

apei AMERICAN PUBLIC EDUCATION, INC.

American Public Education, Inc.
Third Quarter 2021 Results

November 8, 2021

PRESENTED BY

Angela Selden
President and CEO

Richard Sunderland, CPA
Executive VP and CFO

Safe Harbor Statement

Please note that statements made in this presentation regarding American Public Education and its subsidiaries (the “Company”) that are not historical facts may be forward-looking statements based on current expectations, assumptions, estimates and projections about the Company and the industry.

These forward-looking statements are subject to risks and uncertainties that could cause actual future events or results to differ materially from those expressed or implied by such statements. Forward-looking statements may be able to be identified by words such as anticipate, believe, seek, could, estimate, expect, intend, may, plan, should, will, would, and similar words or their opposites.

Forward-looking statements include, without limitation, statements regarding the impact of recent disruption to the Army’s tuition assistance programs, expected growth, registrations and enrollments, revenues, net income, earnings per share and EBITDA, expected benefits of the acquisition of Rasmussen University, the closing of the acquisition and its timing, expected financial results for Rasmussen, future impacts of the COVID-19 pandemic, the ability to transform the student experience and deliver a return on learners’ educational investment, the impact of organizational changes, the ability to maintain an attractive risk profile, plans with respect to recent, current and future initiatives, and future demand for online and nursing education.

Actual results could differ materially from those expressed or implied by forward-looking statements as a result of various factors, including risks related to actions taken by the Department of Defense or branches of the U.S. Armed Forces, including actions related to the disruption and suspension of tuition assistance, the effects of and APEI’s response to the COVID-19 pandemic, including impacts on the demand environment as the pandemic abates, the acquisition of Rasmussen University, changes to and expectations regarding our enrollment, registrations and the composition of our student body, and the risk factors described in the risk factor section and elsewhere in the Company's quarterly report on Form 10-Q for the quarterly period ended September 30, 2021, in the Company’s most recent annual report on Form 10-K, and in the Company’s other SEC filings. You should not place any 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.

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   Same Mission, More Ways to Serve

2. Education Unit Enrollment Updates

3. 3Q 2021 Financial Results &
   4Q 2021 Outlook



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The “New” APEI: Educating Service-Minded Students

Fully Online

Blended Online / On-Ground

AMU American Public University System APU

RASMUSSEN UNIVERSITY + HONDROS COLLEGE OF NURSING

Graduate School USA

Flexible learning solutions for military and veterans to utilize their earned education benefit

Student Focus

- *Military*
- *Veterans*
- *Public Service*
- *Service-minded*

Demographics

- *Non-traditional*
- *Avg age: ~32*
- *Working adult*
- *1st Generation*
- *Some college*

Offerings

- *Mobile / one-course-at-a-time*
- *Specific bundles (e.g. officer requirements)*
- *Practical training + Specialized degrees:*
  - *Space*
  - *Intelligence*
  - *Security*
  - *Fire*
  - *Police*

Helping to solve US nursing shortage by creating new nurses and health science professionals

Student Focus

- *Nurses*
- *Clinical & Health Sciences*
- *Career-oriented*

Demographics

- *Non-traditional*
- *Working adult*
- *1st Generation*

Offerings

- *Purpose-built curriculum and pacing*
- *Direct path to career*
- *Career Placements*

Modernizing government and professional training

Student Focus

- *Federal Employees*
- *Public Service*
- *Government*
- *Service-minded*

Offerings

- *Short-form courses*
- *Training*
- *Career Advancement & Mobility*
- *Continuing Education*

