



AMERICAN PUBLIC  
EDUCATION, INC.

# Transformational Acquisition of Rasmussen University

Doubles APEI Revenue, #1 Educator of Pre-Licensure Nurses (ADN/RN and PN/LPN)

PRESENTED BY

**Angela Selden**  
President and CEO

**Richard Sunderland, CPA**  
Executive VP and CFO

**Steve Somers, CFA**  
Senior VP and Chief Strategy Officer

**Rasmussen University Acquisition**

October 2020

# 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 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; 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 June 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.

# TRANSFORMATIVE DEAL POSITIONS APEI FOR FUTURE GROWTH

*Acquisition of Rasmussen University expected to double APEI revenue to \$600MM in 2021\**

**APEI Will Be  
#1 Educator of  
Pre-Licensure  
Nurses (ADN/RN  
and PN/LPN)**

**Establishes APEI  
As a Scale  
Platform w/  
New Capabilities  
and Synergy  
Opportunities**

**APEI and  
Rasmussen have  
Strong Alignment  
around Mission  
and Culture**

\* Forecasted full-year pro forma results.

*Please see important disclosures in the 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

## Funding

- ✓ \$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

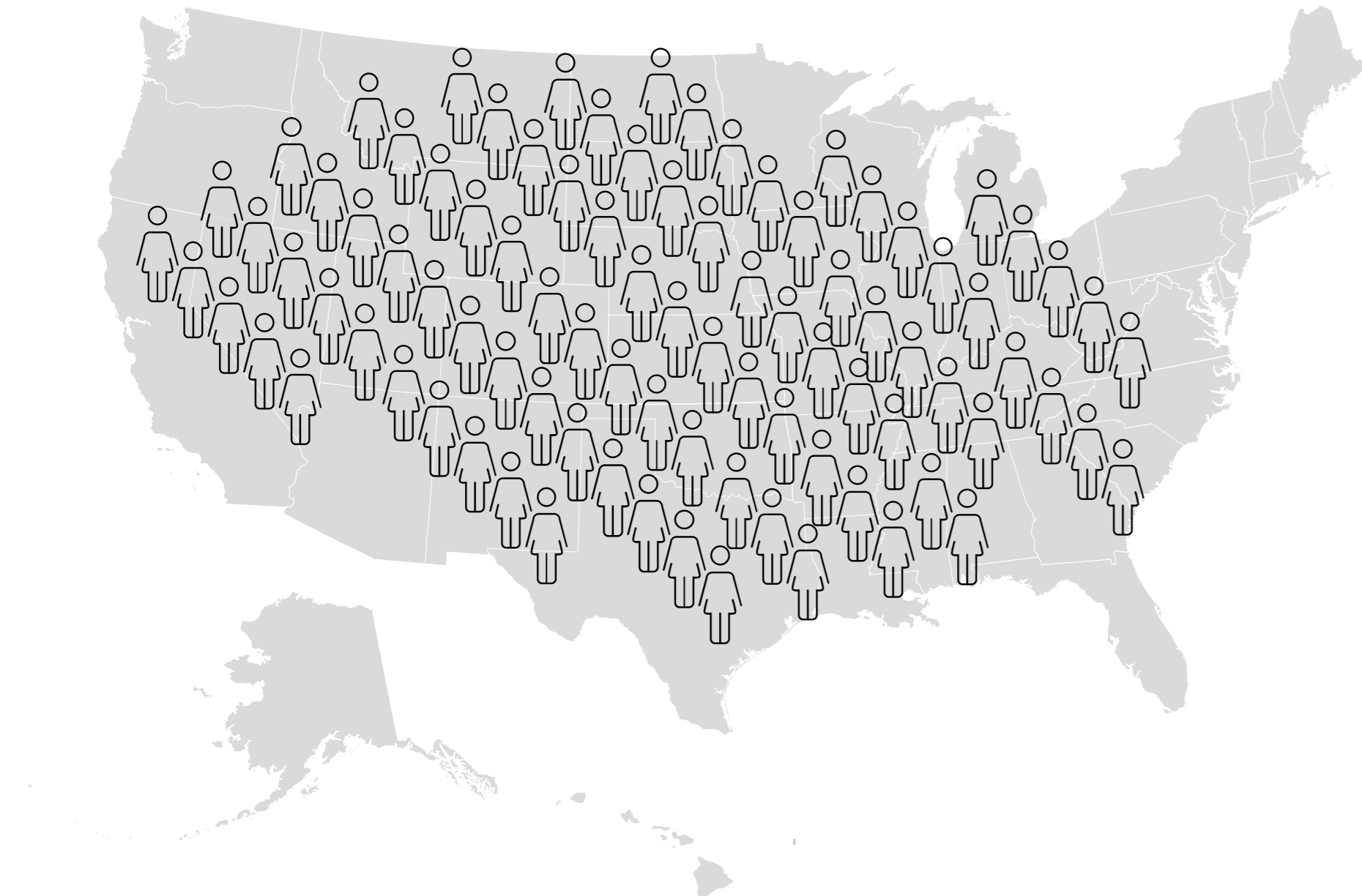
- ✓ Rasmussen University will continue to operate as separate institution
- ✓ Leverage APEI's shared services model

