

Stride, Inc. to Acquire Healthcare Talent Development Pioneer, MedCerts

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Acquisition of one of Inc. 5000's fastest growing companies in the multi-billion-dollar healthcare training market

HERNDON, Va.--(BUSINESS WIRE)-- K12 Inc. (NYSE: LRN) – to be **Stride, Inc.** effective December 16, 2020 – has entered into a definitive agreement to acquire **MedCerts**, a leader in online career certification training, in a continuing buildout of Stride's career learning solutions for lifelong learners across diverse industries.

"For so many Americans struggling to make it through these challenging times, the gap between daily reality and future opportunity can only be bridged by further education," said Nate Davis, Chief Executive Officer and Chairman of the Board of Directors at Stride. "Our acquisition of MedCerts further solidifies Stride as a company that is innovating education delivery for diverse industries and talent, giving individuals and employers the training and resources to provide excellent healthcare services."

Founded in 2009, MedCerts has become one of Inc.'s Fastest Growing Private Companies in America and has helped over 25,000 students gain credentials for new careers. MedCerts' students participate in online, hands-on career training courses in healthcare and medical fields as they prepare for more than a dozen national **healthcare certifications**. MedCerts students have best-in-class outcomes, with exam certification pass rates of 88%. At the same time, students explore career options with the support of personal student success advisors and career coaches as they prepare to enter the workforce.

Mark Mitchell, MedCerts' Chairman of the Board, noted, "I am so proud that through the oversight and guidance of Mitchell Family Office, and in partnership with another board member, Michael Aubrey, MedCerts grew from \$5 million to almost \$20 million in just under four years."

MedCerts also connects healthcare providers with a growing pool of trained and credentialed talent. MedCerts' training programs and on-demand content use engaging animation, immersive environments, and interactive game-based learning to prepare students for the workforce in diverse roles across the healthcare industry, including:

| | | |
|--|--|--------------------------------------|
| Sterile Processing Technician | Behavior Technician | Allied Healthcare Professional |
| Dental Assistant | Cardio-Phlebotomy Technician | Medical Assistant |
| Clinical Medical Professional | Medication Care Coordinator | Clinical Medical Specialist |
| Pharmacy Technician Professional | Dental Assistant and Office Administration | Pharmacy Technician Specialist |
| EKG Technician | VetBloom Veterinary Assistant | Phlebotomy Technician |
| Electronic Health Records and Reimbursement Specialist | Patient Care Technician | Electronic Health Records Specialist |
| Healthcare Administration Professional | Health Unit Coordinator | Medical Billing Specialist |
| Medical Front Office | Electronic Health Records | Professional Coder |

Stride's investment in MedCerts represents a significant step in the company's entrance into the healthcare education sector and comes at a time when the world's attention is laser focused on the healthcare industry. Today, the healthcare sector employs 11 percent of American workers and is projected to add nearly 2.4 million jobs, according to the **U.S. Bureau of Labor Statistics**. Despite these potential opportunities, individual training and traditional college options can be cost-prohibitive, and companies are experiencing a lack of skilled workers to fill job openings. MedCerts seeks to provide more individuals with access to these high-demand career opportunities and connect employers with the right talent.

"At MedCerts, we are passionate about creating opportunities for everyone to pursue a better future and a fulfilling career," said Jason Aubrey, CEO of MedCerts. "We are proud to have the backing of a known disruptor and innovator like Stride, as we look to unlock the potential of more students who want to make a difference in their careers and in their communities."

In addition to its online courses, the MedCerts product suite includes resources for employers to fill vacancies, host internships and externships, and arrange informal opportunities for students to shadow industry professionals and gain hands-on volunteer experience. More than 1,000 **organizations** have MedCerts-trained employees on staff or have created training and employment opportunities for students and employees, including CVS Pharmacy, DaVita Dialysis, Walmart, and the American Red Cross.

Stride expects to acquire MedCerts for \$70 million in an all-cash transaction, plus contingent consideration that could become due in fiscal year 2022. The acquisition, which was approved by the boards of directors of Stride and MedCerts, is expected to close by the end of second quarter fiscal year 2021, subject to customary closing conditions. For reference, MedCerts' revenue for the last twelve months ending September 30, 2020 was approximately \$19 million, an increase of 38% year-over-year. Adjusted EBITDA for that same period was approximately \$4 million, an increase of 49% year-over-year.

Today's announcement coincides with the company's acquisition of **Tech Elevator**, a leader in supporting individuals and companies seeking to develop in-demand coding skills and talent. 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 of the acquisitions of both Tech Elevator and MedCerts 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 MedCerts:

| | Last Twelve Months Ended September 30 | |
|-------------------------------|--|--------|
| | 2019 | 2020 |
| | (In millions) | |
| Income from operations | \$ 0.5 | \$ 1.3 |
| One-time expenses | 0.3 | 0.4 |
| Depreciation and amortization | 1.8 | 2.2 |
| Adjusted EBITDA | \$ 2.6 | \$ 3.9 |

About MedCerts

MedCerts is a national online training provider strengthening the workforce through innovative eLearning solutions. Focused on certifications in high-demand areas of Allied Healthcare and IT, it serves individuals from all backgrounds, including the military and their families, career changers and the under- and unemployed. MedCerts delivers certification and career training through HD-quality video-based instruction, virtual simulations, games and animations, and on-the-job training through experiential learning solutions. Since 2009, the company has developed over 35 career programs, trained and up-skilled more than 25,000 individuals across the country and partnered with over 500 American job centers and more than 1,000 healthcare organizations have MedCerts

trained employees on staff. For more information, visit [medcerts.com](https://www.medcerts.com).

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](https://www.stridelearning.com), [K12.com](https://www.k12.com), [destinationsacademy.com](https://www.destinationsacademy.com), [galvanize.com](https://www.galvanize.com), [techelevator.com](https://www.techelevator.com), and [medcerts.com](https://www.medcerts.com).

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