NATIONAL ASSOCIATION OF INVESTORS CORPORATION
INVESTMENT EDUCATION FOR INDIVIDUALS AND CLUBS SINCE 1951

Stock Selection Guide ®

The most widely used aid to good investment judgment

Company	EDUCATION MANAGEMENT CORP	Date	04/06/05
Prepared by	jah	Data taken from	NAIC Data
Where traded	NASDAQ	Major product/service	Diversified

CAPITALIZATION --- Outstanding Amounts — Reference

		% Insiders	% Institution
Preferred($M)	0.0		
Common(M Shares)	74.0	0.0	0.0
Debt($M) 5.6	% to Tot.Cap. 1.0	% Potential Dil.	None

EDMC

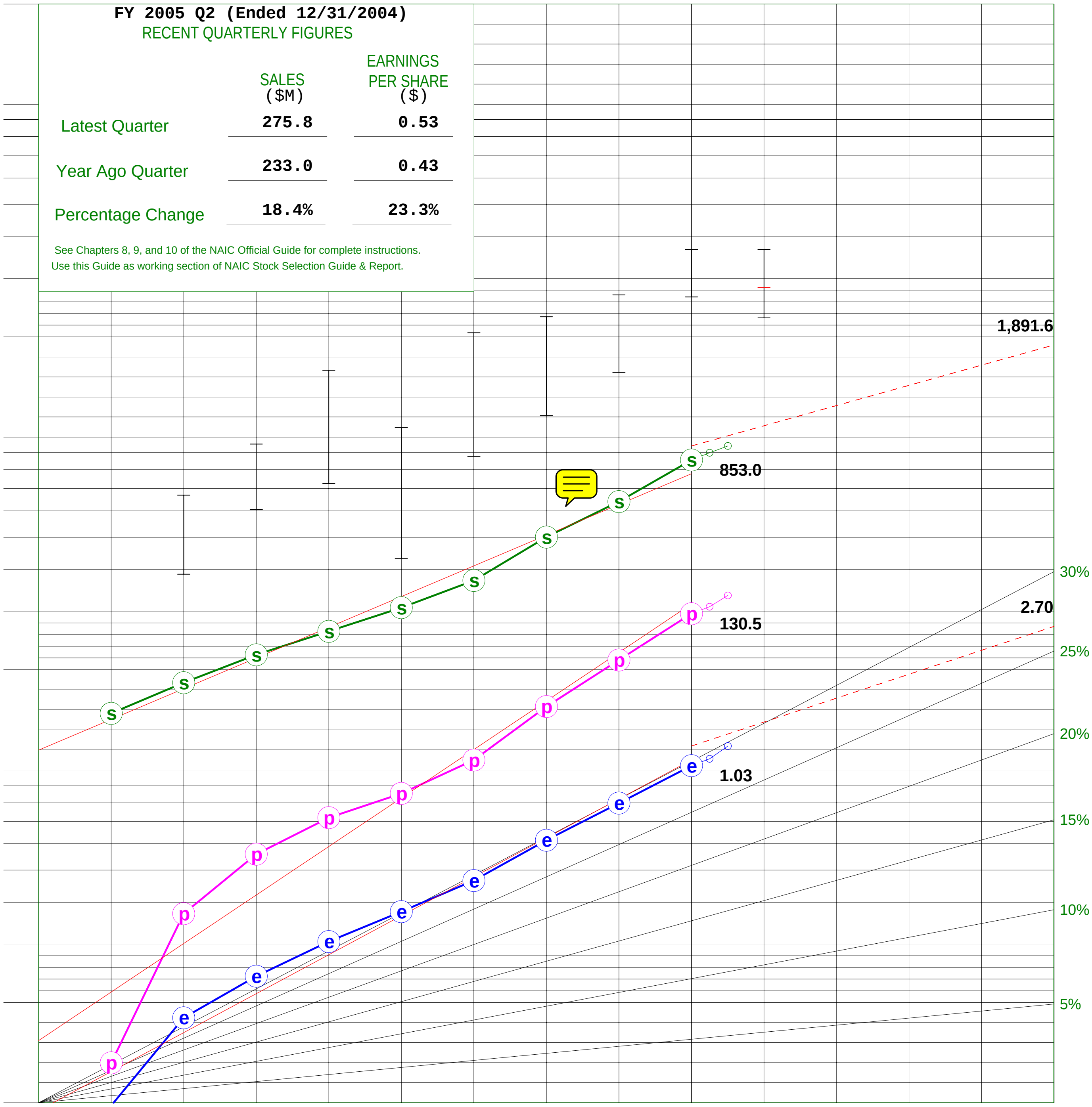
1 VISUAL ANALYSIS of Sales, Earnings and Price

