Ross / AUC Vet	89	12	18	30%	8.0x	10.0x	\$100	\$125
Chamberlain College of Nursing	416	46	75	40%	16.0x	19.0x	\$743	\$883
Carrington Colleges	188	(6)	(9)	40%	6.0x	8.0x	(\$35)	(\$47)
DeVry Brasil	255	22	24	8%	11.0x	12.0x	\$245	\$267
Becker	163	24	41	40%	18.0x	20.0x	\$440	\$488
Other Corporate		(18)	(22)	19%	13.0x	15.0x	(\$238)	(\$275)
Legal Liability							(\$200)	(\$100)
Total	1,859	140	204				Net Cash \$63	\$63
							Market Cap \$1,755	\$2,131
							Mean \$1,943	
							Implied Share Price \$30.41	

Source: Company data, Credit Suisse estimates

Figure 2: DeVry Education Group - Income Statement (\$ in thousands except per share)

	FY12A	FY13A	FY14A	FY15A	Sep-15A	Dec-15A	Mar-16A	Jun-16A	FY16A	Sep-16A	Dec-16E	Mar-17E	Jun-17E	FY17E	FY18E	CY16E	CY17E	CY18E	CY19E	CY20E
Tuition	1,949,909	1,840,033	1,784,639	1,756,981	396,056	421,602	425,966	429,757	1,673,381	399,027	415,109	418,256	415,566	1,647,958	1,709,382	1,669,859	1,670,270	1,754,634	1,859,544	1,967,039
Other educational	121,874	124,342	138,733	153,962	45,357	34,601	48,255	41,943	170,156	50,865	36,331	50,668	44,040	181,904	190,999	177,394	186,264	195,577	205,356	215,624
Total Revenues	2,071,783	1,964,375	1,923,372	1,910,943	441,413	456,203	474,221	471,700	1,843,537	449,892	451,440	468,924	459,606	1,829,862	1,900,381	1,847,253	1,856,534	1,950,211	2,064,900	2,182,663
y/y growth	-4.1%	-5.2%	-2.1%	-0.6%	-4.5%	-5.9%	-3.2%	-0.3%	-3.5%	1.9%	-1.0%	-1.1%	-2.6%	-0.7%	3.9%	-0.8%	0.5%	5.0%	5.9%	5.7%
Costs of educational services	960,814	962,223	983,438	1,000,055	245,077	241,021	252,867	247,813	986,778	250,673	235,980	249,516	241,301	977,470	1,013,441	987,333	991,011	1,041,020	1,101,398	1,164,357
% of revenue	46.4%	49.0%	51.1%	52.3%	55.5%	52.8%	53.3%	52.5%	53.5%	55.7%	52.3%	53.2%	52.5%	53.4%	53.3%	53.4%	53.4%	53.4%	53.3%	53.3%
y/y growth	5.1%	0.1%	2.2%	1.7%	-0.5%	-3.9%	-0.1%	-0.8%	-1.3%	2.3%	-2.1%	-1.3%	-2.6%	-0.9%	3.7%	-0.2%	0.4%	5.0%	5.8%	5.7%
Gross Profit	1,110,969	1,002,152	939,934	910,888	196,336	215,182	221,354	223,887	856,759	199,219	215,460	219,408	218,305	852,392	886,940	859,920	865,523	909,191	963,502	1,018,306
% of revenue	53.6%	51.0%	48.9%	47.7%	44.5%	47.2%	46.7%	47.5%	46.5%	44.3%	47.7%	46.8%	47.5%	46.6%	46.7%	46.6%	46.6%	46.6%	46.7%	46.7%
Student services/administration	789,903	756,384	727,869	708,285	164,016	159,163	161,483	169,388	654,050	161,065	155,696	157,803	163,207	637,771	659,151	647,632	647,824	672,783	704,112	735,544
% of revenue	38.1%	38.5%	37.8%	37.1%	37.2%	34.9%	34.1%	35.9%	35.5%	36.8%	34.5%	33.7%	35.5%	34.9%	34.7%	35.1%	34.9%	34.5%	34.1%	33.7%
y/y growth	6.1%	-4.2%	-3.8%	-2.7%	-7.7%	-9.0%	-10.4%	-3.4%	-7.7%	-1.8%	-2.2%	-2.3%	-3.6%	-2.5%	3.4%	-4.6%	0.0%	3.9%	4.7%	4.5%
Total operating expenses	1,750,717	1,718,607	1,711,307	1,708,340	409,093	400,184	414,350	417,201	1,640,828	411,738	391,676	407,320	404,507	1,615,241	1,672,593	1,634,965	1,638,835	1,713,803	1,805,510	1,899,900
Special charges	78,446	78,840	30,797	44,693	24,073	112,396	(976)	79,359	214,853	5,047										
