

Universal Technical Institute Reports Fiscal Year 2011 Fourth Quarter and Year-End Results

SCOTTSDALE, Ariz., Nov. 29, 2011 /PRNewswire/ -- **Universal Technical Institute, Inc.** (NYSE: UTI), the leading provider of automotive technician training, today reported net revenues for the fourth quarter ended Sept. 30, 2011 of \$111.4 million, a 6.6 percent decrease from \$119.2 million for the fourth quarter of the prior year. Net income for the fourth quarter ended Sept. 30, 2011 was \$6.0 million, a decrease of 17.5 percent from \$7.2 million for the fourth quarter of the prior year. Earnings per share for the fourth quarter ended Sept. 30, 2011 was 24 cents per diluted share as compared to 29 cents per diluted share for the fourth quarter ended Sept. 30, 2010.

Net revenues for the year ended Sept. 30, 2011 were \$451.9 million, a 3.7 percent increase from \$435.9 million for the year ended Sept. 30, 2010. Net income for the year ended Sept. 30, 2011 was \$27.2 million, a decrease of 5.5 percent as compared to net income of \$28.8 million for the year ended Sept. 30, 2010. Earnings per share for the year ended Sept. 30, 2011 was \$1.10 per diluted share as compared to \$1.18 per diluted share for the year ended Sept. 30, 2010. The reduction in workforce announced on June 30, 2011, which resulted in severance costs of \$4.3 million (pre-tax) impacted earnings per share by approximately 11 cents for the year ended Sept. 30, 2011. See "Use of Non-GAAP Financial Information" below.

Return on equity for the trailing four quarters ended Sept. 30, 2011 was 21.4 percent compared to 25.6 percent for the trailing four quarters ended Sept. 30, 2010.

"Beyond implementing significant changes driven by new regulations, our focus for 2011 centered on improving our marketing and admissions effectiveness, completing the launch of our new blended learning automotive and diesel curriculum and strengthening graduate employment rates while achieving desired operating efficiencies," said Kim McWaters, chief executive officer. "We are pleased these efforts enabled us to achieve record revenues and double-digit operating margins for the year, but not without some very difficult decisions to align our cost structure with current and anticipated student populations."

"In our fourth quarter, we experienced year over year declines in new student starts, however, at a lower rate of decline than in our third quarter," McWaters said. "We remain focused on finding solutions to the problems we believe are driving these declines, namely the general economic conditions and their impact on the desire and ability of prospective students to obtain funding for their education."

"While we believe the economic conditions will continue to pressure student population growth in the short term, we are confident that the foundation laid in 2011 for greater efficiencies, improved cost control and sustained educational excellence, will position us for growth in the future," said McWaters.

Student Metrics

| | Three Months Ended September 30, | | Twelve Months Ended September 30, | |
|---|-------------------------------------|--------|--------------------------------------|--------|
| | 2011 | 2010 | 2011 | 2010 |
| | (Rounded to hundreds) | | | |
| Total starts | 6,500 | 7,600 | 16,200 | 19,500 |
| Average undergraduate full-time student enrollment End of period undergraduate full-time student enrollment | 17,300 | 19,500 | 18,500 | 18,600 |
| | 18,500 | 21,000 | 18,500 | 21,000 |

Fourth Quarter Operating Performance

For the fourth quarter of 2011, revenues were \$111.4 million, a 6.6 percent decrease from \$119.2 million for last year's fourth quarter. The decrease in revenues primarily relates to a decrease in average undergraduate full-time student enrollment of 11.0 percent partially offset by an increase in tuition rates. During the fourth quarter of 2011 and 2010, tuition excluded \$1.9 million and \$2.2 million, respectively, related to students participating in the Company's proprietary loan program which will be recognized as revenue when payments are received.

Operating income and margin for the fourth quarter of 2011 was \$10.2 million and 9.1 percent, respectively, compared to operating income and margin of \$11.8 million and 9.9 percent, respectively, in the same period last year. The decrease in operating income is primarily attributable to the decrease in revenues in the current quarter.

For the three months ended Sept. 30, 2011, the Dallas/Ft. Worth, Texas campus, which opened in June 2010, had revenues of \$3.5 million and incurred \$3.9 million in operating expenses, which includes \$1.8 million in corporate allocations. For the three months ended Sept. 30, 2010, the Dallas/Ft. Worth, Texas campus had revenues of \$1.1 million and incurred \$4.2 million in operating expenses, which includes \$1.5 million in corporate allocations.

