

Global Education Communities Corp. (TSX: GEC)

BUY

Current Price: C\$0.33

Fair Value: C\$1.09

Risk*: 3

Tailwinds from Robust Affordable Housing Demand and Falling Rates

Sector: Student Housing

[Click here for more research on the company](#)

Highlights

- Following the divestment of its Sprott Shaw College (SSC) subsidiary for \$35 M (\$0.52/share) in August 2025, the company has **fully transitioned into a pure-play student housing operator**. Unlike traditional multifamily, student housing is a specialized asset class, typically offering higher rent per square foot and stronger yields for investors.
- Last month, **Morgan Stanley Investment Management** (NYSE: MS), and its partner, acquired an eight-property, 6,200-unit U.S. student-housing portfolio for \$1.4B, implying a value of \$162k per bed, **very close to our \$165k per bed valuation** on GEC's operating projects, as reported in our August 2025 report. Rental assets provide inflation-protected income with relatively low volatility, making them highly attractive to pension funds and institutional investors.
- **FY2025 (ended August 2025) revenue** for GEC's flagship rental business declined 1% YoY, driven by an asset sale, but exceeded our estimate by 5%. Gross margins increased 3 pp to 59%, in line with our forecast.
- Recorded a \$35M gain from the sale of SSC, and a \$17M write-down on properties (5% of total value). Excluding the unexpected write-down, **net income was \$21M (\$0.31/share) vs. our estimate of \$0.37/share**.
- Several Canadian REITs have taken property write-downs this year due to lower market rents and comparable property sales. We believe **current valuations understate intrinsic value**, as rents and property values have likely bottomed and should begin recovering in 2026, supported by falling rates, slower supply growth, and robust demand for affordable housing. As a result, GEC is likely to report substantial property valuation gains next year.
- Last month, **Canada signaled a shift toward quality over quantity** in international education, exempting master's and PhD students at public institutions from study permit caps. This shift is positive for GEC, supporting demand for its Vancouver student housing projects amid prior uncertainty from tighter immigration rules.
- In another positive development, GEC made progress on the Richmond Atmosphere project, for which it had provided a \$60M deposit. The project stalled in 2022 after the lender ceased funding, leading GEC to write off the investment. Last month, the BC Court of Appeal **ruled in GEC's favor**, strengthening its legal position, and creating the possibility of recovering part or all of the \$60M. We are not including potential upside from this for conservatism.
- With vacancies for affordable units in Vancouver (<\$1,750/month) remaining below 1%, we maintain a **positive outlook on the city's student housing market**.
- Relative to REITs, GEC is trading at 7x forward revenue (sector: 11x), and 14x forward EBITDA (sector: 19x), a **31% discount on average**.

Sid Rajeev, B.Tech, MBA, CFA
Head of Research

Price and Volume (1-year)



	YTD	12M
GEC	86%	46%
TSX	26%	22%
Index (REIT)	2%	-4%

Company Data

52 Week Range	\$0.16 – \$0.48
Shares O/S	69M
Market Cap.	C\$23M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	0.5x

Key Financial Data (in C\$); YE - Aug 31	FY2024	FY2025	FY2026E	FY2027E
Revenue	\$35,235,000	\$29,037,000	\$31,586,360	\$35,520,010
Adj. EBITDA	\$5,991,000	\$1,288,000	\$5,463,566	\$7,756,376
Net Income	-\$21,273,000	\$3,997,000	-\$5,497,212	-\$4,913,793
EPS	-\$0.31	\$0.06	-\$0.08	-\$0.07
Assets	\$475,211,000	\$377,356,000	\$475,389,073	\$607,413,042
Debt to Capital	63.9%	55.9%	63.0%	68.1%

* Global Education Communities has paid FRC a fee for research coverage and distribution of reports. See last page for other important disclosures, rating, and risk definitions. All figures in C\$ unless otherwise specified.

Core Business Strategy

GEC operates B.C.'s largest off-campus student housing platform, comprising 14 buildings: eight in operation and six in development

Per the latest audited financial statements, these projects were appraised at \$306M as of August 2025

The company also owns two language schools: Sprott Shaw Language College (SSLC) and Vancouver International College (VIC)

Pre-Reorganization
Our pre-reorganization structure combined capital-intensive real estate development with education service operations, creating operational complexity and diluting strategic focus.

