ADTALEM
GLOBAL EDUCATION

# Q2 2021 Earnings Presentation

*February 2, 2021*

# Safe Harbor

Certain statements contained in this release are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact, which includes statements regarding the future impacts of the COVID-19 pandemic and the pending Walden University acquisition. Forward-looking statements can also be identified by words such as “future,” “believe,” “expect,” “anticipate,” “estimate,” “plan,” “intend,” “may,” “will,” “would,” “could,” “can,” “continue,” “preliminary,” “range,” and similar terms. These forward-looking statements are subject to risk and uncertainties that could cause actual results to differ materially from those described in the statements. These risk and uncertainties include the risk factors described in Item 1A. “Risk Factors” of our most recent Annual Report on Form 10-K for the fiscal year ended June 30, 2020 filed with the Securities and Exchange Commission (SEC) on August 18, 2020 and our other filings with the SEC. These forward-looking statements are based on information available to us as of the date any such statements are made, and we do not undertake any obligation to update any forward-looking statement, except as required by law.

## Non-GAAP Financial Measures

This presentation includes references to certain financial measures that are not calculated in accordance with generally accepted accounting principles in the United States (“GAAP”). Management believes that the non-GAAP disclosures provide investors with useful supplemental information regarding the underlying business trends and performance of Adtalem’s ongoing operations and are useful for period-over-period comparisons of such operations. Adtalem uses these supplemental non-GAAP financial measures internally in our assessment of performance and budgeting process. These non-GAAP financial measures have important limitations and should not be considered as a substitute for measures of Adtalem’s financial performance prepared in accordance with GAAP. For how we define the non-GAAP financial measures, and a reconciliation of each non-GAAP financial measure to the most directly comparable GAAP measure, please refer to the reconciliation at the end of this presentation.



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# Second-Quarter 2021 Highlights

## Momentum from Q1 continued in Q2; strong performance in 1H 2021 is a result of successful execution of Workforce Solutions Provider strategy

| Q2 2021 |
| --- |
| **Revenue** |
| $283.1 million |
| **Net Income[1]** |
| $41.2 million |
| **Diluted Earnings Per Share[1]** |
| $0.77 |

- Continued to achieve strong operational results with revenue growth of 6.4% and earnings per share growth of 35% in the quarter, driven by:
  - Returns from strategically focused marketing, fueled by prior investments
  - Efficiency in admissions driven by higher converting inquiries
  - New talent contributions and structural changes in several of our institutions
  - Strong demand for offerings for each of our institutions and businesses

- Robust revenue growth in both Medical and Healthcare (+6.5%) and Financial Services (+5.9%)
  - Strong enrollment growth in November at Chamberlain (New +8.1%, Total +10.2%)

1) Earnings per share from continuing operations, excluding special items





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# Medical & Healthcare

## Differentiation through superior academic outcomes, a focus on student support and success, and strong relationships with healthcare employer partners

**Chamberlain University:**

- November session new and total student enrollments showed further growth, increasing 8.1% and 10.2%, respectively, representing all-time highs for the period
- Meeting strong demand in California with the opening of a second campus later this year; also approved to raise enrollment cap by 50% at Chamberlain's current California campus
- Strong student academic success: NCLEX first time pass rates of 91%, which is on par with the national average pass rate
- Establishing strong connections with community and junior colleges, serving as a further differentiator and building a pathway to our programs; JumpStart program is generating strong interest

**Medical and Veterinary Schools:**

- Focused on driving more synergies between Ross Med and AUC, including joint clinical programs with our partners**;** opportunity for increased clinical revenue over time
- Each medical and veterinary school had a portion of their students successfully return to campus
- Ross University School of Veterinary Medicine is experiencing increased demand for its programs as a result of its growing brand recognition, steady consumer demand for veterinarians, and an increased interest from students in animal health issues
- Continuing to focus on increasing diversity, access and inclusion in medicine through our partnerships with HBCU and HSI institutions; Ross Vet recently announced a partnership with Minorities in Agriculture, Natural Resources and Related Sciences to increase diversity in the veterinary profession