Operating Income (Loss)	321,066	245,768	212,065	202,603	32,320	56,019	60,847	54,499	202,709	38,154	59,765	61,604	55,099	214,621	227,789	212,289	217,699	236,408	259,390	282,762
Operating Margin	15.5%	12.5%	11.0%	10.6%	7.3%	12.3%	12.8%	11.6%	11.0%	8.5%	13.2%	13.1%	12.0%	11.7%	12.0%	11.5%	11.7%	12.1%	12.6%	13.0%
Net interest	(1,795)	(1,959)	(1,901)	(3,250)	(2,199)	(1,607)	(1,381)	34	(5,155)	(1,057)	2	63	78	313	313	(1,176)	313	313	313	313
Pretax income	319,271	243,809	210,164	199,353	30,121	54,412	59,466	54,533	197,554	37,097	59,767	61,667	55,177	214,934	228,101	211,113	218,012	236,721	259,702	283,075
Taxes	91,480	56,760	39,719	35,125	5,723	10,318	7,536	12,957	41,890	8,335	13,429	13,855	12,397	48,016	42,199	42,257	44,969	43,793	48,045	52,369
Tax Rate (ex-write-off)	28.7%	23.3%	18.9%	17.6%	19.0%	19.0%	12.7%	23.8%	21.2%	22.5%	22.5%	22.5%	22.5%	22.3%	18.5%	20.0%	20.6%	18.5%	18.5%	18.5%
Non controlling interest	(816)	(2,054)	(660)		79	(117)	(5)	(368)	(411)	3										
Extraordinary Expense	78,862	61,307	2,877				6,332		6,332							0	0	0	0	0
Discontinued operations (net of tax)	(27,541)	(16,902)	(33,281)																	
Net Income from Continuing Ops.	226,975	187,049	169,785	164,228	24,398	44,094	45,598	41,576	155,664	28,762	46,338	47,812	42,780	166,918	185,903	168,856	173,043	192,927	211,657	230,706
% of revenue	11.0%	9.5%	8.8%	8.6%	5.5%	9.7%	9.6%	8.8%	8.4%	6.4%	10.3%	10.2%	9.3%	9.1%	9.8%	9.1%	9.3%	9.9%	10.3%	10.6%
Average shares (diluted)	67,705	64,611	64,853	65,344	64,279	64,654	64,353	63,784	64,371	63,896	63,719	63,542	63,365	63,631	63,365	63,938	63,409	63,365	63,365	63,365
y/y growth	-4.1%	-4.6%	0.4%	0.8%	-1.8%	-1.2%	-1.4%	-2.2%	-1.5%	-0.6%	-1.4%	-1.3%	-0.7%	-1.2%	-0.4%	-1.4%	-0.8%	-0.1%	0.0%	0.0%
Reported GAAP EPS	\$2.51	\$1.95	\$2.33	\$2.08	\$0.08	(\$0.78)	\$0.81	(\$0.16)	(\$0.05)	\$0.39	\$0.73	\$0.75	\$0.68	\$2.65	\$2.93	\$3.10	\$2.73	\$3.04	\$3.34	\$3.64
EPS (Continuing Operations)	\$3.35	\$2.90	\$2.62	\$2.51	\$0.38	\$0.68	\$0.71	\$0.65	\$2.42	\$0.45	\$0.73	\$0.75	\$0.68	\$2.62	\$2.93	\$2.64	\$2.73	\$3.04	\$3.34	\$3.64
y/y growth	-29.3%	-13.6%	-9.5%	-4.1%	-19.6%	-9.5%	1.6%	13.4%	-3.8%	18.6%	6.6%	6.2%	3.6%	8.5%	11.8%	12.3%	3.3%	11.6%	9.7%	9.0%
Free cash flow	152,843	150,444	183,567	120,500	93,828	(58,357)	133,214	(6,512)	162,173	86,450	(51,766)	126,724	4,214	165,622	234,258	164,691	230,619	225,217	364,070	394,086
% of revenue	7.4%	7.7%	9.5%	6.3%	21.3%	(12.8%)	28.1%	(1.4%)	8.8%	19.2%	(11.5%)	27.0%	0.9%	9.1%	12.3%	8.9%	12.4%	11.5%	17.6%	18.1%
Free cash flow per share	\$2.26	\$2.33	\$2.83	\$1.84	\$1.46	(\$0.90)	\$2.07	(\$0.10)	\$2.52	\$1.35	(\$0.81)	\$1.99	\$0.07	\$2.60	\$3.70	\$2.54	\$3.60	\$3.54	\$5.75	\$6.22
EBITDA	409,755	339,018	301,882	293,159	53,345	77,266	82,414	76,211	288,260	59,069	81,451	83,303	76,810	300,634	313,593	299,145	304,072	322,146	345,257	368,995
% of revenue	19.8%	17.3%	15.7%	15.3%	12.1%	16.9%	17.4%	16.2%	15.6%	13.1%	18.0%	17.8%	16.7%	16.4%	16.5%	16.2%	16.4%	16.5%	16.7%	16.9%
y/y growth	-27.6%	-17.3%	-11.0%	-2.9%	-9.8%	-4.1%	3.4%	4.9%	-1.7%	10.7%	5.4%	1.1%	0.8%	4.3%	4.3%	5.7%	1.6%	5.9%	7.2%	6.9%