# #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

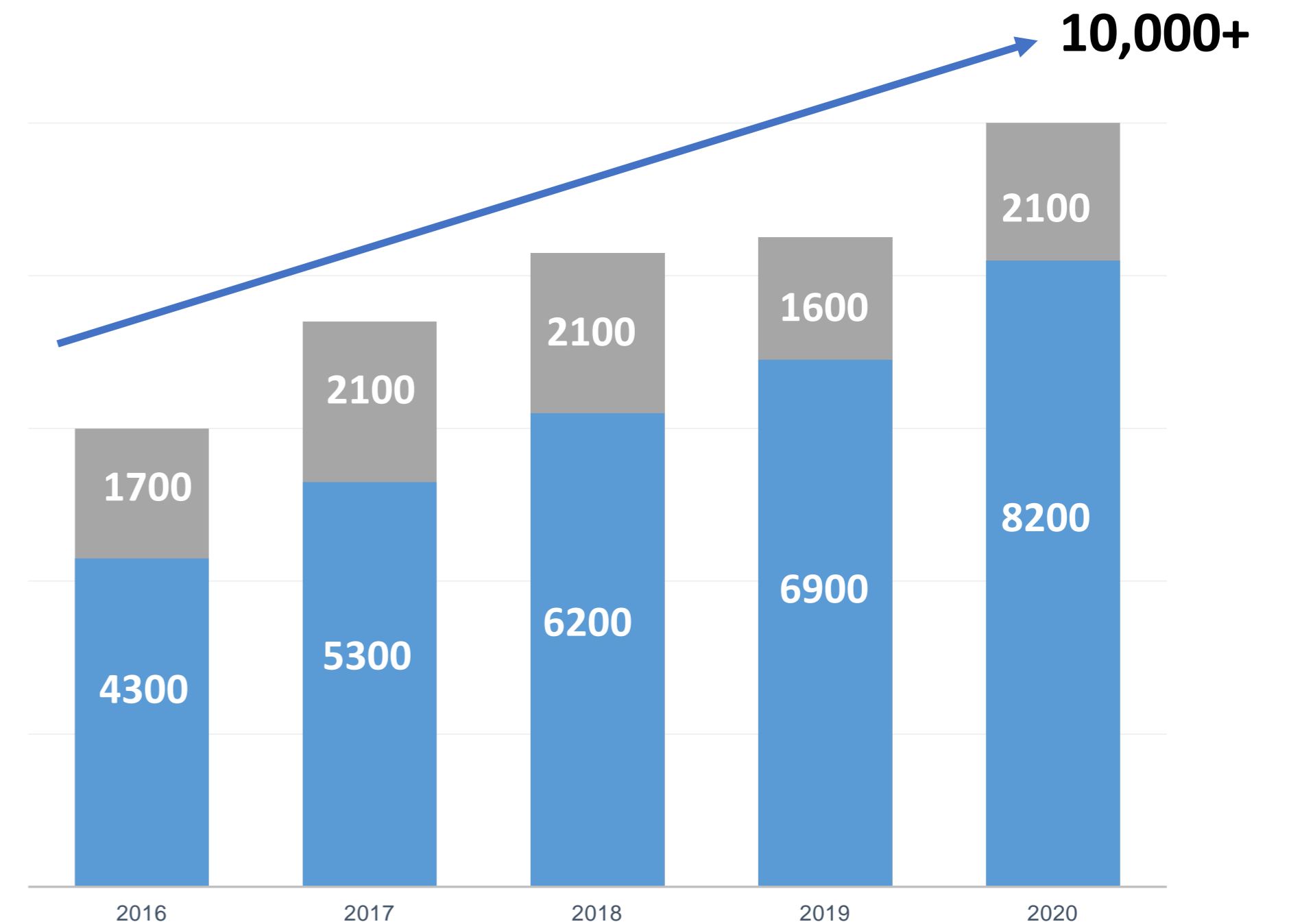
RN is a Top Growing Job Through 2029



**175,000 annually**

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

## Addressing the Need



■ Rasmussen ■ Hondros

**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)

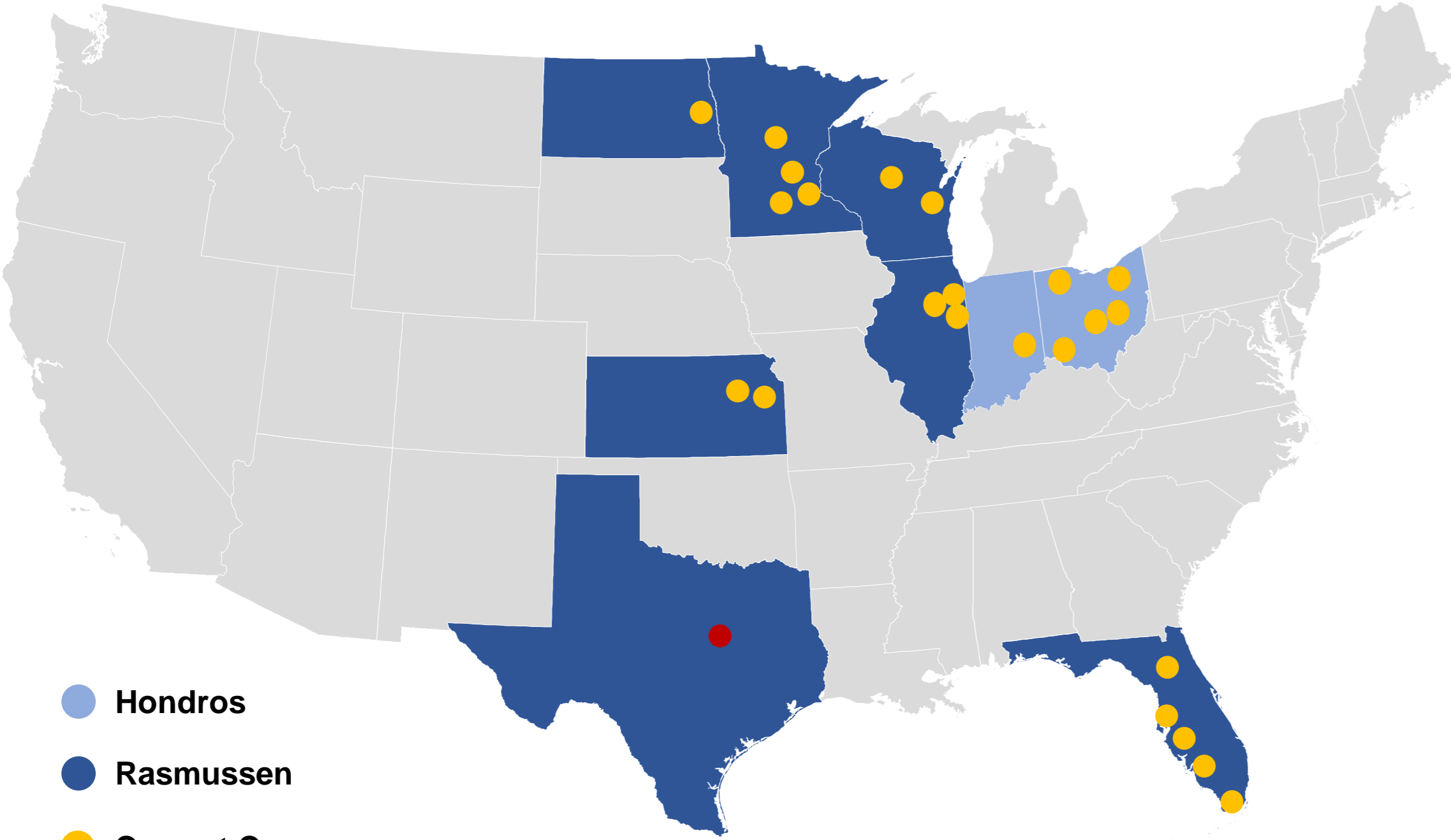
<sup>1</sup> Bureau of Labor Statistics' [Employment Projections 2019-2029](#).