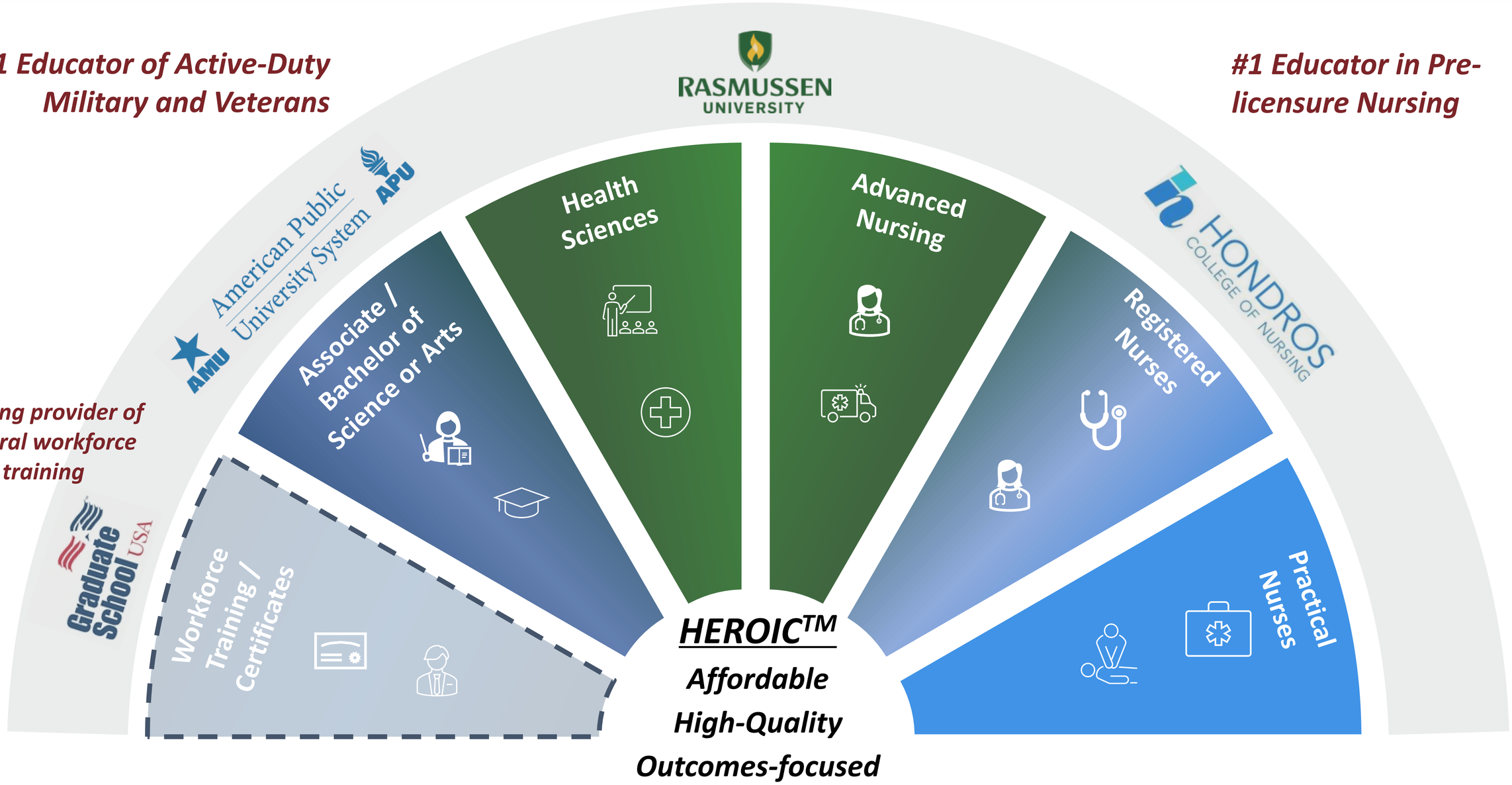
Market Leading Positions with Service-Minded Students

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#1 Educator of Active-Duty Military and Veterans

