

# 1 in the driver's seat

## UTI Steers in New Directions

Universal Technical Institute was founded in 1965 with the modest goal of providing technical training for automobile mechanics in the Phoenix area. The first class featured 11 students in a one-building campus.

From those humble beginnings, UTI set off on what would become an epic journey. Over the past four decades, the Company has navigated the winding roads of ever-changing economic cycles, shifted its strategies to adapt to evolving market conditions, steered the business in new directions to better serve its customers and picked up speed through the sheer force of powerful industry relationships.

As UTI celebrates its 40th anniversary, it is one of the nation's leading providers of technician training for the automotive, diesel, collision repair, motorcycle and marine industries. It is a formidable

competitor with considerable market power, strong brand identity and a growing national presence. Proven strategies allow the Company to profitably expand its operations, and a solid balance sheet effectively positions UTI to capitalize on significant growth opportunities.

In fiscal year 2006, UTI is poised to explore new routes and reach new destinations. Strong demand presents substantial prospects for growing the core business. Innovative strategies allow the Company to leverage fundamental strengths and expand into new markets, such as the automotive aftermarket and the motor freight industry. A focus on building even stronger relationships with UTI's key customers creates new growth opportunities while reinforcing the Company's commitment to provide its customers with added value.

For UTI, the road to a bright future stretches out ahead. The journey is just beginning.

### A Landmark Year

The goal of UTI is to be universally recognized as the primary source for technician recruitment, training and placement for the industries it serves. The Company took tremendous strides toward this objective in 2005, which was a landmark year for UTI.

Numerous financial and operational accomplishments highlighted UTI's 2005 performance, including:

- ▶ Increased net revenues by 21.8 percent
- ▶ Generated shareholder equity of \$41 million
- ▶ Increased average undergraduate student enrollment by 17.7 percent
- ▶ Strengthened the Company's balance sheet, increasing cash and cash equivalents by \$9 million

- ▶ Extended the Company's national footprint by opening two new campuses: Norwood, Massachusetts (June); and Sacramento, California (October)
- ▶ Made significant investments in infrastructure, including \$47 million invested in property and equipment
- ▶ Increased student capacity by 18.3 percent
- ▶ Expanded the Collision Repair and Refinishing program at the Houston campus
- ▶ Invested in the professional development of UTI's people
- ▶ Renewed numerous contracts with key customers
- ▶ Developed new strategies for growing the Company and diversifying its markets

## corporate snapshot

Universal Technical Institute, Inc., is one of the nation's leading providers of recruitment, training and placement services for the automotive, diesel, collision repair, motorcycle and marine industries.

Undergraduate training  
Technician training programs at  
10 campuses nationwide

Advanced training  
Manufacturer Specific Advanced  
Training programs at 20 dedicated  
training centers

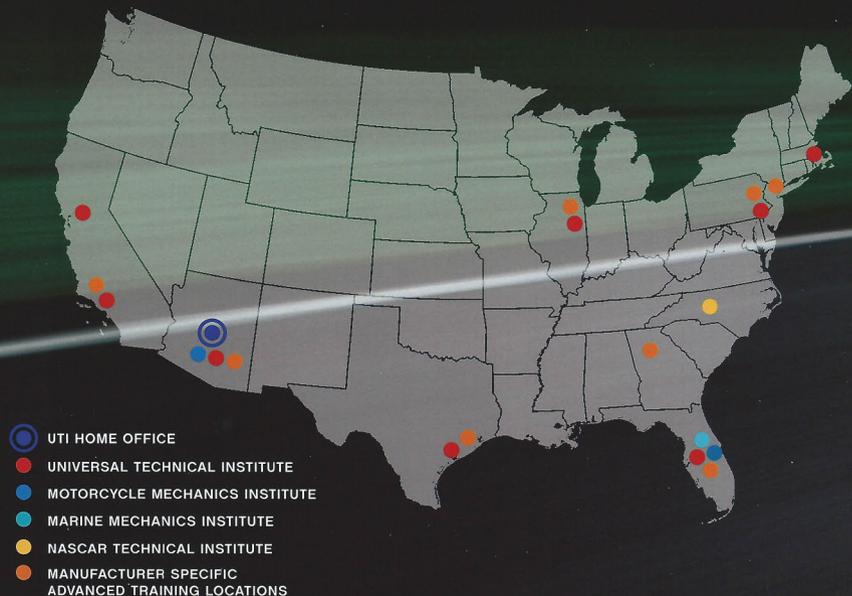
FY 2005 average  
undergraduate enrollment  
15,390

