

The University of Phoenix, Inc.

Summary Financial Information

Fiscal Years 2019, 2020, 2021, 2022, and Twelve Months Ended February 28, 2023

Certain Projected Financial Information For Fiscal Year 2023

(The University's fiscal year is from September 1 to August 31)

The University of Phoenix has not authorized any other person to provide you with any information or to make any representations other than those contained in this financial disclosure. Forward-looking statements presented herein are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. We take no responsibility for and can provide no assurance as to the reliability of, any other information that others may provide you. You should assume that the information appearing in this document is accurate only as of the date of this disclosure, regardless of the time of delivery. Our business, financial condition, results of operations and prospects may have changed since the date of this disclosure.

The following details University of Phoenix's operating results for the respective historical periods and the University's projected operating results for fiscal year 2023:

	Fiscal Year Ended August 31,					Projected ⁽²⁾
	Historical Periods ⁽¹⁾					
	FY2019	FY2020	FY2021	FY2022	LTM Feb'23	
Enrollment Data (rounded to the nearest hundred):						
New Degreed Enrollment ⁽³⁾	58,400	57,800	53,100	57,300	58,600	61,800
Quarterly Average Degreed Enrollment ⁽⁴⁾	87,400	83,800	79,600	76,000	77,600	n/a ⁽⁴⁾
Financial Data (\$ in thousands):						
Net revenue	\$ 919,551	\$ 906,234	\$ 834,222	\$ 801,339	\$ 811,828	\$ 830,000
Costs and expenses:						
Instructional and support costs	474,792	442,033	386,843	365,785	369,275	
General and administrative	355,626	358,041	331,269	324,769	322,065	
Restructuring charges and other	42,635	28,382	58,702	37,412	24,026	
Litigation charges	55,141	888	745	3,964	5,583	
Total costs and expenses	<u>928,194</u>	<u>829,344</u>	<u>777,559</u>	<u>731,930</u>	<u>720,949</u>	
Operating (loss) income	<u>(8,643)</u>	<u>76,890</u>	<u>56,663</u>	<u>69,409</u>	<u>90,879</u>	
Interest income (expense), net	10,021	4,190	(28)	58	3,548	
Income before income taxes	<u>1,378</u>	<u>81,080</u>	<u>56,635</u>	<u>69,467</u>	<u>94,427</u>	
(Benefit from) provision for income taxes	(32,625)	20,699	9,266	13,259	19,931	
Net income	<u>\$ 34,003</u>	<u>\$ 60,381</u>	<u>\$ 47,369</u>	<u>\$ 56,208</u>	<u>\$ 74,496</u>	
Interest, taxes, depreciation and amortization	(4,847)	53,658	39,270	40,186	41,856	
EBITDA, reported⁽⁵⁾	<u>\$ 29,156</u>	<u>\$ 114,039</u>	<u>\$ 86,639</u>	<u>\$ 96,394</u>	<u>\$ 116,352</u>	
Non-cash expenses ⁽⁶⁾	39,396	27,587	48,031	28,769	17,726	
Other non-recurring and one-time items ⁽⁷⁾	70,166	9,151	14,312	19,533	21,074	
EBITDA, adjusted⁽⁵⁾	<u>\$ 138,718</u>	<u>\$ 150,777</u>	<u>\$ 148,982</u>	<u>\$ 144,696</u>	<u>\$ 155,152</u>	<u>\$ 160,000</u>
<i>% Net revenue</i>	<i>15.1 %</i>	<i>16.6 %</i>	<i>17.9 %</i>	<i>18.1 %</i>	<i>19.1 %</i>	<i>19.3 %</i>
Capital expenditures	<u>33,565</u>	<u>23,168</u>	<u>21,135</u>	<u>17,140</u>	<u>16,836</u>	<u>17,000</u>
Free cash flow⁽⁵⁾	<u>\$ 105,153</u>	<u>\$ 127,609</u>	<u>\$ 127,847</u>	<u>\$ 127,556</u>	<u>\$ 138,316</u>	<u>\$ 143,000</u>
<i>% Net revenue</i>	<i>11.4 %</i>	<i>14.1 %</i>	<i>15.3 %</i>	<i>15.9 %</i>	<i>17.0 %</i>	<i>17.2 %</i>

⁽¹⁾ Historical results through February 2023 were previously provided to the University of Idaho in evaluating the transaction with the University of Phoenix. Historical results subsequent to fiscal year 2022 are unaudited.