FY 2005 Q2 (Ended 12/31/2004)

RECENT QUARTERLY FIGURES

	SALES ($M)	EARNINGS PER SHARE ($)
Latest Quarter	275.8	0.53
Year Ago Quarter	233.0	0.43
Percentage Change	18.4%	23.3%

See Chapters 8, 9, and 10 of the NAIC Official Guide for complete instructions.
Use this Guide as working section of NAIC Stock Selection Guide & Report.



(1) Historical Sales Growth 23.7 %
(2) Estimated Future Sales Growth 15.0 %
(3) Historical Earnings Per Share Growth 30.9 %
(4) Estimated Future Earnings Per Share Growth 18.0 %

Printed: 04/08/05 06:51 AM Prepared by: jah Using The NAIC Investor's Toolkit

2 EVALUATING MANAGEMENT

Company EDUCATION MANAGEMENT CORP (EDMC) 04/06/05

		1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	LAST 5 YEAR AVG.	TREND UP	TREND DOWN
A	% Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)		3.9	9.0	11.1	12.2	12.2	12.8	13.7	14.8	15.3	13.8	UP	
B	% Earned on Equity (E/S ÷ Book Value)		~~NMF~~	17.9	18.9	18.6	19.2	17.6	12.5	13.4	14.3	15.4		DOWN

3 PRICE-EARNINGS HISTORY as an indicator of the future

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

PRESENT PRICE 28.150 HIGH THIS YEAR 36.620 LOW THIS YEAR 22.810

	Year	A PRICE HIGH	B PRICE LOW	C Earnings Per Share	D Price Earnings Ratio HIGH A ÷ C	E Price Earnings Ratio LOW B ÷ C	F Dividend Per Share	G % Payout F ÷ C X 100	H % High Yield F ÷ B X 100
1	2000	10.7	4.3	0.38	28.5	11.5	0.000	0.0	0.0
2	2001	20.6	8.8	0.47	~~44.3~~	~~18.8~~	0.000	0.0	0.0
3	2002	23.0	11.6	0.62	~~37.4~~	~~18.9~~	0.000	0.0	0.0
4	2003	26.7	15.6	0.80	33.6	19.7	0.000	0.0	0.0
5	2004	36.6	26.4	1.03	35.6	25.6	0.000	0.0	0.0
6	TOTAL		66.7		97.7	56.8		0.0	
7	AVERAGE		13.3		32.6	18.9		0.0	
8	AVERAGE PRICE EARNINGS RATIO		25.7	9	CURRENT PRICE EARNINGS RATIO		23.9		

Proj. P/E [20.22] Based on Next 4 qtr. EPS [1.39] Current P/E Based on Last 4 qtr. EPS [1.18]

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 32.6 (3D7 as adj.) X Estimate High Earnings/Share 2.70 = Forecast High Price $ 88.0 (4A1)

B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E 18.9 (3E7 as adj.) X Estimated Low Earnings/Share ~~1.03~~ 1.18 = $ 22.3

(b) Avg. Low Price of Last 5 Years = 13.3 (3B7)

(c) Recent Severe Market Low Price = 15.6

(d) Price Dividend Will Support Present Divd. / High Yield (H) = 0.000 / 0.000 = 0.0

Selected Estimate Low Price = $ 22.3 (4B1)

C ZONING

88.0 (4A1) High Forecast Price Minus 22.3 (4B1) Low Forecast Price Equals 65.7 (C) Range. 1/3 of Range = 16.4 (4CD)

(4C2) Lower 1/3 = (4B1) 22.3 to 38.7 (Buy) Note: Ranges changed to 25%/50%/25%

(4C3) Middle 1/3 = 38.7 to 71.6 (Maybe)

(4C4) Upper 1/3 = 71.6 to 88.0 (4A1) (Sell)

Present Market Price of 28.150 is in the Buy (4C5) Range

D UP-SIDE DOWN-SIDE RATIO (Potential Gain vs. Risk of Loss)

High Price (4A1) 88.0 Minus Present Price 28.150 / Present Price 28.150 Minus Low Price (4B1) 22.3 = 59.9 / 5.9 = 10.2 (4D) To 1

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

High Price (4A1) 88.0 / Present Market Price 28.150 = (3.126) X 100 = (312.6) - 100 = 212.6 (4E) % Appreciation

Relative Value: 93.0% Proj. Relative Value: 78.7%

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.

