

American Public Education, Inc.
Third Quarter 2020 Results

PRESENTED BY

Angela Selden
President and CEO

Richard Sunderland, CPA
Executive VP and CFO

Safe Harbor Statement

Statements made in this presentation regarding American Public Education, Inc. (“APEI”), or its subsidiaries, that are not historical facts are forward-looking statements based on current expectations, assumptions, estimates and projections about APEI and the industry. Forward-looking statements can be identified by words such as “anticipate,” “believe,” “seek,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “should,” “will” and “would.” These forward-looking statements include, without limitation, statements regarding benefits of the acquisition of Rasmussen University, the timing of the closing of the transaction, expected growth, expected pro forma results, expected registration and enrollments, expected revenues, earnings and expenses, expected financial results for Rasmussen University, and plans with respect to recent, current and future initiatives.

Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. Such risks and uncertainties include, among others, risks related to: the satisfaction of closing conditions, including the failure or delay in obtaining required regulatory and accreditor approvals; APEI's ability to obtain financing to fund the transaction; the significant transaction and integration costs APEI has incurred and expects to incur in connection with the acquisition; the integration of Rasmussen's business and APEI's ability to realize the expected benefits of the acquisition; incorrect assumptions used for pro forma modeling; that Rasmussen may have liabilities that are not known to APEI; other events that could impact the transaction and its closing; APEI's dependence on the effectiveness of its ability to attract students who persist in its institutions' programs; impacts of the COVID-19 pandemic; APEI's ability to effectively market its institutions' programs; adverse effects of changes APEI makes to improve the student experience and enhance the ability to identify and enroll students who are likely to succeed; APEI’s ability to maintain strong relationships with the military and maintain enrollments from military students; APEI’s ability to comply with regulatory and accrediting agency requirements and to maintain institutional accreditation; APEI’s reliance on Department of Defense tuition assistance, Title IV programs, and other sources of financial aid; APEI’s dependence on its technology infrastructure; strong competition in the postsecondary education market and from non-traditional offerings; and the various risks described in the “Risk Factors” section and elsewhere in APEI’s Annual Report on Form 10-K for the year ended December 31, 2019, Quarterly Report on Form 10-Q for the period ended September 30, 2020, and other filings with the SEC. You should not place undue reliance on any forward-looking statements. The Company undertakes no obligation to update publicly any forward-looking statements for any reason, unless required by law, even if new information becomes available or other events occur in the future.

THIRD QUARTER 2020 AND RECENT HIGHLIGHTS

*Strength of APEI Platform Reflected by Fourth Consecutive Quarter of Enrollment Growth at APUS & HCN**

APUS Net Course Registrations.

- New student registrations at APUS **increased 25%** yr/yr.
- Total net course registrations **increased 18%** yr/yr.

Record Enrollment at Hondros.

- New student enrollment **increased 88%** and total enrollment **increased 38%** yr/yr.
- In the fourth quarter of 2020, total enrollment **increased 34%** to 2,139, **the highest in school history.**

Operating Margin.

- APEI Segment operating margin increased to 4.1%, vs. 0.4% in the prior year period.

Hondros Returns to Profitability.

- Hondros Segment operating margin increased to 4.9%, compared to a loss in the prior year period.

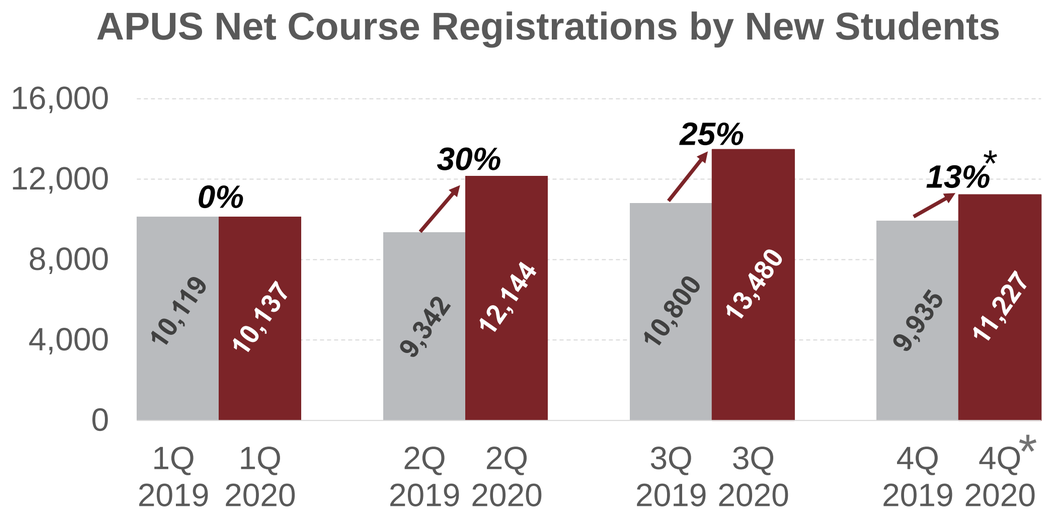
Announced Transformational Acquisition to acquire Rasmussen University.