CHAMBERLAIN UNIVERSITY

ROSS UNIVERSITY SCHOOL OF MEDICINE

American University of the Caribbean School of Medicine

ROSS UNIVERSITY SCHOOL OF VETERINARY MEDICINE





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# Financial Services

## Enhancing our offerings, strengthening our talent and infrastructure and expanding our capabilities to position the segment for long-term growth

**OnCourse Learning:**

- Capitalizing on a favorable mortgage market, differentiating OCL from competitors through a combination of offerings, capabilities, and scale
- Capturing demand in continuing education, as licensed mortgage professionals are required to earn continuing education credits to maintain credentials

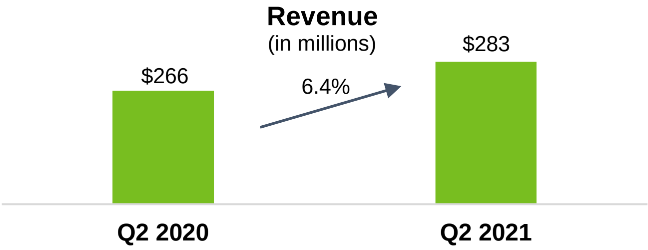
**Becker:**

- Continuing to reinvest in the business to both capture increasing consumer CPA test prep demand and to leverage the brand in the continuing education sector; continuing education revenue grew 20% in 2Q
- CPA test prep continues to see a shift from B2B to B2C sales, offsetting declines from corporate hiring freezes which have impacted B2B sales
- Excited about the enhancements we are making to our Certified Management Accountant offering, which is one of the fastest growing accounting credentials in the world

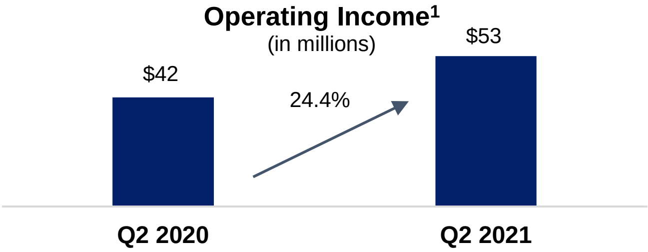
**ACAMS:**

- Remains the leader in the rapidly growing anti-money laundering and financial crime certification market
- Announced the launch of our new anti-money laundering compliance certification program for fintech firms, in partnership with FinTrail; also seeing tremendous growth with other new certifications
- Continuing to hold virtual conferences and plan to utilize both virtual and hybrid conferences to expand participation

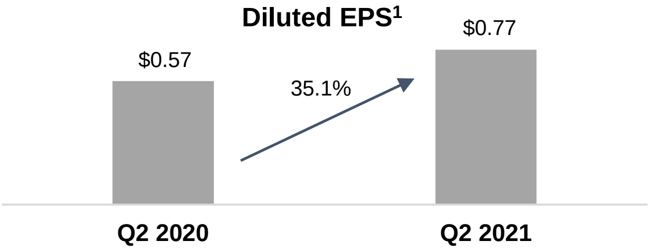
# Q2 2021 P&L Highlights




Revenue growth driven primarily by Chamberlain enrollment growth over the last 18 months and solid revenue growth in Financial Services




Operating income growth driven by increased revenue at Chamberlain, OnCourse Learning, decreased bad debt expense, and increased efficiency




Diluted earnings per share increase driven by solid revenue growth coupled with strong gross margins, which have strong flow through to bottom line results





