

# Q2 FY2021 Earnings Presentation

January 26, 2021

**Striide**

# Safe Harbor

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We have tried, whenever possible, to identify these forward-looking statements using words such as “**anticipates,**” “**believes,**” “**estimates,**” “**continues,**” “**likely,**” “**may,**” “**opportunity,**” “**potential,**” “**projects,**” “**will,**” “**expects,**” “**plans,**” “**intends**” and similar expressions to identify forward looking statements, whether in the negative or the affirmative. These statements reflect our current beliefs and are based upon information currently available to us. Accordingly, such forward-looking statements involve known and unknown risks, uncertainties and other factors which could cause our actual results, performance or achievements to differ materially from those expressed in, or implied by, such statements.

These risks, uncertainties, factors and contingencies include, but are not limited to: inability to consummate the acquisition of MedCerts and Tech Elevator, and to integrate the acquired businesses; potential departure of management and key employees given the uncertainties associated with the acquisitions; inability to realize the expected benefits of the acquisitions; reduction of per pupil funding amounts at the schools we serve; inability to achieve a sufficient level of new enrollments to sustain our business model; failure to replace students who have graduated from the terminal grade in a school or have left our programs for other reasons with new students of a sufficient number; inability to maintain our current rate of retention of students enrolled in our courses; an increase in the amount of failures to enter into new school contracts or renew existing contracts, in part or in their entirety; the failure of perceived industry trends and projections resulting from the expected effects of COVID-19 on virtual education; failure of the schools we serve or us to comply with federal, state and local regulations, resulting in a loss of funding, an obligation to repay funds previously received or contractual remedies; governmental investigations that could result in fines, penalties, settlements, or injunctive relief; declines or variations in academic performance outcomes of the students and schools we serve as curriculum standards, testing programs and state accountability metrics evolve; harm to our reputation resulting from poor performance or misconduct by operators or us in any school in our industry and/or in any school in which we operate; legal and regulatory challenges from opponents of virtual public education or for-profit education companies; changes in national and local economic and business conditions and other factors such as natural disasters, pandemics and outbreaks of contagious diseases and other adverse public health developments, such as COVID-19; discrepancies in interpretation of legislation by regulatory agencies that may lead to payment or funding disputes; termination of our contracts, or a reduction in the scope of services with schools; failure to develop the career learning education business; entry of new competitors with superior technologies and lower prices; unsuccessful integration of mergers, acquisitions and joint ventures, failure to further develop, maintain and enhance our technology, products, services and brands; inadequate recruiting, training and retention of effective teachers and employees; infringement of our intellectual property; disruptions to our Internet-based learning and delivery systems, including but not limited to our data storage systems, resulting from cybersecurity attacks; misuse or unauthorized disclosure of student and personal data; and other risks and uncertainties associated with our business described in the Company’s filings with the Securities and Exchange Commission.

Although the Company believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that the expectations will be attained or that any deviation will not be material. All information in this presentation is as of today’s date, and the Company undertakes no obligation to update any forward-looking statement to conform the statement to actual results or changes in the Company’s expectations.



K12 Inc.’s corporate name was changed to Stride, Inc. The corporate name change became effective December 16, 2020. Stride trades on the NYSE under the symbol “LRN.”



# Agenda

- Highlights
- Career Learning
- Financial Performance

# Company Highlights

- Company names James Rhyu as CEO and member of the Board in next step of ongoing Succession Plan
- Consistent focus on cost management, retention, and career learning drove very strong quarter and year-to-date performance in enrollments, financials and operations
- COVID-19 accelerating favorable views for well-managed online education and training; both K through 12 and Adult
  - Surveys show parents more open to online learning now
  - Increased demand for adults wanting retraining
  - Corporations and institutions needing more trained workers in IT and Health Care
- Stride's Career Learning business continues strong performance
  - Product offerings continue to expand
  - Acquisitions accelerate Stride's strategy and strengthen competitive position
  - Forecast over \$250M in FY21 revenue in third year of focus
  - Market opportunity expanded from \$11B to \$100B+ with new product offerings in new markets
- Favorable trends in customer satisfaction and student retention
- ESG factors already engrained in company culture; ESG annual report coming for greater visibility

## Q2 FY21 Performance

- Revenue of \$376.1M (+46% y-o-y)
- Adjusted Operating Income of \$50.1M (+34% y-o-y)
- Adjusted EBITDA of \$70.7M (+32% y-o-y)
- YTD Adjusted Operating Income margin improved 510 bps