Source: Company data, Credit Suisse estimates

Figure 3: DeVry Education Group - Segment and Enrollment Data (\$ in thousands except per share)

	FY12A	FY13A	FY14A	FY15A	Sep-16A	Dec-16A	Mar-16A	Jun-16A	FY16A	Sep-16A	Dec-16E	Mar-17E	Jun-17E	FY17E	FY18E	FY19E	FY20E
Segment Revenue Info:																	
Business, Technology and Management	1,303,556	1,096,695	929,948	794,161	159,466	160,212	156,417	135,037	611,132	120,890	123,161	123,291	106,226	473,568	440,331	438,701	447,309
<i>Business, Technology and Management y/y growth</i>	-10.7%	-15.9%	-15.2%	-14.6%	-21.7%	-23.8%	-23.3%	-23.4%	-23.0%	-24.2%	-23.1%	-21.2%	-21.3%	-22.5%	-7.0%	-0.4%	2.0%
Medical & Healthcare	611,953	672,604	769,126	859,477	223,984	234,374	246,806	231,168	936,332	236,754	241,702	253,111	237,265	968,832	1,014,025	1,070,523	1,129,453
<i>Medical & Healthcare y/y growth</i>	9.6%	9.9%	14.4%	11.7%	8.7%	9.5%	8.0%	8.9%	9.3%	5.7%	3.1%	2.6%	2.6%	3.5%	4.7%	5.0%	5.5%
Intl. & Professional Education	156,284	196,576	228,057	258,840	58,673	62,403	71,745	106,197	299,018	92,970	87,364	93,269	116,817	390,419	448,982	502,860	553,146
<i>Intl. & Professional Education y/y growth</i>	10.2%	25.8%	16.0%	13.5%	10.3%	1.9%	17.4%	27.5%	15.5%	58.5%	40.0%	30.0%	10.0%	30.6%	15.0%	12.0%	10.0%
Intersegment		(1,500)	(2,665)	(2,535)	(710)	(786)	(747)	(702)	(2,945)	(722)	(786)	(747)	(702)	(2,957)	(2,957)	(2,957)	(2,957)
Total Revenues	2,071,793	1,964,375	1,923,372	1,909,943	441,413	456,203	474,221	471,700	1,843,537	449,892	451,440	468,924	459,606	1,829,862	1,900,381	2,009,127	2,126,952
<i>Total Revenues y/y growth</i>	-4.1%	-3.2%	-2.1%	-0.7%	-4.5%	-3.9%	-3.2%	-0.3%	-3.5%	1.9%	-1.0%	-1.1%	-2.6%	-0.7%	3.9%	5.7%	5.9%
Total Operating Expenses	1,740,730	1,702,677	1,711,196	1,715,576	407,390	388,024	411,108	406,884	1,623,406	409,610	389,542	404,075	393,660	1,596,895	1,654,248	1,741,068	1,835,570
Segment Operating Income:																	
Business, Technology and Management	206,084	99,123	30,638	14,983	(1,557)	8,897	6,393	(983)	13,050	(6,288)	5,192	3,080	(3,564)	(1,580)	(5,427)	(5,753)	(4,204)
<i>Business, Technology and Management y/y growth</i>	-17.1%	-45.8%	-42.3%	-43.8%	-10.1%	2.1%	0.7%	-10.1%	1.2%	-10.2%	-10.2%	-10.2%	-10.4%	-10.4%	-10.4%	-10.4%	-10.4%
Medical & Healthcare	86,638	117,159	141,020	153,447	34,252	42,222	52,819	37,885	167,178	43,211	44,388	55,054	39,715	182,368	193,031	205,390	217,260
<i>Medical & Healthcare y/y growth</i>	18.3%	17.4%	18.3%	17.9%	15.3%	18.0%	21.4%	16.4%	17.9%	18.3%	18.4%	21.8%	16.7%	18.8%	19.0%	19.2%	19.2%
Intl. & Professional Education	38,341	46,876	44,277	38,672	2,038	7,846	4,648	28,316	42,848	4,081	13,105	7,461	30,489	55,136	61,486	71,379	81,283
<i>Intl. & Professional Education y/y growth</i>	9.9%	27.1%	13.0%	6.7%	17.4%	20.8%	-22.6%	-23.0%	20.9%	-22.7%	-21.2%	-19.7%	-18.6%	20.7%	-7.9%	1.7%	4.9%
Other	(9,997)	(27,813)	(13,095)	(6,749)	(2,794)	(2,920)	(3,992)	(11,541)	(21,247)	(2,849)	(2,920)	(3,992)	(11,541)	(21,302)	(21,302)	(21,302)	(21,302)
