

Engine Capital LP
1345 Avenue of the Americas, 33rd Floor
New York, New York 10105
(212) 321-0048

Hawk Ridge Capital Management LP
12121 Wilshire Boulevard, Suite 900
Los Angeles, California 90025
(310) 593-7350

February 1, 2021

Adtalem Global Education Inc.
500 West Monroe, Suite 2800
Chicago, Illinois 60661
Attn: Board of Directors

Dear Members of the Board:

As you know, Engine Capital LP (together with its affiliates, “Engine”) and Hawk Ridge Capital Management LP (together with its affiliates, “Hawk Ridge,” and collectively with Engine, “we”) collectively own approximately 3.9% of the outstanding shares of Adtalem Global Education Inc. (“Adtalem” or the “Company”). Since we first voiced our serious concerns to you regarding the subpar status quo at Adtalem and the opportunities available to create substantial value, our continuing due diligence has uncovered troubling information regarding Walden University (“Walden”). We have recently attempted to privately communicate these concerns directly to the Board of Directors (the “Board”), but were not able to. We are also concerned that the Company may raise financing for the Walden acquisition prematurely given potential roadblocks to the deal outlined below.

We believe that it would be irresponsible for management and the Board to proceed with any financing activities in relation to the Walden acquisition during the pendency of the U.S. Department of Justice (the “DoJ”) investigation (the “DoJ Investigation”) into Walden University and its Master of Science in Nursing program. As you are aware, the DoJ Investigation was publicly disclosed three days after the Walden deal was announced¹. We do not believe this is a coincidence; rather, we believe that the DoJ has been looking at the situation prior to the Adtalem announcement but had to accelerate the public disclosure with the intent of bringing the investigation to light both for the Higher Learning Commission (“HLC”) and for Adtalem. Subsequent to the disclosure of the investigation, the HLC, whose regulatory approval is required for this acquisition to close, put an “Under Governmental Investigation” designation on Walden and disclosed that three additional federal government entities were involved in this investigation². Under this designation, the HLC explicitly states it does not normally permit change of control.³ Nevertheless, despite such ongoing investigations, and in the face of uncertainty regarding whether the Walden acquisition can be completed, we fear Adtalem may soon launch its efforts to secure financing for the deal. We estimate the current investigations are likely to add many months to a process that Adtalem can’t control or know the outcome of. If financing for the Walden acquisition is arranged now, it could end up costing Adtalem as much as an incremental \$81 million⁴ in interest payments before the Company even assumes ownership of the asset and another \$41 million⁵ in fees which may never have to be paid if the Walden

¹ Laureate Proxy; deal announced 9/11/2020 and Walden received notification from DoJ on 9/14/2020

² <https://www.hlcommission.org/download/PublicDisclosureNotices/Public%20Disclosure%20Notice%20-%20Walden%20University%202011.9.20.pdf>

³ This designation generally prohibits a “substantive change” for an institution. This includes change of control. https://download.hlcommission.org/Designations_PRC.pdf

⁴ Assumes closing in 12 months and \$81 million in incremental interest per Company’s 8K announcing the Walden acquisition. https://www.sec.gov/Archives/edgar/data/730464/000115752320001256/a52287598_ex991.htm

⁵ Assumes fees of 2% on \$2.05 billion per Company’s presentation on the Walden acquisition.

https://s24.q4cdn.com/745190157/files/doc_downloads/2020/Adtalem-09112020-Investor-Presentation.pdf

acquisition is not approved by the regulators. We believe that any decision by the Board to nevertheless proceed with such costly financing in the face of uncertainty regarding the outcome of the DoJ Investigation would be an egregious neglect of the Board's fiduciary duties.

Based on our diligence, a DoJ investigation can be a death-knell to a for-profit university, regardless of outcome, as the DoJ mostly takes on cases it knows it can win and the ensuing reputational issues can be hard to recover from. The DoJ has been disconcertingly effective – according to our research, most for-profit educational institutions that have been publicly targeted by the DoJ are either no longer in existence or have been severely impaired. Out of twenty-six for-profit universities investigated by the DoJ (that we could find), almost three-quarters faced stiff sanctions or penalties, and over half were closed or sold through fire sales, including DeVry University which was sold for \$1⁶. Based on our own extensive investigation into Walden and its College of Nursing (which we discuss below), we believe that there could be a strong case against Walden. We see no reason why Walden would be in the minority that escape unscathed.

The DoJ Investigation into Walden is focused on potential violations of the False Claims Act in Walden's Master of Science in Nursing program. Essentially, this is a claim that Walden potentially defrauded the government out of Title IV funds by not abiding by its Program Participation Agreement with the Department of Education, amongst other allegations⁷. We believe this investigation centers around allegations that many of Walden's nursing students are not able to graduate because the institution has failed to adequately help them fulfill their clinical experience requirements⁸.

