

# Q1 FY2022 Earnings Presentation

October 19, 2021

**Striide**

# Safe Harbor

This press release 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: reduction of per pupil funding amounts at the schools we serve; inability to predict how the COVID-19 pandemic will continue to impact our business; 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.

# 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

 **K12**  
Stride Career Prep  


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

# Compelling long-term investment thesis

Growing in **\$100B+** addressable market

01	02	03	04	05
<p><b>Leading education services platform</b></p> <p>With scale, expertise &amp; broad, long-term customer relationships</p>	<p><b>Sustainable core business</b></p> <p>Secular shift toward online &amp; blended education for lifelong learning</p>	<p><b>Career Learning growth</b></p> <p>Leveraging capabilities &amp; assets addressing business needs</p>	<p><b>Experienced, diverse leadership</b></p> <p>Deep educational regulatory &amp; policy expertise with commitment to ESG</p>	<p><b>Financial track record</b></p> <p>Consistent growth in revenue &amp; profitability &amp; strong balance sheet</p>
<b>Stride</b>				

# First Quarter Highlights

## 1. Strength in Enrollments and Revenue Per Enrollment

- Guidance implies growth in both Revenue and Profitability

## 2. Quarterly Results Show Demand Remains High for Virtual School Options

- Support for School Choice has risen to almost 75%
- Interest in virtual General Education and Career Learning programs increasing
- Families are more informed consumers leading to higher conversion rates and initial satisfaction

## 3. Strong Results Across Lines of Revenue

- Career Learning growth continues – enrollments up 36% y-o-y
- General Education enrollments down from COVID-highs but remain strong
- Adult Learning revenue continues to drive overall company growth and gross margin improvement

## 4. Cash Flow And Liquidity Support Organic and Inorganic Opportunities

- Balance sheet remains robust – disciplined capital allocation strategy

## Q1 FY22 Performance

- Revenue of \$400.2M
  - (+8% y-o-y)
- Adj. Operating Income\* of \$4.5M
  - (-80% y-o-y)
- Adj. EBITDA\* of \$25.5M
  - (-35% y-o-y)

## 1. Guidance

# Guiding to Full Year Revenue and Profitability Growth

	Q2 FY2022		FY2022	
	Low	High	Low	High
	(in millions)			
Revenue	\$ 390	\$ 400	\$ 1,560	\$ 1,600
Adjusted operating income*	\$ 55	\$ 60	\$ 165	\$ 180
Capital expenditures	\$ 14	\$ 17	\$ 65	\$ 75
Effective tax rate			28%	30%

## Guidance Reflects Strong Demand for Virtual Education

- FY22 Revenue: +3% Y-O-Y  
*Mid-point of Guidance*
- FY22 AOI: +7% Y-O-Y  
*Mid-point of Guidance*
- COVID-19 accelerated awareness and acceptance of virtual learning
- Support for School Choice almost 75% of population