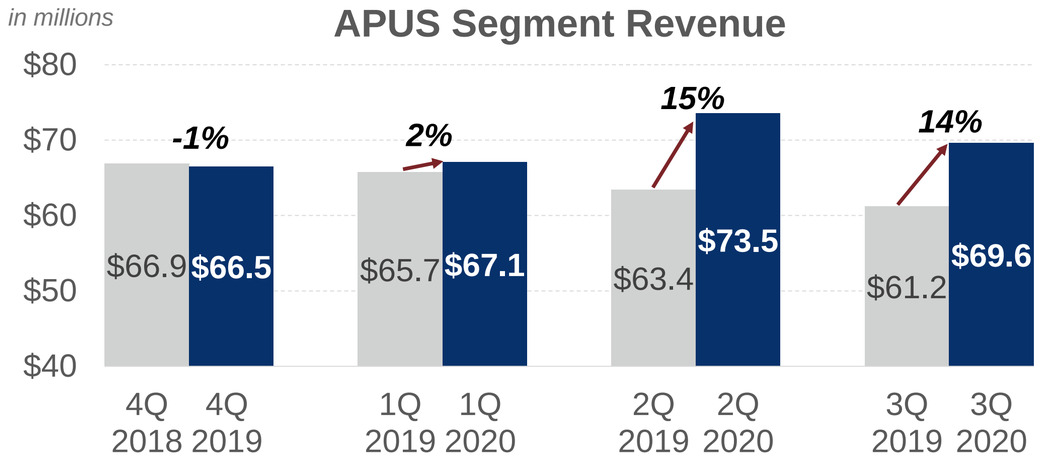
- Largest educator of ADN nurses.
- APEI will become **#1 educator of pre-licensure nurses (RN and PN)** with over 10,000 nursing students.

**New and total net course registrations at APUS between 4Q19 and 3Q20 and new student enrollment at HCN between 1Q20 and 4Q20.*

APUS REGISTRATION GROWTH

Four Straight Quarters of Year-Over-Year New Start Growth Driven by Military and Veteran Students





3Q20 Enrollment Highlights

- Registration growth driven by Military/Veteran students
- New registrations **increased 25% to 13,500**
- One additional week in 3Q20 vs. 3Q19 added ~1,000 new registrations. Normalized growth rate was 16%
- 3Q20 Total course registrations **increased 18% to 90,300**

4Q20 Enrollment Outlook

- Continued Momentum Expected
- New Registrations expected to increase 11% to 15%
- Total Registrations expected to increase 5% to 9%

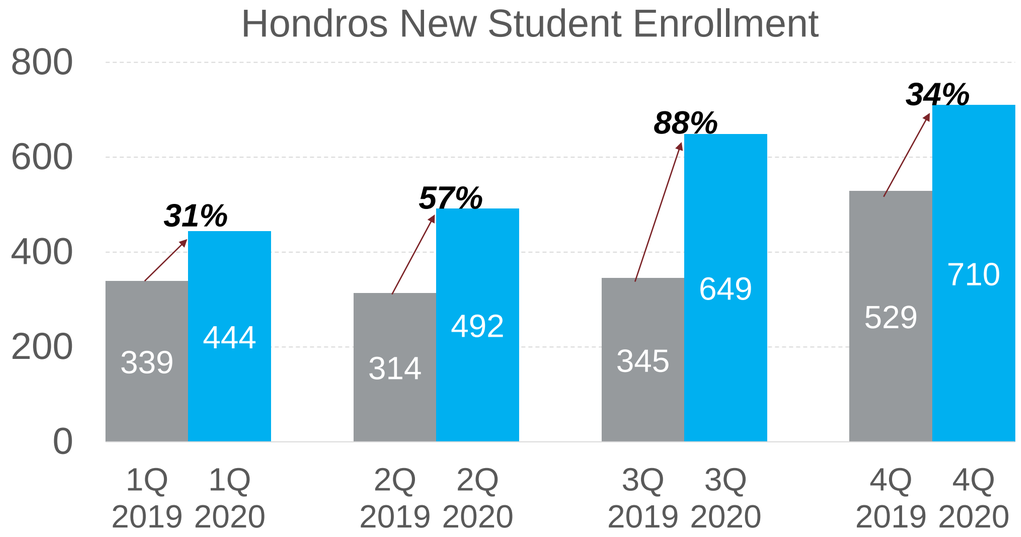
Key 2020 Initiatives:

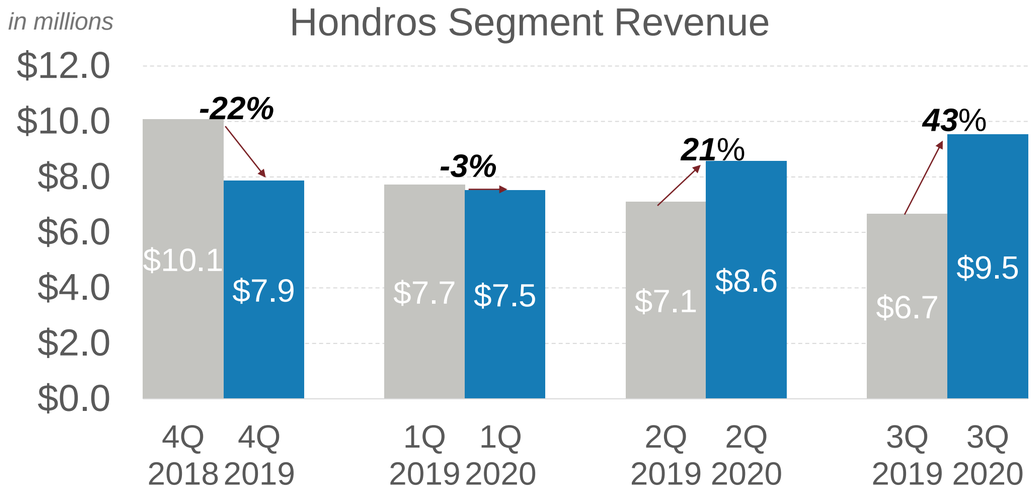
- Created **Freedom Grant®** to help eliminate out-of-pocket expenses for active duty military in graduate programs
- Increased investment in marketing, especially in micro-segments where **HEROI™** resonates
- Technology transformation to improve student experience, and drive increased referral rates

* Based on mid-point of APEI's fourth quarter *outlook*.

