

NATIONAL AMERICAN UNIVERSITY SYSTEM HOLDINGS, INC. | v3.2(te77 -1.14uef)13.2(4w)-1( ) | TJ 3.964 5(\$)-13.2(r)-6.3(o)19y)16.1

## Operating Review

well as increased operating expenses related to educational services, loss on lease termination, and condominium sales.

- x Operating expense was impacted by a one-time loss on lease termination of \$0.4 million related to the payment to terminate the lease for the Tigard, Oregon, campus. This campus closed in the third quarter of FY 2017.
- x Net loss attributable to the Company for the FY 2018 first quarter was \$(3.8) million, or (\$0.16) per diluted share based on 24.2 million shares outstanding, compared to net loss attributable to the Company of \$(2.1) million, or (\$0.09) per diluted share based on 24.1 million shares outstanding, in the prior-year period, as a result of the reasons mentioned above and a \$1.0 million reduction in benefit from income taxes.
- x During the FY 2018 first quarter, the Company recorded a \$1.0 million valuation allowance against its deferred tax assets, similar to the charge taken during the FY 2017 third quarter. This non-cash charge, reducing the benefit from income taxes, is a result of the Company's assessment of the realizability of its deferred tax assets over a certain period of time. A primary factor in the assessment is that the Company is in a cumulative loss position over the three-year period ended August 31, 2017. This valuation allowance can be reduced or reversed in the future as the Company returns to profitability.
- x LBITDA for the FY 2018 first quarter were (\$2.7) million, compared to LBITDA of \$(1.5) million in the prior-year period. A table reconciling EBITDA/LBITDA to net income/loss can be found at the end of this release.

#### *Balance Sheet Highlights*

*(in millions except for percentages)*

	<u>8/31/2017</u>	<u>5/31/2017</u>	<u>% Change</u>
Cash and Cash Equivalents/Investments	\$ 11.2*	\$ 16.2	(30.7) %
Working Capital	6.4	11.2	(43.5) %
Other Long-term Liabilities	3.3	4.0	(17.9) %
Stockholders' Equity	25.1	29.9	(16.2) %

\*Decrease in cash was primarily the result of expenditures related to lease terminations, operating loss, the dividend, and the construction of Arrowhead Apartments.

#### Quarterly Dividend

The Board of Directors declared a cash dividend in the amount of \$0.045 per share on all shares of the Company's common stock outstanding and of record as of the close of business on September 30, 2017, which will be paid on or about October 6, 2017.

#### Conference Call Information

Management will discuss these results in a conference call (with accompanying presentation) on Thursday, September 28, 2017, at 11:00 a.m. ET.

The dial-in numbers are:

(877) 407-9078 (U.S.)

(201) 493-6745 (International)

#### Accompanying Slide Presentation and Webcast

The Company will also have an accompanying slide presentation available in PDF format at the "Investor Relations" section of the NAU website at <http://investors.national.edu>. The presentation will be made available 30 minutes prior to the conference call. In addition, the call will be simultaneously webcast over the Internet via the "Investor Relations" section of the NAU website or by clicking on the conference call link: <http://national.equisolvewebcast.com/q1-2018>.

#### About National American University Holdings, Inc.

National American University Holdings, Inc., through its wholly owned subsidiary, operates National American University, a regionally accredited, proprietary, multi-campus institution of higher learning offering associate, bachelor's, master's, and doctoral degree programs in technical and professional disciplines. Accredited by the

hybrid formats, which provide students increased flexibility to take courses at times and places convenient to their busy lifestyles.

### Forward Looking S tatemnts

This press release may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 regarding the Company's business. Statements made in this release, other than those concerning historical financial information, may be considered forward-looking statements, which speak only as of the date of this release and are based on current beliefs and expectations and involve a number of assumptions. These forward-looking statements include outlooks or expectations for earnings, revenue, expenses or other future financial or business performance, strategies or expectations, or the impact of legal or regulatory matters on business, results of operations or financial condition. Specifically, forward-looking statements may include statements relating to the future financial performance of the Company; the ability to continue to receive Title IV funds; the growth of the market for the Company's services; expansion plans and opportunities; consolidation in the market for the Company's services generally; and other statements preceded by, followed by or that include the words "estimate," "plan," "project," "forecast," "intend," "expect," "anticipate," "believe," "seek," "target" or similar expressions. These forward-looking statements involve a number of known and unknown risks and uncertainties or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by those forward-looking statements. Other factors that could cause the Company's results to differ materially from those contained in its forward-looking statements are included under, among others, the heading "Risk Factors" in the Company's Annual Report on Form 10-K, which the Company filed on August 4, 2017, and in its other filings with the Securities and Exchange Commission. The Company assumes no obligation to update the information contained in this release.

