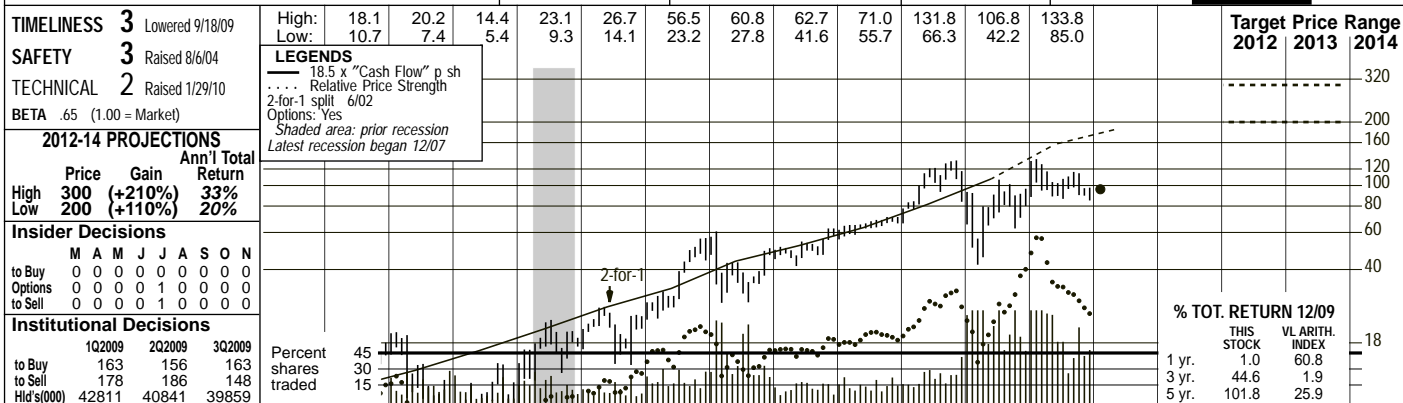


ITT EDUCATIONAL SVCS NYSE-ESI

RECENT PRICE **96.16** P/E RATIO **11.1** (Trailing: 13.6 Median: 23.0) RELATIVE P/E RATIO **0.63** DIV'D YLD **Nil** VALUE LINE



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14	
6.43	7.40	8.86	10.31	11.51	13.43	15.06	18.46	21.91	26.22	35.65	42.80	42.80	Sales per sh ^B	54.30	
.72	.89	1.13	1.44	1.76	2.37	2.81	3.42	4.40	5.82	8.65	10.10	10.10	"Cash Flow" per sh	13.55	
.48	.57	.72	.94	1.27	1.94	2.34	2.72	3.71	5.17	8.02	9.25	9.25	Earnings per sh ^A	12.50	
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.35	.63	.47	.32	.32	.42	.47	.58	.39	.45	.55	.70	.70	Cap'l Spending per sh	1.00	
1.17	1.38	1.69	1.97	3.22	5.11	6.75	2.53	1.78	4.85	6.10	8.35	8.35	Book Value per sh	25.70	
49.23	46.99	46.32	45.08	45.43	45.99	45.69	41.04	39.69	38.72	37.00	36.00	36.00	Common Shs Outst'g ^C	35.00	
25.9	16.1	24.1	22.4	28.6	20.8	21.6	23.9	27.4	14.8	12.8	12.8	12.8	Avg Ann'l P/E Ratio	20.0	
1.48	1.05	1.24	1.22	1.63	1.10	1.15	1.29	1.45	.90	.84	.84	.84	Relative P/E Ratio	1.35	
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316.4	347.5	410.6	464.9	522.9	617.8	688.0	757.8	869.5	1015.3	1319.2	1540	1540	Sales (\$mill)	1900	
15.1%	16.2%	17.1%	19.2%	22.1%	26.4%	26.8%	26.8%	30.5%	34.5%	36.5%	36.5%	36.5%	Operating Margin	38.0%	
11.2	14.5	18.5	21.1	21.2	18.2	17.8	21.6	23.2	22.2	25.0	28.0	28.0	Depreciation (\$mill)	35.0	
24.4	27.5	33.7	43.9	58.9	90.6	110.5	118.5	151.6	203.0	295	335	335	Net Profit (\$mill)	440	
37.8%	38.1%	37.9%	38.2%	39.0%	39.0%	37.0%	37.5%	38.0%	38.4%	38.5%	38.5%	38.5%	Income Tax Rate	38.5%	
7.7%	7.9%	8.2%	9.4%	11.3%	14.7%	16.1%	15.6%	17.4%	20.0%	22.4%	21.8%	21.8%	Net Profit Margin	23.2%	
20.5	12.7	25.8	30.8	54.4	139.7	185.9	96.5	57.9	166.4	25.0	50.0	50.0	Working Cap'l (\$mill)	150	
---	---	---	---	---	---	---	150.0	150.0	150.0	Nil	Nil	Nil	Long-Term Debt (\$mill)	200	
57.8	64.7	78.2	89.0	146.1	235.1	308.6	103.9	70.6	187.9	225	300	300	Shr. Equity (\$mill)	900	
42.2%	42.5%	43.1%	49.3%	40.3%	38.5%	35.8%	46.7%	70.6%	60.8%	NMF	NMF	NMF	Return on Total Cap'l	40.5%	
42.2%	42.5%	43.1%	49.3%	40.3%	38.5%	35.8%	114.0%	NMF	NMF	NMF	NMF	NMF	Return on Shr. Equity	49.0%	
42.2%	42.5%	43.1%	49.3%	40.3%	38.5%	35.8%	114.0%	NMF	NMF	NMF	NMF	NMF	Retained to Com Eq	49.0%	
---	---	---	---	---	---	---	---	---	---	---	---	---	All Div'ds to Net Prof	Nil	