Earnings before interest, taxes, depreciation and amortization (EBITDA) for the fourth quarter of 2011 was \$16.8 million compared to \$18.4 million in the same period last year. See "Use of Non-GAAP Financial Information" below.

Fiscal 2011 Operating Performance

Revenues for the year ended Sept. 30, 2011 were \$451.9 million, a 3.7 percent increase from \$435.9 million for the year ended September 30, 2010. The increase in revenues primarily relates to an increase in tuition rates, partially offset by an increase in tuition scholarships. The increase in revenues is also attributable to an increase in average undergraduate full-time student enrollment during the first three quarters of the year. During 2011 and 2010, tuition excluded \$7.0 million and \$9.7 million, respectively, related to students participating in the Company's proprietary loan program which will be recognized as revenue when payments are received.

Operating income and margin for the year ended Sept. 30, 2011 were \$45.1 million and 10.0 percent, respectively, compared to \$46.6 million and 10.6 percent, respectively, for the year ended Sept. 30, 2010. The decrease in operating income and margin are related to approximately \$4.3 million of severance costs associated with the reduction in our workforce in June 2011 as well as increases in salaries and benefits expense, depreciation expense, occupancy expense and advertising expense, partially offset by the increase in revenues and a decrease in bonus expense.

For the year ended Sept. 30, 2011, the Dallas/Ft. Worth, Texas campus had revenues of \$10.9 million and incurred \$14.4 million in operating expenses, which includes \$6.4 million in corporate allocations. For the year ended Sept. 30, 2010, the Dallas/Ft. Worth, Texas campus had revenues of \$1.2 million and incurred \$8.3 million in operating expenses, which includes \$3.5 million in corporate allocations.

Net income for the year ended Sept. 30, 2011 was \$27.2 million, or \$1.10 per diluted share, as compared to net income of \$28.8 million, or \$1.18 per diluted share, for the year ended Sept. 30, 2010.

Earnings before interest, taxes, depreciation and amortization (EBITDA) for the year ended Sept. 30, 2011 was \$71.1 million compared to \$67.8 million for the year ended Sept. 30, 2010. See "Use of Non-GAAP Financial Information" below.

Liquidity

Cash, cash equivalents and investments totaled \$109.6 million at Sept. 30, 2011, compared to \$81.1 million at Sept. 30, 2010. At Sept. 30, 2011, shareholders' equity totaled \$142.1 million as compared to \$108.4 million at Sept. 30, 2010.

Cash flow provided by operating activities was \$26.5 million and \$58.1 million for the three months and year ended Sept. 30, 2011, respectively, compared with \$29.9 million and \$67.5 million for the three months and year ended Sept. 30, 2010.

2012 Outlook

We expect the rate of decline experienced in 2011 in both applications and new student starts to slow in the first half of the year before potentially improving in the second half of the year. However, given our current enrollment levels, the macro-economic headwinds and the challenging regulatory environment we operate in, we anticipate the average student population for 2012 to decline by a rate in the low teens. We expect these lower levels of enrollments will result in a mid to high single digit decline in revenue in 2012. Given these trends, we are focused on efficiencies and managing costs, but do not anticipate reaching the same level of operating margins as was achieved in 2011. Furthermore, we plan on making our proprietary loan program more accessible to our current and prospective students and increase the number of need based scholarships in 2012 creating potential improvement in our show rates which would positively impact revenue. Due to the seasonality of our business and normal fluctuations in student populations, we would expect volatility in our quarterly results.

Conference Call

Management will hold a conference call to discuss the 2011 fourth quarter results today at 2:30 p.m. MST (4:30 p.m. EST). This call can be accessed by dialing 412-858-4600 or 800-860-2442. Investors are invited to listen to the call live at <http://uti.investorroom.com/>. Please access the website at least 15 minutes early to register, download and install any necessary audio software. A replay of the call will be available on the Investor Relations section of UTI's website for 60 days or the replay can be accessed through December 7, 2011 by dialing 412-317-0088 or 877-344-7529 and entering pass code 10007024.

