



## Q4 2020 Earnings Presentation

*August 18, 2020*

# Safe Harbor

Certain statements contained in this presentation concerning Adtalem Global Education's future performance, including those statements concerning expectations or plans, constitute "forward-looking statements" within the meaning of the Safe Harbor Provision of the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally can be identified by phrases such as Adtalem Global Education or its management "believes," "expects," "anticipates," "foresees," "forecasts," "estimates," "plans," "intends" or other words or phrases of similar import. Actual results may differ materially from those projected or implied by these forward-looking statements. Potential risks, uncertainties and other factors that could cause results to differ are described more fully 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"). 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.

# Q4 and Full Year 2020 Highlights

Q4	Full Year
<b>Revenue</b>	
\$259.7 million	\$1.1 billion
<b>Net Income<sup>1</sup></b>	
\$30.5 million	\$123.5 million
<b>Earnings Per Share<sup>1</sup></b>	
\$0.58	\$2.28
<b>TTM Free Cash Flow<sup>2</sup></b>	
\$105.4 million	



Delivered healthy revenue and EPS results despite COVID-19 challenges



Pivoted quickly to “New Normal,” leveraging online learning tools, virtual formats



Advanced Workforce Solutions strategy, on track to meet long-term goals



Fortified balance sheet and streamlined portfolio through Brazil divestiture

1) From continuing operations, excluding special items.

2) For twelve months ended June 30, 2020; Free cash flow is a non-GAAP financial measure defined as net cash provided by operations less capital expenditures. Differences may occur due to rounding.

# Adtalem Highlights

## Leveraging online capabilities and resilient leadership to mitigate risk in a challenging environment

- **Adapted quickly to meet the needs of learners and capture changes in demand:**
  - Leveraging our existing infrastructure, rapidly transitioned 15,000 on-campus students to our online platforms with minimal disruption, bringing the total number of online students to 40,000 students
  - Drove superior student outcomes and increased new student enrollment in May to an all time May enrollment high
  - Enhanced curriculum with additional instruction surrounding virtual healthcare/telehealth
  - Transitioned to virtual ACAMS conferences with significant success for 24-hour Virtual Summit
  - Launched ACAMS Know Your Customer and transactions monitoring short course offerings
- **Advanced transformation into leading Workforce Solutions Provider:**
  - Executing Adtalem's enterprise growth strategy by enhancing offerings across both verticals
  - Working closely with hospital partners to address challenges including managing staff burnout, as well as helping healthcare workers further upskill
  - The geographic diversity of our clinical partners has the potential to be a significant differentiator for our institutions, allowing us to leverage the availability of partners across the United States
- **Strong financial position and flexibility to accelerate growth:**
  - Divestiture of our Brazil assets, which further streamlined Adtalem to focus on our two core verticals as a workforce solutions provider while further fortifying our balance sheet
  - Ample liquidity with over \$500M in cash, in addition to available capacity on revolver of \$232M



# Medical & Healthcare

Continuing to deliver superior student outcomes and results despite impact from COVID-19

- **Chamberlain University:**

- First quarter calendar year 2020 first-time NCLEX pass rate reached 92%
- Record high new student enrollment for the past five sessions and record high total enrollment for historical March and May sessions
- Driving increased brand awareness through training programs including Acute Care Readiness program, NCLEX readiness courses, and a Contact Tracing course
- Successfully transitioned campus students to online environment and created alternative clinical experiences to allow students to continue their education



- **Medical and Veterinary Schools:**

- **Ross University School of Medicine:** Attained highest-to-date residency match rate exceeding 95%
- **American University of the Caribbean School of Medicine:** Maintained exceptional 92% residency match rate
- **Ross University School of Veterinary Medicine:** Continued strength in enrollments with record high enrollment for May 2020 class; NAVLE first time pass rate of 88%



# Financial Services

Continued to invest in new capabilities to drive revenue growth

- **ACAMS:**

- Held first ever ACAMS 24-hour Virtual Summit, attracting 2,600 paid attendees from over 100 countries
- Launched Know Your Customer Associate certification for front line and operational teams in the financial services sector
- Introduced first of its kind “Fighting Modern Slavery and Human Trafficking” certificate (a social impact initiative; 1,400 individuals have completed the certificate)



- **Becker:**

- Increased focus on B2C sales; driving progress with product bundles developed for CPA and CPE offerings
- Seeing early results with strong growth from investments in CPA continuing education offerings. These investments leverage Becker’s strong brand recognition to help capture share in a test prep market that is significantly larger than the CPA market