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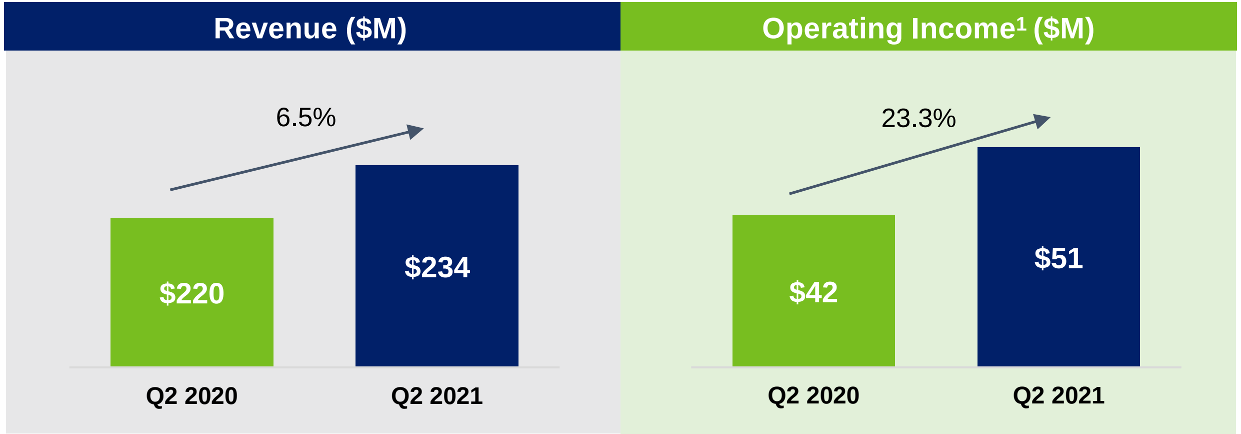
1) From continuing operations excluding special items

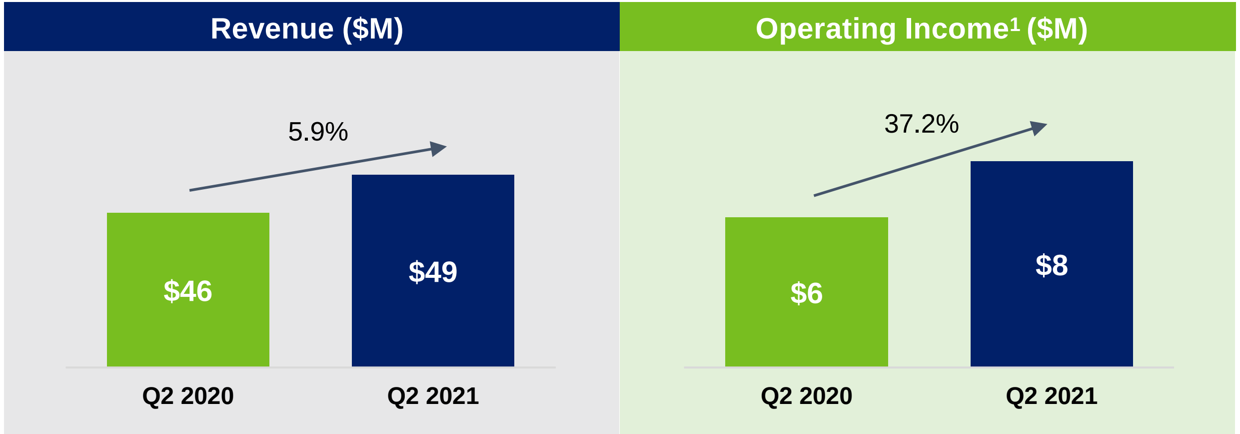
# Q2 2021 Medical & Healthcare Performance




- Q2 revenue growth driven by strong student enrollment gains at Chamberlain, partially offset by lower med school clinical and housing revenue
- Operating income growth driven by strong revenue performance coupled with operational efficiencies across our institutions

1) From continuing operations excluding special items

# Q2 2021 Financial Services Performance




- Revenue growth driven by increased revenue at OnCourse Learning from capturing higher demand associated with the strong mortgage market, and Becker, which is attracting an increased number of corporate and B2C customers for CPA and continuing education program offerings
- Operating income growth driven primarily by strong performance at OnCourse Learning

1) From continuing operations excluding special items

# Q2 Liquidity and Share Repurchases

| Liquidity[1] (millions) | |
|---|---|
| Cash and cash equivalents[2] | $449 |
| Capacity available under revolver | $232 |
| Total liquidity as of Dec 31, 2020 | $681 |