Note: Results are expressed as a simple rate; use the table below to convert to a compound rate.

A Present Full Year's Dividend $ 0.000 / Present Price of Stock $ 28.150 = 0.000 X 100 = 0.0 (5A) Present Yield or % Returned on Purchase Price

B AVERAGE YIELD OVER NEXT 5 YEARS

Avg. Earnings Per Share Next 5 Years 1.94 X Avg. % Payout (3G7) 0.0 = 0.0 / Present Price $ 28.150 = 0.0 % (5B)

C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

5 Year Appreciation Potential (4E) 212.6 / 5 = 42.5 %

Average Yield (5B) 0.0 %

Average Total Annual Return Over the Next 5 Years (5C) 42.5 %

	P.A.R.	Tot. Ret.
Average Yield	0.0%	0.0%
Annual Appreciation	19.8%	25.6%
% Compd Ann Rate of Ret	19.8%	25.6%

EDUCATION MGMT. NDQ-EDMC

RECENT PRICE	31.25	P/E RATIO	24.0 (Trailing: 28.9 Median: NMF)	RELATIVE P/E RATIO	1.28	DIV'D YLD	Nil	VALUE LINE

TIMELINESS 2 Raised 12/24/04

SAFETY 3 New 2/12/99

TECHNICAL 3 Raised 1/7/05

BETA .85 (1.00 = Market)

	1996	1997	1998	1999	2000	2001	2002	2003	2004
High:	5.3	8.0	12.0	15.9	19.4	23.0	23.3	35.0	36.6
Low:	3.9	4.5	6.8	4.3	5.1	11.6	15.6	16.6	22.8

Target Price Range

2007 | 2008 | 2009

2007-09 PROJECTIONS

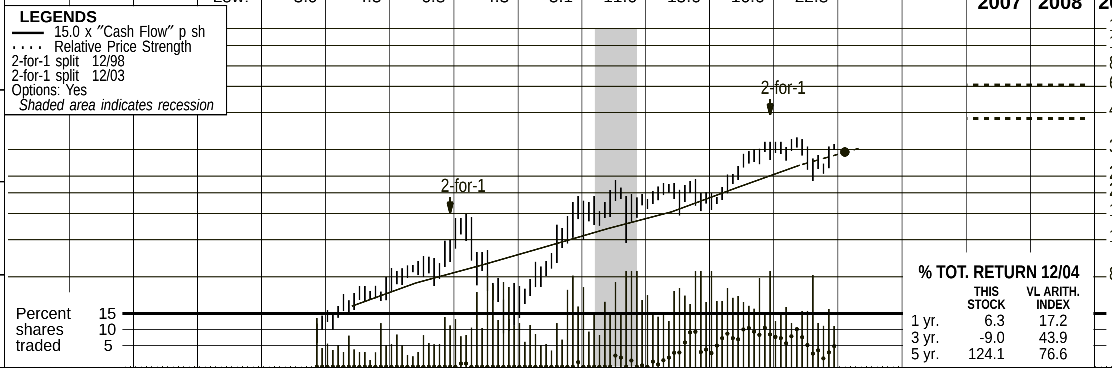
	Price	Gain	Ann'l Total Return
High	65	(+110%)	20%
Low	45	(+45%)	10%

Insider Decisions

	M	A	M	J	J	A	S	O	N
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	1	1	0	0	0	0	3
to Sell	1	1	1	1	1	1	1	0	2

Institutional Decisions

	1Q2004	2Q2004	3Q2004
to Buy	103	104	97
to Sell	89	77	82
Hld's(000)	59939	61344	60845



% TOT. RETURN 12/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	6.3	17.2
3 yr.	-9.0	43.9
5 yr.	124.1	76.6

Education Management Corp. was incorporated in Pennsylvania in 1962. In 1971, Robert B. Knutson became President. At that time, EDMC consisted primarily of the Art Institute of Pittsburgh, which was acquired in 1970. In November, 1996, the company and certain shareholders issued 9,060,000 shares of common stock at $3.75 per share (adjusted for splits). CS First Boston and Smith Barney served as the lead underwriters.