Operating Income	321,066	235,385	202,840	200,323	31,939	56,045	59,868	53,977	201,829	38,155	59,765	61,604	55,099	214,622	227,789	249,714	273,037
<i>Operating Income % of revenue</i>	15.5%	12.0%	10.5%	10.5%	7.2%	12.3%	12.6%	11.4%	10.9%	8.5%	13.2%	13.1%	12.0%	11.7%	12.0%	12.4%	12.8%
Segment Margins:																	
Business, Technology and Management	15.8%	9.0%	3.3%	1.9%	-1.0%	5.6%	4.1%	-0.5%	2.1%	-5.2%	4.2%	2.5%	-3.4%	-0.3%	-1.2%	-1.3%	-0.9%
<i>Business, Technology and Management y/y growth</i>	-17.1%	-45.8%	-42.3%	-43.8%	-10.1%	2.1%	0.7%	-10.1%	1.2%	-10.2%	-10.2%	-10.2%	-10.4%	-10.4%	-10.4%	-10.4%	-10.4%
Medical & Healthcare	14.2%	17.4%	18.3%	17.9%	15.3%	18.0%	21.4%	16.4%	17.9%	18.3%	18.4%	21.8%	16.7%	18.8%	19.0%	19.2%	19.2%
<i>Medical & Healthcare y/y growth</i>	18.3%	17.4%	18.3%	17.9%	15.3%	18.0%	21.4%	16.4%	17.9%	18.3%	18.4%	21.8%	16.7%	18.8%	19.0%	19.2%	19.2%
Intl. & Professional Education	24.5%	23.8%	19.4%	14.9%	3.5%	12.6%	6.5%	26.7%	14.3%	4.4%	15.0%	8.0%	26.1%	14.1%	13.7%	14.2%	14.7%
Enrollment Info																	
New undergraduates (Total)	40,570	34,686	31,404	26,639	6,003	4,886	4,521	4,467	19,877	4,669	4,186	3,873	3,827	16,555	16,555	17,052	17,734
<i>New undergraduates (Total) y/y growth</i>	-24.3%	-14.5%	-9.5%	-15.2%	-20.5%	-28.5%	-28.9%	-24.2%	-25.4%	-22.2%	-14.3%	-14.3%	-14.3%	-16.7%	0.0%	4.0%	4.0%
Total undergraduates (Total)	60,907	50,937	43,787	37,323	31,476	30,702	28,898	27,018	29,524	24,322	24,179	23,216	21,990	23,427	21,579	21,946	23,013
<i>Total undergraduates (Total) y/y growth</i>	-12.5%	-16.4%	-14.0%	-14.8%	-17.4%	-20.8%	-22.6%	-23.0%	-20.9%	-22.7%	-21.2%	-19.7%	-18.6%	-20.7%	-7.9%	1.7%	4.9%
Undergraduate retention (Total)	80.2%				72.6%	82.0%	79.4%	78.0%		72.7%	82.2%	80.0%	78.2%				
<i>Undergraduate retention (Total) y/y growth</i>					20 bps	-183 bps	-51 bps	-11 bps		12 bps	18 bps	60 bps	20 bps				
Graduate coursetakers (Total)	23,151	20,048	16,698	14,678	12,368	12,621	11,699	11,106	11,949	10,385	10,597	10,197	9,325	10,126	9,620	9,139	8,682
<i>Graduate coursetakers (Total) y/y growth</i>	-1.3%	-13.4%	-16.7%	-12.1%	-14.2%	-17.3%	-21.8%	-21.1%	-18.6%	-16.0%	-16.0%	-12.8%	-21.8%	-15.3%	-5.0%	-5.0%	-5.0%
Total DVUC (Total)	84,057	70,985	60,486	52,001	43,845	43,323	40,597	38,124	41,472	34,707	34,775	33,413	31,315	33,553	31,199	31,084	31,695
<i>Total DVUC (Total) y/y growth</i>	-9.7%	-15.6%	-14.8%	-14.0%	-16.5%	-19.8%	-22.4%	-22.5%	-20.2%	-20.8%	-19.7%	-17.7%	-17.9%	-19.1%	-7.0%	-0.4%	2.0%
DVUC revenue per student (\$)	3,876	3,860	3,842	3,814	3,637	3,698	3,853	3,542	3,683	3,483	3,542	3,690	3,392	3,527	3,527	3,527	3,527
<i>DVUC revenue per student (\$) y/y growth</i>	-1.2%	-0.4%	-0.5%	-0.7%	-6.2%	-5.0%	-1.1%	-1.3%	-3.4%	-4.2%	-4.2%	-4.2%	-4.2%	-4.2%	0.0%	0.0%	0.0%
DeVry University Online (Total)	72,808																
<i>DeVry University Online (Total) y/y growth</i>	-7.6%																