**Repurchased 1.5M shares for a total of $45M in Q2**

1) As of December 30, 2020
2) Excludes $39M of restricted cash

# Q2 Free Cash Flow

## Free cash flow significantly increased over the prior-year period

| Free Cash Flow (millions) | | | |
|---|---|---|---|
| | **2Q 2021** | **2Q 2020** | **Increase/ (Decrease)** |
| Operating Cash Flow | $0.6 | $(57.7) | $58.3 |
| Capital Expenditures | (9.7) | (9.9) | (0.2) |
| Free Cash Flow | $(9.1) | $(67.6) | $58.5 |

Year-over-year improvement of $58.5 million due to:

- favorable trends in our year-over-year operating results
- timing of receipt of $36 million of Title IV funds in December normally received in January

Free cash flow is a non-GAAP financial measure defined as net cash provided by continuing operations less capital expenditures.





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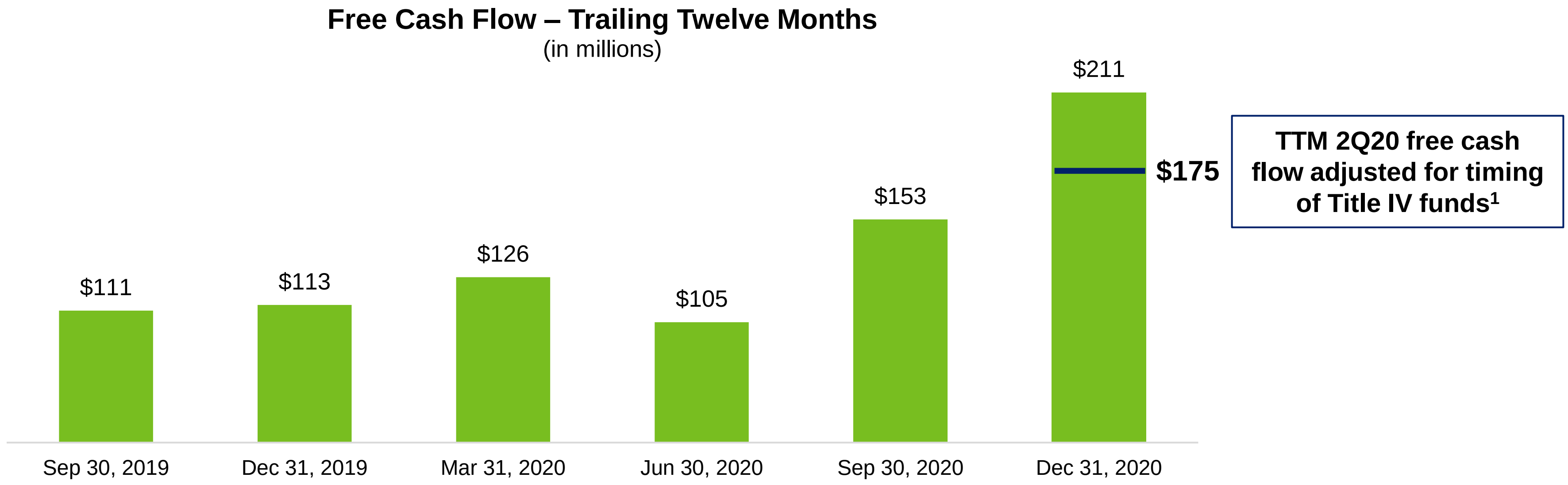
# Strong Free Cash Flow Generation Driven by Operating Model

## Adtalem is well-positioned to grow standalone FCF over the long-term in line with earnings




[1] TTM free cash flow through 2Q21 is $175M when adjusted for receipt of Title IV funds in December that would typically occur in January

Free cash flow is a non-GAAP financial measure defined as net cash provided by continuing operations less capital expenditures.

