

# Q3 FY2022 Earnings Presentation

April 19, 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 readiness 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 failure to 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

Stride



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

# Third Quarter Highlights

## 1. Continued Strength in Enrollments and Revenue Per Enrollment

- Q3 revenue and profitability above guidance ranges
- Q3 enrollments up year-over-year, demonstrating continued demand for virtual school options

## 2. Raising Full Year Guidance for Revenue and Profitability

- Strong in-year enrollments, retention, and Adult Learning business growth driving top- and bottom-line increases

## 3. Remain on Track to Achieve FY2025 Targets

- Growth drivers demonstrate clear trajectory toward achieving FY2025 targets

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

- Balance sheet remains strong – disciplined capital allocation strategy

## Q3 FY22 Performance

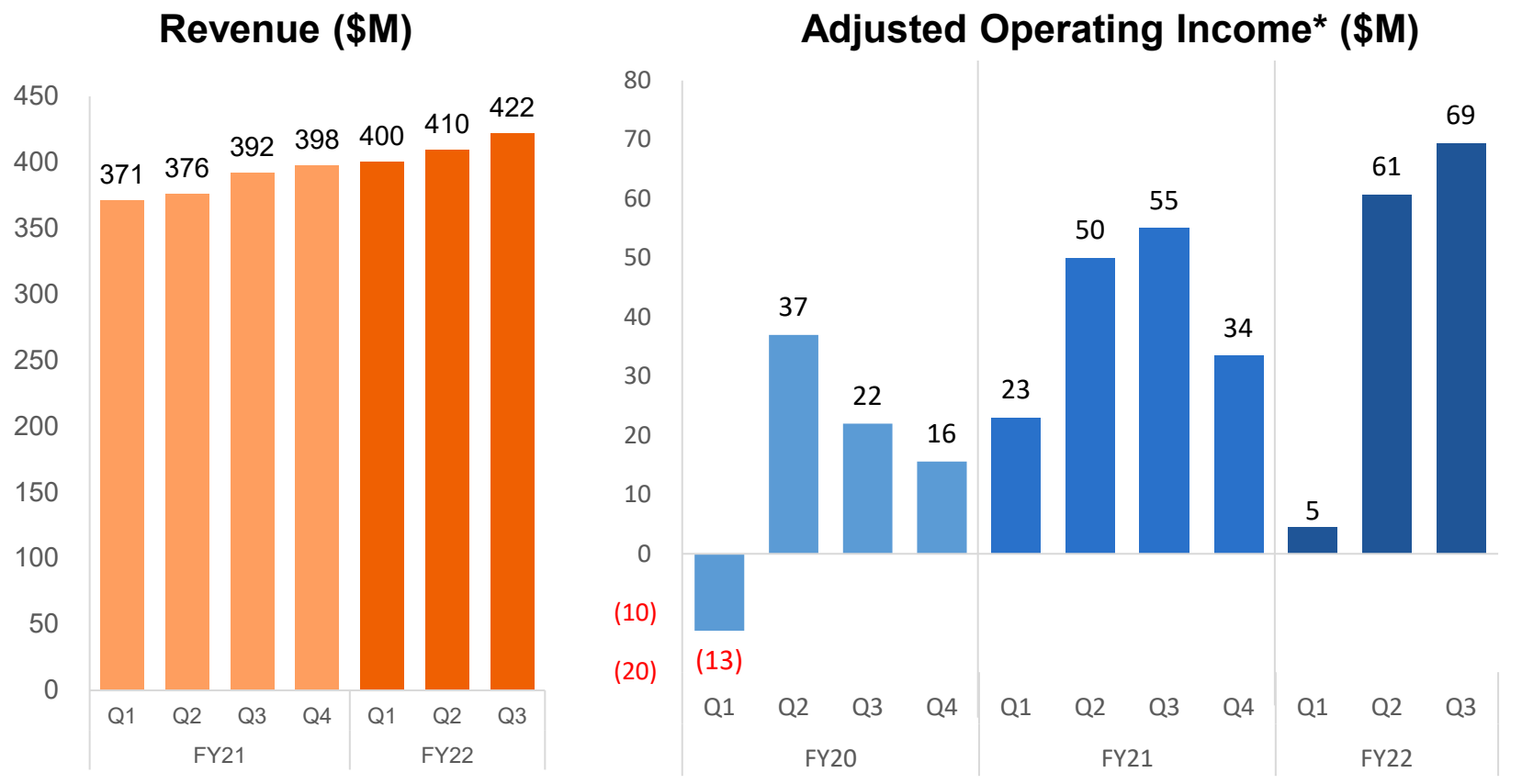
- Revenue of \$421.7M
  - (+8% y-o-y)
- Adj. Operating Income\* of \$69.4M
  - (+26% y-o-y)
- Adj. EBITDA\* of \$90.3M
  - (+20% y-o-y)

