

Stride, Inc. Expands Ability to Meet Demands of IT Skills Gap with Acquisition of Tech Elevator

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Tech Elevator boasts industry-leading job placement rate of 92%, as grads go on to Accenture, JP Morgan Chase, PNC, and more.

HERNDON, Va.--(BUSINESS WIRE)-- K12 Inc. (NYSE: LRN) – to be **Stride, Inc.** effective December 16, 2020 – today announced that it has entered into a definitive agreement to acquire **Tech Elevator**, a proven innovator in supporting individuals and companies seeking to develop in-demand coding skills and talent. Alongside Stride's subsidiary **Galvanize**, Tech Elevator will help more individuals gain access to careers in technology by expanding on the company's student demographic profile, geographic footprint, and hiring partner portfolio.

Where Galvanize bootcamps enroll advanced beginners in software engineering and data science bootcamps, Tech Elevator expands Stride's total addressable market by admitting students across the country with no coding experience. Stride will now upskill learners of all experience levels to meet the needs of all types of employers, in all types of markets.

Stride's acquisition of Tech Elevator comes at a time when the demand for IT talent is particularly strong. Despite the recession, the employment outlook for software engineers remains strong, likely due to the growth in mobile technology and cyber security. The **U.S. Bureau of Labor and Statistics** projects employment of software developers to grow 22 percent by 2029 **across diverse industries**.

"Bringing the Tech Elevator team, their passion, and expertise into the Stride ecosystem will strengthen our ability to address the nation's technology skills gap," said Nate Davis, Stride's CEO and Chairman of the Board of Directors. "By providing training and talent to individuals and enterprises across diverse industries and in new markets, we will open a world of possibility to professionals of all skill levels, from entry-level coders to senior developers."

At Tech Elevator’s campuses across the U.S. -- in cities including Cleveland, Philadelphia, and Columbus -- students gain mastery in Java and C# coding languages, complementing Galvanize’s existing curriculum. With Tech Elevator’s average graduation rate of 95% and a **92% job placement rate**, Tech Elevator has a proven track record of succeeding in placing talent in Fortune 500 companies nationwide, including Accenture, PNC Bank, and Progressive insurance.

“Stride and Tech Elevator share a core belief in the ability of education to transform lives,” said Anthony Hughes, Tech Elevator’s Co-Founder and CEO. “Stride will accelerate our ability to help people, to strengthen communities, and to help companies grow with diverse talent. We look forward to bringing our teams together to make an even greater impact.”

Stride expects to acquire Tech Elevator for \$23.5 million in an all-cash transaction. The acquisition, which was approved by the boards of directors of Stride and Tech Elevator, is expected to close by the end of second quarter fiscal year 2021, subject to customary closing conditions. For reference, Tech Elevator’s revenue for the last twelve months ending September 30, 2020 was approximately \$11 million, an increase of 47% year-over-year. Adjusted EBITDA for that same period was approximately \$2 million, an increase of 112% year-over-year.

Today’s announcement coincides with the company’s acquisition of **MedCerts**, a leader in healthcare industry workforce development and education. For more information on this transaction, please visit news.stridelearning.com.

Stride expects, assuming a December 2020 close of both the Tech Elevator and MedCerts acquisitions, the impact to fiscal 2021 revenue and adjusted operating income will be as follows:

(in millions)	Full Year Fiscal 2021	
	Revenue	Adjusted Operating Income
Before Impact of Purchase Accounting	\$14 - \$19	\$2 - \$4
Impact of Purchase Accounting	(\$2 - \$4)	(\$2 - \$4)
Net Impact to Fiscal 2021	\$12 - \$15	no change

The company expects these acquisitions to be accretive to adjusted operating income in fiscal 2022.

Based on these estimates, updated guidance for fiscal 2021, including both the Tech Elevator and MedCerts contribution, and assuming a late fiscal second quarter close of both transactions is as follows:

(In millions)

	Full Year Fiscal 2021	
	Previous Outlook	Updated Outlook
Revenue	\$1,445 - \$1,470	\$1,457 - \$1,485
Capital expenditures	\$50 - \$60	\$50 - \$60
Tax Rate	26% - 29%	26% - 29%
Adjusted operating income (1)	\$120 - \$130	\$120 - \$130

1. In addition to providing an outlook for revenue and capital expenditures, adjusted operating income is provided as a supplemental non-GAAP financial measure as management believes that it provides useful information to our investors. Please also see Special Note on Forward Looking Statements below.

Stride executives will host a Virtual Investor Day, November 18, 2020. Chief Executive Officer and Chairman Nate Davis and other members of Stride's executive management team will provide an in-depth review of the company's long-term vision and growth strategies, capital allocation framework, and operational and financial objectives.

Presentations, including a question and answer session, will begin promptly at 10:30 am ET and conclude by approximately 2:30 pm ET. Investors and analysts can use this [link](#) to register for K12's Investor Day. A replay of the Investor Day will also be available on the company's website.

Special Note on Forward-Looking Statements

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: 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

Non-GAAP Financial Measure Reconciliation

For Stride: These reconciliations are the same for both the previous and updated outlook.

	Three Months Ended December 31, 2020		Year Ended June 30, 2021	
	Low	High	Low	High
	(In millions)			
Income from operations	\$ 32.5	\$ 35.5	\$ 76.5	\$ 86.5
Stock-based compensation expense	7.5	7.5	35.5	35.5
Amortization of intangibles assets	2.0	2.0	8.0	8.0
Adjusted operating income	\$ 42.0	\$ 45.0	\$ 120.0	\$ 130.0

For Tech Elevator:

	Last Twelve Months Ended September 30		
	2019	2020	
	(In millions)		
Income from operations	\$ 0.9	\$	1.6
One-time expenses	-		-
Depreciation and amortization	0.2		0.2
Adjusted EBITDA	\$ 1.1	\$	1.8

About Tech Elevator

Tech Elevator is an intensive education provider helping individuals and companies acquire in-demand technology skills for the modern workforce. Through its 14-week, full-time, in-person and national live remote immersive online coding bootcamps, we teach students from a wide variety of backgrounds to become software developers while helping them build necessary career-readiness skills and career connections through its Pathway Program™ to land a meaningful job in tech.

Founded in 2015 with a focus on quality and care in everything we do, Tech Elevator has placed close to 2,000 graduates into software development roles in over 400 companies nationwide. It has consistently been an industry leader for job placement outcomes and are committed to a proactive approach to transparency and accountability in education.

About Stride, Inc.

Stride, Inc. (NYSE: LRN) – formerly K12 Inc. – helps students reach their full potential through inspired teaching and personalized learning. The company has transformed the teaching and learning experience for millions of people by providing innovative, high-quality, tech-enabled education solutions, curriculum, and programs directly to students, schools, the military, and enterprises in primary, secondary, and post-secondary settings. Stride is a premier provider of K-12 education for students, schools, and districts, including career learning services through middle and high school curriculum. For adult learners, Stride delivers professional skills training in healthcare and technology, as well as staffing and talent development for Fortune 500 companies. Stride has delivered millions of courses over the past decade and serves learners in all 50 states and more than 100 countries. The company is a proud sponsor of the **Future of School**, a nonprofit organization dedicated to closing the gap between the pace of technology and the pace of change in education. More information can be found at stridelearning.com, [K12.com](https://k12.com), destinationsacademy.com, galvanize.com, techelevator.com, and medcerts.com.

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