

# Company Overview

Summer 2022

**Stride**

# 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 achieve a sufficient level of new enrollments to sustain our business model; limitations of the enrollment data we present, which may not fully capture trends in the performance of our business; failure to enter into new school contracts or renew existing contracts, in part or in their entirety; 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 coronavirus disease 2019 (“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 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 failure to mitigate or prevent a cybersecurity incident that affects our systems; 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

K-12  
General  
Education  
& Career  
Prep



Early Career  
& Immersive  
Training



Job Placement  
& Recruitment



Career  
Advancement  
(Corp. Training  
& Upskilling)



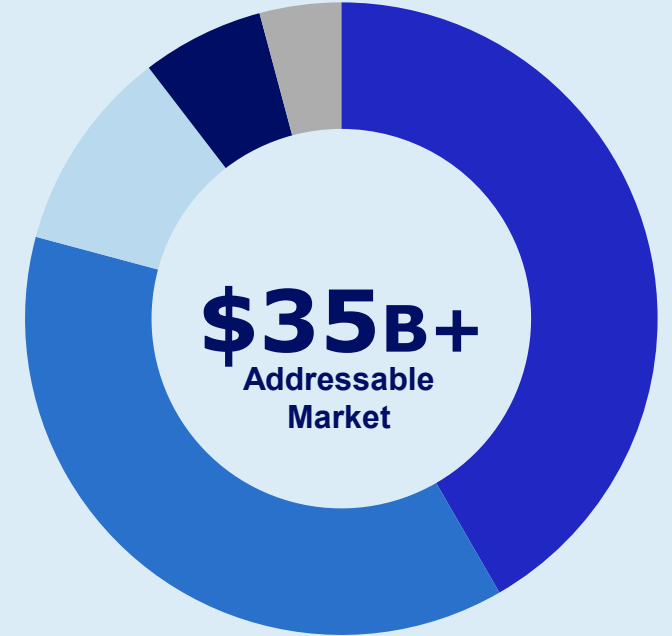
**\$100B+**  
addressable  
Market in U.S.

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

# Increasing demand for virtual education

## Secular Trends Driving Growth in Online Learning

- Growing mass acceptance of online learning
- Parents are now digital natives and are used to learning and getting information online
- School districts shifting from print to digital format at an accelerating rate
- Acceptance of online teacher professional development growing
- COVID-19 impact increased awareness and broader requirement for online education



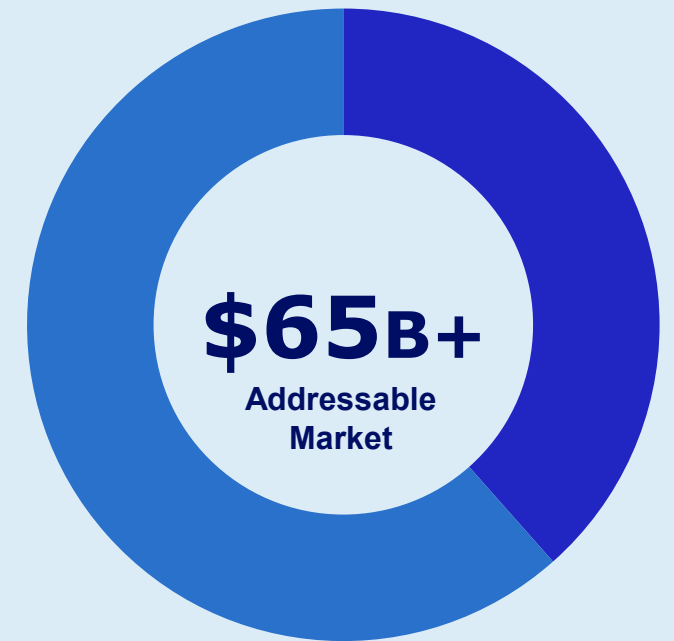
- K-12 Online / Blended Programs Market
- Instructional Materials
- Professional Development
- Platform and Data
- Private – Online

*Above chart for K-12 Online / Blended Programs calculated as number of Potential Students multiplied by revenue per enrollment. Potential Students is the percent of families who would consider full-time online education.*

# Large & expanding Career Learning market

## Strong Secular Market Trends Driving Demand for Our Solutions

- Bi-partisan support for workforce development at middle / high school and adult levels
- Increasingly competitive global market
- Technology advancement driving need to reskill / upskill talent
- Economics require rethinking of college vs. skill attainment
- “New collar jobs” no longer require a 4-year college degree
- Amidst "Great Resignation", value of firms retaining and upskilling existing talent has been significantly reinforced