HONDROS DELIVERED RECORD ENROLLMENT

Strength in PN and ADN Programs Driving Consistent Growth





3Q20 Enrollment Highlights

- Fourth consecutive quarters of start growth
- **New Starts +88% to 649**
- **Total Enrollment +39% to 1,954**
- Highest PN starts in Hondros history
- RN Starts returning to near peak levels from 2018

4Q20 Enrollment Outlook

- Continued strong demand for nursing education
- **New Starts +34% to 710 – highest in HCN history**
- **Total Enrollment +34% to 2,139**

Attractive options in high demand markets:

- Nimble and flexible in adapting to current environment
- Campuses open with virtual course/learning capabilities
- Flexible schedules
- Direct entry ADN program

Improved onboarding processes:

- Improved conversion driven by Salesforce integration

APEI THIRD QUARTER 2020 FINANCIAL SUMMARY

16.6%
Consolidated Revenue
$79.1M

$4.2M
Net Income Increase
$2.6M

40.1%
Cash Flow from Operations
$44.7M

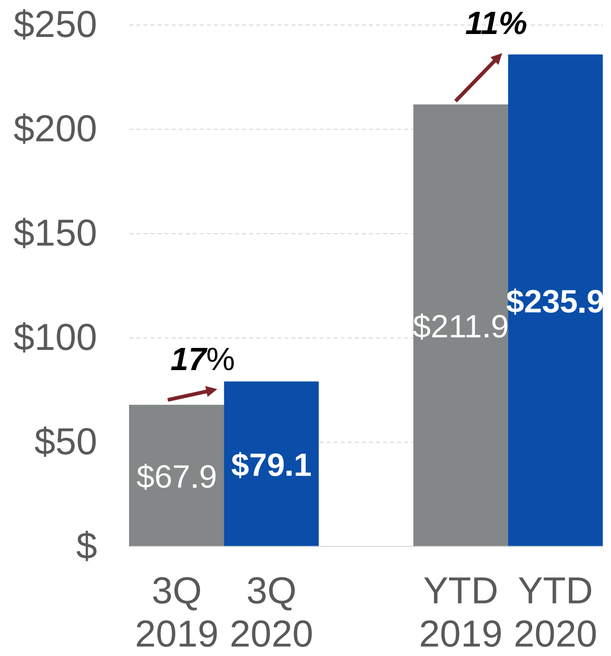
$25.3M
Cash and Equivalents
$228.0M

- **Consolidated revenue increased by 16.6% to $79.1 million, compared to $67.9 million in the same period of 2019. The increase was primarily driven by increases in enrollment at both APUS and HCN.**
- **Net income of $2.6 million, or $0.18 per diluted share, compared to a net loss of $1.6 million, or $0.10 per diluted share, in the prior year period.**
- **Cash flow from operations increased 40.1% to $44.7 million for the nine months ended September 30, 2020.**
- **Total cash and cash equivalents as of September 30, 2020 were approximately $228.0 million, compared to $202.7 million as of December 31, 2019.**

THIRD QUARTER & YTD 2020 RESULTS

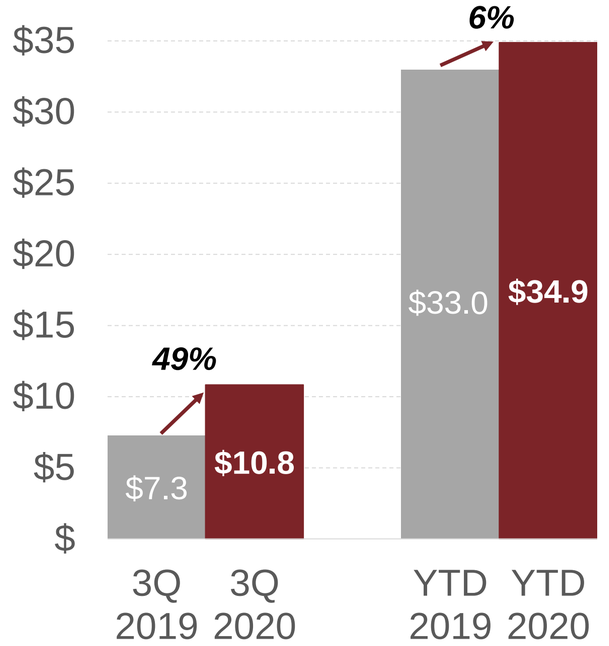
APEI Delivered Yr/Yr Revenue and Adjusted EBITDA growth

APEI Consolidated Revenue



- APUS & HCN enrollment growth drove 11% increase in consolidated revenue for the first three quarters of 2020.
- Despite higher technology and marketing spend, adjusted EBITDA increased year-over-year in both the third quarter and YTD 2020.

APEI Adjusted EBITDA



	1Q'19	2Q'19	3Q'19	4Q'19	1Q'20	2Q'20	3Q'20	YTD'19	YTD'20
Revenue	$73.4	$70.6	$67.9	$74.4	$74.6	$82.1	$79.1	$211.9	$235.9
Y/Y Growth	*-2.0%*	*-3.1%*	*-7.0%*	*-3.3%*	*1.6%*	*16.4%*	*16.6%*	*-4.0*	*11.3%*
Adj. EBITDA[1]	$14.4	$11.3	$7.3	$13.4	$8.6	$15.5	$10.8	$33.0	$34.9
Margin	*20%*	*16%*	*11%*	*18%*	*12%*	*19%*	*14%*	*16%*	*15%*

1. Adjusted EBITDA is a non-GAAP financial measure. See Appendix for reconciliation to GAAP.

RASMUSSEN OVERVIEW

Leader in Nursing with a Strong Regulatory Track Record and Attractive Financial Profile