New Chamberlain College (Total)	8,667	11,448			4,651	5,048	5,531	4,850		4,646	5,156	5,784	5,092				
<i>New Chamberlain College (Total) y/y growth</i>	2.7%				16.3%	24.1%	15.6%	13.1%		-0.1%	2.1%	4.2%	5.0%				
Total Chamberlain College (Total)	10,574	12,675	15,038	21,423	23,107	25,703	27,857	27,502	26,042	26,413	28,766	30,750	30,098	29,007	31,181	33,064	34,880
<i>Total Chamberlain College (Total) y/y growth</i>	24.7%	19.9%	18.6%	42.5%	23.5%	23.3%	20.7%	19.2%	21.6%	14.3%	11.9%	10.4%	9.4%	11.4%	7.5%	6.0%	5.5%
Chamberlain College Retention	82.6%	81.3%	74.8%	63.8%	80.0%	89.4%	88.9%	81.3%		84.4%	79.1%	89.4%	86.9%	81.3%	84.2%	84.2%	84.2%
<i>Chamberlain College Retention y/y growth</i>	33 bps	-126 bps	-650 bps	1900 bps	-3655 bps	-28 bps	-87 bps	-7 bps		-944 bps	-87 bps	0 bps	0 bps	0 bps	-22 bps	0 bps	0 bps
New Carrington Colleges	7,780	9,157	8,452	9,532	2,584	1,858	2,058	1,681	8,181	2,338	1,709	1,893	1,681	7,622	7,927	8,244	8,573
<i>New Carrington Colleges y/y growth</i>	-29.5%	17.7%	-7.7%	12.8%	-1.5%	-4.8%	-5.9%	-39.3%	-14.2%	-9.5%	-8.0%	-8.0%	0.0%	-6.8%	4.0%	4.0%	4.0%
Total Carrington Colleges	7,374	7,524	7,592	7,596	7,560	7,211	7,181	6,456	7,102	6,638	6,410	6,447	5,968	6,366	6,304	6,486	6,729
<i>Total Carrington Colleges y/y growth</i>	-27.9%	2.0%	0.9%	-0.5%	-1.0%	-3.1%	-0.0%	-14.0%	-6.0%	-12.2%	-11.1%	-10.2%	-7.6%	-10.4%	-1.0%	2.9%	3.6%
Carrington Colleges Retention	68.5%	70.9%	72.8%	68.9%	66.3%	70.8%	71.0%	66.5%		66.6%	70.8%	71.0%	66.5%		68.7%	68.7%	68.7%
<i>Carrington Colleges Retention y/y change</i>	-13 bps	240 bps	189 bps	-393 bps	-187 bps	-115 bps	-220 bps	448 bps		33 bps	0 bps	0 bps	0 bps	8 bps	0 bps	0 bps	0 bps
DeVry Medical International (new students)	2,097	2,046	2,115	2,019	991	518		535	2,044	806	466		535	1,807	1,834	1,889	1,946
<i>DeVry Medical International (new students) y/y growth</i>	15.7%	-2.4%	3.4%	-4.3%	17.7%	-7.5%		-13.3%	1.2%	-18.7%	-10.0%		0.0%	-11.6%	1.5%	3.0%	3.0%
DeVry Medical International	6,033	6,002	6,416	6,154	6,546	6,374	6,313	5,850	6,271	6,168	6,168	6,075	5,626	6,009	5,828	5,723	5,683
<i>DeVry Medical International y/y growth</i>	15.0%	1.0%	5.3%	-4.1%	2.2%	3.7%	3.7%	-2.1%	1.9%	-5.8%	-3.2%	-3.8%	-3.6%	-4.2%	-3.0%	-1.8%	-0.7%
retention					92.9%	89.5%	99.0%	84.2%		91.7%	89.0%	98.5%	83.8%				
<i>retention y/y change</i>	0 bps	0 bps	0 bps	0 bps	-98 bps	226 bps	0 bps	-388 bps	0 bps	-127 bps	-46 bps	-55 bps	-39 bps	0 bps	0 bps	0 bps	0 bps
Total Medical Enrollment	23,981	26,291	29,046	35,133	37,213	39,288	41,351	39,808	39,415	39,219	41,344	43,273	41,692	41,382	43,312	45,273	47,292
<i>Total Medical Enrollment y/y growth</i>	0.1%	9.6%	10.5%	21.0%	13.6%	14.1%	12.4%	8.9%	12.2%	5.4%	5.2%	4.6%	4.7%	5.0%	4.7%	4.5%	4.5%
Medical revenue per student (\$)	6,379	6,396	6,658	6,122	6,019	5,965	5,969	5,807	5,940	6,037	5,846	5,849	5,691	5,856	5,856	5,914	5,973
<i>Medical revenue per student (\$) y/y growth</i>	9.3%	0.3%	4.1														