#1 Educator in Pre-licensure Nursing

Leading provider of Federal workforce training



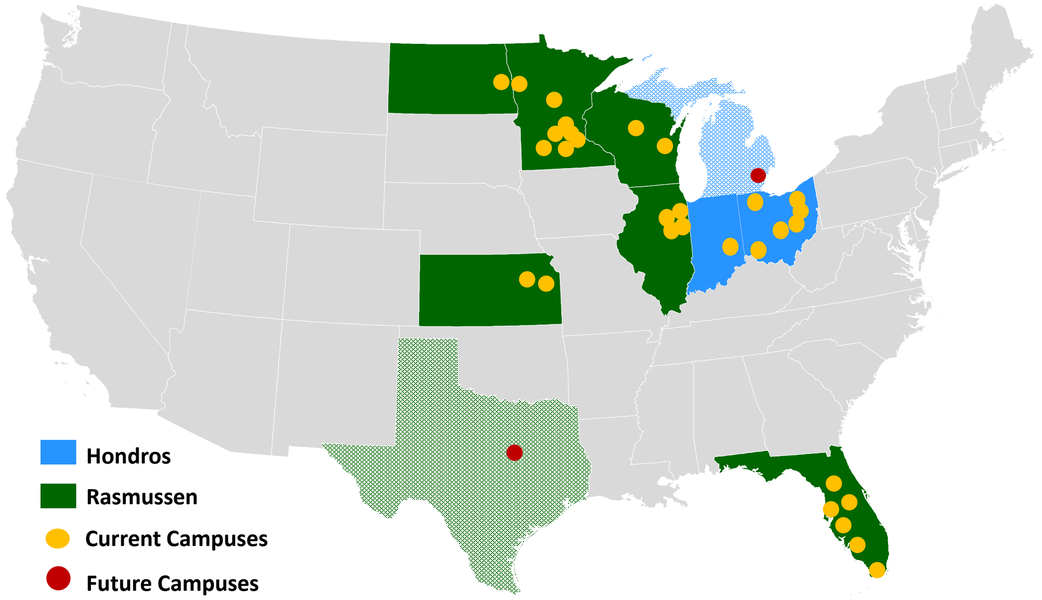
HEROIC™: Higher Education Return on Investment for Customers

APEI: Committed to Building a National Nursing Platform

Footprint Provides Geographic Reach, Laddered Curriculum, Scale Advantages

- ✓ Largest Footprint of Nursing Campuses: 30 at closing of Rasmussen acquisition
- ✓ 8 State Footprint from OH to ND plus FL and KS
  - High concentration of campuses in large and dense markets
- ✓ Most comprehensive ladder of nursing curriculum in the country
- ✓ Scale advantages
  - Programmatic
  - Regulatory knowledge
- ✓ Opportunity for brand leverage

Pro Forma Nursing Revenue: $200MM



Industry Tailwinds Likely to Enhance APEI's Leadership in Nursing Education

11,000+ Number of pre-licensure nurses APEI educates through Rasmussen + HCN

APEI is the #1 Educator in pre-licensure nursing education (ADN/RN and PN/LPN) in the country, with expertise in RN (RU) and PN (HCN)

Scale platform allows for operating leverage

Industry + Company Growth Dynamics = Building Powerhouse Nursing Platform

	RASMUSSEN UNIVERSITY	+		=	APEI's Nursing Platform
Campuses	23		7		30
TTM Nursing Revenue[1]	$156MM		$44MM		$200MM

1.Pro forma trailing twelve months 9/30/21

Graduate School USA Overview

Company Overview

- Leading training provider to federal workforce
- Founded in 1921 inside US Dept. of Agriculture then spun out as not-for-profit in 2010
- GSUSA is accredited by the Accrediting Counsel for Continuing Education & Training (ACCET)
- **$1MM purchase price, $20MM+ of average annual revenue**
- Non-Title IV funding
- Anticipated closing at beginning of 2022
- Shared culture and heritage of “Educating those who Serve”
    - Military, Veterans, and Public service

Key Statistics & Course Offerings

300+ *Open Enrollment Courses*

350+ *Government subject matter expert instructors*

125+ *Agencies Served*

10k+ *FY’20 Open Enrollments*

Federal Human Resources Management

Government Audit Training

Leadership & Management

Federal Acquisition & Contracting

Federal Financial Management

Communications & Professional Skills

Direct Sale to Federal Agencies and Open Enrollment

Contract Training (B2G)
for Federal Agencies

+

Open Enrollment (B2C)
for Government Employees

- Contract Training solutions are **customized for specific government agencies** seeking to train, upskill, or re-skill groups of employees
- **300 pre-scheduled, short-term programs** offered that build foundation for professional certifications