Safe Harbor Statement

All statements contained herein, other than statements of historical fact, are "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933, as amended. Such statements are based upon management's current expectations and are subject to a number of uncertainties that could cause actual performance and results to differ materially from the results discussed in the forward-looking statements. Factors that could affect the Company's actual results include, among other things, changes to federal and state educational funding, changes to regulations affecting the for-profit education industry, possible failure or inability to obtain regulatory consents and

certifications for new or expanding campuses, potential increased competition, changes in demand for the programs offered by UTI, increased investment in management and capital resources, the effectiveness of the recruiting, advertising and promotional efforts, changes to interest rates and unemployment, general economic conditions of the Company and other risks that are described from time to time in the Company's public filings. Further information on these and other potential factors that could affect the financial results or condition may be found in the Company's filings with the Securities and Exchange Commission. The forward-looking statements speak only as of the date of this press release. Except as required by law, the Company expressly disclaims any obligation to publicly update any forward-looking statements whether as a result of new information, future events, changes in expectations, any changes in events, conditions or circumstances, or otherwise.

Use of Non-GAAP Financial Information

This press release and the related conference call contains non-GAAP (Generally Accepted Accounting Principles) financial measures, which are intended to supplement, but not substitute for, the most directly comparable GAAP measures. Management chooses to disclose to investors, these non-GAAP financial measures because they provide an additional analytical tool to clarify the results from operations and helps to identify underlying trends. Additionally, such measures help compare the Company's performance on a consistent basis across time periods. To obtain a complete understanding of the Company's performance these measures should be examined in connection with net income, determined in accordance with GAAP, as presented in the financial statements and notes thereto included in the annual and quarterly filings with the Securities and Exchange Commission. Since the items excluded from these measures are significant components in understanding and assessing financial performance under GAAP, these measures should not be considered to be an alternative to net income as a measure of the Company's operating performance or profitability. Exclusion of items in the non-GAAP presentation should not be construed as an inference that these items are unusual, infrequent or non-recurring. Other companies, including other companies in the education industry, may calculate non-GAAP financial measures differently than UTI does, limiting their usefulness as a comparative measure across companies. A reconciliation of the non-GAAP financial measures to the most directly comparable GAAP measures are included below.

About Universal Technical Institute, Inc.

Headquartered in Scottsdale, Arizona, Universal Technical Institute, Inc. (NYSE: UTI) is the leading provider of post-secondary education for students seeking careers as professional automotive, diesel, collision repair, motorcycle and marine technicians. With more than 150,000 graduates in its 46-year history, UTI offers undergraduate degree, diploma and certificate programs at 11 campuses across the United States, as well as manufacturer-specific training programs at dedicated training centers. Through its campus-based school system, UTI provides specialized post-secondary education programs under the banner of several well-known brands, including Universal Technical Institute (UTI), Motorcycle Mechanics Institute and Marine Mechanics Institute (MMI) and NASCAR Technical Institute (NTI). To learn more about UTI and its training services, log on to www.uti.edu.

(Tables Follow)

UNIVERSAL TECHNICAL INSTITUTE, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)

| | Three Months Ended September 30, | | Twelve Months Ended September 30, | |
|-------------------------------------|--|------------|--------------------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| | (In thousands, except per share amounts) | | | |
| Revenues | \$ 111,358 | \$ 119,243 | \$ 451,900 | \$ 435,921 |
| Operating expenses: | | | | |
| Educational services and facilities | 53,951 | 58,345 | 223,469 | 212,577 |
| Selling, general and administrative | 47,251 | 49,145 | 183,326 | 176,794 |
| Total operating expenses | 101,202 | 107,490 | 406,795 | 389,371 |
| Income from operations | 10,156 | 11,753 | 45,105 | 46,550 |
| Other income (expense): | | | | |
| Interest income, net | 53 | 55 | 252 | 250 |
| Other (expense) income | (54) | 123 | 291 | 479 |
| Total other income (expense), net | (1) | 178 | 543 | 729 |
| Income before income taxes | 10,155 | 11,931 | 45,648 | 47,279 |

| | | | | |
|---|-----------------|-----------------|------------------|------------------|
| Income tax expense | 4,204 | 4,715 | 18,410 | 18,451 |
| Net income | <u>\$ 5,951</u> | <u>\$ 7,216</u> | <u>\$ 27,238</u> | <u>\$ 28,828</u> |
| Earnings per share: | | | | |
| Net income per share – basic | <u>\$ 0.24</u> | <u>\$ 0.30</u> | <u>\$ 1.12</u> | <u>\$ 1.20</u> |
| Net income per share – diluted | <u>\$ 0.24</u> | <u>\$ 0.29</u> | <u>\$ 1.10</u> | <u>\$ 1.18</u> |
| Weighted average number of shares outstanding: | | | | |
| Basic | <u>24,598</u> | <u>24,233</u> | <u>24,427</u> | <u>24,041</u> |
| Diluted | <u>24,833</u> | <u>24,514</u> | <u>24,740</u> | <u>24,511</u> |
| Special cash dividend declared per common share | <u>-</u> | <u>-</u> | <u>-</u> | <u>\$1.50</u> |