Please see important disclosures in the Appendix

# COMBINED ~\$165 MILLION IN NURSING REVENUE

*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)*



- Hondros
- Rasmussen
- Current Campuses
- Future Rasmussen Campus


 + 
 
 = 
 **Powerhouse Nursing Platform**

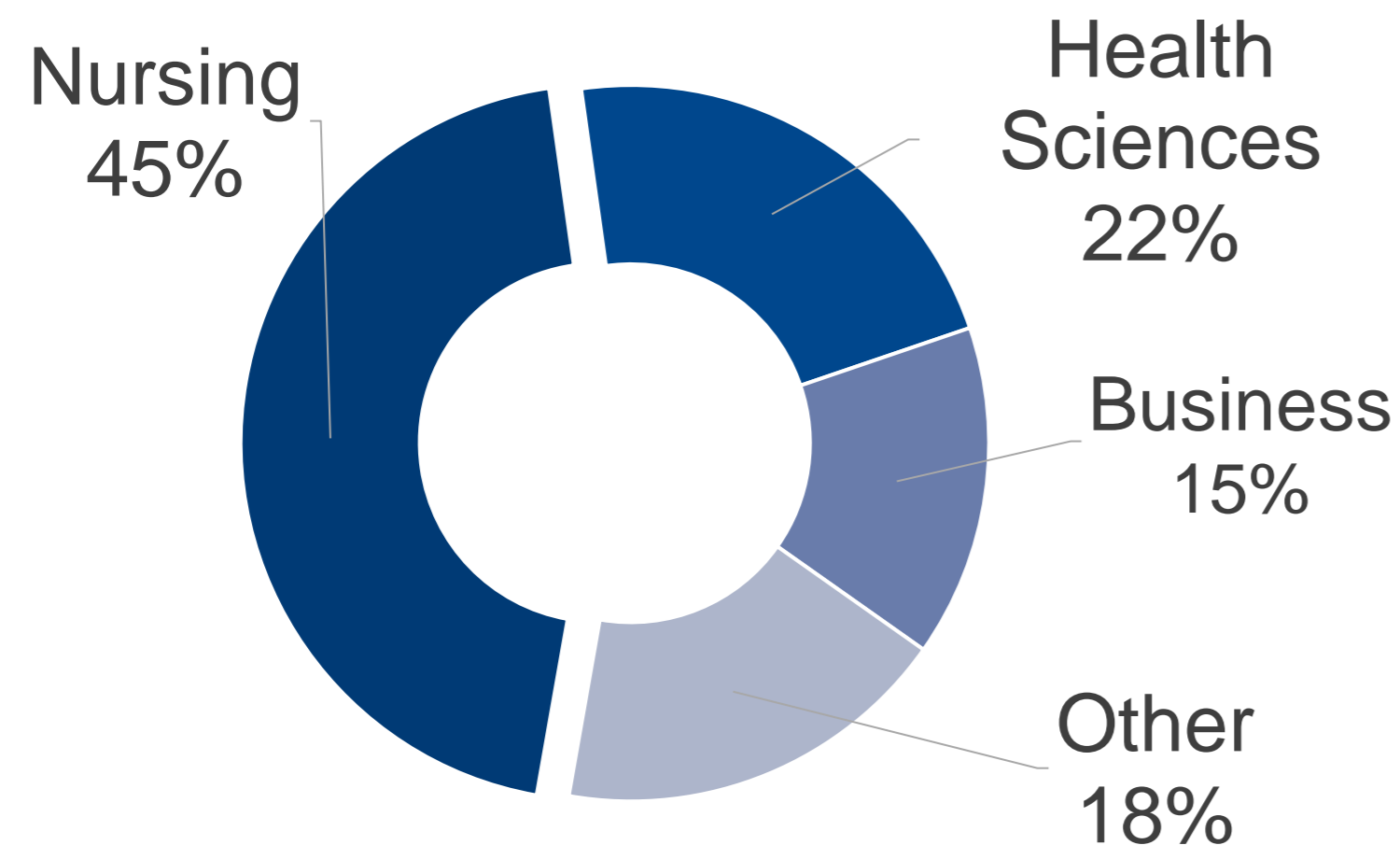
<b>Campuses</b>	<b>24</b>	<b>6</b>	<b>30</b>
<b>Nursing Revenue 2020</b>	<b>\$129M</b>	<b>\$36M</b>	<b>~\$165M</b>
<b>Enrollment Growth 2020</b>	<b>19%</b>	<b>34%</b>	<b>22%</b>

