

ADT<sup>▲</sup>LEM

GLOBAL EDUCATION

# Second Quarter 2023 Earnings Presentation

February 2, 2023



# Safe Harbor

## Forward-Looking Statements

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 expected synergies from the Walden 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 filed with the Securities and Exchange Commission (SEC) 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”). We believe that certain non-GAAP financial measures provide investors with useful supplemental information regarding the underlying business trends and performance of Adtalem’s ongoing operations as seen through the eyes of management and are useful for period-over-period comparisons. Adtalem uses 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. 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.

# Q2 2023 Enterprise Performance

Continued margin expansion supported by solid operational execution

**\$363 million**

**Q2 Revenue**

2% decrease vs. prior year

**25.4%**

**Q2 Adj. EBITDA<sup>1</sup> Margin**

220 bps expansion vs. prior year

**\$1.17**

**Q2 Adj. EPS<sup>1</sup>**

56% growth vs. prior year

## Ongoing stabilization in total enrollment trends

*(Year-over-year changes<sup>2</sup> denoted below)*

**Adtalem: Q2 2023: -4.1%; Q1 2023: -6.3%**

- Chamberlain: Q2 2023: -0.8%; Q1 2023: -4.0%
- Walden: Q2 2023: -7.8%; Q1 2023: -9.2%
- Med & Vet: Q2 2023: 3.4%; Q1 2023: 3.4%

## Thoughtful capital allocation

- Reduced gross debt by \$50 million in Q2 or 7% vs. prior quarter; over \$940 million or 57% vs. prior year
- Net leverage of 1.4x
- Completed \$150 million accelerated share repurchase program

1. Reconciliations to Non-GAAP Financial Measures can be found in the appendix

2. Represents year-over-year change in total students attending sessions during each institution's most recent enrollment period

# Enterprise Highlights

- ✓ **Driving progress on strategic positioning**
  - *Continuing to grow into new operating model, maximizing operational effectiveness across our institutions*
  - *Executing on transformation initiatives designed to accelerate performance across critical, value-creating activities*
  - *On track to deliver \$30 million of cost synergies from Walden during fiscal year 2023*
  
- ✓ **Ongoing focus on operational discipline and enhanced student outcomes**
  - *Leveraging new technologies to drive improved student experience and persistence rates*
  - *Delivering consistent margin expansion through disciplined operational spend and synergy capture*
  - *Building scalable marketing capabilities to enhance brand equity through balanced approach*
  
- ✓ **Expanding access to education**
  - *Walden paving the way for enhanced persistence leading to matriculation through the Believe and Achieve Scholarship™*
  - *Chamberlain addressing the healthcare workforce shortage through its newly launched home health specialty initiative with \$1.2 million grant from American Nurses Foundation*

# Enterprise Performance

Year-over-year margin expansion driven by disciplined operational focus and synergy realization



\$ millions	Q2 2023	Q2 2022	Change
Revenue	\$363.3	\$371.2	(2.1)%
<b>Adj. EBITDA<sup>1</sup></b>	<b>\$92.1</b>	<b>\$86.1</b>	<b>7.0%</b>
% Margin <sup>1</sup>	25.4%	23.2%	+220 bps
<b>Adj. EPS<sup>1</sup></b>	<b>\$1.17</b>	<b>\$0.75</b>	<b>56.0%</b>
Total Enrollment <sup>2</sup>	76,980	80,255	(4.1)%

**Total Enrollment down 4.1%** driven primarily by Walden

**Adj. EBITDA<sup>1</sup> margin increased 220 bps** driven by continued discipline on cost initiatives and operational efficiencies

# Chamberlain Performance

Continued margin expansion driven by increased revenue and benefit of cost synergy initiatives



\$ millions	Q2 2023	Q2 2022	Change
Revenue	\$141.4	\$139.1	1.6%
<b>Adj. EBITDA<sup>1</sup></b>	<b>\$37.7</b>	<b>\$32.2</b>	<b>17.2%</b>
% Margin <sup>1</sup>	26.7%	23.1%	+360 bps
Total Enrollment <sup>2</sup>	33,390	33,648	(0.8)%

**Total Enrollment down <1%** due to growth in pre-licensure nursing programs offset by declines in post-licensure programs

**Adj. EBITDA<sup>1</sup> margin increased 360 bps** due to continued benefit from operational efficiencies and lower labor costs