Post-Reorganization

Focus on Student Housing Real Estate

GEC
GLOBAL EDUCATION CITY

- 14 Buildings (8 operational, 6 developing)
- \$1.34 Billion portfolio value
- Student housing under GEC brand
- Partnerships with 95 schools

Downsize Education Services

- SSLC, VIC-CC, GEA, CIBT brands
- 8 campuses & administrative offices
- Enroll 4,000 students projected for F2026

Source: Company

Operating Projects

Eight operating buildings across six projects totalling 1,200+ beds

GEC holds minority interests and acts as project operator across all properties

Exited in 2018, Leased-back until 2033

Partial Exit of the retail floor in 2018

Exited in 2023

Source: Company

Potential to generate \$14M in NOI, or \$11k/bed in NOI per year

Per the latest audited financial statements, these projects were appraised at \$254M as of August 2025

Developing six buildings across four projects, totaling 2,988 beds, and \$45M in projected NOI, or \$15k/bed per year

Using an average cap rate of 4%, we value these projects at \$1.12B, upon completion

Management aims to complete these projects by 2027-2030; although these timelines are reasonable, we note that real estate development projects are often subject to permitting/financing delays

Operating Projects	1	2	3 & 4	5 & 6	7	8	Total
Name	GEC Viva	GEC Burnaby Heights	GEC Pearson (North and South Towers)	GEC Marine Gateway (North and South Towers)	GEC King Edward	GEC Kingsway	
Operating Since	2015	2016	2014	2020	2023	2024	
GEC Ownership	0% (Exited in 2018 & lease back)	25.0%	38.5%	20.0%	18.5%	0% (Master Lease)	
Beds	220	100	310	116	202	284	1,232
Approx. Annual Revenue (\$M)	\$3.34	\$1.52	\$4.70	\$1.76	\$3.06	\$4.31	\$18.69
Approx. NOI (\$M)	\$2.42	\$1.10	\$3.41	\$1.28	\$2.22	\$3.12	\$13.55
NOI per Bed	\$11,000	\$11,000	\$11,000	\$11,000	\$11,000	\$11,000	\$11,000
Valuation (\$M) - FRC Estimates		\$27.50	\$85.25	\$31.90	\$55.55		\$200.20
Estimated Cap Rate		4.0%	4.0%	4.0%	4.0%		

Development Projects	1	2	3	4	Total
Name	GEC Oakridge	GEC EMC	GEC Langara	GEC Cyber City	
GEC Ownership	13.1%	16.7%	20.0%	35.8%	
Beds	548	1,380	650	410	2,988
Approx. Annual Revenue (\$M)	\$11.74	\$29.57	\$13.93	\$8.79	\$64.03
Approx. NOI (\$M)	\$8.22	\$20.70	\$9.75	\$6.15	\$44.82
NOI per Bed	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Construction/Development Costs (\$M) - GEC Estimates	\$140.00	\$340.00	\$140.00	\$225.00	\$845.00
Valuation Upon Completion (\$M) - FRC Estimates	\$205.50	\$517.50	\$243.75	\$153.75	\$1,120.50
Estimated Cap Rate	4.0%	4.0%	4.0%	4.0%	
Anticipated Completion Year	2027 (progressing on schedule)	2029 (construction starting in 2026)	2028 (construction starting in 2026)	2029-2030	

Source: Company/FRC

Financials

Revenue was down 18% YoY, missing our estimate by 3%, driven by softer education revenue

Revenue from the flagship rental business fell 1% YoY due to an asset sale, yet exceeded our estimate by 5%

Gross margins rose 3 pp to 59%, exactly in line with our estimate

EBITDA was down 23% YoY, missing our estimate by 25%, reflecting softer revenue and higher G&A expenses

Recorded a \$35M gain from the sale of SSC, and a \$17M write-down on properties (5% of total value)

Excluding the unexpected write-down, net income was \$21M or \$0.31/share vs our estimate of \$0.37/share