## Nine Month Performance

- Revenue of \$1,231.5M
  - (+8% y-o-y)
- Adj. Operating Income\* of \$134.7M
  - (5% y-o-y)
- Adj. EBITDA\* of \$198.5M
  - (7% y-o-y)

\*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, 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.

# Strong year-over-year growth in key financial metrics



- Continued execution of growth strategy into Career Learning
- Demonstrated demand for virtual school options
- Improving margins

# Career & Adult Learning Continue to Drive Growth

## Career Learning

- Enrollment growth of 42%

## Adult Learning

- Continued strength
- Y-O-Y comparison shows strong organic growth

## General Education

- Demand for virtual options remains even as brick & mortar schools have reopened

Quarter Ended March 31, 2022

	2022	2021	Change
<b>Revenue (\$M)</b>			
General Education	315.9	322.3	↓ 2%
<b>Career Learning</b>			
Middle – High School	83.2	52.4	↑ 59%
Adult	22.6	17.4	↑ 30%
Total Career Learning	105.8	69.8	↑ 52%
<b>Total Revenues</b>	<b>421.7</b>	<b>392.1</b>	<b>↑ 8%</b>
<b>Enrollment Data (K)</b>			
General Education, K-12	143.8	155.8	↓ 8%
Career Learning, Middle – High School	42.0	29.5	↑ 42%
<b>Total Enrollment</b>	<b>185.8</b>	<b>185.3</b>	<b>↑ 0%</b>

# Raising Full Year Revenue Guidance and Profitability Guidance

	Updated FY2022 Guidance		Previous FY22 Guidance	
	Low	High	Low	High
Revenue (\$M)	1,645	1,660	1,620	1,640
Adjusted Operating Income (\$M)*	180	185	175	185
Capital Expenditures (\$M)	65	70	65	75
Effective Tax Rate	27%	29%	27%	30%

**Guidance reflects continued strong demand for virtual education**

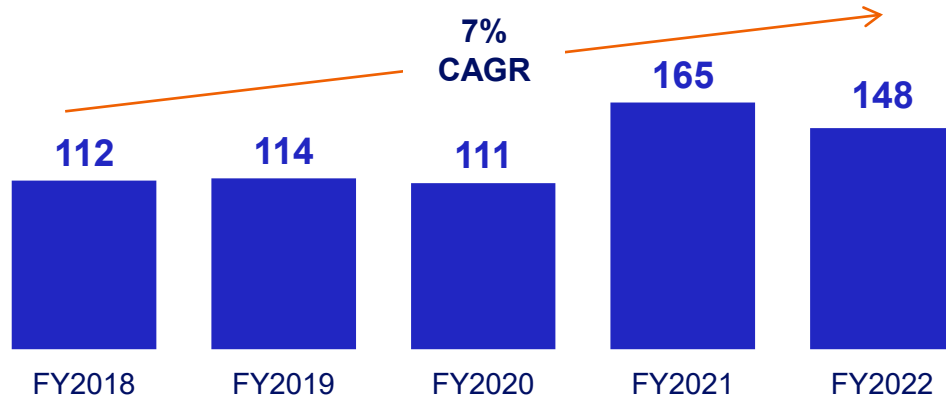
- **FY22 Revenue: +8% Y-O-Y**  
*Mid-point of Guidance*
- **FY22 AOI\*: +13% Y-O-Y**  
*Mid-point of Guidance*