*Please see important disclosures in the Appendix*

# OPPORTUNITIES IN NON-NURSING

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

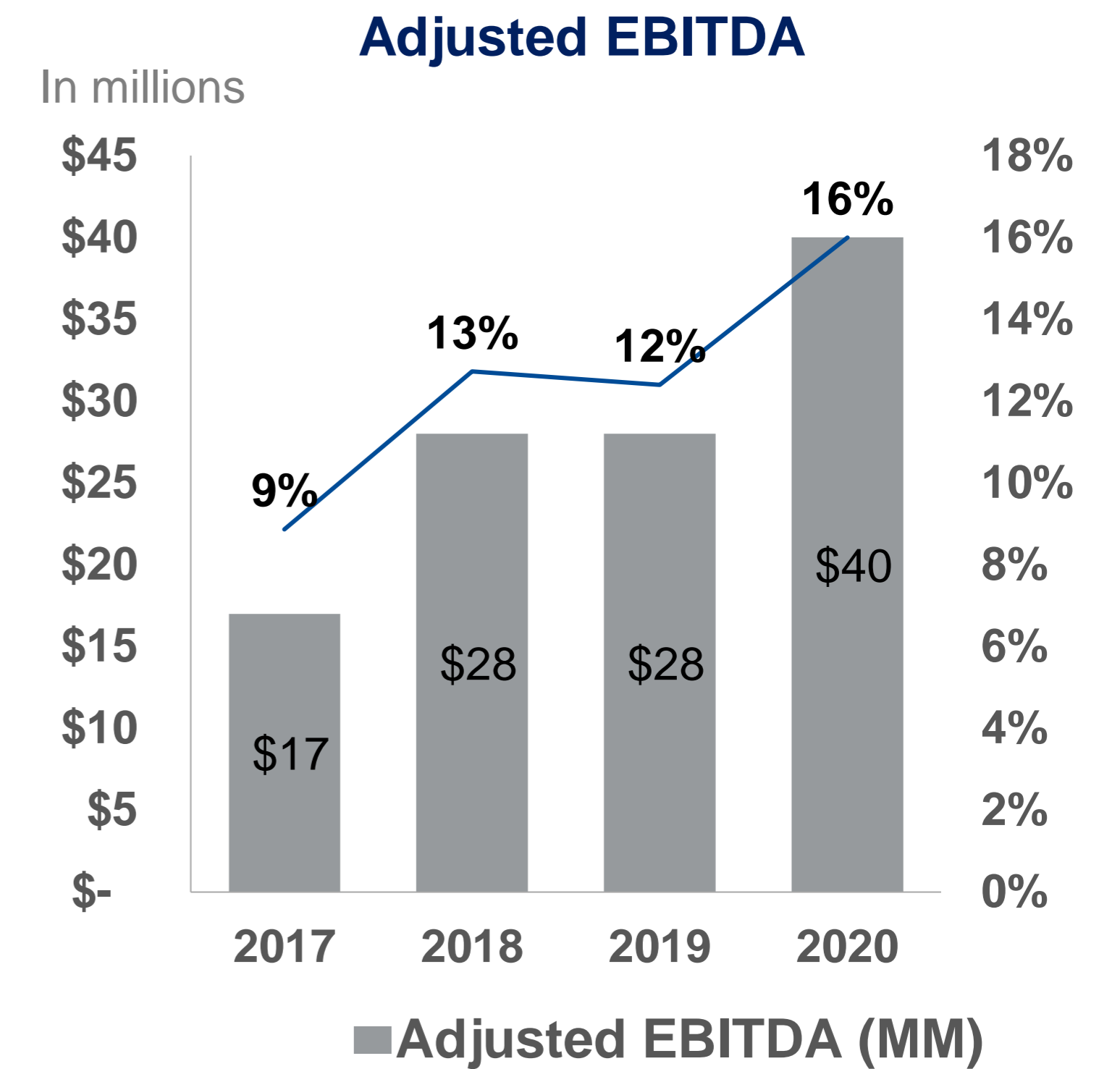