# Walden Performance

Total enrollment impacted by headwinds faced by post-licensure nursing programs



\$ millions	Q2 2023	Q2 2022	Change
Revenue	\$131.9	\$140.6	(6.2)%
<b>Adj. EBITDA<sup>1</sup></b>	<b>\$31.6</b>	<b>\$35.7</b>	<b>(11.5)%</b>
% Margin <sup>1</sup>	23.9%	25.4%	-150 bps
Total Enrollment <sup>2</sup>	37,956	41,158	(7.8)%

**Total Enrollment down 7.8%** due to headwinds faced by post-licensure nursing programs

**Adj. EBITDA<sup>1</sup> margin decreased 150 bps** driven by lower revenue base

# Medical & Veterinary Performance

Increased persistence and operational execution supporting margin expansion

\$ millions	Q2 2023	Q2 2022	Change
Revenue	\$90.0	\$91.5	(1.6)%
<b>Adj. EBITDA<sup>1</sup></b>	<b>\$26.3</b>	<b>\$24.3</b>	<b>8.0%</b>
<i>% Margin<sup>1</sup></i>	<i>29.2%</i>	<i>26.6%</i>	<i>+260 bps</i>
Total Enrollment <sup>2</sup>	5,634	5,449	3.4%



ROSS UNIVERSITY  
SCHOOL OF MEDICINE



ROSS UNIVERSITY  
SCHOOL OF VETERINARY MEDICINE



American University  
of the Caribbean  
School of Medicine



MEDICAL EDUCATION  
READINESS PROGRAM

**Total Enrollment up 3.4%** driven by growth in new enrollment and persistence during the most recent enrollment period

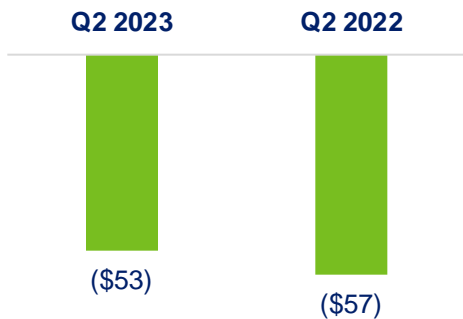
**Adj. EBITDA<sup>1</sup> margin increased 260 bps** primarily driven by continued benefit from cost discipline initiatives

# Free Cash Flow

Driving improved cash generation

## Q2 – Three Months

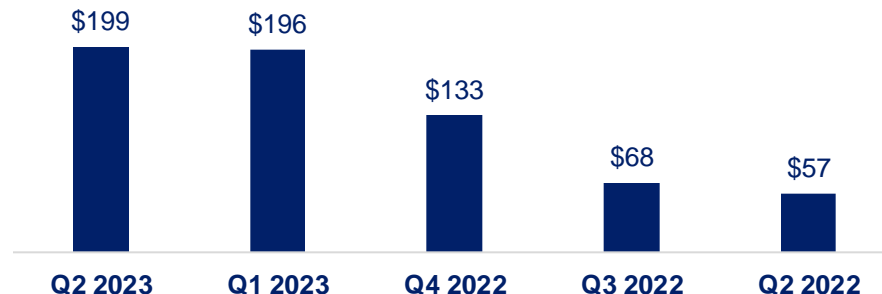
(\$ millions)



	Q2 2023	Q2 2022
Operating Cash Flow	(\$49)	(\$49)
Capital Expenditures	(\$4)	(\$8)
<b>Free Cash Flow<sup>1</sup></b>	<b>(\$53)</b>	<b>(\$57)</b>

## Trailing Twelve Months

(\$ millions)



	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Operating Cash Flow	\$225	\$226	\$164	\$102	\$92
Capital Expenditures	(\$26)	(\$30)	(\$31)	(\$34)	(\$35)
<b>Free Cash Flow<sup>1</sup></b>	<b>\$199</b>	<b>\$196</b>	<b>\$133</b>	<b>\$68</b>	<b>\$57</b>

# Appendix

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# Non-GAAP Financial Measures and Reconciliations

We believe that certain non-GAAP financial measures provide investors with useful supplemental information regarding the underlying business trends and performance of Adtalem's ongoing operations as seen through the eyes of management and are 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:

*Adjusted net income (most comparable GAAP measure: net income (loss))* – Measure of Adtalem's net income (loss) adjusted for deferred revenue adjustment, CEO transition costs, restructuring expense, business acquisition and integration expense, intangible amortization expense, pre-acquisition interest expense, write-off of debt discount and issuance costs, gain on extinguishment of debt, investment impairment, and net (income) loss from discontinued operations.