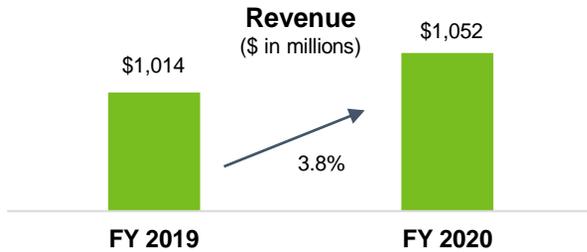


- **OnCourse Learning:**

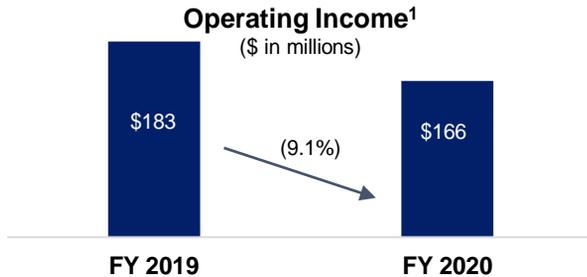
- Strong growth post-acquisition across all product lines, especially in mortgage portfolio, supported by tailwinds in the current mortgage environment
- Meeting high demand for mortgage officer training; expanding enterprise partnerships in both mortgage and bank/credit union markets to drive sustained growth



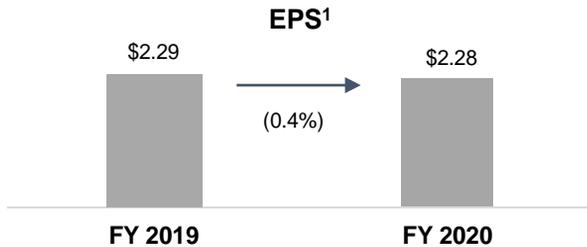
# FY 2020 Financial Highlights



- Revenue growth across both verticals driven by strategic investment in marketing and student recruitment, and boosted by OnCourse Learning acquisition, offset by COVID-19 impacts



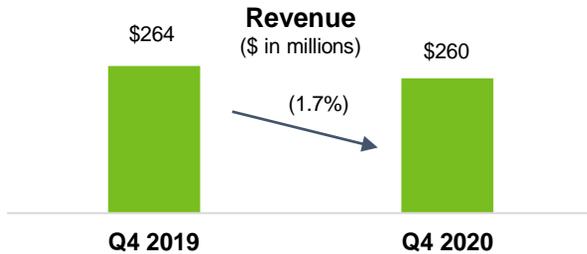
- Operating income benefited from revenue growth in both verticals and increased enrollment at Chamberlain. This momentum was more than offset by COVID-19 impacts



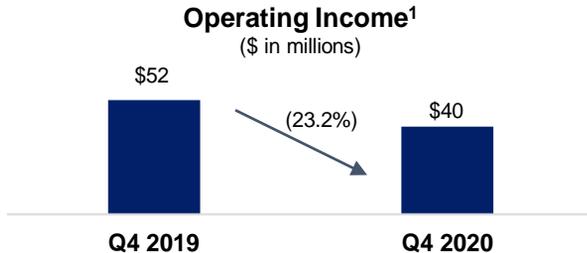
- EPS flat when compared with FY 2019

1) From continuing operations excluding special items

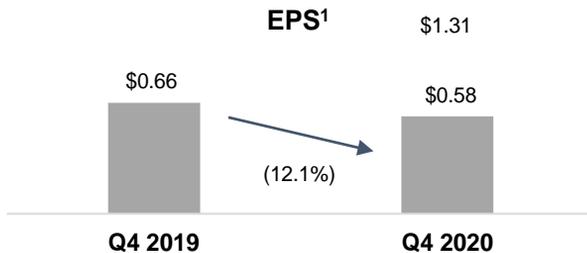
# Q4 2020 Financial Highlights



- Strong enrollment across institutions, strong B2C growth at Becker and increased members at ACAMS coupled with new products aided revenue growth. However, those growth vectors were more than offset by COVID-19 impacts