Figure 4: DeVry Education Group - Balance Sheet (\$ in thousands except per share)

	FY13A	FY14A	FY15A	Sep-15A	Dec-15A	Mar-16A	Jun-16A	FY16A	Sep-16A	Dec-16E	Mar-17E	Jun-17E	FY17E	FY18E
Assets														
Cash & equivalents	196,576	358,188	353,022	436,453	178,193	330,214	308,164	308,164	189,017	117,654	236,334	221,090	221,090	455,347
Marketable securities	2,975	3,448	3,579	3,398	3,493	3,528	3,609	3,609	3,738	3,738	3,738	3,738	3,738	3,738
Restricted cash	7,019	8,347	10,743	7,917	13,973	10,995	7,183	7,183	5,795	13,827	10,872	6,999	6,999	7,377
Accounts receivable, net	139,778	132,621	139,163	185,956	121,817	170,035	162,389	162,389	184,294	120,545	168,136	158,225	158,225	166,768
Inventory														
Deferred income taxes	32,515	39,679	41,458	36,451	41,261	43,080		-		40,830	42,599	-	-	-
Prepaid expenses and other current assets	35,320	34,808	53,092	47,939	41,551	36,754	36,760	36,760	40,814	41,117	36,343	35,817	35,817	37,751
Total current assets	414,183	577,091	601,057	718,114	400,288	594,606	518,105	518,105	423,658	337,712	498,022	425,869	425,869	670,981
Property & equipment, net	571,657	555,837	545,874	530,336	535,551	512,340	521,763	521,763	514,444	514,872	515,285	515,681	515,681	513,688
Goodwill and other intangible assets, net	790,935	814,811	876,060	837,320	900,895	936,058	930,863	930,863	1,280,277	1,278,162	1,276,051	1,273,943	1,273,943	1,264,197
Deferred income taxes	-	-	-	-	-	-	52,608	52,608	32,037	-	-	52,608	52,608	52,608
Marketable Securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Perkins Program Fund, net	13,450	13,450	13,450	13,450	13,450	13,450	13,450	13,450	13,450	13,450	13,450	13,450	13,450	13,450
Other assets	49,672	36,447	37,752	37,522	58,728	59,443	60,207	60,207	60,490	58,115	58,779	58,663	58,663	61,830
Total non-current assets	1,425,714	1,420,545	1,473,136	1,418,628	1,508,624	1,521,291	1,578,891	1,578,891	1,900,698	1,864,599	1,863,564	1,914,345	1,914,345	1,905,774
Total assets	1,839,897	1,997,636	2,074,193	2,136,742	1,908,912	2,115,897	2,096,996	2,096,996	2,324,356	2,202,311	2,361,586	2,340,214	2,340,214	2,576,755
Liabilities														
Current portion of debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	55,131	52,260	63,083	59,777	56,762	54,222	64,687	64,687	57,423	56,169	53,616	63,028	63,028	66,431
Accrued salaries and expenses	145,867	157,471	168,594	156,280	157,269	177,226	196,707	196,707	162,704	155,627	175,246	191,664	191,664	202,011
Advance tuition payments	27,135													
Deferred tuition revenue	70,343	99,160	90,232	223,343	77,778	170,106	100,442	100,442	224,713	76,966	168,206	97,867	97,867	103,150
Total current liabilities	298,476	308,891	321,909	439,400	291,809	401,554	361,836	361,836	444,840	288,763	397,068	352,559	352,559	371,593
Revolving loan	-	-	-	-	-	-	-	-	130,000	130,000	130,000	130,000	130,000	130,000
Senior Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	57,501	47,921	56,092	51,236	37,752	46,530	29,936	29,936	30,769	37,358	46,010	29,168	29,168	30,743
Other long-term liabilities	85,913	101,038	101,762	99,085	109,701	108,349	118,025	118,025	112,026	108,556	107,139	114,999	114,999	121,207
Total non-current liabilities	143,414	148,959	157,854	150,321	147,453	154,879	147,961	147,961	272,795	275,914	283,149	274,167	274,167	281,951
Total liabilities	441,890	457,850	479,763	589,721	439,262	556,433	509,797	509,797	717,635	564,676	680,217	626,726	626,726	653,543
Minority interest	854	6,393	9,620	3,652	2,813	3,529	5,112	5,112	5,043	5,043	5,043	5,043	5,043	5,043
Total shareholders' equity	1,397,153	1,533,393	1,584,810	1,543,369	1,466,837	1,555,935	1,582,087	1,582,087	1,601,678	1,632,592	1,676,326	1,708,445	1,708,445	1,918,169
Total liabilities & shareholders' equity	1,839,897	1,997,636	2,074,193	2,136,742	1,908,912	2,115,897	2,096,996	2,096,996	2,324,356	2,202,311	2,361,586	2,340,214	2,340,214	2,576,755
Net cash	199,551	361,636	356,601	439,851	181,686	333,742	311,773	311,773	62,755	(8,608)	110,072	94,828	94,828	329,085
Net cash per share	\$3.09	\$5.58	\$5.46	\$6.84	\$2.81	\$5.19	\$4.89	\$4.84	\$0.98	(\$0.14)	\$1.73	\$1.50	\$1.49	\$5.19

