

**Q1 FY2023**

**Earnings Presentation**

October 25, 2022

**Stride**

# Safe Harbor

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this press release are forward-looking statements. 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 prevent or mitigate 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

# 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 revenue growth, profitability & strong balance sheet

# Quarterly Highlights

## 1 Continued strong demand for Career and Adult Offerings

- Career Learning enrollments up 47% to over 61K
- Adult Learning revenue up 24% y-o-y

## 2 Guiding to seventh straight year of revenue growth

- Margins impacted by inflation and continued investment in new products

## 3 Committed to FY2025 targets

- Challenging environment makes achieving targets more difficult but committed to taking steps to achieve targets

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

- Strong balance sheet and disciplined capital allocation strategy allow for flexibility

## Q1 FY23 Performance

- Revenue: \$425.2M  
+ 25.0M y-o-y
- Adj. Operating Income<sup>1</sup>: (\$19.9M)  
- \$24.4M y-o-y
- Adj. EBITDA<sup>1</sup>: \$3.0M  
- \$22.5M y-o-y

1. 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 (loss), 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.

# Guiding to Full Year Revenue Growth and Strong Profitability

	Q2 FY23 Guidance <sup>1</sup>		FY23 Guidance <sup>1</sup>	
	Low	High	Low	High
Revenue	\$435.0M	\$465.0M	\$1.71B	\$1.79B
Adj. Operating Income <sup>2</sup>	\$70.0M	\$80.0M	\$160.0M	\$190.0M
Capital Expenditures	\$17.0M	\$20.0M	\$70.0M	\$80.0M
Effective Tax Rate			27%	29%

1. Guidance as of October 25, 2022

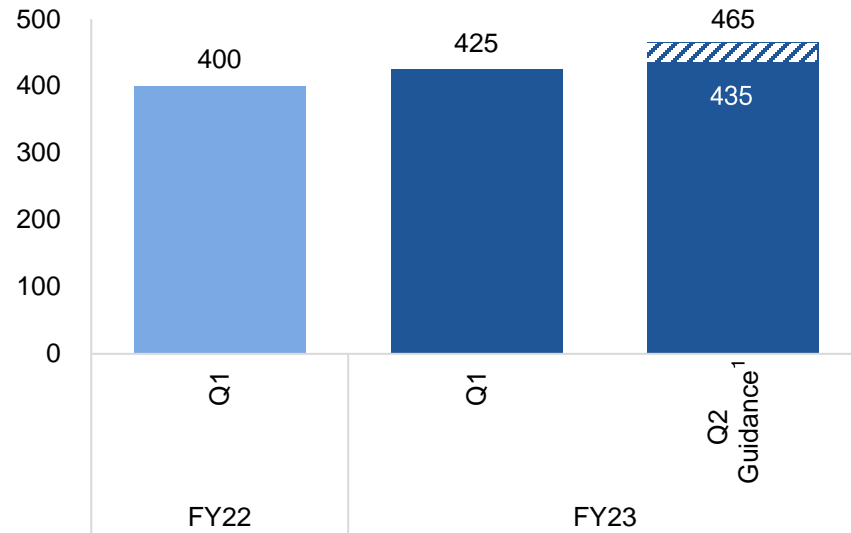
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## Guidance Reflects Strong Demand for Offerings

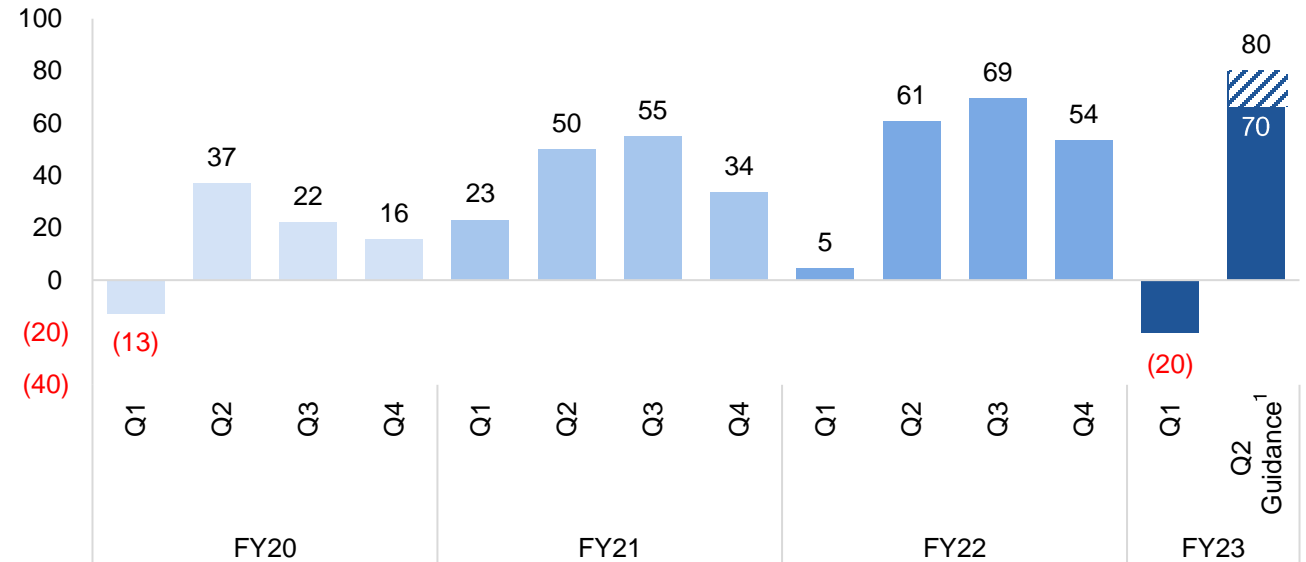
- FY23 Revenue: +4% Y-O-Y  
*Mid-point of Guidance*
- Strong Career and Adult Learning Growth
- Continued demand for school options