# Long-term General Education Growth Drivers

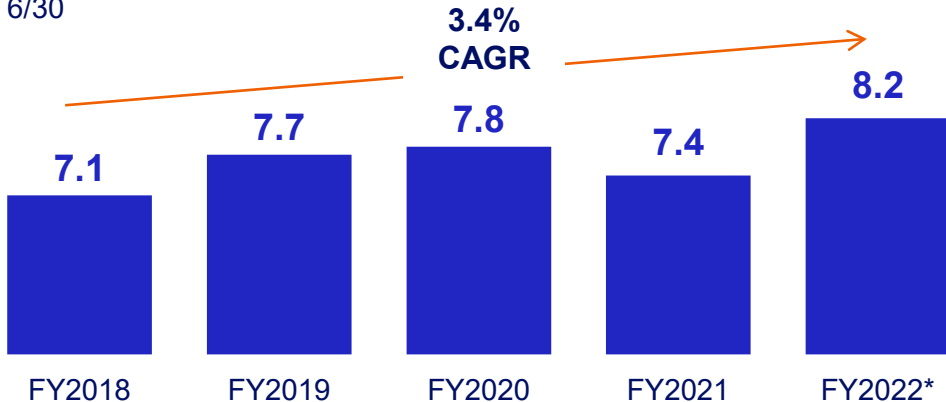
## Total Enrollment<sup>(1)</sup> (K)

QE 9/30



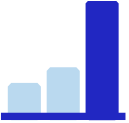




## Per Pupil Funding (\$K)

YE 6/30



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\*Based on Analyst Consensus as of April 19, 2022

		FY21 Actuals	FY25 Expectations
Revenue		\$1.28B	\$1.25B - \$1.4B
Enrollments <sup>(1)</sup>		164.6K	170 – 180K
Programs <sup>(2)</sup>		77	+ 8 – 10
States <sup>(2)</sup>		31	34 – 36
Per Pupil Revenue		\$7,389	+ 0 - 2% / Yr

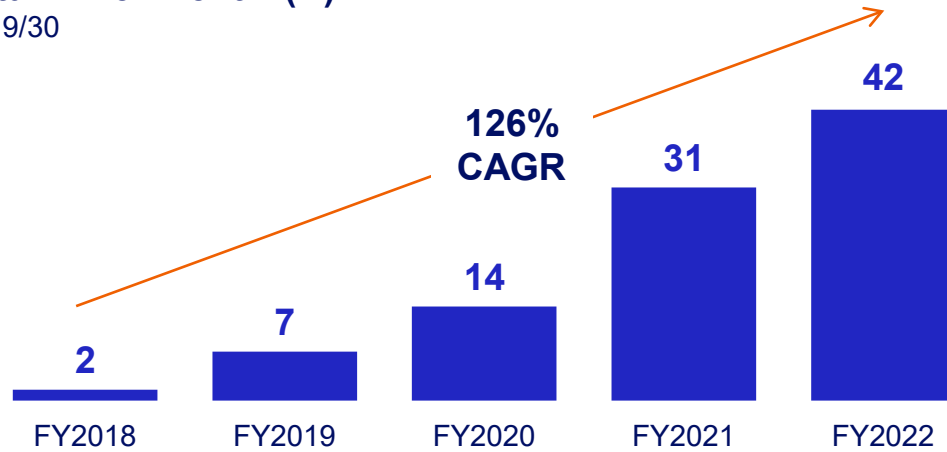
(1) Based on the number of students enrolled at the end of Q1 (September 30<sup>th</sup>) of each fiscal year

(2) Programs includes Private and Public programs, States includes only Public programs

# Long-term Career Learning Growth Drivers

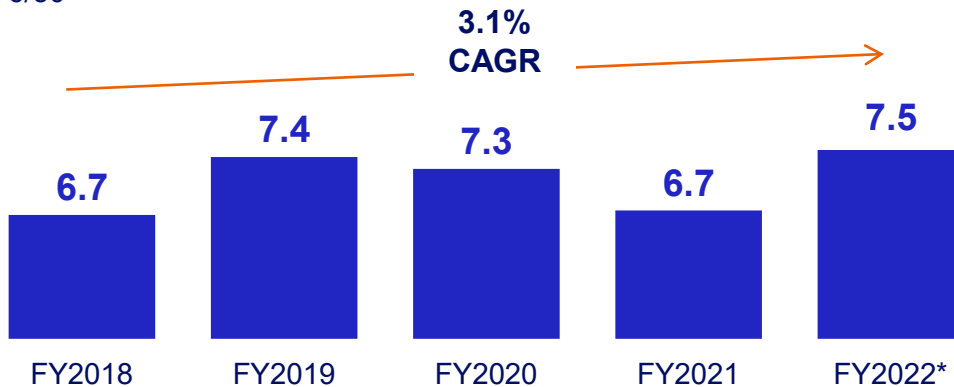
## Total Enrollment<sup>(1)</sup> (K)