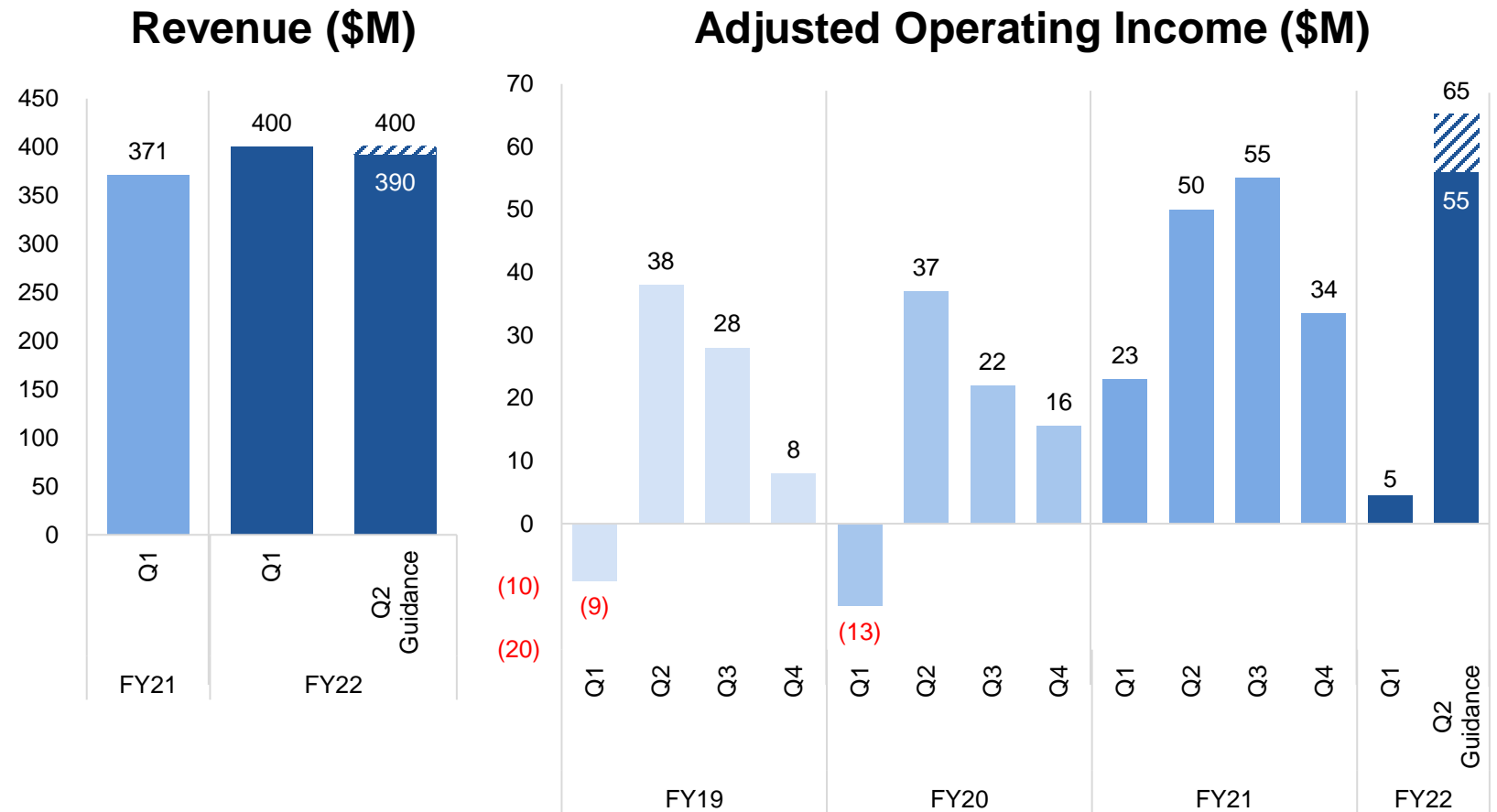
## 2. Quarterly Results

# Revenue Growth Accompanied by Normal Spending Pattern

Return to normal seasonality of school start expenses

Q1 expenses include materials, computers, media, and student onboarding

Q2 FY22 AOI guidance is favorable to Q2 FY21



\*Note: To supplement our financial statements presented in accordance with U.S. generally accepted accounting principles (GAAP), we also present non-GAAP financial measures including adjusted operating income, EBITDA and adjusted EBITDA. Management believes that these additional metrics provide useful information to investors relating to our financial performance. A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures is provided in the Appendix to this presentation.

### 3. Lines of Revenue

# Career & Adult Learning Continue to Drive Growth

## Career Learning

- Enrollment growth of 36%

## Adult Learning

- Continued growth
- Y-O-Y comparison impacted by timing of acquisitions

## General Education

- Enrollment decline of 10% due to COVID driven demand in FY21
- Enrollments up 36.8K from FY20 (15% CAGR)

### Quarter Ended Sept 30

	2021	2020	% change
<b>Revenue (in millions)</b>			
General Education	\$ 306.3	\$ 313.8	-2%
Career Learning			
Middle - High School	71.4	48.8	46%
Adult	22.5	8.4	168%
Total Career Learning	93.9	57.2	64%
<b>Total Revenues</b>	<b>\$ 400.2</b>	<b>\$ 371.0</b>	8%

### Enrollment data (in thousands)

General Education, K-12	147.6	164.6	-10%
Career Learning, Middle - High School	42.0	30.8	36%
<b>Total Enrollment</b>	<b>189.6</b>	<b>195.4</b>	-3%

#### 4. Balance Sheet

# Liquidity & Low Debt Support Organic & Inorganic Growth

## Select balance sheet and other information

As of September 30, 2021 (\$M)

Cash and Cash Equivalents	\$218.5
Accounts Receivable, net	519.4
Accounts Payable	58.6
Total Debt Obligations	499.2
Revolving Credit Facility Availability	100.0

Normal decline in cash balance in first quarter. Expect increasing cash balance through rest of year.