⁽²⁾ Projected fiscal year 2023 results include unaudited actual results for nine months and estimated results for the remainder of the fiscal year. Actual results may differ.

⁽³⁾ New Degreed Enrollment represents new students and students who have been out of attendance for more than 12 months who enroll in a degree program and start a credit bearing course in the respective period; students who have previously graduated from a degree program and start a new degree program in the respective period; and students who commence participation in certain certificate programs of at least 18 credits with some course applicability into a related degree program in the respective period.

⁽⁴⁾ Quarterly Degreed Enrollment represents students who attended a credit bearing course during a fiscal quarter and had not graduated as of the end of the quarter. Average Quarterly Degreed Enrollment for the respective fiscal years represents the average of Quarterly Degreed Enrollment from the

beginning to the end of the respective periods. The University has not provided a projection of Quarterly Average Degreed Enrollment for fiscal year 2023, but Quarterly Degreed Enrollment for the third quarter of fiscal year 2023 was approximately 80,000.

⁽⁵⁾ Reported EBITDA represents net income before interest, income taxes, depreciation, and amortization. Adjusted EBITDA adjusts for certain items from reported EBITDA, providing a useful indicator to help compare the University's performance on a consistent basis across time periods and to help identify underlying trends in the University's operating results. Free cash flow which is defined as adjusted EBITDA minus capital expenditures, provides a useful indicator of cash flow activity for the University's normalized operations.

⁽⁶⁾ The substantial majority of non-cash expenses represent lease restructuring costs, which are primarily the charges that are recorded for future lease related payments when the University abandons leased space. Non-cash expenses also include share-based compensation and expense associated with asset write-offs.

⁽⁷⁾ Other non-recurring and one-time items represent gains, losses and expenses that the University does not believe are indicative of its normalized operating results due to their non-recurring nature or other considerations. Items in this category include expenses associated with restructuring and transforming the University's operations, expenses associated with the evaluation of strategic alternatives for the future ownership of the University, and expenses associated with certain litigation and regulatory inquiries.

Management Discussion & Analysis of Financial Condition and Results of Operations

The University's return to sustainable growth, is driving meaningful margin expansion due to a highly scalable technology platform, well-defined unit economics and a lean operating structure. The University's adjusted EBITDA margin increased from 15.1% to 19.1% from fiscal year 2019 to the last twelve months ended February 2023, an expansion of 400 basis points. Moreover, the shift away from ground campuses in favor of an entirely online delivery model has resulted in reduced capital requirements and improved free cash flow conversion.

The University of Phoenix's transformation initiatives over the past several years led to modest growth in enrollment and revenue during the first half of fiscal year 2020 compared to the prior year. However, the Covid-19 pandemic caused a temporary deterioration in demand starting in the second half of fiscal year 2020 due to the outsized impact the pandemic had on our majority female, majority parent, and majority full-time employed student population. Despite this setback, the University maintained a singular focus on improving student outcomes by investing in its digital technology platform to provide flexibility for working adult learners, revamping course programs to focus on careers in high-demand employment fields, eliminating marketing channels that recruited less-prepared students, and trimming overhead costs by rationalizing the operating structure and decommissioning legacy technology systems. These actions, aligned with the University's vision, provided for a solid foundation for sustainable growth coming out of the pandemic.

In addition to continued improvement in student retention, the University experienced a strong return to online new degreed enrollment growth, which increased approximately 9% in fiscal year 2022 compared to the prior year, starting in the second half of fiscal year 2022, and a reduction in the number of students seeking Covid-19 accommodations. During the first half of fiscal year 2023, modest growth has continued with new degreed enrollment, quarterly average degreed enrollment, and net revenue increasing approximately 5%, 4%, and 3%, respectively, compared to the prior year.

The strong operating trends discussed above have continued through fiscal year 2023 with quarterly degreed enrollment for the third quarter of fiscal year 2023 of approximately 80,000 students. Further, the University is projecting fiscal year ending August 31, 2023 net revenue and adjusted EBITDA growth compared to the prior fiscal year of approximately \$29 million, or 4%, and approximately \$15 million, or 11%, respectively.