C\$ (YE Aug 31st)	2024A	2025A	YoY
Educational			
Revenues	12,545,000	8,422,000	-33%
COGS	7,401,550	4,968,980	
Gross Margins	41%	41%	
CIBT China + Referrals			
Revenues	3,394,000	3,152,000	-7%
COGS	2,033,870	1,770,450	
Gross Margins	40%	44%	
IRIX			
Revenues	579,000	362,000	-37%
COGS	135,000	103,000	
Gross Margins	77%	72%	
Corporate			
Revenues	1,467,000	-	-100%
COGS	-	-	
Gross Margins	100%		
Global Education City			
Revenues	17,250,000	17,101,000	-1%
COGS	5,710,000	4,991,000	
Gross Margins	67%	71%	
Overall Revenues	35,235,000	29,037,000	-18%
Overall Gross Margins	57%	59%	

Margins	2024A	2025A
Gross	56.6%	59.2%
EBITDA	14.3%	13.6%
EBIT	11.8%	10.8%
Net	-60.4%	13.8%

	2024A	2025A	YoY
Revenue	\$35,235,000	\$29,037,000	-18%
EBITDA	\$4,897,000	\$3,782,000	-23%
Adj. EBITDA (GEC estimates)	\$5,991,000	\$1,288,000	-79%
Net Income	-\$21,273,000	\$3,997,000	n/a
EPS	-\$0.31	\$0.06	n/a

Source: FRC / Company

Several major **Canadian REITs have recorded property write-downs** this year. For GEC, the adjustment appears driven by lower market rents, and auditor reliance on comparable regional land sales. We believe current valuations likely understate intrinsic value due to weak pre-sales and high developer financing costs. With rents and property values expected to recover in 2026, **we believe GEC is positioned to report significant gains**, and valuations should rise further as development projects are completed.

Debt-to-capital is currently above the sector average (56% vs. 46%), but this is expected to improve once development projects are completed

Summary of Cash Flows	2024A	2025A	YoY
Operating	-5,577,000	-1,270,000	-77%
Investing	-20,908,000	19,781,000	n/a
Financing	25,219,000	-17,343,000	n/a
Effects of Exchange Rate	6,000	-1,000	n/a
Net	-1,260,000	1,167,000	n/a
Free Cash Flows to Firm (FCF)	-25,598,000	-13,004,000	-49%

Liquidity & Capital Structure	2024A	2025A
(C\$) - YE Aug 31st		
Cash + Restricted Cash	\$2,132,000	\$3,299,000
Working Capital	-\$185,813,000	-\$101,314,000
Current Ratio	0.58	1.17
Long Term Debt	166,970,000	130,621,000
Total debt	250,956,000	183,210,000
Long Term Debt/Capital	42.50%	39.83%
Total Debt/Capital	63.87%	55.86%
EBIT Interest Coverage	0.3	0.2

Source: FRC / Company

FRC Projections and Valuation

Recent M&A Transactions

Acquirer(s)	Target	Location(s)	Price	Year	# of Units	Price Per Unit	Annual Revenue	Price to Revenue
Starlight & KingSett	Northview Residential REIT	Across Canada	\$3.6B (CAD)	2023	~27,000	\$133,300 (CAD)	N/A	N/A
Blackstone Inc.	Tricon Residential	US Sun Belt & Toronto, ON	\$3.5B (USD)	2024	~38,000	\$92,100	N/A	N/A
CPP Investments	Nationwide multifamily portfolio	USA	\$3.1B (USD)	2023	N/A	N/A	\$215M (USD)	14.4
Ontario Teachers' Pension Plan	Multifamily portfolio	California & Florida	\$2.4B (USD)	2024	N/A	N/A	\$180M (USD)	13.3
BlackRock Real Assets	Sun Belt multifamily properties	US Sun Belt	\$2.0B (USD)	2024	N/A	N/A	\$150M (USD)	13.3
MetLife Investment Mgmt	Affordable housing portfolio	New York & New Jersey	\$1.5B (USD)	2023	N/A	N/A	\$120M (USD)	12.5
PSP Investments & Pretium	Single-family rental homes	US Sun Belt	\$1.2B (USD)	2023	~4,000	\$300,000	N/A	N/A
CalPERS	Apartment portfolio	Texas	\$1.0B (USD)	2025	N/A	N/A	\$75M (USD)	13.3
Apartment Income REIT	South Florida Portfolio	South Florida	\$475M (USD)	2024	1,365	\$347,985	N/A	N/A
Oxford Properties & CPP Investments	VERV Residential Portfolio	US Sun Belt (GA, NC, TN, FL)	\$835M (USD)	2023	2,668	\$312,970	N/A	N/A

Source: FRC / Various

Although student housing is classified separately, we use residential/multi-family property data above as a proxy because it behaves similarly in terms of occupancy dynamics and rental cash flows.