Illustrative Customer Base and Federal Agencies



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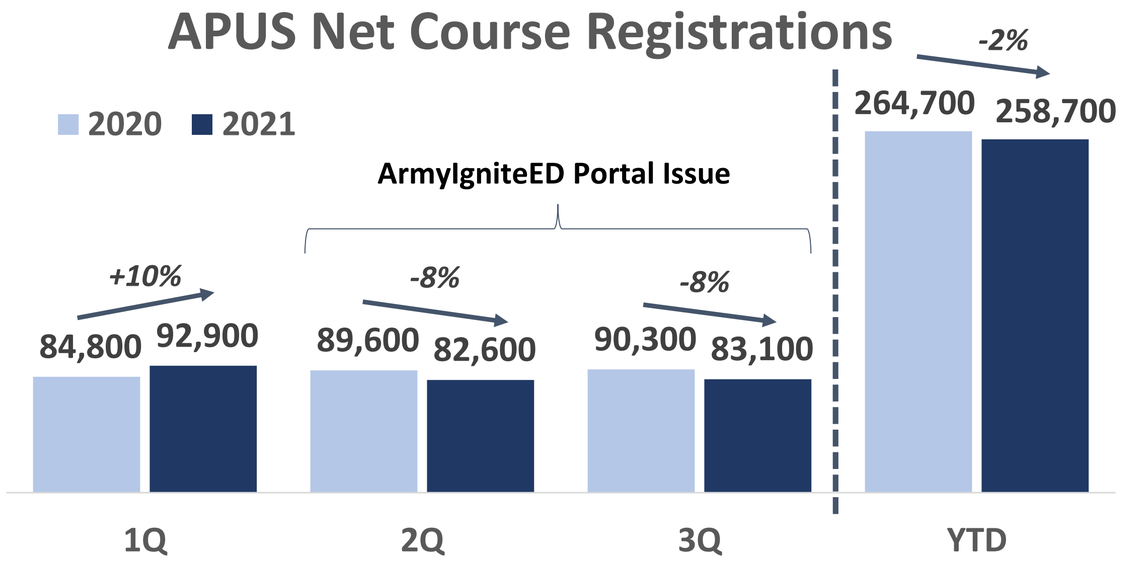
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APUS Enrollment Update

3Q 2021



- 3Q21 Registrations sharply impacted by Army tuition assistance (TA) portal outage
  - Portal brought back online July 19, 2021. <u>August + September 2021 YoY net course registrations down just 3%.</u> Slow rebound persists due to continued portal issues.

4Q 2021

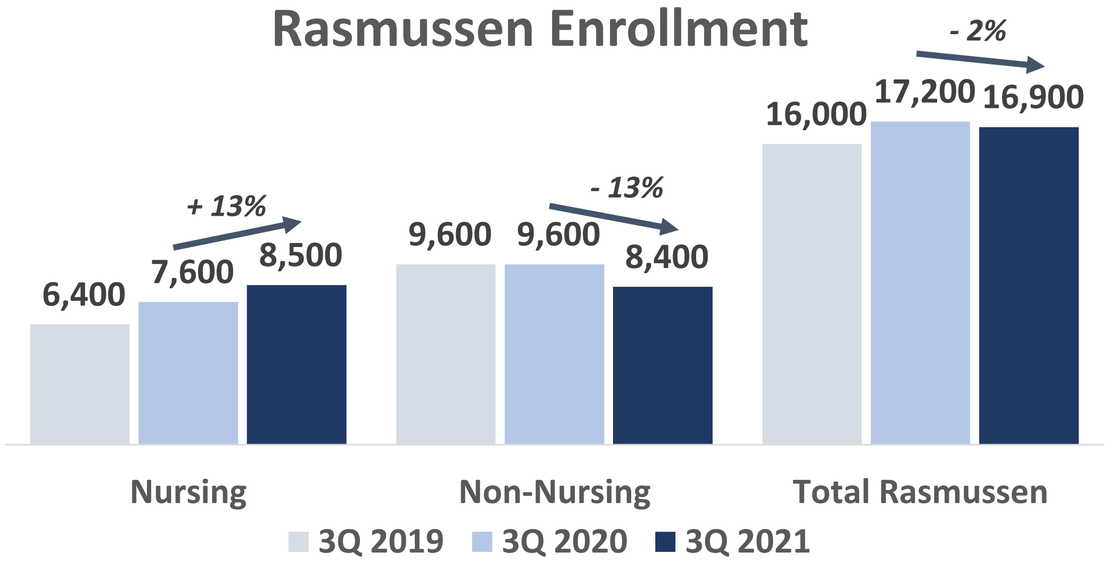
- 4Q21 Registrations in October and November continue to be impacted by the ArmyIgnitED portal outage
  - October registrations decreased by 2%
  - November registrations decrease by estimated 3%
  - 4Q21 Army registrations expected to have positive growth