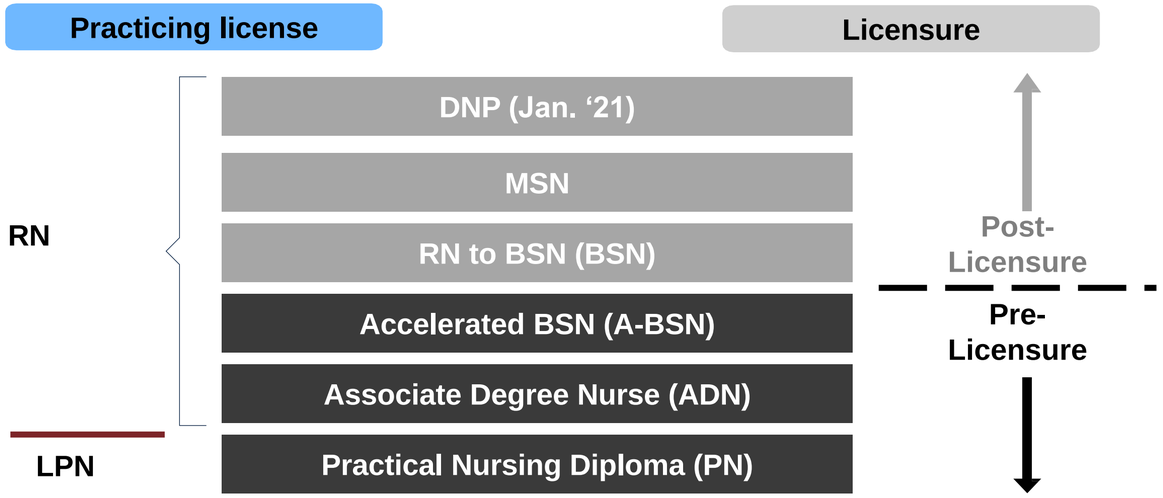
PROFILE

- **120 Year History** – Founded in 1900 as a business skills school for women
- **#1 provider of RN programs**
- **Accredited** by The Higher Learning Commission (HLC)
- **Nursing programs accredited** by ACEN and CCNE
- **Strong regulatory track record:**
  - 76.4% 90/10 ratio
  - 9.4% Cohort Default Rate (CDR)

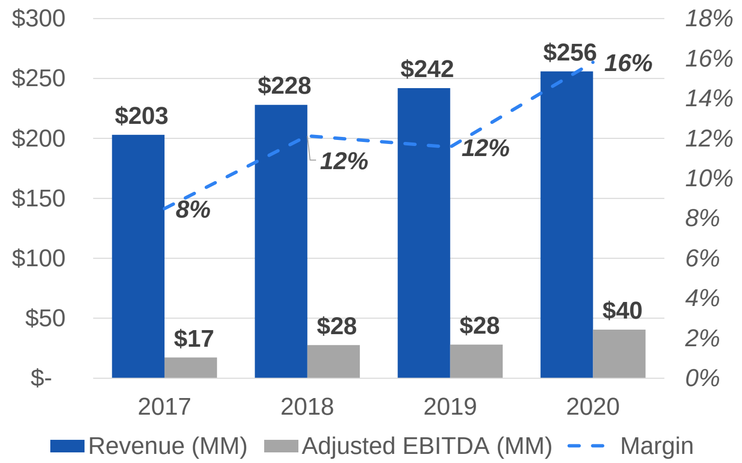
ENROLLMENT PROFILE

- **18,200 student enrollment**
- **7 Schools:** Nursing, Health Sciences, Business, Education, Design, Technology and Justice Studies
  - 45% Nursing, 55% non-Nursing
- **24 Campuses in six states + online**
- **5th Largest in competency-based education (CBE)**
  - ~2,000 students across 17 programs

NURSING PROGRAMMATIC SUITE



FINANCIAL PROFILE (FYE 9/30/20)

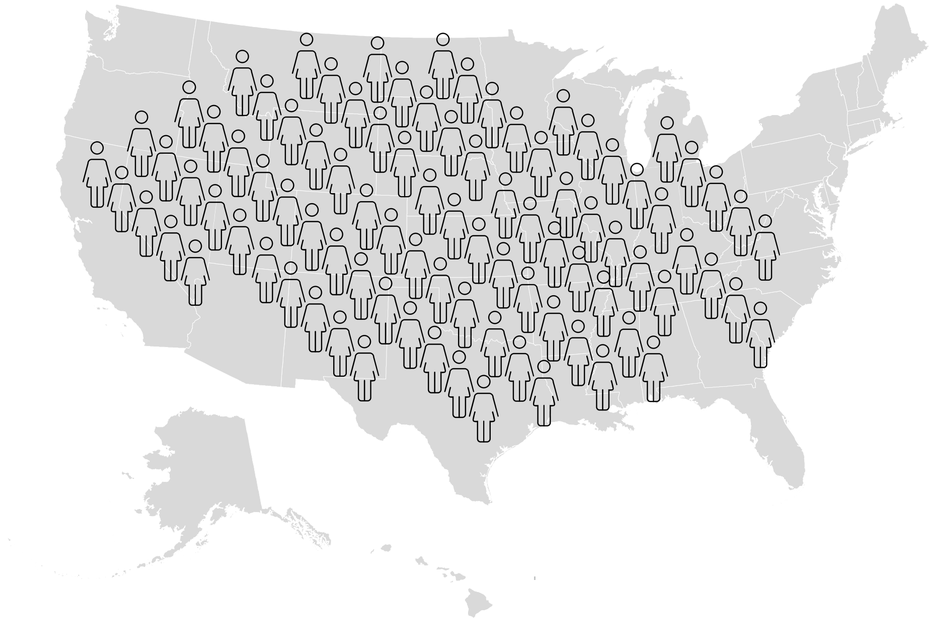


#1 EDUCATOR OF PRE-LICENSURE NURSES (ADN/PN) IN A GROWING MARKET

Rasmussen's ADN (RN) is its largest degree program and has shown strong historical growth