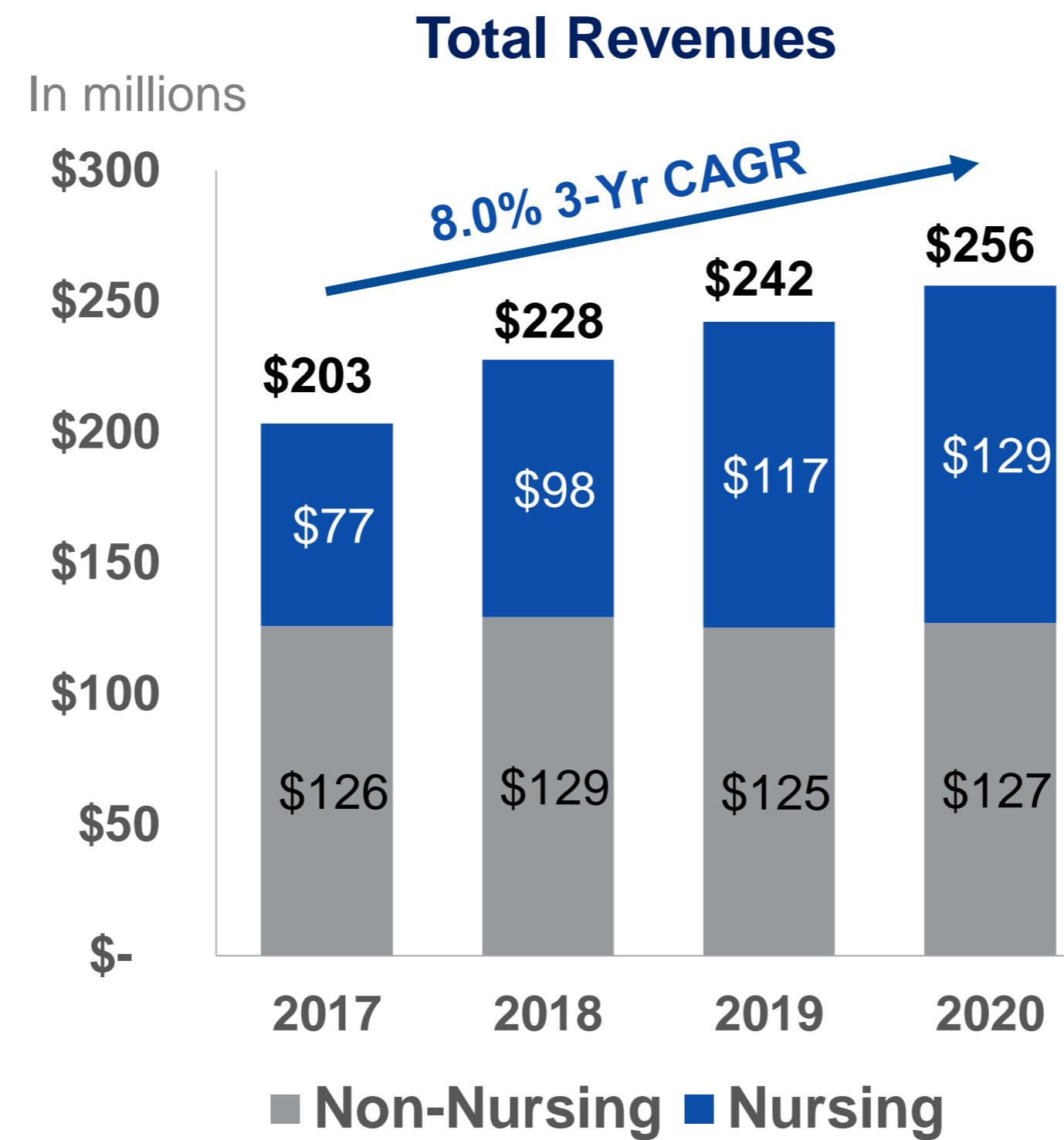
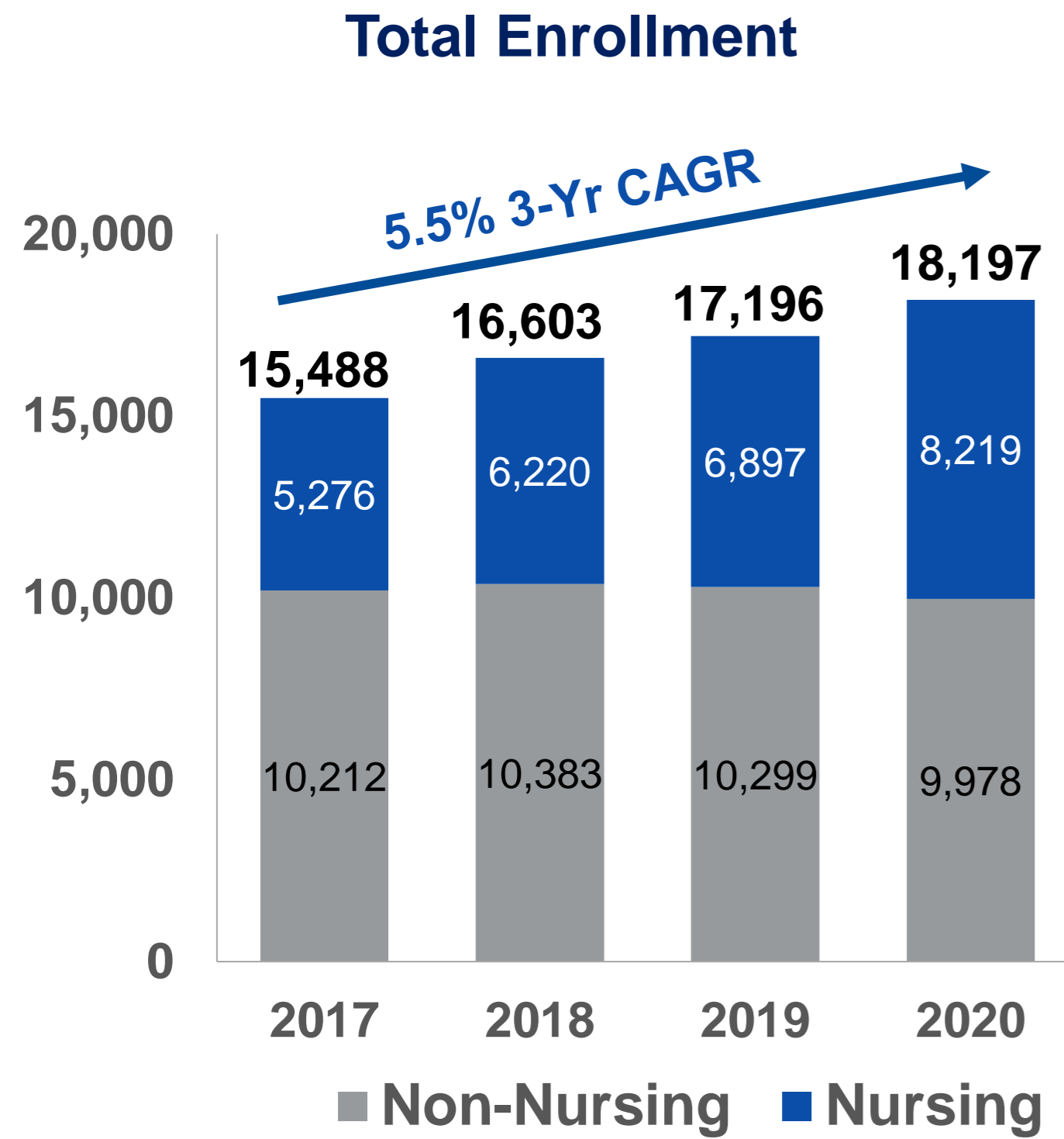
**Rasmussen University's  
Total Enrollment by Program:**  
*18,000+ Learners (as of 4Q2020)*