# Outlook

## FY 2021 diluted EPS[1] growth outlook increased from prior outlook

| REVENUE GROWTH | EARNINGS PER SHARE[1] GROWTH | SHARE REPURCHASE |
|---|---|---|
| **+5-7%** Continue to expect revenue to increase 5-7% as we benefit from strong execution and prior investments while still recovering from the impacts of COVID-19 | **+28-32%** Now expect diluted EPS, excl. special items, to increase 28-32%, inclusive of share repurchases | **$100M** Anticipate repurchasing up to $100M of shares during FY 2021 |

1) From continuing operations excluding special items

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# Q&A

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# Appendix

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# Non-GAAP Financial Measures and Reconciliations

- We believe that certain non-GAAP financial measures provides investors with useful supplemental information regarding the underlying business trends and performance of Adtalem's ongoing operations and is useful for period-over-period comparisons. We use these supplemental non-GAAP financial measures internally in our assessment of performance and budgeting process. However, these non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. The following are non-GAAP financial measures used in the subsequent GAAP to non-GAAP reconciliation tables:
- *Net income from continuing operations attributable to Adtalem excluding special items (most comparable GAAP measure: net income attributable to Adtalem)* – Measure of Adtalem's net income attributable to Adtalem adjusted for restructuring expense, business acquisition and integration expense, pre-acquisition interest expense, gain on sale of assets, loss on derivative, and loss (income) from discontinued operations.
- *Earnings per share from continuing operations excluding special items (most comparable GAAP measure: earnings per share)* – Measure of Adtalem's diluted earnings per share adjusted for restructuring expense, business acquisition and integration expense, pre-acquisition interest expense, gain on sale of assets, loss on derivative, and loss (income) from discontinued operations.
- *Operating income excluding special items (most comparable GAAP measure: operating income)* – Measure of Adtalem's operating income adjusted for restructuring expense, business acquisition and integration expense, and gain on sale of assets. This measure is applied on a consolidated and segment basis, depending on the context of the discussion.
- *Free cash flow (most comparable GAAP measure: net cash provided by operating activities-continuing operations)* – Defined as net cash provided by operating activities-continuing operations less capital expenditures.
- A description of special items in our non-GAAP financial measures described above are as follows:
  - Restructuring charges primarily related to real estate consolidations at Adtalem's home office and ACAMS and the sale of Becker's courses for healthcare students.
  - Business acquisition and integration expense include expenses related to the pending Walden University acquisition.
  - Pre-acquisition interest expense related to financing arrangements in connection with the pending Walden University acquisition.
  - Gain on the sale of Adtalem's Columbus, Ohio, campus facility.
  - Loss on the deal-contingent foreign currency hedge arrangement entered into in connection with the sale of Adtalem Brazil completed on April 24, 2020 to economically hedge the Brazilian Real denominated purchase price through mitigation of the currency exchange rate risk.
  - Loss (income) from discontinued operations include the operations of Adtalem Brazil, Carrington, and DeVry University.

# Enrollment

| | 2Q 2021 | 2Q 2020 | % Change |
|---|---|---|---|
| **Adtalem Global Education Student Enrollments[(1)]** | | | |
| New students | 3,851 | 3,583 | +7.5% |
| Total students | 40,237 | 36,823 | +9.3% |
| | | | |
| **Chamberlain University** | | | |
| *November Session[(2)]* | | | |
| New students | 2,931 | 2,711 | +8.1% |
| Total students | 34,387 | 31,215 | +10.2% |

1) Includes the most recently reported enrollment sessions at Adtalem's postsecondary institutions
2) Post-licensure online programs only; Pre-licensure campus-based programs start in September, January and May; Total students includes pre- and post-licensure enrollment