Critical Need: Nursing RN's

RN is a Top Growing Job Through 2029

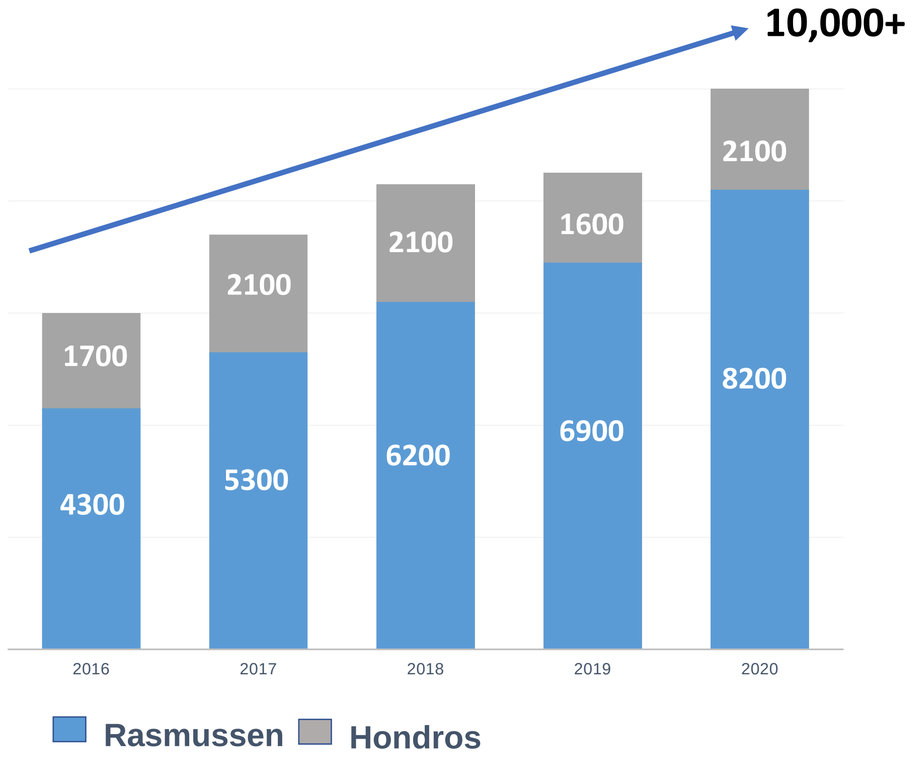


175,000 annually

RN job vacancies expected in the US, including increasing demand and expected retirements

[1] Bureau of Labor Statistics' Employment Projections 2019-2029.

Addressing the Need



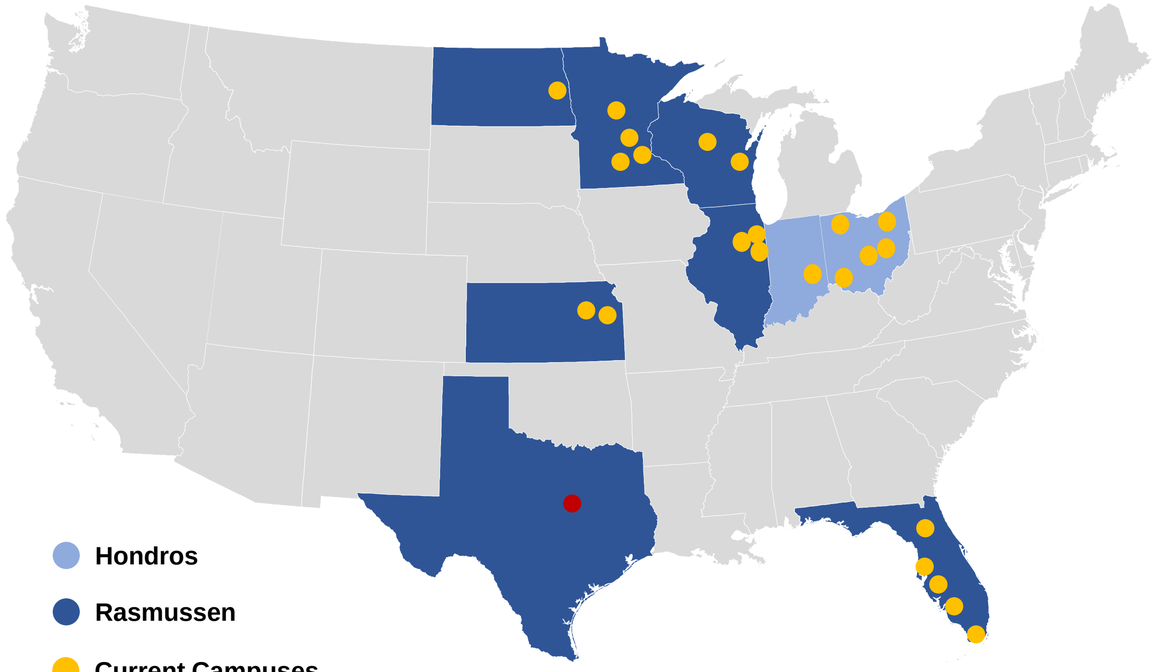
APEI will educate 10,000+ Nurses with Rasmussen and Hondros.