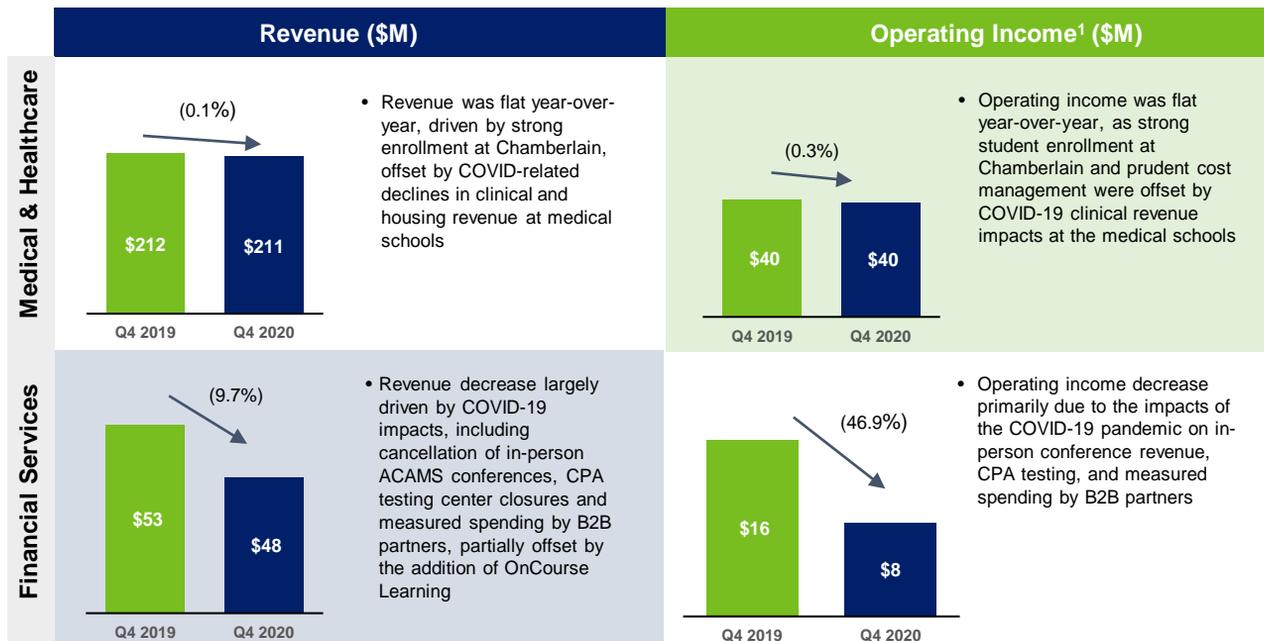


- Operating income decline driven by COVID-19 related impacts



- Diluted earnings per share decline driven by COVID-19 impacts

# Q4 2020 Financials by Vertical



1) From continuing operations excluding special items

# Segment Adjusted Full Year Operating Income

## Medical and Healthcare

Key Metrics	Operating Income (OI)	OI Margin
2019 <sup>1</sup>	\$181.2 million	21.3%
2020 <sup>1</sup>	\$167.7 million	19.4%
Estimated COVID-19 related impact	\$14.0 million	1.6%
Change in corporate allocations <sup>2</sup>	\$7.6 million	0.9%
Adjusted 2020 Operating Income <sup>1</sup>	\$189.3 million	21.9%

## Financial Services

Key Metrics	Operating Income (OI)	OI Margin
2019 <sup>1</sup>	\$35.5 million	21.2%
2020 <sup>1</sup>	\$22.5 million	12.1%
Estimated COVID-19 related impact	\$5.0 million	2.7%
Change in corporate allocations <sup>2</sup>	\$1.7 million	0.9%
Adjusted 2020 Operating Income <sup>1</sup>	\$29.2 million	15.7%

1) From continuing operations, excluding special items

2) Corporate costs that would have been allocated to the former Business and Law segment

## Generating Strong Free Cash Flow

Key Metrics	Trailing 12 months, as of June 30, 2020
Operating Cash Flow <sup>1</sup>	\$150 million
Free Cash Flow <sup>1</sup>	\$105 million

1) From continuing operations

Note: Free cash flow is a non-GAAP financial measure defined as net cash provided by (used in) operations less capital expenditures. Differences may occur due to rounding.

# Liquidity and Capital Structure

*Available liquidity positions us well to navigate the unknown impact of COVID-19*

Key Metrics	March 31, 2020	June 30, 2020
Cash, cash equivalents <sup>1</sup>	\$168 million <sup>1</sup>	\$501 million <sup>1</sup>
Capacity available under revolver	\$72 million	\$232 million
Total Debt	\$455 million	294 million
Capex <sup>1</sup>	\$12 million <sup>2</sup>	\$12 million <sup>3</sup>
Share repurchases	\$37 million <sup>2</sup>	<i>Paused</i>

1) From continuing operations

2) Three months ended March 31, 2020

3) Three months ended June 30, 2020

# Appendix

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# Non-GAAP Reconciliation Tables