QE 9/30

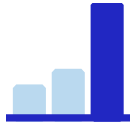



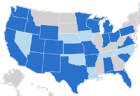



## Per Pupil Funding (\$K)

YE 6/30



\*Based on Analyst Consensus as of April 19, 2022

		FY21 Actuals	FY25 Expectations
Revenue		\$256.6M	\$650M - \$800M
Adult Learning Revenue		\$55.8M	\$140M - \$150M
Career Prep Enrollments <sup>(1)</sup>		30.8K	80 – 85K
Career Prep Programs <sup>(2)</sup>		33	+ 15 – 20
States <sup>(2)</sup>		23	30 - 36
Per Pupil Revenue		\$6,711	+ 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

# FY25 Financial Outlook

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

	FY22 Guidance <sup>(1)</sup>		FY25 Financial Outlook	
	Low	High	Low	High
<b>Revenue</b>	<b>\$1.645B</b>	<b>\$1.660B</b>	<b>\$1.900B</b>	<b>\$2.200B</b>
General Education <sup>(2)</sup>			\$1.25B	\$1.40B
Career Learning <sup>(2)</sup>			\$650M	\$800M
<b>Adj. Operating Income<sup>(3)</sup></b>	<b>\$180M</b>	<b>\$185M</b>	<b>\$250M</b>	<b>\$350M</b>

(1) Guidance as of April 19, 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 March 31, 2022 (\$M)

Cash and Cash Equivalents	\$308.6
Accounts Receivable, Net	422.6
Accounts Payable	32.8
Total Debt Obligations	485.6
Revolving Credit Facility Availability	100.0

Expect increasing cash balance through rest of year.

Accounts receivable balance reflects seasonality and timing of payments

Low leverage ratio of 0.70x

*Note: Leverage ratio is Net Debt (total debt obligations of \$485.6M less cash and cash equivalents of \$308.6M) divided by Adjusted EBITDA of \$253.4M for the twelve months ended Mar. 31, 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

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# Reconciliation

(in millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
<b>Income (loss) from operations</b>	<b>\$ 60.6</b>	<b>\$ 38.6</b>	<b>\$ 110.5</b>	<b>\$ 89.1</b>
Stock-based compensation expense	\$ 5.6	\$ 12.8	\$ 14.5	\$ 30.8
Amortization of intangible assets	\$ 3.3	\$ 3.5	\$ 9.7	\$ 8.1
<b>Adjusted operating income</b>	<b>\$ 69.5</b>	<b>\$ 54.9</b>	<b>\$ 134.7</b>	<b>\$ 128.0</b>
Depreciation and other amortization	\$ 20.8	\$ 20.1	\$ 63.8	\$ 56.9
<b>Adjusted EBITDA</b>	<b>\$ 90.3</b>	<b>\$ 75.0</b>	<b>\$ 198.5</b>	<b>\$ 184.9</b>

# Reconciliation

(in millions)	FY2020				FY2021			
	Three Months Ended				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
<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>
Stock-based compensation expense	\$ 5.5	\$ 6.2	\$ 6.1	\$ 5.8	\$ 8.9	\$ 9.1	\$ 12.9	\$ 8.5
Amortization of intangible assets	\$ 0.8	\$ 0.7	\$ 1.8	\$ 2.8	\$ 2.0	\$ 2.5	\$ 3.4	\$ 3.6
<b>Adjusted operating income</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>



# Reconciliation

	Year Ended June 30, 2022	
	Low	High
	(In millions)	
Income from operations	\$ 148.0	\$ 151.0
Stock-based compensation expense	19.0	21.0
Amortization of intangible assets	13.0	13.0
Adjusted operating income	<u>\$ 180.0</u>	<u>\$ 185.0</u>