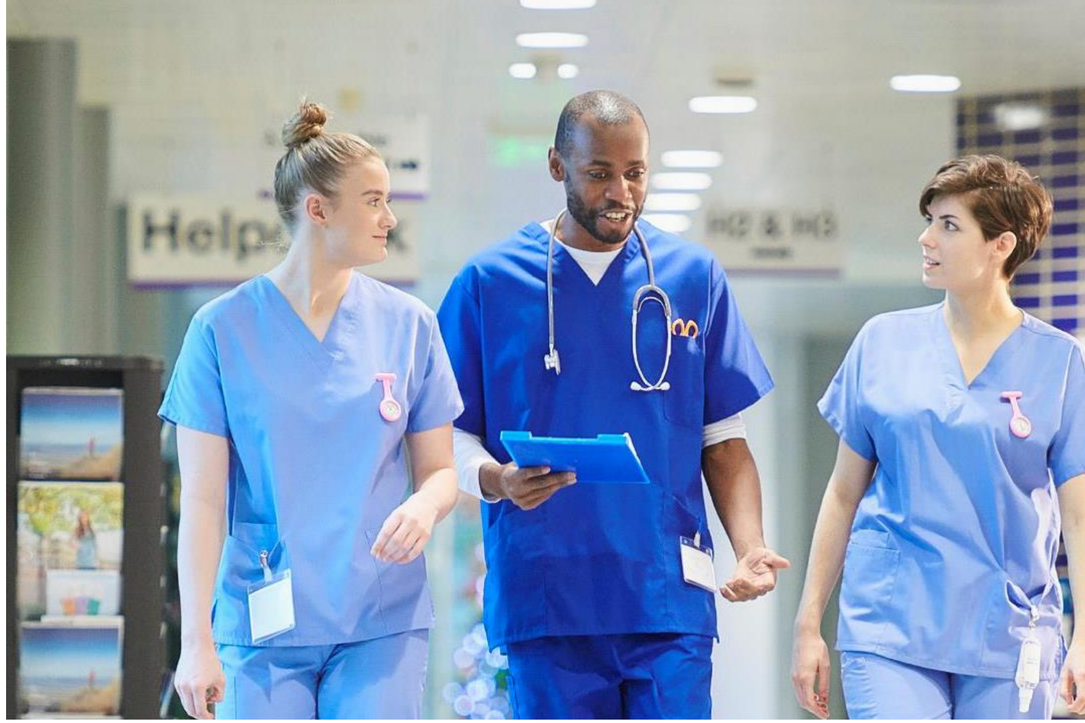
APEI will be the #1 Educator in pre-licensure nursing education (ADN/RN and PN/LPN)

COMBINED ~$165 MILLION IN NURSING REVENUE CREATES POWERHOUSE

Enhances competitive market position across several markets with large projected nursing shortages

Rasmussen will add 24 Campuses Across Seven States and Online, Including Blended Learning and Competency-Based Education (CBE)





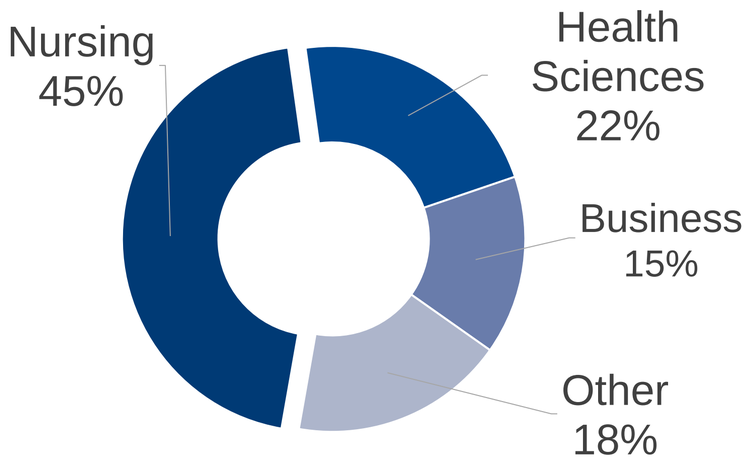
RASMUSSEN UNIVERSITY + HONDROS COLLEGE OF NURSING = **Powerhouse Nursing Platform**

Campuses	**24**	**6**	**30**
Nursing Revenue 2020	**$129M**	**$36M**	**~$165M**
Enrollment Growth 2020	**19%**	**34%**	**22%**

SIGNIFICANT GROWTH OPPORTUNITIES IN NON-NURSING

CBE and Differentiated Pricing Address Changing Market Demands, Supports HEROI™

Rasmussen University's Total Enrollment by Program:
18,000+ Learners (as of 4Q2020)



Growth Opportunities:

- ✓ **Grow clinical-based health-sciences programs** by leveraging Rasmussen's 26 campus platform
- ✓ ***Reduce time to degree completion*** through generous transfer policies and credit for prior learning
- ✓ ***Expand CBE Learning*** – Rasmussen is 5th Largest CBE Provider
  - 17 programs, 2000 students
- ✓ **Accelerate employer-centric** program/curricular development

Enabled through:

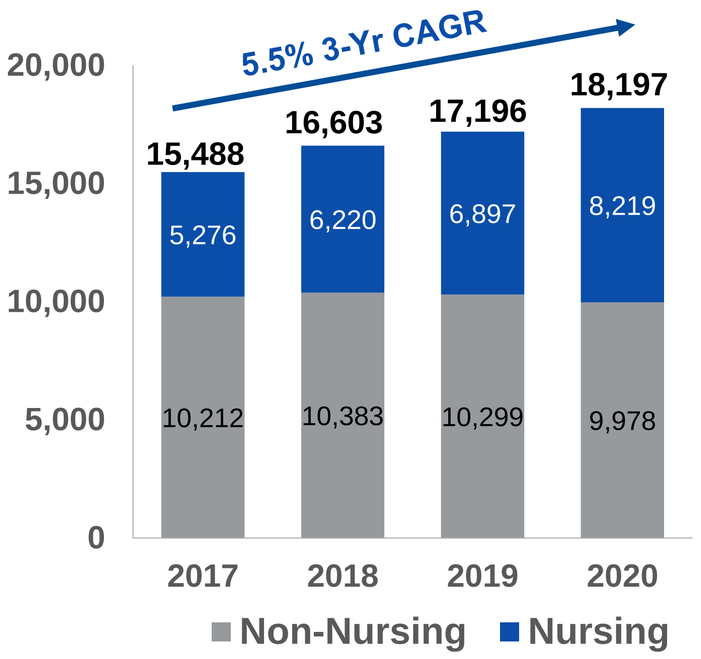
- ✓ ***Lower annual tuition*** for fully online, general education undergraduate programs approx. $11,000 on average
- ✓ ***Competitive annual tuition*** for differentiated, healthcare-focused undergraduate programs approx. $17,000 on average
- ✓ ***Low-cost course materials*** ($15/course) vs. national average of $200 per course[1]