■ Middle / High School Online / Blended Career

■ Corporate Upskilling & Reskilling

*Above chart for Middle / High School Online / Blended Programs calculated as number of Potential Students multiplied by revenue per enrollment. Potential Students is the percent of families who would consider full-time online education with Career elements. 5*

# Leading to increased demand for our solutions

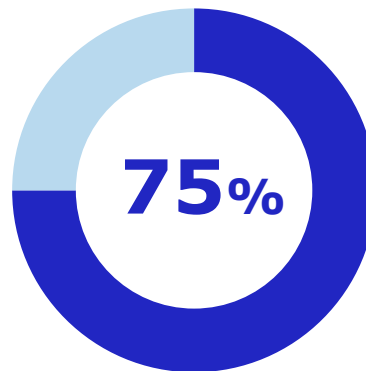
Workforce demands are changing, and students and employers are struggling to find and fill jobs – even with **\$164B** in annual private sector spending on employee training and development, the skills gap continues to grow

**Student loan burden  
continues to rise**



In student loan debt held by students and graduates in the U.S.

**Applicants are lacking the  
correct skills**



Of U.S. employers who have problems recruiting, believe there is a skills shortage

**Employers are  
struggling to hire**



Cost to companies in lost economic output due to lack of qualified talent

# Compelling long-term investment thesis

Growing in **\$100B+ addressable market** in U.S.

01

## Leading education services platform

With scale, expertise & broad, long-term customer relationships

02

## Sustainable core business

Secular shift toward online & blended education for lifelong learning

03

## Career Learning growth

Leveraging capabilities & assets addressing business needs

04

## Experienced, diverse leadership

Deep educational regulatory & policy expertise with commitment to ESG

05

## Financial track record

Consistent growth in revenue & profitability & strong balance sheet

# Deep political, regulatory & policy expertise

Successfully operating in a complex industry with vast knowledge and experience creating a difficult-to-replicate business model

- **Formidable national network** of professional state and federal lobbyists, consultants, and advisors in highly collaborative, multi-disciplinary, bipartisan approach
- **Extensive relationships** with key third parties including allies, policy influencers, and grassroots networks; develop and broaden coalitions to promote desired policy objectives
- **Deep experience** working with independent boards to open and operate schools

## Key Issues

**Eliminate barriers to allow full-time online schools in all states**

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**Open enrollment policies to allow families to attend the school of their choice**

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**Student academic growth**

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**School funding**

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# Strong customer relationships

Long-standing relationships built over 20+ year history with high retention rates and over 2 million students supported



## 100+ Schools & Programs

- 75+ general education schools, including 2 private schools
- 40+ career learning programs
- New schools added annually



## 189,600+ Students

- Full-time K-12 students enrolled in Q1 FY22



## ~750 Schools & Districts

- School districts served with products & services from Learning Solutions



## 30+ States & D.C.

- States with full time programs covers over 75% of K-12 population
- Over time the expectation is the list of states allowing full-time online education will continue to grow



## 5+ Year Contract Length

- Services contracted with school boards (customers) over avg. 5+ years, which often align with state authorization or charter



## ~3,000 Enterprises

- Enterprise graduate placement and customers across K-12, Galvanize, Tech Elevator, MedCerts and Tallo

# Consistent general education business

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



## General Education Solutions



### Full-time Online Programs

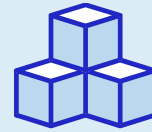
Online and blended programs for Kindergarten - 12<sup>th</sup> grade

**Stride**



### Part-time Online Programs

Students attending traditional program and Stride-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

# High-growth career learning business

Leveraging expertise & assets to address adjacent markets



## Career Learning Solutions



### Career Preparation

- Middle-High School Career Education
- Entry-level certifications

**Stride**



### Career Development

- Immersive Training and Short Courses in IT & Healthcare
- Consumer Upskilling & Retraining
- Job Placement Services



### Enterprise Workforce Solutions

- Corporate & Military Upskilling / Retraining
- Recruitment / Placement
- Career Data Tracking & Analysis

Bi-partisan support for workforce development at K-12 and adult levels

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Increasingly competitive global market

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Technology advancement driving need to reskill / upskill talent

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Economics require rethinking of college vs. skill attainment