UNIVERSAL TECHNICAL INSTITUTE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

| | September 30, 2011 | September 30, 2010 |
|--|--------------------------|--------------------------|
| (In thousands) | | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 53,670 | \$ 48,974 |
| Investments, current portion | 50,052 | 28,528 |
| Receivables, net | 11,205 | 19,253 |
| Deferred tax assets | 7,837 | 8,840 |
| Prepaid expenses and other current assets | 10,709 | 9,836 |
| Total current assets | <u>133,473</u> | <u>115,431</u> |
| Investments, less current portion | 5,830 | 3,596 |
| Property and equipment, net | 100,377 | 99,040 |
| Goodwill | 20,579 | 20,579 |
| Other assets | 5,328 | 3,853 |
| Total assets | <u>\$ 265,587</u> | <u>\$ 242,499</u> |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 35,905 | \$ 53,906 |
| Deferred revenue | 61,394 | 63,276 |
| Accrued tool sets | 4,723 | 5,066 |
| | 2,032 | - |
| Income tax payable | | |
| Other current liabilities | 642 | 66 |
| Total current liabilities | <u>104,696</u> | <u>122,314</u> |
| Deferred tax liabilities | 2,443 | 933 |
| Deferred rent liability | 11,799 | 5,621 |
| Other liabilities | 4,534 | 5,239 |
| Total liabilities | <u>123,472</u> | <u>134,107</u> |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Common stock, \$0.0001 par value, 100,000,000 shares authorized, | | |
| 29,560,276 shares issued and 24,690,050 shares outstanding at September 30, 2011 and | | |
| 29,148,585 shares issued and 24,278,359 shares outstanding at September 30, 2010 | 3 | 3 |
| Preferred stock, \$0.0001 par value, 10,000,000 shares authorized, 0 shares issued and outstanding | - | - |
| Paid-in capital | 156,497 | 150,012 |

| | | |
|---|-------------------|-------------------|
| Treasury stock, at cost, 4,870,226 shares at September 30, 2011 and September 30, 2010 | (76,506) | (76,506) |
| Retained earnings | 62,121 | 34,883 |
| | <u>142,115</u> | <u>108,392</u> |
| Total shareholders' equity | | |
| Total liabilities and shareholders' equity | <u>\$ 265,587</u> | <u>\$ 242,499</u> |

UNIVERSAL TECHNICAL INSTITUTE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

| | Twelve Months Ended | |
|---|----------------------------|------------------|
| | September 30, | |
| | 2011 | 2010 |
| | (In thousands) | |
| Cash flows from operating activities: | | |
| Net income | \$ 27,238 | \$ 28,828 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 24,842 | 19,888 |
| Amortization of held-to-maturity investments | 1,195 | 1,367 |
| Bad debt expense | 8,279 | 6,520 |
| Stock-based compensation | 6,279 | 5,894 |
| Excess tax benefit from stock-based compensation | (1,081) | (1,788) |
| Deferred income taxes | 2,513 | (3,541) |
| Loss on disposal of property and equipment | 957 | 341 |
| Changes in assets and liabilities: | | |
| Receivables | (840) | (9,886) |
| Prepaid expenses and other current assets | (1,110) | (462) |
| Other assets | (1,486) | (261) |
| Accounts payable and accrued expenses | (15,567) | 6,037 |
| Deferred revenue | (1,882) | 15,101 |
| Income tax payable (receivable) | 3,279 | (1,130) |
| Accrued tool sets and other current liabilities | 233 | 831 |
| Deferred rent liability | 6,178 | 28 |
| Other liabilities | (955) | (286) |
| Net cash provided by operating activities | <u>58,072</u> | <u>67,481</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (29,098) | (37,196) |
| Proceeds from disposal of property and equipment | 64 | 5 |
| Purchase of investments | (89,538) | (41,570) |
| Proceeds received upon maturity of investments | 64,585 | 36,641 |
| Net cash used in investing activities | <u>(53,987)</u> | <u>(42,120)</u> |
| Cash flows from financing activities: | | |
| Payment of cash dividends | - | (36,333) |
| Proceeds from issuance of common stock under employee plans | 1,269 | 4,083 |
| Payment of payroll taxes on stock-based compensation through shares withheld | (1,739) | (2,124) |
| Excess tax benefit from stock-based compensation | 1,081 | 1,788 |
| Net cash provided by (used in) financing activities | <u>611</u> | <u>(32,586)</u> |
| Net increase (decrease) in cash and cash equivalents | 4,696 | (7,225) |
| Cash and cash equivalents, beginning of period | 48,974 | 56,199 |
| Cash and cash equivalents, end of period | <u>\$ 53,670</u> | <u>\$ 48,974</u> |