1. U.S. PIRG, Fixing The Broken Textbook Market, June 2020

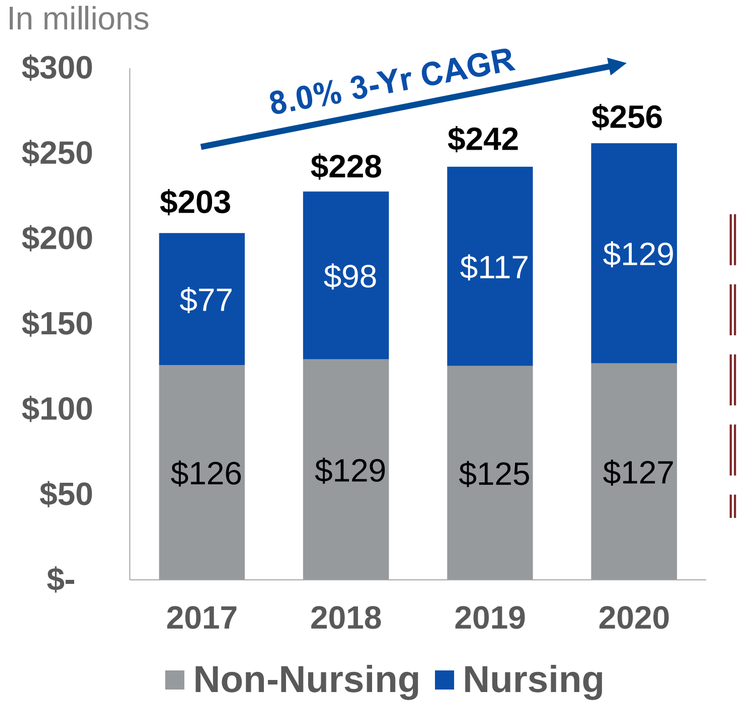
A STRONG FINANCIAL RECORD FOR GROWTH & PROFITABILITY

Rasmussen financials driven largely by market demand for nursing and focus on operating efficiency

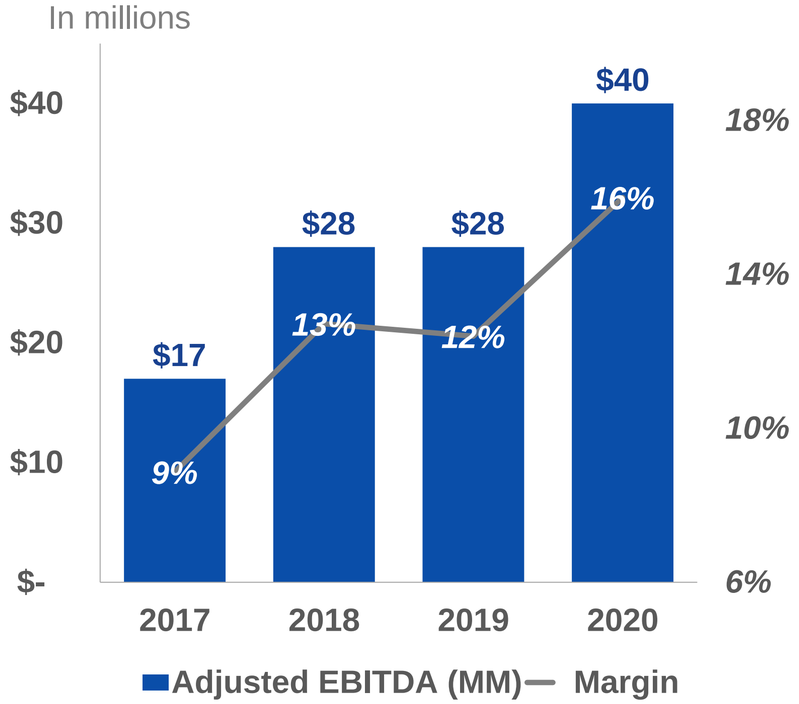
Total Enrollment



Total Revenues



Net Income/Adjusted EBITDA



Adjusted EBITDA is a non-GAAP financial measure.
See Appendix for reconciliation to GAAP.

Financial results are FYE 9/30/20

RASMUSSEN UNIVERSITY ACCELERATES APEI'S VALUE CREATION STRATEGY

Acquisition of Nursing Platform Amplifies Our Mission in Helping Learners Maximize HEROI ™

Rasmussen + Hondros = $165M Powerhouse in Nursing Education Business in a Growing Market

APEI Resulting Mix will be:

One-Third Military/Vets

One-Third Nursing/Health

One-Third Online

Positions APEI Profile to Growth, Scale and HEROI™

#1 in Educator in ADN/RN and PN/LPN Nursing

#1 in Military and Veterans

Offers Programmatic, CBE and Shared Services Expansion Opportunities to APUS

Offers Post-Licensure Programmatic Expansion to Hondros Students

Adds 24 On-Ground Locations which can be Leveraged to Accelerate Other Offerings

ENTERPRISE INITIATIVES

Synergies and New Capabilities Poised to Amplify APEI Mission of HEROI™

apei

- Focus on integration of Rasmussen
- Implement shared services at Hondros and leverage new shared services through Rasmussen
- Unlock $5M-$10M in potential synergies in each of the first three years
- Facilitate best practices across the enterprise to drive student outcomes
- Focus on high return allocation of capital, both organically and inorganically

American Public University System
American Military University | American Public University

- Continue Technology Initiatives and improve student experience
- Leverage strength in military
- Improve student retention

HONDROS COLLEGE OF NURSING

- Opportunity to restore ADN(RN) enrollment
- New campuses
- Improve margins through scale and efficiency

RASMUSSEN UNIVERSITY

- Expand new programs to existing campuses
- Geographic expansion
- Focus on CBE
- Target non-nursing enrollment growth

APEI OUTLOOK

	Fourth Quarter 2020 Approximate Y/Y Change
APUS Net course registrations[1] by new students	+11% to +15%
APUS Net course registrations[1]	+6% to +10%
HCN New student enrollment[2]	+34%
HCN Student enrollment[2]	+34%
APEI Consolidated revenue	+10% to +14%
APEI Consolidated net income per share*	$0.41 to $0.46

These statements are based on current expectations.