### Brands

Universal Technical Institute (UTI)  
NASCAR Technical Institute (NTI)  
Motorcycle Mechanics Institute/  
Marine Mechanics Institute (MMI)



## GROWING NATIONAL PRESENCE



## UTI Charts a Course for Growth

### Expanded Footprint

UTI continued its expansion efforts in 2005 by opening two new campuses and increasing the capacity of its Collision Repair and Refinishing program. In June, UTI opened a new campus in Norwood, Massachusetts, with capacity for approximately 1,900 students. In August, the capacity of the Collision Repair and Refinishing program at the Houston campus was expanded by 400 seats.

In October, the Company opened a temporary campus in Sacramento, California, that initially accommodates approximately 400 Automotive Technology students. At year-end, construction was underway on a permanent Sacramento campus that is scheduled to open during the third quarter of fiscal 2006.

When finished, the new Sacramento campus will accommodate approximately 2,100 students and include Automotive Technology, Diesel Technology and Collision Repair and Refinishing training programs.

At the end of fiscal 2005, the Company had system-wide capacity utilization of approximately 70 percent and is positioned for continued growth.

### Strengthened Sales and Marketing Efforts

During fiscal 2005, UTI continued to invest resources in the sales and marketing programs that drive the Company's growth.

As fiscal 2005 began, the Company launched a new marketing campaign for its sales force. Over the course of the year, the new marketing campaign proved to be very effective with high school students as well

as their parents and teachers. New advertising and print collateral was also developed in support of the Company's sales efforts, with key messages designed to resonate with the adult learner.

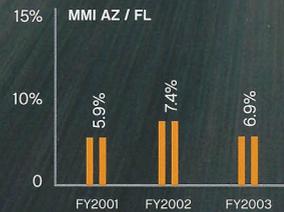
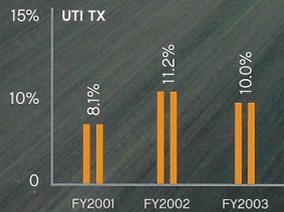
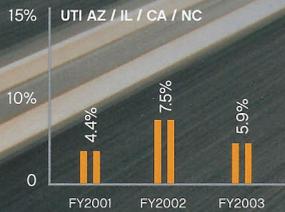
For the fiscal year, UTI hired 20 additional educational representatives, increasing its total sales force to more than 250 educational representatives who identify, advise and enroll potential students nationwide.

This broad geographic reach combined with the Company's high-profile industry relationships continued to further differentiate UTI from its competitors.

During this period of sales force growth and entrance into new advertising markets, per-student lead generation costs and show rates remained relatively stable.



**REGULATORY REQUIREMENTS**  
Cohort Default Rates



**Customized Curriculum**

During fiscal 2005, UTI continued to implement a new teaching methodology that was developed to better engage students in the learning process. This teaching system, called Excellerated Learning, enhances training, course design and delivery. It also adapts its teaching methods to the individual learning styles of students.

This change has not been without its challenges. For example, courses with high electrical content have

required more modification and training. The curriculum changes increased UTI's course retake rate for a portion of the year and led to lower persistence. At the end of fiscal 2005, course retake rates returned to historical norms. During 2006, a substantial focus will be directed toward stabilizing persistence. The Company continues to adapt its curriculum to meet the needs of its customers and students.

**Focused on Compliance**

During the year, UTI continued to build its compliance programs and infrastructure. The Company spent approximately \$1.5 million during fiscal 2005 relating to Sarbanes-Oxley compliance requirements. Several key positions were added to strengthen the Company's compliance framework, including additions to the internal audit, finance, information technology, legal and licensing departments.

In October 2005, the Company was notified by the U.S. Department of Education that it has met the required composite score of 1.5 and is no longer required to post a letter of credit. In addition, the Company had no material findings on its recently completed financial aid audit.