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“New collar jobs” no longer require a 4-year college degree

# Industry-leading management team with diverse expertise



**James Rhyu**  
Chief Executive Officer

20+ years of experience



**Kevin P. Chavous**  
Senior Advisor to the CEO

30+ years of experience



**Donna Blackman**  
Chief Financial Officer

20+ years of experience



**Vincent Mathis**  
EVP and General Counsel

30+ years of experience



**Valerie Maddy**  
SVP, Chief Human Resources Officer

20+ years of experience



**Todd Goldthwaite**  
General Manager, Portfolio Companies

20+ years of experience



**Les Ottolenghi**  
EVP, Chief Information and Technology Officer

30+ years of experience



**Dr. Tony Bennett**  
President, Schools

30+ years of experience



# ESG factors engrained in company culture

Support inclusive & equitable education & promote lifelong learning; first [ESG Report](#) published in June 2021 outlining approach to ESG

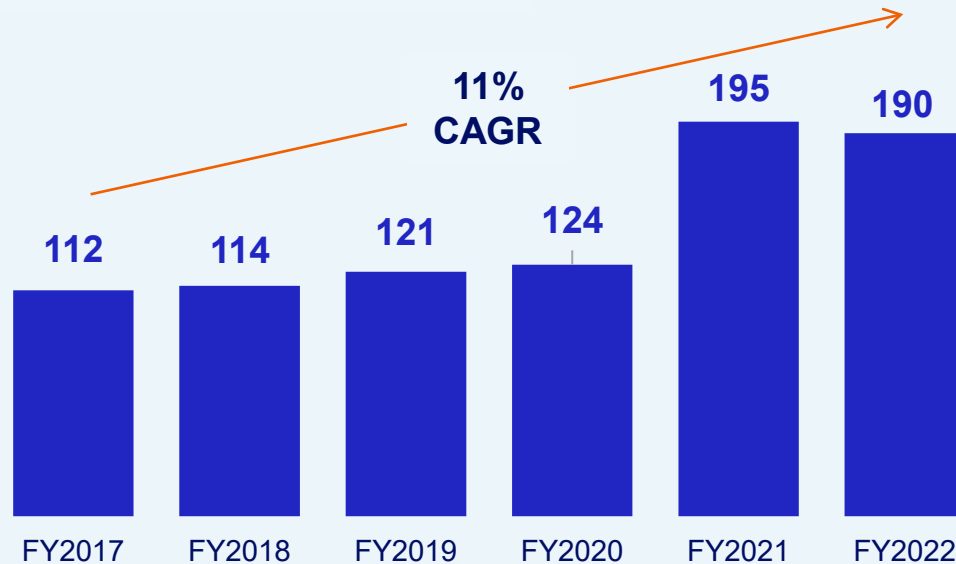
Environmental	Social	Governance
<ul style="list-style-type: none"><li>• Online schools – no transportation</li><li>• 75+% employees work remotely</li><li>• School supply / computer refurbishment &amp; recycling policy</li><li>• Ensure supply chain reflects communities we serve – target 10% minority-owned</li><li>• Educate K-12 students through environmental studies / sustainability course selection</li></ul> 	<ul style="list-style-type: none"><li>• Comprehensive D&amp;I initiative</li><li>• CEO Action for D&amp;I pledge</li><li>• ~\$20M Scholarship / Foundation support funded or committed since 2016</li><li>• Stride Cares – community service</li><li>• Employee resource groups</li><li>• Code of Conduct with anti-harassment and anti-discrimination policies / training</li></ul>	<ul style="list-style-type: none"><li>• Board of Directors<ul style="list-style-type: none"><li>– 80% independent</li><li>– % women</li><li>– Independent compensation &amp; audit committees</li></ul></li><li>• Comprehensive disclosures</li><li>• Extensive internal audit policy and systems</li></ul>

# Execution track record

Sustained revenue growth...