<u>Army Portal Update</u>

- *System up and running since July 19, 2021*
- *Soldiers able to register through Exception to Policy vs fully operational*
- *Remaining issues:*
  - *System latency*
  - *Manual processes*
  - *Continued defects*

Rasmussen Enrollment Update

3Q 2021



- 3Q21 nursing enrollment reached record number
  - 13% growth in nursing, offset by non-nursing -13% growth translated to total growth of -2% compared to prior year

4Q 2021

- 4Q21 Total student enrollment of 17,500+
  - -3% year-over-year growth
  - 1% 2-year CAGR

Enrollment

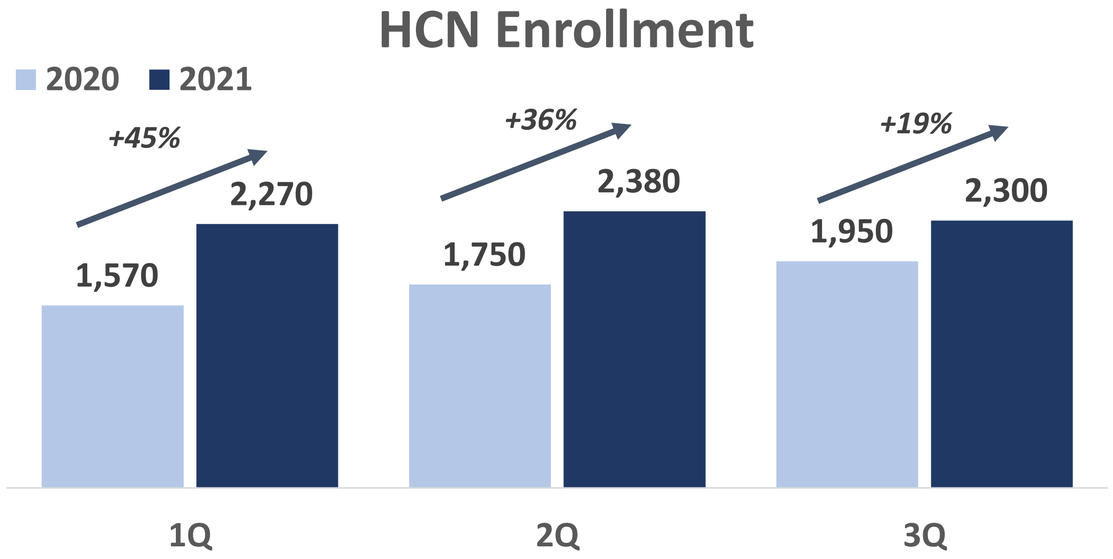
	4Q'19	4Q'20	4Q'21
Nursing	6,900	8,200	8,800
Non-Nursing	10,300	10,000	8,700
Total	17,200	18,200	17,500

% Change

	'20 / '19	'21 / '20	2 Yr CAGR
Nursing	*19%*	*8%*	*13%*
Non-Nursing	*-3%*	*-13%*	*-8%*
Total	*6%*	*-3%*	*1%*

HCN Enrollment Update

3Q 2021



- 3Q21 enrollment reached record number
  - Growth in ADN (RN) programs of 20%
  - PN program quarterly growth of 17%
  - HCN opened its 7th campus in Akron, OH

4Q 2021

- 4Q21 Total student enrollment of 2,500+
  - Highest PN starts all-time
  - Highest total PN & RN enrollment all-time
- Some ongoing impact of enrollment deferral due to COVID fatigue

New Campus Growth Update

- *Obtaining approvals for a new campus in the Detroit, MI area*
- *Enrollment caps raised at Indianapolis campus*