UNIVERSAL TECHNICAL INSTITUTE, INC. AND SUBSIDIARIES
RECONCILIATION OF GAAP FINANCIAL INFORMATION TO NON-GAAP FINANCIAL INFORMATION
(UNAUDITED)

Reconciliation of Net Income to
EBITDA

| | Three Months Ended | | Twelve Months Ended | |
|-------------------------------|--------------------|------------------|---------------------|------------------|
| | September 30, | | September 30, | |
| | 2011 | 2010 | 2011 | 2010 |
| | (In thousands) | | | |
| Net income | \$ 5,951 | \$ 7,216 | \$ 27,238 | \$ 28,828 |
| Interest income, net | (53) | (55) | (252) | (250) |
| Income tax expense | 4,204 | 4,715 | 18,410 | 18,451 |
| Depreciation and amortization | 6,661 | 6,548 | 25,731 | 20,803 |
| EBITDA | <u>\$ 16,763</u> | <u>\$ 18,424</u> | <u>\$ 71,127</u> | <u>\$ 67,832</u> |

Reconciliation of Earnings Per Share Impact of Severance Costs Related to June 2011 Reduction In Workforce

| | Twelve Months Ended | |
|--|---------------------|--------------------|
| | September 30, 2011 | September 30, 2010 |
| Net income, as reported | \$ 27,238 | \$ 28,828 |
| Severance costs | 4,265 | - |
| Less: tax effects of severance costs | (1,664) | - |
| Net income, adjusted for severance costs | <u>\$ 29,839</u> | <u>\$ 28,828</u> |
| | | \$ 1.18 |
| | \$ 1.10 | |
| Diluted earnings per share, as reported | <u>\$ 1.21</u> | <u>\$ 1.18</u> |
| Diluted earnings per share, adjusted for severance costs | | |
| Diluted weighted average shares outstanding | <u>24,740</u> | <u>24,511</u> |

**UNIVERSAL TECHNICAL INSTITUTE, INC. AND SUBSIDIARIES
SELECTED SUPPLEMENTAL FINANCIAL INFORMATION
(UNAUDITED)**

| | Three Months Ended | | Twelve Months Ended | |
|--------------------------------------|--------------------|------------------|---------------------|-------------------|
| | September 30, | | September 30, | |
| | 2011 | 2010 | 2011 | 2010 |
| | (In thousands) | | | |
| Salaries expense | \$ 42,362 | \$ 40,754 | \$ 167,882 | \$ 153,620 |
| Employee benefits and tax | 8,281 | 7,892 | 35,424 | 32,406 |
| Bonus expense | 1,139 | 7,268 | 11,029 | 20,399 |
| Stock-based compensation | 1,508 | 1,204 | 6,279 | 5,894 |
| Total compensation and related costs | <u>\$ 53,290</u> | <u>\$ 57,118</u> | <u>\$ 220,614</u> | <u>\$ 212,319</u> |
| Occupancy expense | \$ 10,142 | \$ 10,299 | \$ 39,925 | \$ 38,719 |
| Bad debt expense | \$ 2,829 | \$ 1,937 | \$ 8,279 | \$ 6,520 |
| Depreciation expense | \$ 6,659 | \$ 6,546 | \$ 25,722 | \$ 20,793 |

SOURCE Universal Technical Institute, Inc.

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<https://investor.uti.edu/2011-11-29-Universal-Technical-Institute-Reports-Fiscal-Year-2011-Fourth-Quarter-and-Year-End-Results>