Rental assets offer inflation-protected income, with low volatility, making them attractive to pension funds and institutions

Major institutional investors are spending billions to acquire large portfolios of residential rental properties

These transactions indicate Price-to-Revenue multiples in a tight range of 12.5x–14.4x

Sector Multiples and Ratios

Education						
Company	EV C\$M	EV/ Rev	EV/ EBITDA	P/B	Gross Margin	Debt to Capital
New Oriental Education & Technology Group	\$6,352	0.85	6.16	2.10	55%	16%
Laureate Education Inc.	\$6,633	2.83	9.35	4.10	38%	28%
Adtalem Global Education Inc.	\$5,493	2.05	7.85	2.40	57%	35%
Strategic Education Inc.	\$2,490	1.41	6.79	1.10	48%	7%
TAL Education Group	\$5,408	1.29	n/a	1.80	54%	10%
Universal Technical Institute	\$2,051	1.62	12.65	n/a	56%	46%
Perdoceo Education Corp.	\$1,813	1.54	5.53	1.80	80%	11%
Global Education Communities	\$298	7.40	14.02	0.47	59%	56%
American Public Education Inc.	\$844	0.94	7.87	2.30	54%	37%
JLS Co. Ltd	\$96	0.94	6.50	1.20	20%	5%
Average		1.23	8.03	1.61	52%	25%

GEC's EV/R and EV/EBITDA exceed that of education management peers but remain below real estate peers

Relative to REITs, GEC is trading at 7x forward revenue (sector: 11x) and 14x forward EBITDA (sector: 19x), a 31% discount on average

Student Housing/REITS						
Company	EV C\$M	EV/ Rev	EV/ EBITDA	P/B	Gross Margin	Debt to Capital
Canadian Apartment Properties REIT	\$11,440	11.33	18.92	0.70	65%	39%
Boardwalk REIT	\$6,868	10.71	18.80	0.60	58%	44%
Killam Apartment REIT	\$4,282	11.17	18.20	0.60	67%	42%
InterRent REIT	\$3,578	14.31	24.80	0.80	66%	43%
Xior Student Housing	\$4,602	15.75	20.21	0.80	71%	46%
Morguard North American Residential	\$2,728	7.73	16.46	0.30	53%	50%
BSR REIT	\$1,646	8.14	17.53	0.70	51%	58%
Global Education Communities	\$298	7.40	14.02	0.47	59%	56%
Average		11.31	19.27	0.64	62%	46%

Source: S&P Capital IQ, FRC

(in \$); YE - Aug 31	FY2026E (Old)	FY2026E (New)	FY2027E (Introducing)
Revenue	\$31,703,469	\$31,586,360	\$35,520,010
EBITDA	\$6,526,832	\$5,463,566	\$7,756,376
Net Income	-\$1,798,792	-\$5,497,212	-\$4,913,793
EPS	-\$0.03	-\$0.08	-\$0.07

Source: FRC

We are lowering our EPS estimates due to higher-than-anticipated G&A expenses in FY2025

As a result, our fair value estimate declined from \$1.22 to \$1.09/share

Comparables Valuation (Student Housing) - Operating	
Projected Annual Revenue	\$18,692,414
(a) FV of GEC's Equity @ sector average multiples	\$20,826,333
Projected Annual Revenue	\$13,552,000
(b) FV of GEC's Equity @ sector average multiples	\$25,741,338
Fair Value @ 4% cap	\$200,200,000
(c) FV of GEC's Equity	\$19,729,383
Average of (a), (b), and (c)	\$22,099,018
A) Value/Share	\$0.32

Comparables Valuation (Student Housing) - Development	
Projected Annual Revenue	\$64,028,571
(a) FV of GEC's Equity @ sector average multiples, net of GEC' costs	\$30,181,066
Projected Annual EBITDA	\$44,820,000
(b) FV of GEC's Equity @ sector average multiples, net of GEC' costs	\$39,674,372
Fair Value @ 4% cap	\$1,120,500,000
(c) FV of GEC's Equity	\$57,077,940
Average of (a), (b), and (c)	\$42,311,126
B) Value/Share	\$0.62