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

	Three Months Ended		Year Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Net (loss) income attributable to Adtalem (GAAP)	\$ (256,052)	\$ 49,498	\$ (85,334)	\$ 95,168
Restructuring expense	18,289	7,873	28,628	53,067
Gain on sale of assets	—	—	(4,779)	—
Settlement gains	—	(10,607)	—	(26,178)
Gain on derivative	(26,891)	—	(110,723)	—
Tax Cuts and Jobs Act of 2017 and tax charges related to the divestiture of DeVry University	(2,230)	2,058	(2,230)	3,584
Net tax benefit on Carrington loss	(25,688)	—	(25,688)	—
Income tax impact on non-GAAP adjustments (1)	(4,483)	3,235	(5,648)	(1,560)
Loss (income) from discontinued operations	<u>327,557</u>	<u>(14,249)</u>	<u>329,315</u>	<u>12,079</u>
Net income from continuing operations attributable to Adtalem excluding special items (non-GAAP)	<u>\$ 30,502</u>	<u>\$ 37,808</u>	<u>\$ 123,541</u>	<u>\$ 136,160</u>

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

	Three Months Ended		Year Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
(Loss) earnings per share, diluted (GAAP)	\$ (4.86)	\$ 0.86	\$ (1.58)	\$ 1.60
Effect on diluted earnings per share:				
Restructuring expense	0.35	0.14	0.53	0.89
Gain on sale of assets	—	—	(0.09)	—
Settlement gains	—	(0.19)	—	(0.44)
Gain on derivative	(0.51)	—	(2.05)	—
Tax Cuts and Jobs Act of 2017 and tax charges related to the divestiture of DeVry University	(0.04)	0.04	(0.04)	0.06
Net tax benefit on Carrington loss	(0.49)	—	(0.47)	—
Income tax impact on non-GAAP adjustments (1)	(0.09)	0.06	(0.10)	(0.03)
Loss (income) from discontinued operations	<u>6.22</u>	<u>(0.25)</u>	<u>6.09</u>	<u>0.20</u>
Earnings per share from continuing operations excluding special items, diluted (non-GAAP)	<u>\$ 0.58</u>	<u>\$ 0.66</u>	<u>\$ 2.28</u>	<u>\$ 2.29</u>
Diluted shares used in EPS calculation	52,650	57,284	54,094	59,330

(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 Operating Income from Continuing Operations by Segment**  
 (unaudited)  
 (in thousands)

	Three Months Ended			Year Ended		
	June 30,		Increase	June 30,		Increase
	2020	2019	(Decrease)	2020	2019	(Decrease)
<b>Medical and Healthcare:</b>						
Operating income (GAAP)	\$ 39,605	\$ 39,726	(0.3)%	\$ 166,037	\$ 155,122	7.0 %
Restructuring expense	353	339	4.1 %	1,707	41,666	(95.9)%
Settlement gains	—	—	NM	—	(15,571)	NM
Operating income excluding special items (non-GAAP)	<u>\$ 39,958</u>	<u>\$ 40,065</u>	(0.3)%	<u>\$ 167,744</u>	<u>\$ 181,217</u>	(7.4)%
<b>Financial Services:</b>						
Operating income (GAAP)	\$ 6,762	\$ 14,694	(54.0)%	\$ 17,622	\$ 34,163	(48.4)%
Restructuring expense	1,726	1,304	32.4 %	4,842	1,304	271.3 %
Operating income excluding special items (non-GAAP)	<u>\$ 8,488</u>	<u>\$ 15,998</u>	(46.9)%	<u>\$ 22,464</u>	<u>\$ 35,467</u>	(36.7)%
<b>Home Office and Other:</b>						
Operating (loss) income (GAAP)	\$ (24,646)	\$ 394	NM	\$ (41,399)	\$ (33,455)	(23.7)%
Restructuring expense	16,210	6,230	160.2 %	22,079	10,097	118.7 %
Gain on sale of assets	—	—	NM	(4,779)	—	NM
Settlement gains	—	(10,607)	NM	—	(10,607)	NM
Operating loss excluding special items (non-GAAP)	<u>\$ (8,436)</u>	<u>\$ (3,983)</u>	(111.8)%	<u>\$ (24,099)</u>	<u>\$ (33,965)</u>	29.0 %
<b>Adtalem Global Education:</b>						
Operating income (GAAP)	\$ 21,721	\$ 54,814	(60.4)%	\$ 142,260	\$ 155,830	(8.7)%
Restructuring expense	18,289	7,873	132.3 %	28,628	53,067	(46.1)%
Gain on sale of assets	—	—	NM	(4,779)	—	NM
Settlement gains	—	(10,607)	NM	—	(26,178)	NM
Operating income excluding special items (non-GAAP)	<u>\$ 40,010</u>	<u>\$ 52,080</u>	(23.2)%	<u>\$ 166,109</u>	<u>\$ 182,719</u>	(9.1)%

## Non-GAAP Reconciliation Tables

Key Metrics	Trailing 12 months, as of June 30, 2020
Operating Cash Flow (GAAP measure) <sup>1</sup>	\$150 million
Capital Expenditures	\$44 million
Free Cash Flow (Non-GAAP measure) <sup>1</sup>	\$105 million

1) From continuing operations