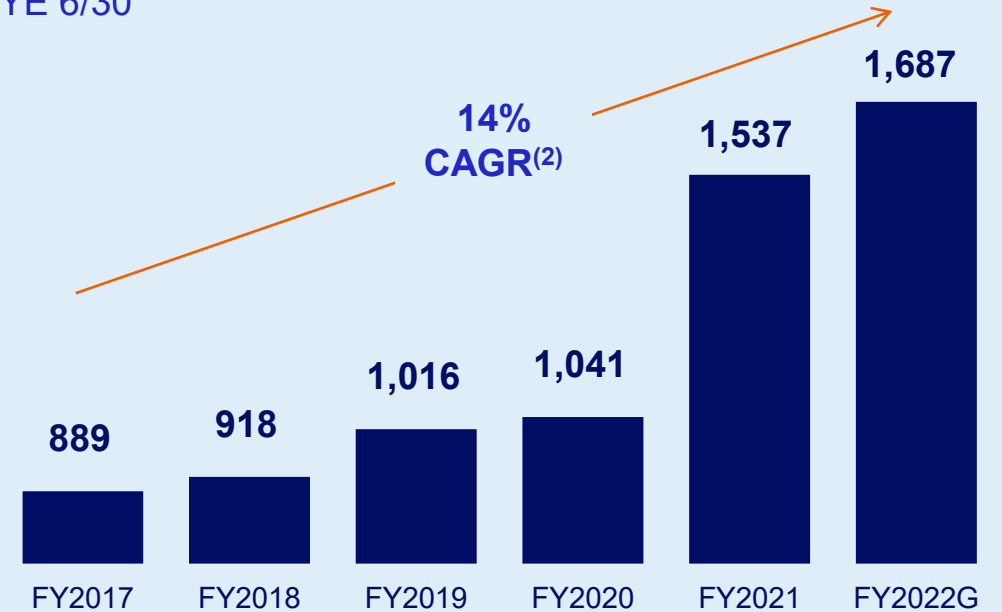
## Total Enrollment<sup>(1)</sup> (K)