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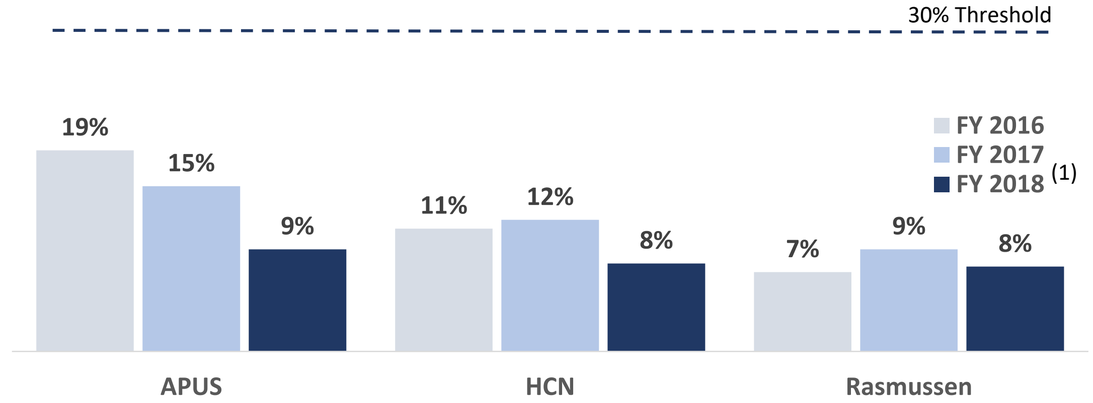
Strong Regulatory Metrics

Institutional Accreditation Update

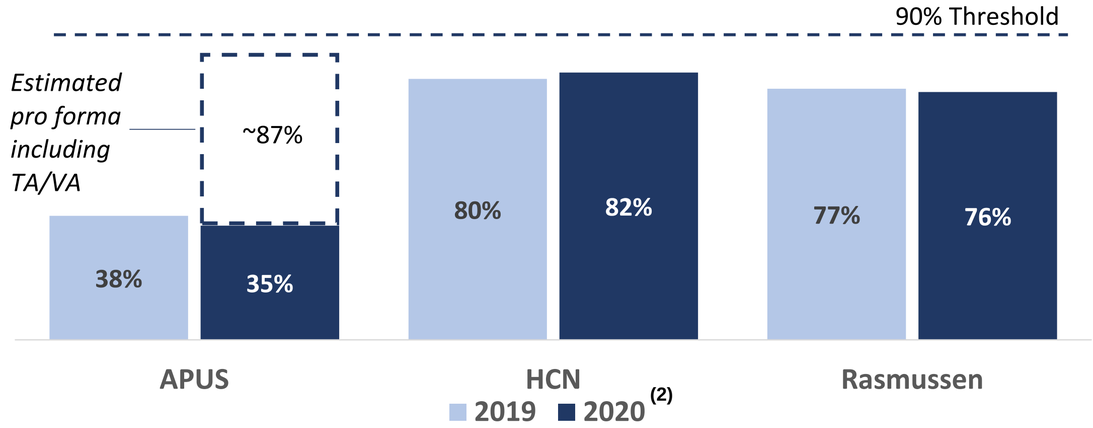
APUS: Reaccreditation granted by The Higher Learning Commission (HLC) in September for an additional 10 years

Education Unit	Institutional Accreditor	Next Reaffirmation	Open Pathway
APUS	Higher Learning Commission	2030-2031	✓
Rasmussen	Higher Learning Commission	2025-2026	✓
HCN	Accrediting Bureau of Health Education Schools	2027	**N/A**

Cohort Default Rate



90/10



(1) As a result of the CARES Act and subsequent administrative actions, ED implemented a temporary freeze on payments and interest accruals for federal student loans beginning in March 2020 until at least January 2022.
(2) Estimated proforma calculation using the current 90/10 cash-based calculation including TA/VA payment sources.

Third Quarter and YTD 2021 Financial Highlights

Financial Summary

	3Q21 Quarter	3Q20 Quarter	% Change	3Q21 YTD	3Q20 YTD	% Change
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	% Change	2021	2020	% Change
($ in millions)						
APUS Revenue[1]	65.9	69.7	*-5%*	210.3	210.4	*0%*
HCN Revenue	11.2	9.5	*18%*	33.5	25.7	*30%*
Rasmussen Revenue	21.1	-	*N/A*	21.1	-	*N/A*
Corporate, other, and Eliminations[1]	(0.0)	(0.1)	*NM*	(0.2)	(0.2)	*NM*
Total revenue	98.2	79.1	*24%*	264.8	235.9	*12%*
Net income (loss)	(0.3)	2.6	*-110%*	8.4	11.8	*-29%*
Adjusted EBITDA[2]	9.1	10.8	*-16%*	35.2	34.8	*1%*
EPS (diluted)	(0.01)	0.18	*-106%*	0.46	0.78	*-41%*

1) *During the third quarter of 2021, we revised our reportable segments and updated the results for the prior period to conform to the current period presentation.*
2) *EBITDA plus stock comp, loss on disposal of long-lived assets, and M&A- related professional and integration fees*

Capitalization and Liquidity

($ in 000s)	***Pre-Rasmussen***	***Post-Rasmussen***
Term Loan	-	$175,000
Revolver, drawn	-	-
Total Debt	-	$175,000
Unrestricted Cash	315,953	114,887
Net Debt	-	$60,113

Solid liquidity position:

- *$115 million of unrestricted cash*
- *$20 million undrawn revolver*

APEI's 4Q 2021 Financial & Operational Outlook

These statements are based on current expectations. These statements are forward-looking and actual results may differ materially.