Accounts receivable balance reflects seasonality and timing of payments

Low leverage ratio of 1.24x

*Note: Leverage ratio is Net Debt (total debt obligations of \$499.2M less cash and cash equivalents of \$218.5M) divided by Adjusted EBITDA of \$226.1M for the twelve months ended Sept. 30, 2021.*

# Disciplined capital allocation

Prioritizing free cash flow sustainability, educational platform development, and synergistic M&A

## Organic growth

- Invest in academic quality & student / customer experience to support outcomes & retention
- Implement innovative products across portfolio

## Strategic acquisitions

- Leverage platform across markets / verticals
- High-growth, high-margin targets providing synergies

## Capital return

- Evaluate approaches to return cash to shareholders over the long-term

Appendix

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# Reconciliation

(in millions)	Three Months Ended September 30,	
	2021	2020
<b>Income (loss) from operations</b>	\$ (7.0)	\$ 12.1
Stock-based compensation expense	\$ 8.3	\$ 8.9
Amortization of intangible assets	\$ 3.2	\$ 2.1
<b>Adjusted operating income</b>	<b>\$ 4.5</b>	<b>\$ 23.0</b>
Depreciation and other amortization	\$ 21.0	\$ 16.2
<b>Adjusted EBITDA</b>	<b>\$ 25.5</b>	<b>\$ 39.2</b>

# Reconciliation

	Three Months Ended December 31, 2021		Year Ended June 30, 2022	
	Low	High	Low	High
	(In millions)			
Income from operations	\$ 44.3	\$ 48.8	\$ 123.0	\$ 136.0
Stock-based compensation expense	7.5	8.0	29.0	31.0
Amortization of intangible assets	3.2	3.2	13.0	13.0
Adjusted operating income	<u>\$ 55.0</u>	<u>\$ 60.0</u>	<u>\$ 165.0</u>	<u>\$ 180.0</u>

ADJ. OPERATING INCOME (FY2019 through FY2021)

# Reconciliation

(in millions)	FY2019				FY2020				FY2021			
	Three Months Ended				Three Months Ended				Three Months Ended			
	Sept. 30, 2018	Dec. 31, 2018	Mar. 31, 2019	Jun. 30, 2019	Sept. 30, 2019	Dec. 31, 2019	Mar. 31, 2020	Jun. 30, 2020	Sept. 30, 2020	Dec. 31, 2020	Mar. 31, 2021	Jun. 30, 2021
<b>Income (loss) from operations</b>	\$ (13.8)	\$ 33.3	\$ 23.3	\$ 2.7	\$ (19.4)	\$ 30.3	\$ 14.5	\$ 7.0	\$ 12.1	\$ 38.5	\$ 38.6	\$ 21.4
Stock-based compensation expense	\$ 4.0	\$ 4.1	\$ 4.0	\$ 4.6	\$ 5.5	\$ 6.2	\$ 6.1	\$ 5.8	\$ 8.9	\$ 9.1	\$ 12.9	\$ 8.5
Amortization of intangible assets	\$ 0.8	\$ 0.8	\$ 0.7	\$ 0.7	\$ 0.8	\$ 0.7	\$ 1.8	\$ 2.8	\$ 2.0	\$ 2.5	\$ 3.4	\$ 3.6
<b>Adjusted operating income</b>	<b>\$ (9.0)</b>	<b>\$ 38.2</b>	<b>\$ 28.0</b>	<b>\$ 8.0</b>	<b>\$ (13.1)</b>	<b>\$ 37.2</b>	<b>\$ 22.4</b>	<b>\$ 15.6</b>	<b>\$ 23.0</b>	<b>\$ 50.1</b>	<b>\$ 54.9</b>	<b>\$ 33.5</b>