Comparables Valuation (Student Housing)	Fair Value
Operating + Development Projects (A + B)	\$64,410,144
Value/Share (A + B)	\$0.94

Education Management	Fair Value
a) Discounted Cash Flow @ 10%	\$12,275,904
b) Comparables Valuation (EV / Revenue)	\$15,095,477
c) Comparables Valuation (EV / EBITDA)	\$9,876,203
Average of (a), (b), and (c)	\$12,415,861
Value/Share	\$0.18

Working Capital, net of Corporate Debt	-\$1,904,000
Fair Value Estimate	\$74,922,005
Value/Share	\$1.09

Source: FRC

We are reiterating our BUY rating, and adjusting our fair value estimate from \$1.22 to \$1.09/share. Despite property write-downs and a modest revenue decline in FY2025, margins improved, and market fundamentals indicate property values are bottoming with potential upside in 2026. Trading at a significant discount to



REIT peers, we believe GEC offers an attractive entry point into Vancouver's constrained affordable rental market, with additional upside potential from possible legal recoveries.

Risks

We believe the company is exposed to the following risks:

- Real estate development and financing
- **Potential for delays in project development and construction**
- Cost overruns
- Permitting
- Profitability is highly dependent on the health of the rental market in Vancouver
- **Vacancy and rental rate fluctuations**
- Leveraged balance sheet

Maintaining our risk rating of 3 (Average)

APPENDIX

INCOME STATEMENTS (in C\$) - YE Aug 31st	2024A	2025A	2026F	2027F
REVENUE				
Educational	14,633,000	10,109,000	10,460,268	10,774,076
Rental	17,250,000	17,101,000	17,785,040	21,342,048
Commissions + Referral Fees	1,305,000	1,465,000	1,460,952	1,504,781
Design and advertising IRIX	580,000	362,000	380,100	399,105
Development fees	1,467,000		1,500,000	1,500,000
Total Revenues	35,235,000	29,037,000	31,586,360	35,520,010
DIRECT COSTS				
Educational	8,836,000	6,075,000	6,117,990	6,301,530
Commissions + Referral Fees	608,000	675,000	818,133	842,677
Rental	5,710,000	4,991,000	5,335,512	6,402,614
Design and advertising IRIX	135,000	103,000	95,025	99,776
Development fees				
Total Direct Costs	15,289,000	11,844,000	12,366,660	13,646,597
Gross Profit	19,946,000	17,193,000	19,219,700	21,873,412
EXPENSES				
Stock-based compensation	134,000	157,000	170,784	192,053
General and administrative	14,915,000	13,254,000	13,585,350	13,924,984
Total Expenses	15,049,000	13,411,000	13,756,134	14,117,037
EBITDA	4,897,000	3,782,000	5,463,566	7,756,376
Amortization	727,000	639,000	670,950	704,498
EBIT	4,170,000	3,143,000	4,792,616	7,051,878
Interest / Finance Cost	(13,089,000)	(12,752,000)	(13,527,600)	(16,160,500)
Impairments				
Others	(15,681,000)	(23,675,000)		
EBT	(24,600,000)	(33,284,000)	(8,734,984)	(9,108,622)
Credit loss allowance/write-offs	(878,000)	(1,059,000)		
Gain on Change of Property FV			7,704,023	11,002,626
Net Profit (Loss) before tax	(25,478,000)	(34,343,000)	(1,030,962)	1,894,004
Taxes	(2,679,000)	(2,140,000)	-	-
Net Profit (Loss)	(22,799,000)	(32,203,000)	(1,030,962)	1,894,004
Non-controlling/Discontinued	1,526,000	36,200,000	(4,466,250)	(6,807,796)
Net Profit (Loss) to CIBT	(21,273,000)	3,997,000	(5,497,212)	(4,913,793)
EPS	-0.31	0.06	-0.08	-0.07