#### Contact Information:

National American University Holdings, Inc.  
Dr. Ronald Shape  
605-721-5220  
[rshape@national.edu](mailto:rshape@national.edu)

Investor Relations Counsel  
The Equity Group Inc.  
Carolyne Y. Sohn  
415-568-2255  
[csohn@equityny.com](mailto:csohn@equityny.com)

Adam Prior  
212-836-9606  
[aprior@equityny.com](mailto:aprior@equityny.com)

**NATIONAL AMERICAN UNIVERSITY HOLDINGS, INC. AND SUBSIDIARIES**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME  
FOR THE THREE MONTHS ENDED AUGUST 31, 2017 AND 2016  
(In thousands, except share and per share amounts)**

**NATIONAL AMERICAN UNIVERSITY HOLDINGS, INC. AND SUBSIDIARIES**

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET  
AS OF AUGUST 31, 2017 AND CONDENSED  
CONSOLIDATED BALANCE SHEET AS OF MAY 31, 2017  
(In thousands, except share and per share amounts)**

	August 31, 2017	May 31, 2017
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 7,017	\$ 11,974
Available for sale investments	4,185	4,183
Student receivables — net of allowance of \$1,068 and \$1,195 at August 31, 2017 and May 31, 2017, respectively	3,336	2,895
Other receivables	217	458
Income taxes receivable	2,300	2,301
Prepaid and other current assets	1,167	1,649
Total current assets	<u>18,222</u>	<u>23,460</u>
Total property and equipment - net	<u>30,586</u>	<u>31,318</u>
<b>OTHER ASSETS:</b>		
Condominium inventory	385	621
Land held for future development	229	229
Course development — net of accumulated amortization of \$3,388 and \$3,322 at August 31, 2017 and May 31, 2017, respectively	1,114	1,111
Deferred income taxes	47	-
Other	802	853
Total other assets	<u>2,577</u>	<u>2,814</u>
<b>TOTAL</b>	<u>\$ 51,385</u>	<u>\$ 57,592</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of capital lease payable	\$ 342	\$ 331
Accounts payable	3,098	3,076
Dividends payable	1,097	1,094
Income taxes payable	120	113
Deferred income	1,884	1,691
Accrued and other liabilities	5,323	5,906
Total current liabilities	<u>11,864</u>	<u>12,211</u>
<b>DEFERRED INCOME TAXES</b>	<u>-</u>	<u>194</u>
<b>OTHER LONG-TERM LIABILITIES</b>	<u>3,293</u>	<u>4,010</u>
<b>CAPITAL LEASE PAYABLE, NET OF CURRENT PORTION</b>	<u>11,148</u>	<u>11,237</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
Common stock, \$0.0001 par value (50,000,000 authorized; 28,568,855 issued and 24,232,895 outstanding as of August 31, 2017; 28,557,968 issued and 24,224,924 outstanding as of May 31, 2017)	3	3
Additional paid-in capital	59,117	59,060
(Accumulated deficit) Retained earnings	(11,540)	(6,622)
Treasury stock, at cost (4,335,960 shares at August 31, 2017 and 4,333,044 shares at May 31, 2017)	(22,488)	(22,481)
Accumulated other comprehensive loss, net of taxes - unrealized loss on available for sale securities	(10)	(4)
Total National American University Holdings, Inc. stockholders' equity	<u>25,082</u>	<u>29,956</u>
Non-controlling interest	(2)	(16)
Total stockholders' equity	<u>25,080</u>	<u>29,940</u>
<b>TOTAL</b>	<u>\$ 51,385</u>	<u>\$ 57,592</u>

The following table provides a reconciliation of net loss attributable to the Company to EBITDA/LBITDA:

	Three Months Ended August 31,	
	<u>2017</u>	<u>2016</u>
	(dollars in thousands)	
Net (Loss) Attributable to the Company		