	Fourth Quarter 2021 Guidance		Full Year 2021 Guidance	
	(Approximate)	*(% Yr/Yr Change)*	*(Approximate)*	*(% Yr/Yr Change)*
APUS Net course registrations[1]	84,000 to 86,600	*-2% to -5%*	342,600 to	*-3% to -4%*
HCN Student enrollment [2]	2,510	*17%*	2,510	*17%*
RU Student enrollment [2]	17,500	*-3.5%*	17,500	*-3.5%*
- Nursing	8,800	*8%*	8,800	*8%*
- Non-Nursing	8,700	*-13%*	8,700	*-13%*
($ in millions except EPS)				
APEI Consolidated revenue	$150 to $155	*75% to 80%*	$415 to $419	*29% to 30%*
APEI Consolidated net income	$5.7 to $7.1	*0% to -19%*	$14.1 to $15.5	*-18% to -25%*
APEI Adjusted EBITDA[3]	$23.8 to $26.28	*50% to 66%*	$59.0 to $61.5	*17% to 21%*
APEI Diluted EPS	$0.31 to $0.38	*-19% to -34%*	$0.77 to $0.85	*-32% to -38%*

$6 million annual cash tax benefit from Rasmussen acquisition during year 1

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 and Rasmussen 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.*
3. *Please refer to appendix for GAAP to Non-GAAP reconciliation*

Thank You



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Appendix: Disclosures

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 Net Income to Adjusted EBITDA") and not to rely on any single financial measure to evaluate its business.

GAAP Net Income to Adjusted EBITDA:

The following table sets forth the reconciliation of the Company's reported GAAP net income to the calculation of adjusted EBITDA for the three and nine months ended September 30, 2021 and 2020:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except per share data)	**2021**	**2020**	**2021**	**2020**
Net (loss) income	$ (267)	$ 2,642	8,371	11,751
Income tax expense	224	785	3,509	4,291
Interest expense (income)	1,305	(121)	1,167	(1,002)
Equity investment loss	-	2	827	2
Depreciation and amortization	4,386	3,226	9,561	9,955
EBITDA	5,648	6,534	23,435	24,997
Stock Compensation	1,804	1,942	5,969	5,265
Loss on disposals of long-lived assets	-	418	182	742
M&A - related professional fees	1,629	1,937	5,596	3,803
Adjusted EBITDA	$ 9,081	$ 10,831	35,182	34,807

Appendix: Disclosures (continued)

American Public Education is presenting adjusted EBITDA in connection with its GAAP outlook 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 Outlook Net Income to Outlook Adjusted EBITDA") and not to rely on any single financial measure to evaluate its business.

GAAP Outlook Net Income to Outlook Adjusted EBITDA:

The following table sets forth the reconciliation of the Company's GAAP outlook net income to the calculation of outlook adjusted EBITDA for the three and twelve months ended December 31, 2021:

	Three Months Ended December 31, 2021		Twelve Months Ended December 31, 2021	
(in thousands, except per share data)	**Low**	**High**	**Low**	**High**
Net income	$ 5,700	$ 7,125	$ 14,071	$ 15,496
Income tax expense	2,300	2,875	5,809	6,384
Interest expense (income)	3,420	3,420	4,587	4,587
Equity investment loss	-	-	827	827
Depreciation and amortization	8,560	8,560	18,121	18,121
EBITDA	19,980	21,980	43,415	45,415
Stock Compensation	2,050	2,050	8,019	8,019
Loss on disposals of long-lived assets	-	-	182	182
M&A - related professional fees	1,750	2,250	7,346	7,846
Adjusted EBITDA	$ 23,780	$ 26,280	$ 58,962	$ 61,462