BALANCE SHEETS				
(in C\$) - YE Aug 31st	2024A	2025A	2026F	2027F
Cash	2,132,000	3,299,000	3,177,100	3,721,166
Restricted cash	2,749,000	1,388,000	1,388,000	1,388,000
A/R	13,677,000	17,388,000	18,257,400	19,170,270
Prepays and other	1,423,000	1,149,000	1,206,450	1,266,773
Others	3,300,000	3,300,000	3,465,000	3,638,250
Inventory	933,000	97,000	101,850	106,943
Total Current Assets	24,214,000	26,621,000	27,595,800	29,291,401
PPE	14,648,000	3,168,000	2,522,250	1,847,993
Intangible Assets	11,506,000	24,000	24,000	24,000
Others	1,147,000	1,048,000	1,048,000	1,048,000
Future Income Tax	3,825,000	3,225,000	3,225,000	3,225,000
Cur. Dev. Costs & Other Assets	869,000	869,000	869,000	869,000
Investment property	419,002,000	342,401,000	440,105,023	571,107,648
Total Assets	475,211,000	377,356,000	475,389,073	607,413,042
Accounts payable and accrued liabilities	15,315,000	14,745,000	15,482,250	16,256,363
Deferred revenue	20,979,000	3,120,000	3,276,000	3,439,800
Lease obligation + provision	5,271,000	4,708,000	4,708,000	4,708,000
Income Tax Payable	490,000	184,000	184,000	184,000
Current portion of the long-term debt	83,986,000	52,589,000	124,589,000	220,589,000
Total Current Liabilities	126,041,000	75,346,000	148,239,250	245,177,163
Lease Obligation	31,072,000	17,729,000	17,729,000	17,729,000
Long-term Debt	166,970,000	130,621,000	143,121,000	158,121,000
Future Income Tax Liabilities	9,196,000	8,916,000	8,916,000	8,916,000
Shareholders' Equity				
Share capital	44,969,000	45,371,000	45,371,000	45,371,000
Contributed surplus	7,372,000	7,579,000	7,749,784	7,941,837
Accumulated Comprehensive loss	278,000	278,000	278,000	278,000
Non-controlling interests	116,724,000	96,786,000	114,752,250	139,560,047
Deficit	(27,411,000)	(5,270,000)	(10,767,212)	(15,681,005)
Total SE	141,932,000	144,744,000	157,383,823	177,469,879
Total Liabilities and SE	475,211,000	377,356,000	475,389,073	607,413,042

CASH FLOWS (in C\$) - YE Aug 31st	2024A	2025A	2026F	2027F
OPERATING ACTIVITIES				
Net Profit (Loss) for the year	(22,799,000)	(32,203,000)	(1,030,962)	1,894,004
Adjusted for items not involving cash:				
- amortization	727,000	639,000	670,950	704,498
- stock-based compensation	134,000	157,000	170,784	192,053
-Others	5,150,000	2,954,000		
-gain on fair value changes/others	14,160,000	23,575,000	(7,704,023)	(11,002,626)
-finance fees	2,466,000	4,202,000		
Funds From Operations	(162,000)	(676,000)	(7,893,250)	(8,212,071)
Non-cash working capital items	(5,415,000)	(594,000)	(203,450)	(213,623)
	(5,577,000)	(1,270,000)	(8,096,700)	(8,425,694)
INVESTING ACTIVITIES				
PP&E	14,757,000	(21,000)	(25,200)	(30,240)
Investment Properties	(34,778,000)	(11,713,000)	(90,000,000)	(120,000,000)
Net change in intangible assets		-		
Other Items	(887,000)	31,515,000		
	(20,908,000)	19,781,000	(90,025,200)	(120,030,240)
FINANCING ACTIVITIES				
Treasury	(11,000)	(43,000)	-	-
Lease obligation repayments	(2,935,000)	(5,616,000)		
Non controlling interest	6,040,000		13,500,000	18,000,000
Restricted cash and other deposits			-	-
Loan principal payments				
Long-term debt advances	22,588,000	(11,661,000)	72,000,000	96,000,000
Others	(463,000)	(23,000)	12,500,000	15,000,000
	25,219,000	(17,343,000)	98,000,000	129,000,000

Fundamental Research Corp. Equity Rating Scale (ratings are not a recommendation to acquire, dispose of, or take no action regarding a security; the definitions of our ratings are explained below):

Buy – Fair value is 12% above the current market price; or risk and reward is favorable

Hold – Fair value is between 5% to 12% above the current market price

Sell – Fair value is 5% above, or less, than the current market value; or risk and reward is unfavorable

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues and may rely on external funding. These stocks are considered highly speculative.

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