# Non-GAAP Reconciliation Tables

**Adtalem Global Education Inc.**
**Non-GAAP Operating Income by Segment**
**(unaudited)**
**(in thousands)**

| | Three Months Ended December 31, | | | Six Months Ended December 31, | | |
|---|---|---|---|---|---|---|
| | **2020** | **2019** | **Increase (Decrease)** | **2020** | **2019** | **Increase (Decrease)** |
| **Medical and Healthcare:** | | | | | | |
| Operating income (GAAP) | $ 51,290 | $ 41,183 | 24.5 % | $ 104,300 | $ 69,683 | 49.7 % |
| Restructuring expense | — | 417 | NM | — | 544 | NM |
| Operating income excluding special items (non-GAAP) | $ 51,290 | $ 41,600 | 23.3 % | $ 104,300 | $ 70,227 | 48.5 % |
| **Financial Services:** | | | | | | |
| Operating income (GAAP) | $ 7,793 | $ 4,542 | 71.6 % | $ 15,065 | $ 6,670 | 125.9 % |
| Restructuring expense | — | 1,137 | NM | 1,415 | 3,116 | (54.6)% |
| Operating income excluding special items (non-GAAP) | $ 7,793 | $ 5,679 | 37.2 % | $ 16,480 | $ 9,786 | 68.4 % |
| **Home Office and Other:** | | | | | | |
| Operating loss (GAAP) | $ (18,760) | $ (5,414) | (246.5)% | $ (42,336) | $ (10,301) | (311.0)% |
| Restructuring expense | 1,165 | 401 | 190.5 % | 3,973 | 4,825 | (17.7)% |
| Business acquisition and integration expense | 11,079 | — | NM | 24,515 | — | NM |
| Gain on sale of assets | — | — | NM | — | (4,779) | NM |
| Operating loss excluding special items (non-GAAP) | $ (6,516) | $ (5,013) | (30.0)% | $ (13,848) | $ (10,255) | (35.0)% |
| **Adtalem Global Education:** | | | | | | |
| Operating income (GAAP) | $ 40,323 | $ 40,311 | 0.0 % | $ 77,029 | $ 66,052 | 16.6 % |
| Restructuring expense | 1,165 | 1,955 | (40.4)% | 5,388 | 8,485 | (36.5)% |
| Business acquisition and integration expense | 11,079 | — | NM | 24,515 | — | NM |
| Gain on sale of assets | — | — | NM | — | (4,779) | NM |
| Operating income excluding special items (non-GAAP) | $ 52,567 | $ 42,266 | 24.4 % | $ 106,932 | $ 69,758 | 53.3 % |

# Non-GAAP Reconciliation Tables

**Adtalem Global Education Inc.**
**Non-GAAP Earnings Disclosure**
**(unaudited)**
**(in thousands, except per share data)**

| | Three Months Ended December 31, 2020 | Three Months Ended December 31, 2019 | Six Months Ended December 31, 2020 | Six Months Ended December 31, 2019 |
|---|---|---|---|---|
| Net income attributable to Adtalem (GAAP) | $ 23,315 | $ 5,525 | $ 43,245 | $ 19,886 |
| Restructuring expense | 1,165 | 1,955 | 5,388 | 8,485 |
| Business acquisition and integration expense | 11,079 | — | 24,515 | — |
| Pre-acquisition interest expense | 45 | — | 45 | — |
| Gain on sale of assets | — | — | — | (4,779) |
| Loss on derivative | — | 28,006 | — | 28,006 |
| Income tax impact on non-GAAP adjustments (1) | (3,513) | (461) | (7,511) | (804) |
| Loss (income) from discontinued operations | 8,439 | (4,117) | 16,046 | (961) |
| Net income from continuing operations attributable to Adtalem excluding special items (non-GAAP) | $ 40,530 | $ 30,908 | $ 81,728 | $ 49,833 |

(1) Represents the income tax impact of non-GAAP continuing operations adjustments that is recognized in our GAAP financial statements.

| | Three Months Ended December 31, 2020 | Three Months Ended December 31, 2019 | Six Months Ended December 31, 2020 | Six Months Ended December 31, 2019 |
|---|---|---|---|---|
| Earnings per share, diluted (GAAP) | $ 0.44 | $ 0.10 | $ 0.82 | $ 0.36 |
| Effect on diluted earnings per share: | | | | |
| Restructuring expense | 0.02 | 0.04 | 0.10 | 0.15 |
| Business acquisition and integration expense | 0.21 | - | 0.47 | - |
| Pre-acquisition interest expense | 0.00 | - | 0.00 | - |
| Gain on sale of assets | - | - | - | (0.09) |
| Loss on derivative | - | 0.52 | - | 0.51 |
| Income tax impact on non-GAAP adjustments (1) | (0.07) | (0.01) | (0.14) | (0.01) |
| Loss (income) from discontinued operations | 0.16 | (0.08) | 0.30 | (0.02) |
| Earnings per share from continuing operations excluding special items, diluted (non-GAAP) | $ 0.77 | $ 0.57 | $ 1.55 | $ 0.90 |
| Diluted shares used in EPS calculation | 52,441 | 54,280 | 52,622 | 55,192 |

* May not sum due to rounding.