## FY21 Guidance

- **Raising full year guidance** for revenue and Adjusted Operating Income:
  - FY21 revenue now expected to be **\$1.500B to \$1.525B**
  - FY21 Adjusted Operating Income now expected to be **\$145M to \$155M**



**Stride**

# Strong momentum in Career Learning business

In just five years, Stride has built the assets and capabilities to reach today's ~\$250M scale and is well-positioned to sustain high growth into the future

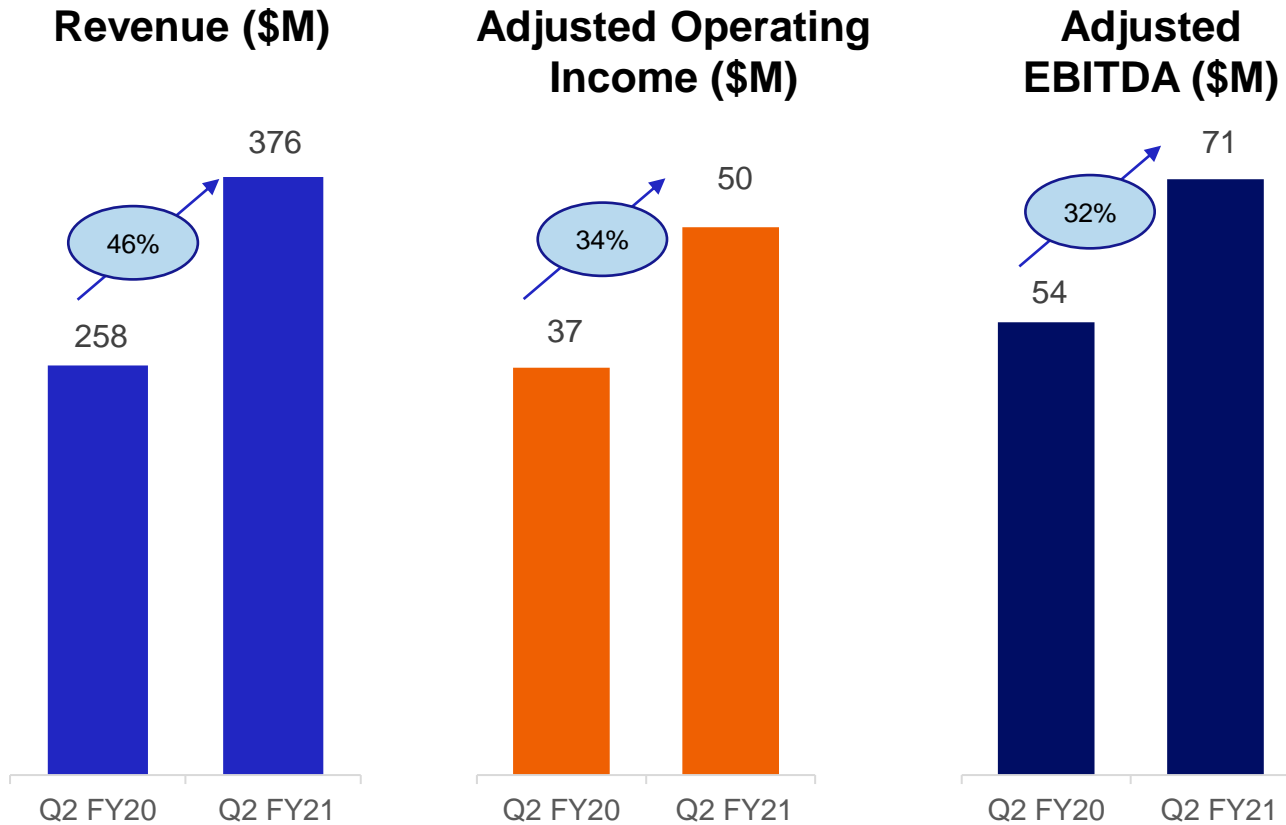
## Career Preparation

- 30.3K students enrolled as of Dec. 31, 2020 (+131% y-o-y)
- 32 schools / programs reaching 60% of H.S. students in U.S.
- 50 customized courses, including project-based learning content & Galvanize H.S. program
- 7,500+ work-based learning experiences
- 2,000+ certifications & ~1,000 college credits earned

## Career Development / Enterprise

- Acquired top software engineering, data science & healthcare bootcamps
- 28K+ students trained across software engineering, data science and healthcare professions
- ~3,000 companies have hired program graduates
- 50% of Fortune 100 companies employ graduates
- 1M+ community of users on Tallo platform