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
--	--	--	3.18	3.86	4.43	5.30	6.08	7.11	8.89	11.63	13.60	Revenues per sh A	21.15
--	--	--	.39	.50	.60	.74	.90	1.09	1.41	1.80	2.20	"Cash Flow" per sh	3.45
--	--	--	.18	.24	.31	.38	.47	.62	.77	1.03	1.30	Earnings per sh A B	2.20
--	--	--	--	--	--	--	--	--	--	--	Nil	Div'ds Decl'd per sh	Nil
--	--	--	.31	.31	.85	.85	.78	.65	1.12	1.10	1.30	Cap'l Spending per sh	1.45
--	--	--	1.00	1.28	1.64	1.95	2.62	4.93	5.94	7.21	8.65	Book Value per sh C	14.00
--	--	--	57.51	57.51	58.92	57.94	60.96	70.36	71.98	73.34	74.50	Common Shs Outst'g D	78.00
--	--	--	29.7	30.9	35.0	18.4	32.3	30.8	26.6	30.8		Avg Ann'l P/E Ratio	25.0
--	--	--	1.71	1.61	2.00	1.20	1.66	1.68	1.52	1.61		Relative P/E Ratio	1.65
--	--	--	--	--	--	--	--	--	--	--		Avg Ann'l Div'd Yield	Nil
--	--	--	182.9	221.7	260.8	307.3	370.7	500.6	640.0	853.0	1015	Revenues ($mill) A	1650
--	--	--	17.0%	17.6%	18.6%	19.1%	20.4%	20.6%	21.5%	22.1%	23.0%	Operating Margin	23.5%
--	--	--	12.3	14.3	16.8	20.2	26.1	34.1	44.9	55.3	67.0	Depreciation ($mill)	95.0
--	--	--	10.0	14.3	18.8	22.5	29.0	42.3	56.3	77.0	98.0	Net Profit ($mill)	175
--	--	--	42.0%	42.0%	41.1%	40.1%	38.9%	37.2%	38.5%	41.0%	41.0%	Income Tax Rate	41.0%
--	--	--	5.5%	6.5%	7.2%	7.3%	7.8%	8.5%	8.8%	9.0%	9.7%	Net Profit Margin	10.6%
--	--	--	12.7	27.5	10.5	3.8	11.5	.3	20.8	d76.4	10.0	Working Cap'l ($mill)	225
--	--	--	30.4	35.8	36.5	64.3	53.6	3.5	3.4	3.4	5.0	Long-Term Debt ($mill)	10.0
--	--	--	57.8	73.3	96.8	113.0	159.9	346.6	427.8	528.7	645	Shr. Equity ($mill)	1090
--	--	--	12.2%	13.1%	14.1%	13.0%	14.1%	12.3%	13.1%	14.5%	15.0%	Return on Total Cap'l	15.5%
--	--	--	17.3%	19.5%	19.4%	19.9%	18.1%	12.2%	13.2%	14.6%	15.0%	Return on Shr. Equity	16.0%
--	--	--	17.2%	19.5%	19.4%	19.9%	18.1%	12.2%	13.2%	14.6%	15.0%	Retained to Com Eq	16.0%
--	--	--	1%	--	--	--	--	--	--	--	Nil	All Div'ds to Net Prof	Nil

CAPITAL STRUCTURE as of 9/30/04

Total Debt $5.6 mill. **Due in 5 Yrs** $5.6 mill.
LT Debt $5.4 mill. **LT Interest** $.4 mill.
(less than 1% of Cap'l)

Leases, Uncapitalized Annual rentals $78.3 mill.
No Defined Benefit Pension Plan
Pfd Stock None

Common Stock 73,511,469 shs.
MARKET CAP: $2.3 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2003	2004	9/30/04
Cash Assets	80.5	123.1	98.6
Receivables	33.8	45.5	63.0
Inventory (FIFO)	4.4	5.0	7.9
Other	32.3	31.5	27.8
Current Assets	151.0	205.1	197.3
Accts Payable	16.3	30.1	39.0
Debt Due	35.1	136.2	.2
Other	78.8	115.2	227.4
Current Liab.	130.2	281.5	266.6