- Campuses provides platform for other **clinical-based** health-sciences programs
- Generous transfer policies and credit for prior learning **reduce time to degree completion**
- **Opportunities in CBE** – Rasmussen is 5<sup>th</sup> Largest CBE Provider
  - 17 programs, 2000 students
- **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
- Focused on developing **employer-centric** programs

# A STRONG FINANCIAL RECORD FOR GROWTH & PROFITABILITY

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



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




# EXPERIENCED MANAGEMENT TEAM WITH A STRONG TRACK RECORD

*Proven leadership with veteran academic and corporate expertise*



**Tom Slagle**  
*Chief Executive Officer*  
10 Years with Rasmussen

- 20+ years in healthcare with J&J, Baxter, and Cardinal Health
- Formerly CEO Medicine Shoppe, Group President Cardinal Medical segment, President/COO School Specialty




**Dr. Ann Leja**  
*Interim President*  
5 Years with Rasmussen


- 25 years in higher education
- Previously served as Chief Academic Officer of Rasmussen, Dean of the College of Health, Community and Professional Studies at Metropolitan State University

## Academic Executive Team


## Corporate Executive Team




**Carrie Daninhirsch**  
*Chief Academic Officer*  
15 Years with Rasmussen



**Tawnie Cortez Sr.**  
*VP of External and College Relations*  
30 Years with Rasmussen




**Don DeVito**  
*Chief Enrollment Management Officer*  
13 Years with Rasmussen



**Kevin Delano**  
*VP & Chief Financial Officer*  
5 Years with Rasmussen



**Dr. John Smith-Coppes**  
*VP and Executive Director, School of Nursing*  
10 Years with Rasmussen

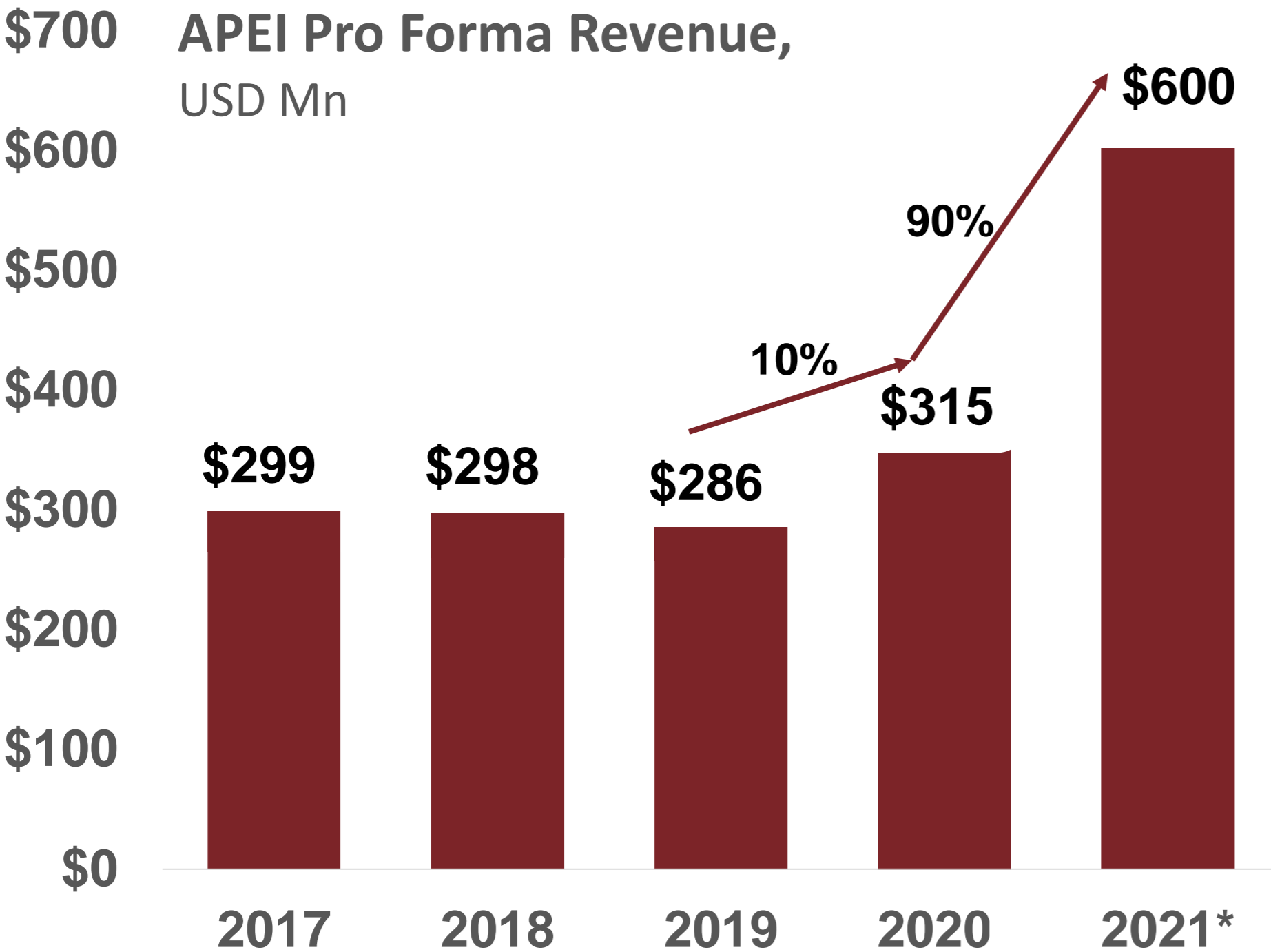


**Lori Kruienza**  
*General Counsel*  
15 Years with Rasmussen

**INDUSTRY LEADING MANAGEMENT TEAM COMMITTED TO SUPPORTING STRONG STUDENT VALUE PROPOSITION**

# DOUBLES REVENUE & ESTABLISHES APEI AS A SCALE PLATFORM

*Rasmussen University further accelerates APEI's growth story*



- In 2021, nearly **doubles APEI's revenue** to \$600MM, \$31MM in net income and \$100MM in adjusted EBITDA
- **Diversifies APEI's revenue** to one-third military, one-third nursing and one-third online adult learners
- Puts approximately **\$125MM of cash** to work
- APEI will **capture synergies** through:
  - Shared capabilities
  - Shared services


Total APEI:	~106,000
➤ APUS:	86,000
➤ Rasmussen:	18,000
➤ Hondros:	2,200

\* Forecasted full-year pro forma results.