These statements are forward-looking and actual results may differ materially.

1. APUS Net course registrations represent the approximate aggregate number of courses for which students remain enrolled after the date by which they may drop a course without financial penalty.
2. HCN Student enrollment represents the total number of students enrolled in a course after the date by which students may drop a course without financial penalty.

Thank You



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APPENDIX

	Three Months Ended September 30,	
	2020	**2019**
COSTS AND EXPENSES		
Instructional costs and services	39.3%	40.2%
Selling and promotional	23.4%	23.4%
General and administrative	28.5%	32.4%
Loss on disposals of long-lived assets	0.5%	0.6%
Impairment of goodwill	—	2.2%
Depreciation and amortization	4.1%	5.4%
Total costs and expenses	**95.8%**	**104.3%**

APPENDIX: ABOUT THE TRANSACTION

Transaction Structure	✓ APEI acquires 100% ownership of Rasmussen University ✓ Purchase price is $329 million - *consisting of $300 million in cash plus $29 million in preferred shares* ✓ APEI may substitute cash for preferred shares at the time of closing
Consideration	✓ $175 million of committed financing ✓ $125 million of cash on hand, excluding transaction costs ✓ $29 million non-voting, redeemable preferred shares
Synergies	✓ Annual synergies expected to be approximately $5 million in the first year after closing and to grow to more than $10 million in each of the following 2 years
Accretion	✓ Expected to be accretive to earnings per share in FY2022; earnings per share accretion in FY2021 dependent on timing of transaction close
Valuation	✓ Represents a 7.5x multiple to Rasmussen's FY20 Adjusted EBITDA of $40 million
Tax Benefits	✓ Estimated Present Value of Expected Cash Tax Benefits: $29MM ✓ Year 1 Cash tax benefit of approximately $6MM
Management	✓ Rasmussen University will continue to operate as separate institution ✓ Leverage APEI's shared services model

APPENDIX: DISCLOSURES

- ***Forward looking revenue statements are presented on an annual pro forma basis, assuming that the acquisition was effective as of January 1, 2021***
- ***Nursing market data based on IPEDS and APEI Analysis***

American Public Education is presenting adjusted EBITDA in connection with its GAAP results and urges investors to review the reconciliation of adjusted net income to the comparable GAAP financial measures that is included in the table below (under the caption "GAAP to Adjusted EBITDA") and not to rely on any single financial measure to evaluate its business.

Millions	2021
2021 Annual Pro Forma Basis (1)	Pro Forma
Net income	$ 31
Income taxes	$ 12
Interest expense	$ 15
Depreciation and amortization	$ 33
EBITDA	$ 91
Stock compensation	$ 9
Adjusted EBITDA	$ 100

(1) This represents the pro forma financial results of the new entity formed by APEI's acquisition of Rasmussen assuming that the transaction was completed on January 1, 2021. There are many assumptions embedded in this calculation with respect to the underlying financial performance of the entitles, the purchase price accounting, the appropriate depreciation and amortization methods, the effective tax rate, future interest rates, etc.

APPENDIX: DISCLOSURES (CONTINUED)

American Public Education is presenting adjusted EBITDA in connection with its GAAP results and urges investors to review the reconciliation of adjusted net income to the comparable GAAP financial measures that is included in the table below (under the caption "GAAP to Adjusted EBITDA") and not to rely on any single financial measure to evaluate its business.

(in Millions, unaudited)

Rasmussen University (1)	**For Twelve Months Ending**				
Reconcilliation from Net Income to Adjusted EBITDA:	**9/30/2017**	**9/30/2018**	**9/30/2019**	**9/30/2020**	**12/31/2021[2]**
Net Income	$ 10	$ 18	$ 12	$ 19	$ 7
Income Taxes					$ 2
Interest expense	-	-	3	4	15
Depreciation and amortization	6	6	13	20	20
EBITDA	16	24	28	43	44
Pro Forma Adjustments	1	4	-	(3)	
Adjusted EBITDA	$ 17	$ 28	$ 28	$ 40	$ 44

(1) The attached table provides a reconciliation from Net income to Adjusted EBITDA for Rasmussen University. The Pro-Forma adjustments are a combination of non-cash expenses, transaction expenses and expenses that will not continue after the change in ownership.

(2) This represents the pro forma financial results of the Rasmussen University assuming that the transaction was completed on January 1, 2021. There are many assumptions embedded in this calculation with respect to the underlying financial performance, the purchase accounting, the appropriate depreciation and amortization methods, the effective tax rate, future interest rates, etc.

APPENDIX: DISCLOSURES (CONTINUED)

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Consolidated	**Q1 2019**	**Q2 2019**	**Q3 2019**	**Q4 2019**	**Q1 2020**	**Q2 2020**	**Q3 2020**
Net income to EBITDA							
Net income (loss)	$ 1,011	$ 4,921	$ (1,638)	$ 5,719	$ 2,420	$ 6,689	$ 2,642
Income tax (benefit)	(63)	1,898	(239)	3,591	974	2,532	785
Interest income	(1,053)	(1,135)	(1,019)	(701)	(702)	(179)	(121)
Equity investment loss (income)	1,487	(6)	(17)	-	1	(1)	2
Depreciation and amortization	4,051	3,943	3,764	3,838	3,338	3,391	3,226
EBITDA	$ 5,433	$ 9,621	$ 851	$ 12,447	$ 6,031	$ 12,432	$ 6,534
Stock Compensation	1,689	1,630	1,712	929	1,750	1,573	1,942
Loss on disposals of long-lived assets	126	4	394	32	166	158	418
Goodwill impairment	5,855	-	1,481	-	-	-	-
Compensation expense adjustment	-	-	2,814	-	-	-	-
M&A-related professional fees	1,321	29	6	17	657	1,295	1,937
Adjusted EBITDA	$ 14,424	$ 11,284	$ 7,258	$ 13,425	$ 8,604	$ 15,458	$ 10,831