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '02-'04 to '07-'09
Revenues	--	19.0%	15.0%
"Cash Flow"	--	23.5%	15.5%
Earnings	--	27.0%	18.5%
Dividends	--	--	Nil
Book Value	--	35.5%	15.0%

Fiscal Year Ends	QUARTERLY REVENUES A ($ mill.) Sep.Per	Dec.Per	Mar.Per	Jun.Per	Full Fiscal Year
2001	72.6	103.1	100.4	94.6	370.7
2002	91.9	129.5	145.7	133.5	500.6
2003	128.1	175.1	173.7	163.1	640.0
2004	169.0	233.0	235.2	215.8	853.0
2005	213.6	275	280	246.4	1015

Fiscal Year Ends	EARNINGS PER SHARE A B Sep.Per	Dec.Per	Mar.Per	Jun.Per	Full Fiscal Year
2001	.02	.24	.15	.06	.47
2002	.03	.29	.21	.09	.62
2003	.04	.35	.26	.12	.77
2004	.06	.43	.34	.20	1.03
2005	.11	.53	.42	.24	1.30

Cal-endar	QUARTERLY DIVIDENDS PAID Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	NO CASH DIVIDENDS BEING PAID				
2002					
2003					
2004					
2005					

BUSINESS: Education Management Corporation provides post-secondary education to about 59,000 students at 67 campuses in 24 states and two Canadian provinces. It offers academic programs through four educational institutions: The Art Institutes (31 schools), Argosy University (13 campuses), South University, and American Education Centers. Has about 5,500 employees; 840 shareholders. Robert B. Knutson owns 2.3% of comm.; all other off./dir., 5.0%; EDMC Empl. Stock Ownership Trust, 7.8%; T. Rowe Price Assoc., 7.4%; Cap'l Res. & Mngmnt., 5.6%. (10/04 Proxy). Chairman: Robert B. Knutson. CEO: John McKernan, Jr. President: J. William Brooks, Jr. Inc.: PA. Addr.: 210 Sixth Ave., 33rd Floor, Pittsburgh, PA. 15222. Telephone: 412-562-0900. Internet: www.edumgt.com.

We have raised our fiscal 2005 (ends June 30th) earnings estimate for Education Management by a nickel, to $1.30 share. The upward revision is the product of a strong first quarter that saw share earnings beat our estimate by $0.03, and nearly doubling the tally from the year-ago period. Several factors contributed to the surprise, most notably a 26% surge at the top line. The company also benefited from a reduction in operating costs (discussed below). The most encouraging sign, though, was a 32% year-over-year increase in the student body. This, combined with the recent tuition rate hikes, augurs well for the top line.

Education Management's online classes have been well received. In fact, the number of students taking classes via the Internet at the Art Institute or South University more than doubled in the first quarter, to 2,508. Too, approximately 6,400 students are taking part of their course schedule online. The fact that more students are pursuing their degrees online should almost single-handedly lower EDMC's costs and elevate its return on invested capital.

The new shared-campus strategy has been a big success. The company currently operates more than one school at 12 of its 67 campuses, with the number expected to reach 18 by the end of fiscal 2005. Education Management recently opened new Brown Mackie Colleges (formerly known as American Education Centers) in Miami, Los Angeles, Orange County, and San Diego. This strategy has had a positive effect on EDMC's margins and cash flow generation. The opening of a new school on an existing location lowers the company's start-up costs. The new strategy saves EDMC approximately $3 million in initial expenses. Too, an institution opened on an existing campus begins to return a profit four to five months earlier than a university built on a new property. Furthermore, with multiple schools at one address, Education Management can offer more degrees and services to its student body.

This issue is favorably ranked for relative year-ahead performance. Price appreciation potential to 2007-2009 is also above the *Value Line* median.

William G. Ferguson *February 4, 2005*

(A) Fiscal year ends June 30th.
(B) Diluted earnings. Next earnings report due February 10th.
(C) Includes intangibles. At 9/04: $332.0 million, $4.52/share.
(D) In millions, adjusted for stock splits.

Company's Financial Strength	B+
Stock's Price Stability	45
Price Growth Persistence	100
Earnings Predictability	100