*Adjusted earnings per share (most comparable GAAP measure: earnings (loss) per share)* – Measure of Adtalem's diluted earnings (loss) per share adjusted for deferred revenue adjustment, CEO transition costs, restructuring expense, business acquisition and integration expense, intangible amortization expense, pre-acquisition interest expense, write-off of debt discount and issuance costs, gain on extinguishment of debt, investment impairment, and net (income) loss from discontinued operations.

*Adjusted operating income (most comparable GAAP measure: operating income)* – Measure of Adtalem's operating income adjusted for deferred revenue adjustment, CEO transition costs, restructuring expense, business acquisition and integration expense, and intangible amortization expense. This measure is applied on a consolidated and segment basis, depending on the context of the discussion.

*Adjusted EBITDA (most comparable GAAP measure: net income (loss))* – Measure of Adtalem's net income (loss) adjusted for net (income) loss from discontinued operations, interest expense, other expense (income), net, provision for (benefit from) income taxes, depreciation and amortization, stock-based compensation, deferred revenue adjustment, CEO transition costs, restructuring expense, and business acquisition and integration expense. This measure is applied on a consolidated and segment basis, depending on the context of the discussion. Income taxes, interest expense, and other expense (income), net is not recorded at the reportable segments, and therefore, the segment adjusted EBITDA reconciliations begin with operating income.

*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.

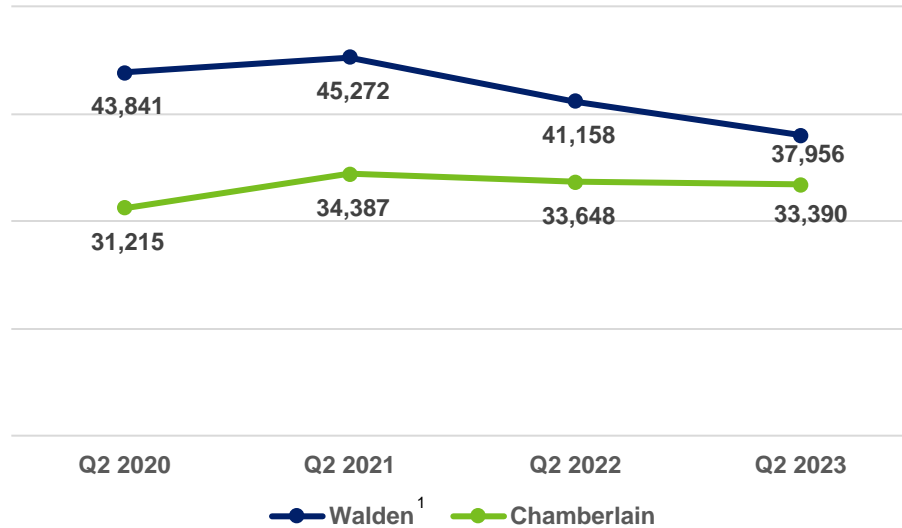
*Net debt* – Defined as long-term debt less cash and cash equivalents.

*Net leverage* – Defined as net debt divided by adjusted EBITDA.

A description of special items in our non-GAAP financial measures described above are as follows:

- Deferred revenue adjustment related to a revenue purchase accounting adjustment to record Walden's deferred revenue at fair value.
- CEO transition costs related to acceleration of stock-based compensation expense.
- Restructuring expense primarily related to plans to achieve synergies with the Walden acquisition and real estate consolidations at Walden, Medical and Veterinary, and Adtalem's home office.
- Business acquisition and integration expense include expenses related to the Walden acquisition and certain costs related to growth transformation initiatives.
- Intangible amortization expense on acquired intangible assets.
- Pre-acquisition interest expense related to financing arrangements in connection with the Walden acquisition, write-off of debt discount and issuance costs and gain on extinguishment of debt related to prepayments of debt, and impairment of an equity investment.
- Net (income) loss from discontinued operations includes the operations of ACAMS, Becker, OCL, and EduPristine, in addition to costs related to DeVry University.

# Historical Q2 Total Enrollment Trends



1. Q2 2020 and Q2 2021 Walden enrollment figures are calculated by Walden while owned by Laureate Education, Inc., and are included here for comparative purposes only. Total enrollment included above represents total students attending sessions during each institution's most recent enrollment period in the given quarter.