# Robust year-over-year growth in key financial metrics



- Successful execution of growth strategy into Career Learning
  - High quality of Stride's educational services
  - Strength of business model and competitive position
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- **General Education** revenue of \$314M (+35% y-o-y) driven by 51% increase in enrollment
  - **Career Learning** revenue of \$62M (+150% y-o-y) driven by 131% increase in enrollment and Galvanize acquisition

# Strong revenue growth in both General Education and Career Learning

## Three Months Ended December 31

	2020	2019	% change
<b>Revenue (in millions)</b>			
General Education	314.0	232.6	35%
Career Learning			
Middle - High School	51.4	24.9	106%
Adult	10.8		
Total Career Learning	62.2	24.9	149%
<b>Total Revenues</b>	<b>376.1</b>	<b>257.6</b>	<b>46%</b>

## Enrollment data (in thousands)

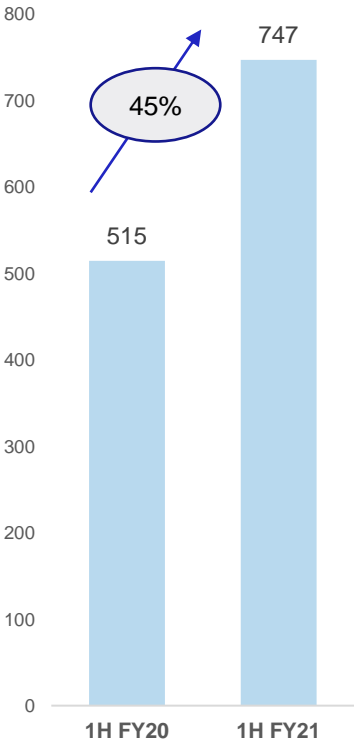
General Education, K-12	161.2	106.8	51%
Career Learning, Middle - High School	30.3	13.1	131%
<b>Total Enrollment</b>	<b>191.5</b>	<b>119.9</b>	<b>60%</b>

## Growing Demand for Online Education

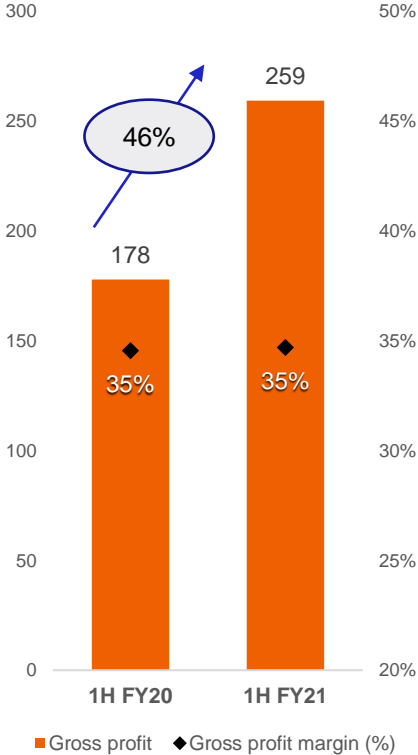
- Fifth consecutive year of growth in enrollments
- Even without the impact of COVID-19, we believe General Education enrollments would have grown in the mid-single-digit range or higher and Career Learning enrollments would have doubled or more, consistent with the growth rate the past several years
- General Education and Career Learning revenue per enrollment down ~10% due to state budgetary pressures and school mix impact

# Double digit growth in key financial metrics for the six months ended Dec. 31, 2020

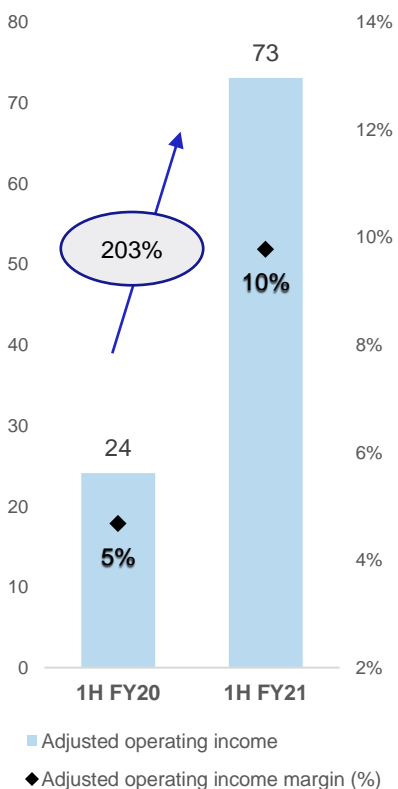
Revenue (\$M)