**2** the **road** to opportunity

# 3 gearing up for growth

## Demand Fuels Growth

### Steadily Rising Growth

As UTI moves forward, it is driven by strong demand. The end markets served by the Company are large and growing—and that growth is expected to continue in the years ahead. According to the U.S. Department of Labor, overall market growth is projected at 10.3 – 15.7 percent through the year 2014.\* That translates into more than 50,000 new job openings for technicians annually. The automotive industry alone is expected to create approximately 34,000 new jobs each year over the same period.

Entry-level technician training represents a relatively small portion of the total training market. There are more than 1.3 million technicians employed in the United States in the fields for which UTI currently provides training. Rapidly advancing technology and the introduction of new products makes continued training a necessity for most professional technicians throughout their careers. This presents the Company with the opportunity to offer

its industry customers additional training programs for their existing workforces. UTI currently provides this type of training on a limited basis to leading manufacturers such as American Honda, BMW, Harley-Davidson, Mercedes-Benz and Mercury Marine. The Company intends to pursue related corporate training opportunities as part of its growth strategies.

### Growing Strategically

As it responds to rising demand, UTI will continue to pursue strategies that address the growing and changing needs of its customers. These strategies are designed to generate growth on an immediate and long-term basis.

The Company's primary growth plans revolve around three key strategies: expand UTI's national footprint; increase capacity and add programs at new and existing campuses; and develop new training opportunities with industry customers. Each of these strategies is evident in the Company's recent progress:

### ▶ Expand UTI's national footprint

UTI opened its tenth regional campus in 2005, which completes the first phase of its national expansion plan.

In the next phase of expansion, UTI plans to focus on adding local campuses in metropolitan areas with large commuter populations that have previously been unable or unwilling to travel to a regional campus. Recognizing that each new market is unique, this strategy dictates that campuses will be sized to match prospective student populations and employer requirements.

### ▶ Increase capacity and add programs at new and existing campuses

Capacity may be increased at an existing campus to accommodate the addition of new programs. Adding new seats to an existing location can be achieved at higher levels of profitability than opening a new location. There are additional

opportunities to expand the Diesel Technology and Collision Repair and Refinishing programs to new and existing UTI campuses. In addition, new course offerings are being developed, such as service writer, service operations and parts/counter training programs. Program expansions such as these generate additional revenue and increase margins.

### ▶ Develop new training opportunities with industry customers

UTI is committed to understanding the needs of its industry customers and developing business and training solutions that add value to their businesses. This creates incremental revenue for the Company in the form of elective courses, Manufacturer Specific Advanced Training programs and corporate training contracts.



Steadily Rising Demand		Projected Growth	Projected Annual New Job Growth
Technician Jobs	2004	2004-2014	
Auto	802,843	15.7%	33,900
Diesel	270,055	14.4%	10,800
Collision Repair	200,581	10.3%	6,100
Motorcycle/Marine	41,712	15.1%	1,600

\*Bureau of Labor Statistics, U.S. Department of Labor, Monthly Labor Review, November 2005.

# people the engine that drives UTI

## Building a High Performance Culture

At the heart of UTI's success are its skilled, dedicated and passionate people. UTI is working to attract, hire and retain talented people who support the Company's purpose, vision, mission and core values.

UTI's commitment to its people includes creating a great place to work by building upon the trust, pride and camaraderie that exists among employees. Company-wide, employee-based initiatives developed over the past two years are designed to identify areas of improvement and offer solutions that strengthen and

enhance UTI's people-oriented culture. These initiatives help employees develop the necessary skills to support a growing company.

The Company is committed to investing in training and development for its entire workforce.

The Leadership Development Institute, a strategic management training initiative developed by the Company in 2005, is designed to provide the pipeline of dynamic leaders needed to grow the business and continue the tradition of making UTI a great place to work.

UTI is building a high-performance culture that engages its workforce and values its priorities of Purpose, People and Profit. The road to success includes growing the Company's core business while focusing on new opportunities. By concentrating on its niche industries, new revenue opportunities are revealed, existing relationships grow deeper and new alliances are created. UTI's people are focused on building and sustaining these key relationships because they recognize the value that is created for all stakeholders.