Please see important disclosures in the Appendix

# ACCRETIVE, TRANSFORMATIVE ACQUISITION ESTABLISHES A SCALE PLATFORM

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



- #1 for Pre-Licensure Nursing (ADN/RN & PN/LPN)
- #1 for Military & Veteran Students
- Aligned Mission of HEROI™
  - Value + Affordability
- Leverage New Shared Services, CBE capabilities
- Unlock \$5M-\$10M in potential synergies in each of the first three years
- Introduce new academic programs, including post-licensure nursing for Hondros students



- #1 Pre-Licensure ADN Program (RNs)
- CBE – 2000 students, 17 programs, 300 courses, 1700 modules
- 24 campuses in seven states



- #1 Pre-Licensure PN (LPN) program in Ohio
- Reputation as top producer of new nurses
- 6 campuses in two states

**American Public University System**  
American Military University | American Public University

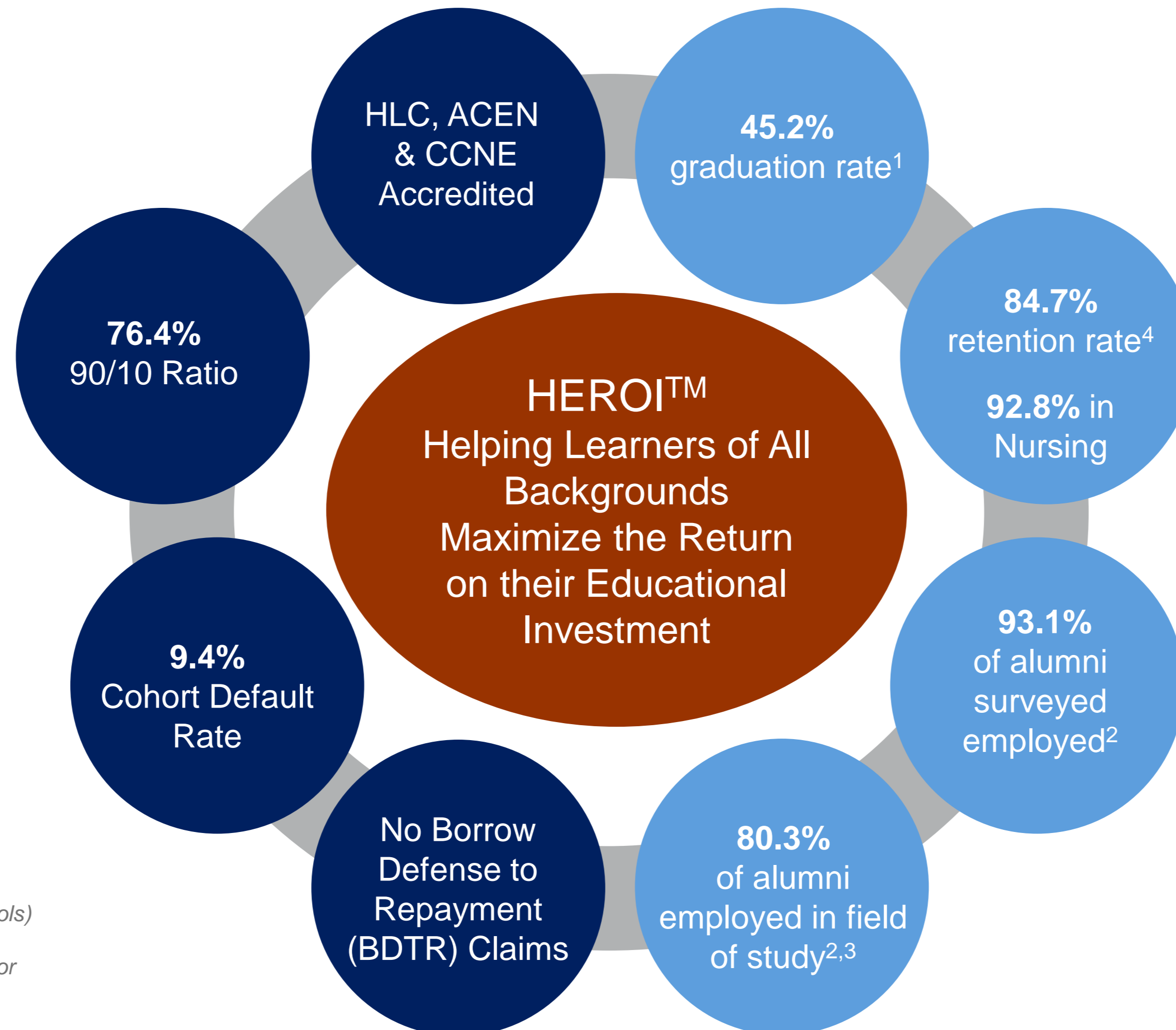
- #1 Military and Veteran students
- Top 2% on Georgetown Study on ROI on educational investment
- 72% of students graduate with \$0 debt

# STRONG ALIGNMENT IN MISSION & CULTURE

Rasmussen enables learners to maximize their Higher Education Return on Investment or 'HEROI'<sup>TM</sup>

Strong Regulatory Track Record

Affordable, Inclusive, High Quality



1. 2017 Graduation Rate 45.2% (vs. 26.5% at Community Colleges and 22.1% at For Profit Schools)