# Revenue Growth Accompanied by Normal Seasonal Spending, Impacted by Inflation

Revenue (\$M)



Adjusted Operating Income<sup>2</sup> (\$M)



Continued execution of growth strategy into Career Learning

Demonstrated demand for school options

Strong track record of profitability

1. Guidance as of October 25, 2022

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# Career & Adult Learning Continue to Drive Growth

Three Months Ended September 30,

	2022	2021	Change
<b>Revenue (\$M)</b>			
General Education	271.7	306.3 ↓	(11.3%)
Career Learning			
Middle – High School	125.5	71.4 ↑	75.8%
Adult	28.0	22.5 ↑	24.4%
Total Career Learning	153.5	93.9 ↑	63.5%
<b>Total Revenues</b>	425.2	400.2 ↑	6.2%
<b>Enrollment Data (K)</b>			
General Education, K-12	112.3	147.6 ↓	(23.9%)
Career Learning, Middle – High School	61.6	42.0 ↑	46.7%
<b>Total Enrollment</b>	173.9	189.6 ↓	(8.3%)

## Career Learning

- Enrollment growth of 47%

## Adult Learning

- Strong organic growth rate
- Q1 Y-O-Y growth of 24%+

## General Education

- Stable and consistent business with strong free cash flow characteristics

# FY25 Financial Outlook

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

	FY23 Guidance <sup>1</sup>		FY25 Financial Outlook	
	Low	High	Low	High
<b>Revenue</b>	<b>\$1.71B</b>	<b>\$1.79B</b>	<b>\$1.90B</b>	<b>\$2.20B</b>
General Education <sup>2</sup>			\$1.250B	\$1.400B
Career Learning <sup>2</sup>			\$650M	\$800M
<b>Adj. Operating Income<sup>3</sup></b>	<b>\$160M</b>	<b>\$190M</b>	<b>\$250M</b>	<b>\$350M</b>

1. Guidance as of October 25, 2022

2. Stride does not guide to business Lines of Revenue

3. Adj. Operating Income is a non-GAAP measure. For a reconciliation to the most directly comparable GAAP measure, see Appendix

## 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

# Liquidity & Low Debt Support Organic & Inorganic Growth

## Select balance sheet and other information

As of September 30, 2022 (\$M)

<b>Cash and Cash Equivalents</b>	<b>\$194.5</b>
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Accounts Receivable, Net	543.7
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Accounts Payable	69.0
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Total Debt Obligations	489.9
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Revolving Credit Facility Availability	100.0
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Strong cash position

Accounts receivable balance reflects seasonality and timing of payments

Low leverage ratio<sup>1</sup> of 1.18x

1. Leverage ratio is Net Debt (total debt obligations of \$489.9M less cash and cash equivalents of \$194.5M) divided by Adjusted EBITDA of \$250.7M for the twelve months ended September 30, 2022

# 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 OF LOSS FROM OPERATIONS TO ADJUSTED OPERATING INCOME (LOSS) AND ADJUSTED EBITDA

(\$, M)	Three months ended September 30,	
	2022	2021
<b>Loss from operations</b>	<b>(28,719)</b>	<b>(6,977)</b>
Stock-based compensation expense	5,510	8,286
Amortization of intangible assets	3,289	3,213
<b>Adjusted operating income (loss)</b>	<b>(19,920)</b>	<b>4,522</b>
Depreciation and other amortization	22,962	20,934
<b>Adjusted EBITDA</b>	<b>3,042</b>	<b>25,456</b>

RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO ADJUSTED OPERATING INCOME (LOSS)

(\$, M)	Three months ended											
	Sept. 30, 2019	Dec. 31, 2019	Mar. 31, 2020	Jun. 30, 2020	Sept. 30, 2020	Dec. 31, 2020	Mar. 31, 2021	Jun. 30, 2021	Sept. 30, 2021	Dec. 31, 2021	Mar. 31, 2022	Jun. 30, 2022
<b>Income (loss) from operations</b>	<b>(19.4)</b>	<b>30.3</b>	<b>14.5</b>	<b>7.0</b>	<b>12.1</b>	<b>38.5</b>	<b>38.6</b>	<b>21.4</b>	<b>(7.0)</b>	<b>56.9</b>	<b>60.6</b>	<b>46.1</b>
Stock-based compensation expense	5.5	6.2	6.1	5.8	8.9	9.1	12.9	8.5	8.3	0.6	5.6	4.1
Amortization of intangible assets	0.8	0.7	1.8	2.8	2.0	2.5	3.4	3.6	3.2	3.2	3.3	3.3
<b>Adjusted operating income (loss)</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>	<b>4.5</b>	<b>60.7</b>	<b>69.5</b>	<b>53.5</b>

RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO ADJUSTED OPERATING INCOME

(In Millions)	Three months ended December 31, 2022		Year ended June 30, 2023	
	Low	High	Low	High
<b>Income from operations</b>	\$ 62.0	\$ 70.5	\$ 127.5	\$ 151.5
Stock-based compensation expense	5.0	6.0	20.0	25.0
Amortization of intangible assets	3.0	3.5	12.5	13.5
<b>Adjusted operating income</b>	\$ 70.0	\$ 80.0	\$ 160.0	\$ 190.0