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## UTI's Core Values

Wisdom

Fun

Caring

Innovation

Courage

Trust



## UTI MISSION STATEMENT

Our mission is to understand the changing workforce needs of our industry customers to effectively recruit, train and place both new and existing professionals. We build and sustain high-performance relationships among key stakeholders that create unique value for all. We accomplish our mission through a high performance culture that values our priorities of: Purpose, People and Profit.

## UTI Picks Up Speed Through Strong Industry Connections

### Industry as Customer

UTI has developed a unique customer-centric approach that sets it apart from other educational institutions. UTI views its primary customer as the end markets it serves—the manufacturers and other employers that hire graduates of UTI training programs. The Company's goal is to recruit, train and place new and existing technicians by meeting the changing workforce needs of its customers.

The expansion of UTI's programs and development of its educational curriculum in 2005 were in direct response to the training requirements of its industry customers.

UTI's curriculum is driven by industry. The

Company works closely with leading manufacturers to ensure that its curriculum meets their needs. UTI maintains program advisory committees that include manufacturers, dealers and aftermarket employers representing the major occupations for which training is provided. UTI also adapts its training approach whenever necessary to remain in step with industry requirements, such as a growing industry need for technicians who possess problem-solving skills and a strong customer service orientation in addition to core technical skills. UTI integrated these requirements into all of its programs using Accelerated Learning,

an innovative learning methodology that increases the pace at which students master new skills.

Additional enhancements to UTI programs were achieved with industry guidance. For example, the Company invested approximately \$600,000 in its Diesel Technology program in 2005, including adding newer trucks to the training program and upgrading equipment. The Diesel Technology curriculum was also modified to emphasize skills currently in high demand for entry-level technicians. The Collision Repair and Refinishing program was revised to include a course on custom body work.



4 accelerated th

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**Identifying New Customers**

In addition to strengthening relationships with its key customers, UTI is aggressively pursuing strategic relationships with new customers across diverse market segments. These efforts are focused on major national companies in markets that include:

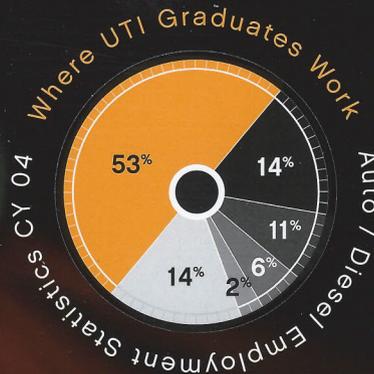
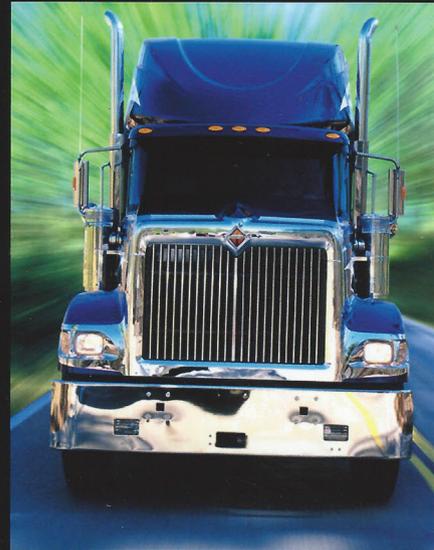
- ▶ Large dealer groups, automotive aftermarket, including national automotive repair chains
- ▶ National retailers that operate large vehicle fleets
- ▶ Motor freight transportation companies
- ▶ Allied industry, including industrial equipment manufacturers and equipment rental companies
- ▶ Automotive parts retailers

Developing new markets such as these creates additional placement opportunities for UTI graduates and allows the Company to fill a need for qualified employees in markets where demand is not being adequately met. Additionally, several of these companies are considering outsourcing their training functions to UTI.

**Targeted Placement Opportunities**

Consolidated placement rates for UTI students remained strong at 89 percent for fiscal 2005 and default rates continued to improve. The Company is focused on building industry relationships that create the best employment opportunities for its students.

By developing relationships with OEMs, dealers, large motor freight companies, tier one suppliers and other companies that employ skilled technicians, UTI offers students a meaningful connection to a broad spectrum of employment opportunities and remains linked to employer demand.



- Automotive Dealerships
- Independent Service Shops
- Aftermarket Franchises
- Motor Freight Companies
- Parts Stores
- Other

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