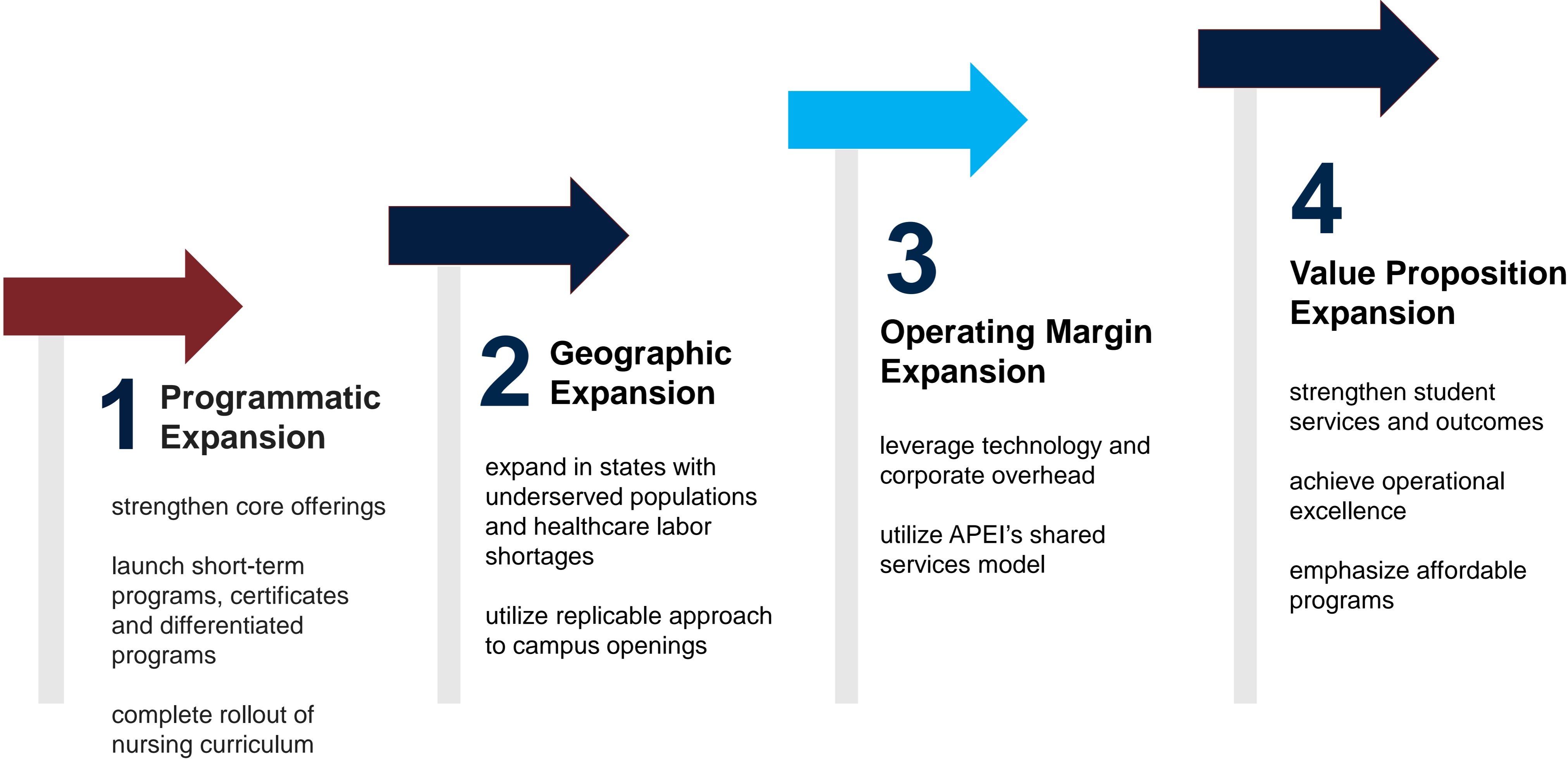
2. 1 year post-graduation survey 2019 (N=1,869).

3. Graduates employed in their field (or in a position for which their degree level was a requirement) or continuing their education.

4. Quarterly retention rate in 2019.

# ACCRETIVE, TRANSFORMATIVE ACQUISITION ESTABLISHES A SCALE PLATFORM

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



*Please see important disclosures in the Appendix*

# ACCELERATING APEI'S VALUE CREATION STRATEGY

*Expanding 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**

# EXPECTED CAPITAL STRUCTURE & OTHER TERMS

*More than \$80 million of cash expected to remain on hand after the close*

## Transaction Financing

- ~\$175MM fully committed debt
- ~\$125MM cash on hand
- \$29MM of redeemable preferred shares convertible after 3-yrs.
  - 9% dividend
  - Non-voting
  - No board seat

## APEI Pro Forma Capital Structure

- |                        |         |
|------------------------|---------|
| • Cash and Equivalents | \$80MM+ |
| • LT Debt              | \$175MM |
| • Net Debt             | \$90MM  |
| • Preferred Stock      | \$29MM  |

## Debt Coverage

- |                             |          |
|-----------------------------|----------|
| • PF Annual Adjusted EBITDA | ~\$100MM |
| • Total Leverage ratio      | <2.0x    |
| • Net leverage ratio        | <1.0x    |

# APEI'S PRELIMINARY THIRD QUARTER 2020 RESULTS

*Fourth consecutive quarter of enrollment growth at APUS and Hondros*



## Student Metrics

### APUS

- Net course registrations **+25%** year-over-year to 13,500
- Total net course registrations **+18%** year-over-year to 90,300

### Hondros

- New student enrollment **+88%** year-over-year to 649
- Total student enrollment **+39%** year-over-year to 1,954

## Financial Metrics

- APEI consolidated revenue of **\$79.1 million, an increase of 16.6%** compared to the third quarter of 2019.
- APEI consolidated net income of **\$2.6 million, or \$0.18 per share,** compared to a net loss of \$1.6 million in the third quarter of 2019.

*American Public Education is in the process of finalizing the actual results of operations for the three months ended September 30, 2020. Although complete details are not yet available, the company is able to provide the following financial update (excludes results of Rasmussen)*

*Please see important disclosures in the Appendix*





# Thank You



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

(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 entities, 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)**

Reconciliation from Net Income to Adjusted EBITDA:	For Twelve Months Ending				
	9/30/2017	9/30/2018	9/30/2019	9/30/2020	12/31/2021 <sup>(2)</sup>
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.