QE 9/30



## Total Revenue (\$M)

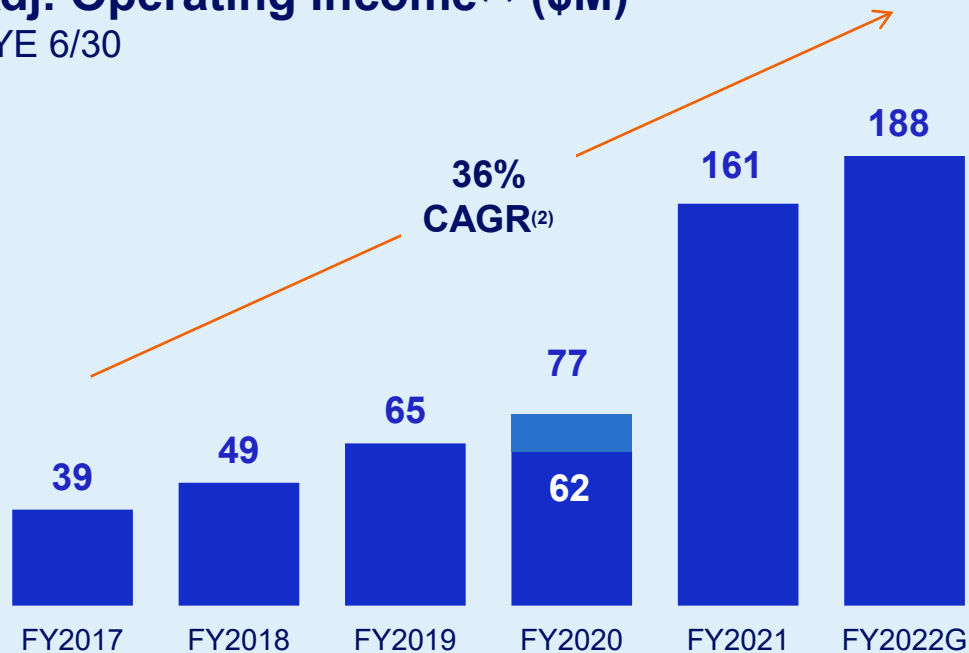
FYE 6/30



# Execution track record

...leading to consistent profitability growth and free cash flow

## Adj. Operating Income<sup>(1)</sup> (\$M) FYE 6/30



## Improved Margins Driving Free Cash Flow Generation

Increased higher-margin Adult Learning revenue

Cost leverage from scale

Digital first strategy to lower material costs

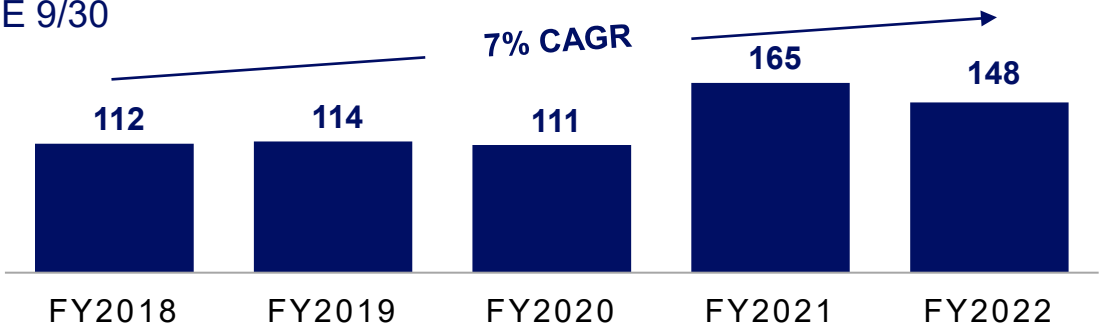
Improving customer acquisition costs and scaling G&A



# General Education Growth Drivers

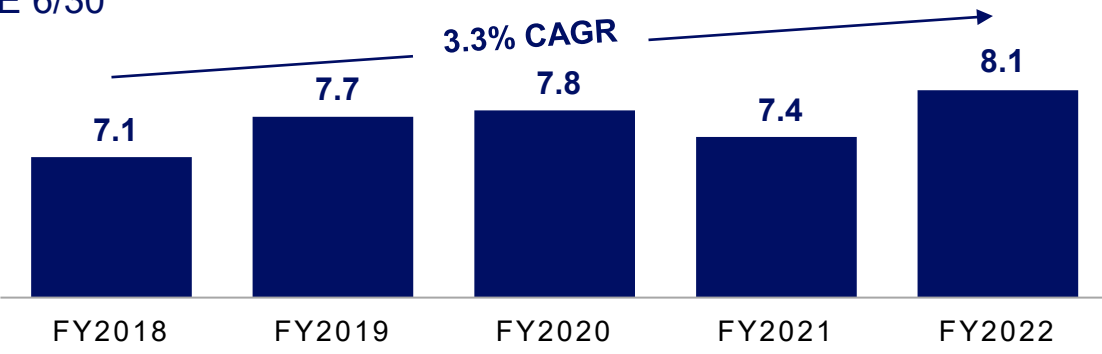
## Total Enrollment<sup>1</sup> (K)






QE 9/30



## Per Pupil Funding (\$K)

YE 6/30



	FY22 Actuals	FY25 Expectations <sup>3</sup>
 Revenue	\$1.27B	\$1.25B-\$1.4B
 Enrollments <sup>1</sup>	147.6K	170-180K
 Programs <sup>2</sup>	80	+ 8-10
 States <sup>2</sup>	30	34-36
 Per Pupil Revenue	\$8,104	+ 0-2%/Yr

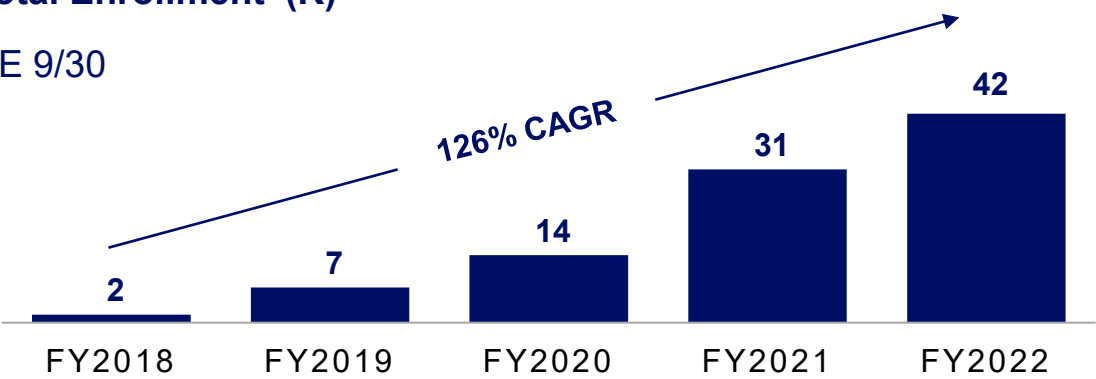
1. Based on the number of students enrolled at the end of Q1 (September 30<sup>th</sup>) of each fiscal year  
2. Programs includes Private and Public programs, States includes only Public programs  
3. Expectations based on change from FY20 results