# Non-GAAP Adjusted EBITDA by Segment Disclosure (1/2)

(unaudited)  
(in thousands)

	Three Months Ended December 31,				Six Months Ended December 31,			
	2022	2021	Increase/(Decrease)		2022	2021	Increase/(Decrease)	
			\$	%			\$	%
<b>Chamberlain:</b>								
Operating income (GAAP)	\$ 33,229	\$ 25,456	\$ 7,773	30.5 %	\$ 59,413	\$ 46,311	\$ 13,102	28.3 %
Restructuring expense	—	335	(335)		818	335	483	
Depreciation	4,099	4,726	(627)		8,580	9,310	(730)	
Stock-based compensation	404	1,688	(1,284)		2,677	3,235	(558)	
Adjusted EBITDA (non-GAAP)	<u>\$ 37,732</u>	<u>\$ 32,205</u>	<u>\$ 5,527</u>	17.2 %	<u>\$ 71,488</u>	<u>\$ 59,191</u>	<u>\$ 12,297</u>	20.8 %
Adjusted EBITDA margin (non-GAAP)	26.7 %	23.1 %			25.8 %	21.5 %		
<b>Walden:</b>								
Operating income (loss) (GAAP)	\$ 12,795	\$ (2,443)	\$ 15,238	NM	\$ 14,578	\$ (14,089)	\$ 28,667	NM
Deferred revenue adjustment	—	2,354	(2,354)		—	8,561	(8,561)	
Restructuring expense	41	1,791	(1,750)		3,121	1,791	1,330	
Intangible amortization expense	16,176	30,699	(14,523)		34,704	47,150	(12,446)	
Depreciation	2,269	2,516	(247)		4,864	4,228	636	
Stock-based compensation	286	760	(474)		2,191	1,467	724	
Adjusted EBITDA (non-GAAP)	<u>\$ 31,567</u>	<u>\$ 35,677</u>	<u>\$ (4,110)</u>	(11.5)%	<u>\$ 59,458</u>	<u>\$ 49,108</u>	<u>\$ 10,350</u>	21.1 %
Adjusted EBITDA margin (non-GAAP)	23.9 %	25.4 %			22.6 %	23.5 %		
<b>Medical and Veterinary:</b>								
Operating income (GAAP)	\$ 22,930	\$ 19,518	\$ 3,412	17.5 %	\$ 33,458	\$ 35,183	\$ (1,725)	(4.9)%
Restructuring expense	87	188	(101)		6,913	188	6,725	
Depreciation	3,031	3,645	(614)		6,136	7,100	(964)	
Stock-based compensation	229	971	(742)		1,704	1,899	(195)	
Adjusted EBITDA (non-GAAP)	<u>\$ 26,277</u>	<u>\$ 24,322</u>	<u>\$ 1,955</u>	8.0 %	<u>\$ 48,211</u>	<u>\$ 44,370</u>	<u>\$ 3,841</u>	8.7 %
Adjusted EBITDA margin (non-GAAP)	29.2 %	26.6 %			27.1 %	25.2 %		

# Non-GAAP Adjusted EBITDA by Segment Disclosure (2/2)

	(unaudited) (in thousands)							
	Three Months Ended December 31,				Six Months Ended December 31,			
	2022	2021	Increase/(Decrease)		2022	2021	Increase/(Decrease)	
			\$	%			\$	%
<b>Home Office and Other:</b>								
Operating loss (GAAP)	\$ (22,927)	\$ (17,797)	\$ (5,130)	(28.8)%	\$ (38,329)	\$ (64,734)	\$ 26,405	40.8 %
CEO transition costs	—	—	—		—	6,195	(6,195)	
Restructuring expense	1,235	1,073	162		5,576	4,167	1,409	
Business acquisition and integration expense	15,941	9,060	6,881		24,356	35,613	(11,257)	
Depreciation	1,257	744	513		1,881	1,492	389	
Stock-based compensation	1,049	801	248		1,541	1,135	406	
Adjusted EBITDA (non-GAAP)	<u>\$ (3,445)</u>	<u>\$ (6,119)</u>	<u>\$ 2,674</u>	43.7 %	<u>\$ (4,975)</u>	<u>\$ (16,132)</u>	<u>\$ 11,157</u>	69.2 %
<b>Adtalem Global Education:</b>								
Net income (loss) (GAAP)	\$ 24,144	\$ 17,853	\$ 6,291	35.2 %	\$ 26,336	\$ (40,151)	\$ 66,487	NM
Net (income) loss from discontinued operations	(527)	21,181	(21,708)		3,127	2,003	1,124	
Interest expense	15,589	25,929	(10,340)		33,349	73,322	(39,973)	
Other expense (income), net	2,574	(861)	3,435		1,007	(1,739)	2,746	
Provision for (benefit from) income taxes	4,247	(39,368)	43,615		5,301	(30,764)	36,065	
Operating income (GAAP)	46,027	24,734	21,293		69,120	2,671	66,449	
Depreciation and amortization	26,832	42,330	(15,498)		56,165	69,280	(13,115)	
Stock-based compensation	1,968	4,220	(2,252)		8,113	7,736	377	
Deferred revenue adjustment	—	2,354	(2,354)		—	8,561	(8,561)	
CEO transition costs	—	—	—		—	6,195	(6,195)	
Restructuring expense	1,363	3,387	(2,024)		16,428	6,481	9,947	
Business acquisition and integration expense	15,941	9,060	6,881		24,356	35,613	(11,257)	
Adjusted EBITDA (non-GAAP)	<u>\$ 92,131</u>	<u>\$ 86,085</u>	<u>\$ 6,046</u>	7.0 %	<u>\$ 174,182</u>	<u>\$ 136,537</u>	<u>\$ 37,645</u>	27.6 %
Adjusted EBITDA margin (non-GAAP)	25.4 %	23.2 %			24.3 %	20.7 %		