(1) Represents the income tax impact of non-GAAP continuing operations adjustments that is recognized in our GAAP financial statements.

# Non-GAAP Reconciliation Tables

**Adtalem Global Education Inc.**
**Non-GAAP Free Cash Flow Disclosure**
**(unaudited)**
**(in thousands)**

| | Three Months Ended | | Twelve Months Ended | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **FY21 Q2** | **FY20 Q2** | **FY21 Q2** | **FY21 Q1** | **FY20 Q4** | **FY20 Q3** | **FY20 Q2** | **FY20 Q1** |
| Net cash provided by (used in) operating activities-continuing operations (GAAP) | $ 632 | $ (57,716) | $ 259,091 | $ 200,743 | $ 149,565 | $ 170,304 | $ 159,150 | $ 165,413 |
| Capital expenditures | (9,732) | (9,875) | (48,001) | (48,144) | (44,137) | (44,239) | (45,827) | (54,689) |
| Free cash flow (non-GAAP) | $ (9,100) | $ (67,591) | $ 211,090 | $ 152,599 | $ 105,428 | $ 126,065 | $ 113,323 | $ 110,724 |

# Non-GAAP Reconciliation Tables

**Adtalem Global Education Inc.**
**Non-GAAP Outlook Disclosure**
**(unaudited)**

| | Year Ended June 30, 2021 |
|---|---|
| Expected earnings per share, diluted (GAAP) | $ 2.19 to 2.28 |
| Expected effects on diluted earnings per share: | |
| Restructuring expense | 0.10 |
| Business acquisition and integration expense | 0.47 |
| Pre-acquisition interest expense | 0.00 |
| Income tax impact on non-GAAP adjustments(1) | (0.14) |
| Loss from discontinued operations | 0.30 |
| Expected earnings per share from continuing operations excluding special items, diluted (non-GAAP)(2) | $ 2.92 to 3.01 |
| Year over year increase | 28-32% |
| Diluted shares used in EPS calculation | 52,622 |

(1) Represents the income tax impact of non-GAAP continuing operations adjustments that is recognized in our GAAP financial statements.

(2) The outlook provided above does not reflect the potential impact of any business or asset acquisitions or dispositions that may occur during the remainder of fiscal year 2021. The expected effects on diluted earnings per share ("EPS") of restructuring expense, business acquisition and integration expense, pre-acquisition interest expense, and loss from discontinued operations include the results realized through December 31, 2020. We are not able to further estimate these special items for the full fiscal year. Additional charges to these special items, or additional special items not currently identified, which may occur during the remainder of fiscal year 2021, would impact the GAAP expected EPS provided above. The expected range of EPS from continuing operations excluding special items provided above for the full fiscal year 2021 equates to a 28-32% increase over the $2.28 fiscal year 2020 EPS from continuing operations excluding special items, as reported in our Annual Report on Form 10-K for the fiscal year ended June 30, 2020.

| | Year Ended June 30, 2020 |
|---|---|
| Loss per share, diluted (GAAP) | $ (1.58) |
| Effect on diluted earnings per share: | |
| Restructuring expense | 0.53 |
| Gain on sale of assets | (0.09) |
| Gain on derivative | (2.05) |
| Tax Cuts and Jobs Act of 2017 | (0.04) |
| Net tax benefit for a former subsidiary investment loss | (0.47) |
| Income tax impact on non-GAAP adjustments(1) | (0.10) |
| Loss from discontinued operations | 6.09 |
| Earnings per share from continuing operations excluding special items, diluted (non-GAAP) | $ 2.28 |
| Diluted shares used in EPS calculation | 54,094 |

* May not sum due to rounding.

(1) Represents the income tax impact of non-GAAP continuing operations adjustments that is recognized in our GAAP financial statements.





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