Source: Company data, Credit Suisse estimates

Figure 5: DeVry Education Group - Cash Flow Statement (\$ in thousands except per share)

	FY13A	FY14A	FY15A	Sep-15A	Dec-15A	Mar-16A	Jun-16A	FY16A	Sep-16A	Dec-16E	Mar-17E	Jun-17E	FY17E	FY18E
Cash provided by operating activities														
Net income	125,739	134,711	140,699	5,386	(50,471)	51,930	(9,601)	(2,756)	25,149	46,338	47,812	42,780	162,079	185,903
Share-based compensation charge	15,493	17,685	17,440	6,238	3,974	3,777	8,379	22,368	5,750	4,173	3,966	8,798	22,687	23,821
Depreciation	83,111	82,739	85,008	19,677	19,693	19,979	20,051	79,400	17,476	19,572	19,588	19,604	76,239	76,059
Amortization	10,139	7,078	5,548	1,348	1,554	1,588	1,661	6,151	3,439	2,115	2,111	2,108	9,773	9,745
Provision for refunds and doubtful accounts	80,557	88,506	89,886	20,594	20,007	21,109	20,306	82,016	22,481	19,836	19,112	14,465	75,894	78,970
Deferred income taxes	(12,462)	(17,115)	3,563	(16)	(16,977)	3,200	(27,855)	(41,648)	3,328	(2,204)	6,884	(26,851)	(18,844)	1,575
Loss on disposals and adjustments to land	10,633	9,150	6,774	7,952	7,311	(2,453)	1,346	14,156	418	-	-	-	418	-
Other	47,079	13,774	(3,956)	-	99,473	(3,849)	45,004	140,628	-	-	-	-	-	-
Restricted cash	(4,521)	(1,328)	(2,396)	2,826	(6,056)	2,978	3,812	3,560	1,388	(8,032)	2,955	3,873	184	(378)
Accounts receivable	(124,448)	(82,262)	(96,534)	(76,472)	58,254	(65,526)	(7,905)	(91,649)	(45,280)	43,913	(66,702)	(4,555)	(72,625)	(87,512)
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses and other	24,389	23,430	(19,716)	8,894	(14,028)	3,544	9,628	8,038	(6,017)	(1,398)	2,693	8,502	3,779	1,108
Perkins program fund contribution and other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	(6,697)	(2,883)	10,830	(3,303)	(5,954)	(2,874)	2,519	(9,612)	(3,717)	(1,254)	(2,553)	9,412	1,888	3,403
Accrued salaries, wages, expenses	15,446	(10,864)	(24,725)	(10,363)	(9,836)	17,738	14,516	12,055	(35,995)	(7,077)	19,619	16,417	(7,035)	10,348
Advance tuition payments	6,648	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tuition revenue	(7,158)	301	(9,314)	133,820	(147,006)	92,029	(69,981)	8,862	109,348	(147,747)	91,240	(70,339)	(17,498)	5,284
Net cash/operating activities	263,948	262,922	203,107	116,581	(40,062)	143,170	11,880	231,569	97,768	(31,766)	146,724	24,214	236,940	308,324
Cash used for investing activities														
Capital Expenditures	(113,504)	(79,355)	(82,607)	(22,753)	(18,295)	(9,956)	(18,392)	(69,396)	(11,318)	(20,000)	(20,000)	(20,000)	(71,318)	(74,066)
Proceeds (Payments) for sales (purchases)	(39,035)	(13,570)	(73,117)	(3,114)	(170,577)	27,902	(117)	(145,906)	(331,070)	-	-	-	(331,070)	-
Marketable securities (net)	(93)	8,603	(158)	(13)	(73)	(3,122)	3,103	(105)	-	-	-	-	-	-
Net cash/investing activities	(152,632)	(84,322)	(155,882)	(25,880)	(188,945)	14,824	(15,406)	(215,407)	(342,388)	(20,000)	(20,000)	(20,000)	(402,388)	(74,066)
Cash provided by financing activities														
Proceeds from exercise of stock options and	4,976	10,482	8,828	240	31	-	66	337	6,350	-	-	-	6,350	-
Proceeds from revolving credit facility (net)	-	-	-	-	-	-	-	-	130,000	-	-	-	130,000	-
Excess tax benefit from share-based payments	(2,443)	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends paid	(31,529)	(21,903)	(23,230)	-	(11,563)	-	(11,414)	(22,977)	-	(11,563)	-	(11,414)	(22,977)	-
Proceeds from sale of common stock (net)	(52,186)	1,372	(24,714)	(7,976)	(8,534)	(6,993)	(7,978)	(31,481)	(8,044)	(8,044)	(8,044)	(8,044)	(32,176)	-
Other	(4,390)	(6,457)	(9,497)	(2,931)	13	(2,972)	(5,610)	(11,500)	(3,518)	-	-	-	(3,518)	-
Net cash/financing activities	(85,572)	(16,506)	(48,613)	(10,667)	(20,053)	(9,965)	(24,936)	(65,621)	124,788	(19,607)	(8,044)	(19,458)	77,679	-
Effects of exchange rate differences	(3,244)	(1,050)	(3,778)	3,397	(9,200)	3,992	6,412	4,601	695	-	-	-	695	-
Net increase (decrease) in cash/equivalents	22,500	161,044	(5,166)	83,431	(258,260)	152,021	(22,050)	(44,858)	(119,137)	(71,373)	118,680	(15,244)	(87,074)	234,258
Cash at beginning of year	174,076	197,144	358,188	353,022	436,453	178,193	330,214	353,022	308,164	189,027	117,654	236,334	308,164	221,090
Cash at end of year [period]	196,576	358,188	353,022	436,453	178,193	330,214	308,164	308,164	189,027	117,654	236,334	221,090	221,090	455,347
Free cash flow	150,444	183,567	120,500	93,828	(58,357)	133,214	(6,512)	162,173	86,450	(51,766)	126,724	4,214	165,622	234,258
Free cash flow per share	\$2.33	\$2.83	\$1.84	\$1.46	(\$0.90)	\$2.07	(\$0.10)	\$2.52	\$1.35	(\$0.81)	\$1.99	\$0.07	\$2.60	\$3.70
y/y growth	3.1%	21.6%	(34.8%)	(20.4%)	(16.4%)	32.6%	(78.3%)	36.6%	(7.3%)	(10.0%)	(3.7%)	(165.1%)	3.3%	42.0%