# Non-GAAP Earnings Disclosure

(unaudited)  
(in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2022	2021	2022	2021
Net income (loss) (GAAP)	\$ 24,144	\$ 17,853	\$ 26,336	\$ (40,151)
Deferred revenue adjustment	—	2,354	—	8,561
CEO transition costs	—	—	—	6,195
Restructuring expense	1,363	3,387	16,428	6,481
Business acquisition and integration expense	15,941	9,060	24,356	35,613
Intangible amortization expense	16,176	30,699	34,704	47,150
Pre-acquisition interest expense, write-off of debt discount and issuance costs, gain on extinguishment of debt, and investment impairment	6,402	—	9,226	31,634
Income tax impact on non-GAAP adjustments (1)	(9,309)	(46,742)	(18,982)	(42,102)
Net (income) loss from discontinued operations	(527)	21,181	3,127	2,003
Adjusted net income (non-GAAP)	<u>\$ 54,190</u>	<u>\$ 37,792</u>	<u>\$ 95,195</u>	<u>\$ 55,384</u>

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

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2022	2021	2022	2021
Earnings (loss) per share, diluted (GAAP)	\$ 0.52	\$ 0.36	\$ 0.57	\$ (0.81)
Effect on diluted earnings per share:				
Deferred revenue adjustment	-	0.05	-	0.17
CEO transition costs	-	-	-	0.12
Restructuring expense	0.03	0.07	0.36	0.13
Business acquisition and integration expense	0.35	0.18	0.53	0.71
Intangible amortization expense	0.35	0.61	0.75	0.94
Pre-acquisition interest expense, write-off of debt discount and issuance costs, gain on extinguishment of debt, and investment impairment	0.14	-	0.20	0.63
Income tax impact on non-GAAP adjustments (1)	(0.20)	(0.93)	(0.41)	(0.84)
Net (income) loss from discontinued operations	(0.01)	0.42	0.07	0.04
Adjusted earnings per share, diluted (non-GAAP)	<u>\$ 1.17</u>	<u>\$ 0.75</u>	<u>\$ 2.06</u>	<u>\$ 1.10</u>
Diluted shares used in non-GAAP EPS calculation	46,121	50,237	46,232	50,166

Note: 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 Free Cash Flow Disclosure

(unaudited)  
(in thousands)

	Three Months Ended		Twelve Months Ended				
	FY23	FY22	FY23	FY23	FY22	FY22	FY22
	Q2	Q2	Q2	Q1	Q4	Q3	Q2
Net cash (used in) provided by operating activities- continuing operations (GAAP)	\$ (49,248)	\$ (48,474)	\$ 225,069	\$ 225,843	\$ 163,825	\$ 101,481	\$ 91,835
Capital expenditures	(4,196)	(8,081)	(26,029)	(29,914)	(31,054)	(33,539)	(34,949)
Free cash flow (non-GAAP)	<u>\$ (53,444)</u>	<u>\$ (56,555)</u>	<u>\$ 199,040</u>	<u>\$ 195,929</u>	<u>\$ 132,771</u>	<u>\$ 67,942</u>	<u>\$ 56,886</u>