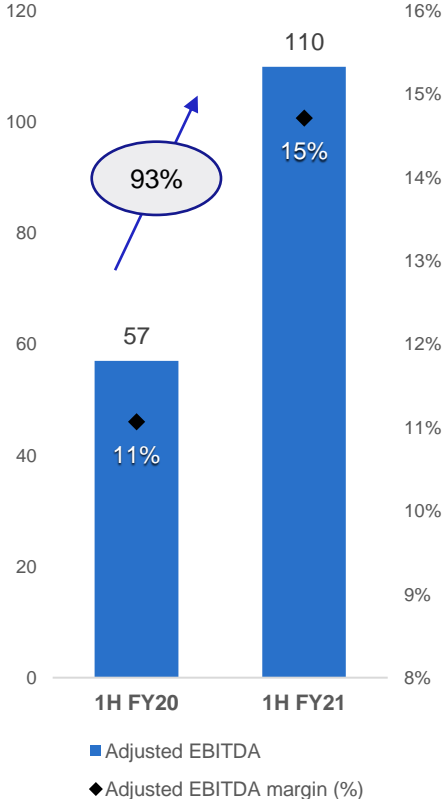
Gross Profit (\$M)



Adjusted Operating Income(\$M)



Adjusted EBITDA (\$M)



# Strong balance sheet & liquidity

Flexibility to maintain long-term low leverage ratios

## Select balance sheet and other information

For the Three Months Ended December 31, 2020 (\$M)

Cash and Cash Equivalents	\$258.1
Accounts Receivable, net	435.3
Accounts Payable	39.3
Total Debt Obligations	479.3
Revolving Credit Facility Availability	100.0

Cash position reflects seasonality of cash flows, use of cash for acquisitions and issuance of convertible notes

Accounts receivable balance reflects normal in-year seasonality of cash flows

Low leverage ratio of 1.19x

*Note: Leverage ratio is Net Debt (total debt obligations of \$479.3M less cash and cash equivalents of \$258.1M) divided by Adjusted EBITDA of \$185.6M for the twelve months ended December 31, 2020.*

# Q3 and FY21 guidance

	Q3 FY2021		FY2021	
	Low	High	Low	High
	(In millions)			
Revenue	\$ 375.0	\$ 385.0	\$ 1,500.0	\$ 1,525.0
Income from operations	30.5	34.5	90.5	98.5
Stock-based compensation expense	13.0	14.0	43.0	45.0
Amortization of intangible assets	3.5	3.5	11.5	11.5
Adjusted operating income	<u>\$ 47.0</u>	<u>\$ 52.0</u>	<u>\$ 145.0</u>	<u>\$ 155.0</u>
Capital expenditures	12.0	15.0	50.0	60.0
Tax rate (after discrete items)			26%	29%

Appendix

Striide

# Industry leading management team with diverse expertise



**Nate Davis**  
Executive Chairman of the Board of Directors



**James Rhyu**  
Chief Executive Officer



**Dr. Shaun McAlmont**  
President, Career Learning Solutions



**Kevin P. Chavous**  
President, Academics, Policy & External Relations



**Tim Medina**  
Chief Financial Officer



**Dr. Tony Bennett**  
SVP, School Management



**Valerie Maddy**  
SVP, Human Resources



**Vincent Mathis**  
EVP and General Counsel



**Megan Sandoval**  
SVP, School Service – Western Region



**Dr. Jodi Marshall**  
SVP, School Service – Southern Region



**Bryan Flood**  
SVP, Public Affairs



**Todd Goldthwaite**  
Chief Marketing Officer



**Leilani Brown**  
SVP, Strategic Partnerships



**Todd Thorpe**  
SVP, School Service – Central Region

**Senior Leadership Team Composition**

- ~7** Average Years Experience with K12
- 82%** Previous Technology or Education Experience
- 62%** Diverse Representation



**Darren Reed**  
SVP, School Service – Northern Region



**Donna Blackman**  
Chief Accounting Officer & Treasurer

Statistics represent 26 person Senior Leadership Team

# The new Stride

Leveraging over 20 years of experience with over 2 million students supported, and a scalable education services platform, **Stride provides online and blended lifelong learning solutions** for public and private schools, school districts, charter boards, employers, government agencies and consumers