# Career Learning Growth Drivers

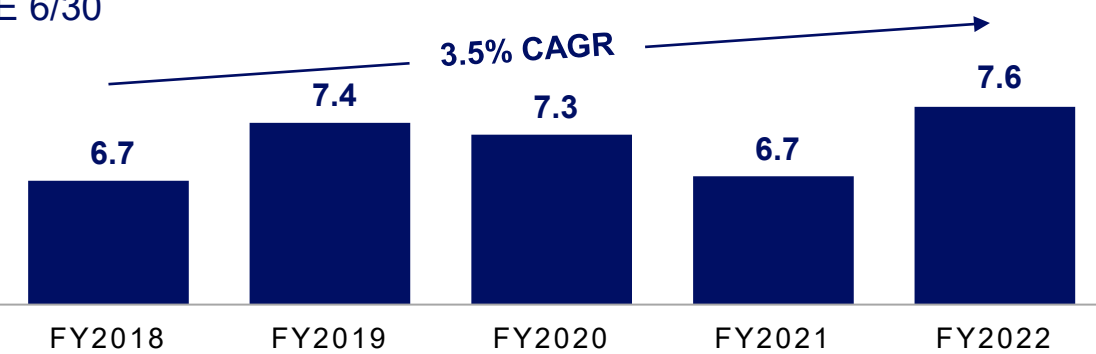
## Total Enrollment<sup>1</sup> (K)







QE 9/30



## Per Pupil Funding (\$K)

YE 6/30



	FY22 Actuals	FY25 Expectations <sup>3</sup>
 Revenue	\$412.9M	\$650M-\$800M
 Adult Learning Revenue	\$91.5M	\$140M-\$150M
 Career Prep Enrollments <sup>1</sup>	42.0K	80-85K
 Career Prep Programs <sup>2</sup>	42	+ 15-20
 States <sup>2</sup>	24	30-36
 Per Pupil Revenue	\$7,640	+ 0-2%/Yr

1. Based on the number of students enrolled at the end of Q1 (September 30<sup>th</sup>) of each fiscal year

2. Programs includes Private and Public programs, States includes only Public programs

3. Expectations based on change from FY20 results

# FY25 Financial Outlook

Support improving learner outcomes while delivering strong growth and sustainable long-term value creation

	FY22 Actuals		FY25 Financial Outlook	
			Low	High
<b>Revenue</b>	<b>\$1.686B</b>	▶	<b>\$1.900B</b>	<b>\$2.200B</b>
General Education	\$1.274B		\$1.250B	\$1.400B
Career Learning	\$412.9M		\$650M	\$800M
<b>Adj. Operating Income<sup>1</sup></b>	<b>\$188.2M</b>	▶	<b>\$250M</b>	<b>\$350M</b>

## Strategic priorities supporting outlook

Enrollment growth in K-12 and Adult programs

Expand capacity in existing and new programs

Develop innovative and mainstream products

Improve process/use of technology to lower unit costs

Maintain strong balance sheet

# Strategic approach to M&A

## Strategic Criteria

- Focus on businesses that align to strategy & create long-term value
- Operates in \$1B+ or fast-growing nascent addressable market
- Strong U.S. presence
- Cultural fit & experienced management team

## Financial Filters

- Revenue growth relative to business size of 10% – 40%
- Profitable or near-term path to profitability (<24 mo.)
- Clear revenue & cost synergies
- Accretive to gross margin profile
- Strong discounted cash flows with  $IRR > \text{cost of capital}$



# 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

# Reconciliation

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<i>(\$ millions)</i>						
Net Income (loss)	(0.5)	27.4	37.2	24.5	71.5	107.1
Loss (income) from equity method investments	-	-	0.6	0.4	(0.7)	(0.1)
Tax expense / (benefit)	5.4	(0.9)	10.5	8.5	24.5	40.1
Net interest expense / (income)	(1.8)	(1.0)	(2.7)	(0.7)	18.0	8.3
Impairment of an investment	10.0	-	-	-	-	-
Other income / (expense), net	-	-	0.1	0.2	2.8	(1.3)
Income from operations	13.1	25.5	45.5	32.5	110.5	156.6
Stock-based compensation expense	22.6	20.8	16.7	23.6	39.3	18.6
Amortization of intangible assets	2.9	3.0	3.0	6.0	11.6	13.0
Adjusted operating income	<u>38.6</u>	<u>49.3</u>	<u>65.2</u>	<u>62.1</u>	<u>161.4</u>	<u>188.2</u>