Source: Company data, Credit Suisse estimates

Companies Mentioned (Price as of 08-Nov-2016)

DeVry Education Group Inc. (DV.N, \$23.5, NEUTRAL[V], TP \$24.0)

Disclosure Appendix

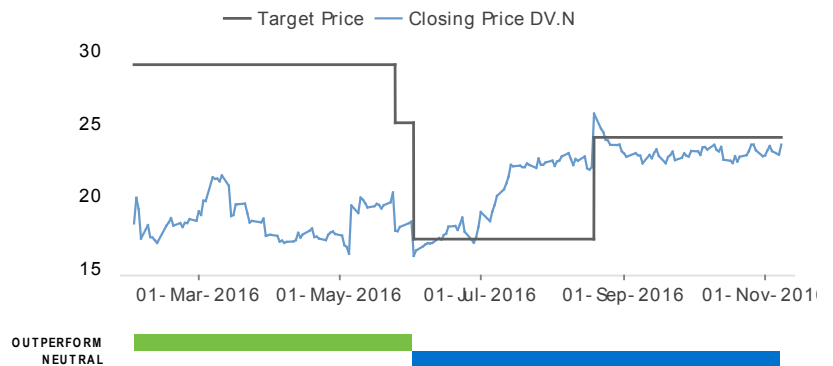
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3-Year Price and Rating History for DeVry Education Group Inc. (DV.N)

DV.N	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
02-Feb-16	18.08	29.00	O *
25-May-16	17.57	25.00	
02-Jun-16	15.84	17.00	N
19-Aug-16	25.63	24.00	

* Asterisk signifies initiation or assumption of coverage.



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Target Price and Rating

Valuation Methodology and Risks: (12 months) for DeVry Education Group Inc. (DV.N)

Method: Our \$24 target price for DV is derived by using a sum-of-the-parts analysis for the company's various businesses. Realization of this value is predicated on the continued healthy performance of the growing parts of DV's business and renewed confidence in the long-term outlook for the Brazilian business. An increase in the rate of enrollment decline at DVU or in the perceived level of regulatory risk could upset our valuation framework. Our Neutral rating is based on the stock currently trading near our target price.

Risk: Risks to our \$24 target price and Neutral rating for DV are the Federal Trade Commission lawsuit, regulatory risks, such as adherence to 90/10, cohort default rate, financial responsibility ratio, and gainful employment rules, as well as oversight by regulatory agencies, and legislative changes.

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See the Companies Mentioned section for full company names

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