ITT Educational Services, Inc. was founded in 1968. On December 20, 1994, approximately 4 million shares, or 16.7% of the company's common stock, were issued by lead underwriter Smith Barney Inc. at \$2.50 per share (split adjusted) and listed on the New York Stock Exchange under the symbol "ESI". In June of 1998, Starwood Lodging, the parent of ITT Corporation, sold roughly 48% of the shares to the public in a secondary offering, and it later divested its remaining holdings in 2/99.

CAPITAL STRUCTURE as of 9/30/09
 Total Debt \$150.0 mill. Due in 5 Yrs \$150.0 mill.
 LT Debt Nil LT Interest Nil

Leases, Uncapitalized Annual rentals \$36.5 mill.

Pension Assets-12/08 \$49.5 mill. Oblig \$51.3 mill.

Pfd Stock None

Common Stock 36,945,066 shs.

MARKET CAP: \$3.6 billion (Mid Cap)

CURRENT POSITION	2007	2008	9/30/09
Cash Assets	310.6	375.4	280.8
Receivables	15.1	29.8	93.8
Other	24.1	25.8	35.5
Current Assets	349.8	431.0	410.1
Accts Payable	45.1	54.8	67.2
Debt Due	---	---	150.0
Other	246.8	209.8	193.3
Current Liab.	291.9	264.6	410.5

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Sales	16.5%	17.0%	16.0%
"Cash Flow"	24.5%	26.0%	20.0%
Earnings	27.0%	31.5%	21.5%
Dividends	---	---	Nil
Book Value	6.5%	6.0%	42.5%

Cal-endar	QUARTERLY SALES (\$mill.) ^B				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2006	176.3	185.6	189.7	206.2	757.8
2007	204.2	217.0	217.9	230.4	869.5
2008	234.8	246.4	254.3	279.8	1015.3
2009	288.0	317.1	339.6	374.5	1319.2
2010	340	375	395	430	1540

Cal-endar	EARNINGS PER SHARE ^{A B}				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2006	.45	.55	.77	.97	2.72
2007	.66	.87	.98	1.20	3.71
2008	1.08	1.20	1.28	1.61	5.17
2009	1.59	1.87	2.00	2.56	8.02
2010	1.88	2.22	2.35	2.80	9.25

Cal-endar	QUARTERLY DIVIDENDS PAID				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2006					
2007					
2008					
2009					
2010					

BUSINESS: ITT Educational Services, Inc. is a leading post-secondary education provider. Offers Associate and Bachelor degree programs in information technology, electronic technology, computer-aided drafting and design, criminal justice, and business. Serves a student population of around 80,750 through a network of 112 schools in 37 states. Also offers courses online, including its

ITT Educational Services is poised for another strong year, though the for-profit education company's growth rate is apt to decelerate from the blistering pace set in 2009. In the year ahead, the top and bottom lines will probably advance 15%-20%, as ITT continues to operate in a very favorable business climate. Indeed, we expect key enrollment trends to remain strong, as more out-of-work adults return to school to upgrade their skills (the unemployment rate stands at a hefty 10%), and as more existing students opt to earn higher degrees that will increase their marketability. Additionally, advertising spending, typically a large cash outlay for the company, should rise only modestly in the coming quarters. This will result, we think, from attractive radio and television spot rates, and from still-depressed prices for print media placements.

Increased internal lending does not appear to be a problem. Bad debt expenses have inched up lately, as ITT has had to rely more on its own internal funding program to support enrollment growth. But bad debt costs are still manageable, remaining within the company's target

range of 5%-7% of revenue. (Bad debt expense was 6.8% of the top line during the September interim.) Moreover, as 2010 progresses, gradually improving conditions in the lending markets should make it easier for students to secure loans from the government and/or private third parties. All in all, while we are keeping our eye on the internal lending situation, we see no cause for concern at this point.

New college locations and degree programs ought to buoy results over the long haul, along with an expansion of the online operations. While still relatively small (at less than 5% of total enrollment), the online student population will likely boom over the next 3 to 5 years, as Internet education becomes more acceptable to employers, and as new technologies make it easier for schools to deliver quality audio and video feeds.

Investors with an eye toward 2012-2014 would do well to consider these education shares, given ITT's fine management team and solid growth prospects. The issue is just an Average (3) year-ahead selection, however.

(A) Earnings based on diluted shares outstanding. Excludes nonrecurring losses: '99, \$0.01; '00, \$0.05; '04, \$0.33; '05, \$0.11. Next earnings report due in late April.
 (B) Starting 1/1/00, the company reports 13-week quarters, compared with 14 weeks in Q1 and Q3, and 12 weeks in Q2 and Q4 previously.
 (C) In millions, adjusted for stock splits.
 (D) Quarters don't sum to yearend total due to rounding.

Company's Financial Strength	B++
Stock's Price Stability	55
Price Growth Persistence	95
Earnings Predictability	100

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