**Stride**



K-12  
General  
Education  
& Career  
Prep



Early Career  
& Immersive  
Training



Job Placement  
& Recruitment





Career  
Advancement  
(Corp. Training  
& Upskilling)

**\$100B+**  
addressable  
market

Multiple touchpoints  
along a lifelong learner's  
education and career to  
increase lifetime value

# New acquisitions further expand addressable opportunity

Increased presence in adult learning and corporate training markets

		
<b>Purchase Price</b>	\$23.5M	\$70.0M**
<b>Revenue*</b>	~\$11M	~\$23M
<b>Offerings</b>	Remote and in-person software engineering bootcamps	Online allied healthcare and IT training, including certification prep and job placement support
<b>Strategic Rationale</b>	Fast growing, profitable business expands Galvanize addressable market, adding new locations, languages, student demographics, and employer partnerships	Fast growing, profitable business adds healthcare content and employer partnerships, and expands Stride's adult learning offerings

\*Stand-alone results annual trailing twelve months through December 31, 2020

\*\*Plus contingent consideration that could become due in fiscal year 2022

# Well positioned general education business

Online & blended learning expertise & assets to address large K-12 market



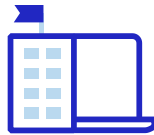
## General Education Solutions



### Full-time Online Programs

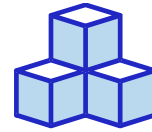
Online and blended programs for Kindergarten - 12<sup>th</sup> grade

161.2K students enrolled in General Education as of Dec. 31, 2020 (+51% y-o-y)



### Part-time Online Programs

Students attending traditional program and K12-powered online option



### Learning Solutions

Content, platform, instruction and support solutions for traditional school environments

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Growing mass acceptance of online learning

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Parents are now digital natives and are used to learning and getting information online

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School districts shifting from print to digital format at accelerating rate

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Acceptance of online teacher professional development growing

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COVID-19 impact increasing awareness and broader requirement for online education

# Reconciliation

(in millions)	Three Months Ended December 31,		Six Months Ended December 31,	
	2020	2019	2020	2019
<b>Income from operations</b>	\$ 38.5	\$ 30.3	\$ 50.5	\$ 10.9
Stock-based compensation expense	\$ 9.1	\$ 6.2	\$ 18.0	\$ 11.7
Amortization of intangible assets	\$ 2.5	\$ 0.7	\$ 4.6	\$ 1.5
<b>Adjusted operating income</b>	\$ 50.1	\$ 37.2	\$ 73.1	\$ 24.1
Depreciation and other amortization	\$ 20.6	\$ 16.5	\$ 36.8	\$ 32.9
<b>Adjusted EBITDA</b>	\$ 70.7	\$ 53.7	\$ 109.9	\$ 57.0

ADJ. OPERATING INCOME AND EBITDA TO GAAP FINANCIALS

# Reconciliation – MedCerts and Tech Elevator

Three Months Ended December 31, 2020

(In thousands, except percentages)

	MedCerts, LLC			Tech Elevator, Inc.		
	As Reported	Purchase Accounting	As Reported (excl. Purchase Accounting)	As Reported	Purchase Accounting	As Reported (excl. Purchase Accounting)
Revenues	\$ 1,066	\$ 1,429	\$ 2,495	\$ 576	\$ 424	\$ 1,000
Net income (loss)	(1,202)	1,836	634	(310)	521	211
<b>Income (loss) from operations</b>	<b>(1,202)</b>	<b>1,836</b>	<b>634</b>	<b>(310)</b>	<b>521</b>	<b>211</b>
Stock-based compensation expense	-	-	-	-	-	-
Amortization of intangible assets	407	(407)	-	96	(96)	-
<b>Adjusted operating income</b>	<b>(795)</b>	<b>1,429</b>	<b>634</b>	<b>(214)</b>	<b>425</b>	<b>211</b>
<b>Adjusted operating income margin (% of revenues)</b>	<b>-75%</b>	<b>100%</b>	<b>25%</b>	<b>-37%</b>	<b>100%</b>	<b>21%</b>
Depreciation and amortization	78	-	78	21	-	21
<b>Adjusted EBITDA</b>	<b>(717)</b>	<b>1,429</b>	<b>712</b>	<b>(193)</b>	<b>425</b>	<b>232</b>
<b>Adjusted EBITDA margin (% of revenues)</b>	<b>-67%</b>	<b>100%</b>	<b>29%</b>	<b>-34%</b>	<b>100%</b>	<b>23%</b>