Walden's Nurse Practitioner (“NP”) program accreditor, the Commission of Collegiate Nursing Education (“CCNE”), requires students to complete extensive “supervised direct patient care clinical hours” – at minimum 500 hours if not substantially more. These clinicals are not only required to graduate, but also very difficult for students to arrange on their own. It is therefore standard practice among nearly all other healthcare-practitioner degree programs (e.g., most MD, DO, PA, RN programs) to pre-arrange those clinicals on behalf of the students. The CCNE historically did not hold NP programs responsible for providing clinicals for students. Without the help of their academic institutions, students can spend weeks cold calling potentially hundreds of practitioners to try to find a site and a preceptor (a clinical supervisor), sometimes having to spend many thousands of dollars for the preceptors or for expensive preceptor matching services.⁹ Worse, those drastic measures still do not necessarily guarantee that a student will be able to fulfill their clinical requirements. Years of outrage in the nursing community culminated in the Sawyer Initiative to help solve these issues. This initiative was in fact spearheaded by an ex-Walden student, who had to transfer out of Walden and required six years in order to become an NP, due to her inability to find clinicals at Walden¹⁰. The Sawyer Initiative successfully helped drive the CCNE to finally change its requirements around clinicals in January 2019, making the academic institutions ultimately responsible for

⁶ Analysis from historical review of DoJ cases, details available upon request

⁷ Other allegations include falsely advertising the content & cost of its Nursing programs

⁸ <https://www.sec.gov/ix?doc=/Archives/edgar/data/730464/000155837020012896/atge-20200930x10q.htm> - p. 8

⁹ Grievances on programs where clinicals are set up like Walden:

https://www.reddit.com/r/nursepractitioner/comments/b6s675/finding_your_own_preceptors/;

<https://allnurses.com/finding-preceptors-t697969/>

¹⁰ <https://medium.com/authority-magazine/sheasawyer-shares-the-full-story-behind-the-sawyer-initiative-686d949f9dd6>

providing these clinical experiences^{11,12}. We believe that the provision of supervised clinical experience is now required under Walden's Program Participation Agreement with the government, which allows Walden to receive Title IV funding.

Our diligence indicates that Walden students today are still largely left to fend for themselves when it comes to finding clinical supervisors¹³, with the predictable result that many do not graduate on time, or at all. This helps explain Walden's low graduation rates compared to its peers, and its poor reputation in the industry for enrolling too many students, many of whom have no practical pathway to graduation. These findings have been confirmed to us by multiple industry executives and senior administrators at other nursing schools, including one former Walden employee. There is also ample evidence of these issues available online, including clinical sites not being willing to accept Walden students for clinicals due to these issues¹⁴. We have also been made aware that the associate dean of the school of nursing has left Walden, allegedly related to transgressions that have led to the investigation. This departure happened several months ago, which calls into question what Laureate knew about this investigation as it was trying to sell Walden.

Under the False Claims Act, violators are liable for treble damages, i.e. three times the actual damages sustained. For context, Walden received \$445 million in Title IV funding during the 2017/2018 academic year alone and could thus be required to pay back three times the funding received in affected programs¹⁵. Furthermore, Walden graduates currently have approximately \$9.8 billion in outstanding student debt, most of which is tied to federal aid¹⁶. We believe that Walden could be assessed up to billions of dollars in penalties if the recently announced investigations lead to actual charges, a result that would also likely trigger expensive class-action lawsuits (something Walden has faced before). We are concerned that Adeptem has not adequately considered the risk that Walden is not merely an inferior asset, but potentially a completely worthless one, and that the Board – which does not include a single director with experience in the for-profit education space – is not equipped to capably assess the potential damage that the Walden acquisition could cause to the Company if completed.

It is important to note that our diligence also indicates that Chamberlain by comparison is viewed as the “Cadillac” of support for finding clinicals for students. Placing students has been a particular strength of Chamberlain. Chamberlain's online NP program offers students preceptor matching service with a 100% success rate that they will get a clinical slot and preceptor.¹⁷ Chamberlain touts its clinical partnerships with healthcare facilities that underpin its programs.¹⁸ We wonder what Walden's financials would look like if it provided the same level of service instead of forcing students to find their own, which potentially costs

¹¹ <https://www.aacnnursing.org/portals/42/CCNE/PDF/summary-major-revisions-to-2018-standards.pdf>

“Please note, this key element does not prohibit programs from allowing students to play an active role in identifying clinical practice experiences, but if a student is unable to find an appropriate clinical practice experience, the program is ultimately responsible for providing this.”

¹² <https://web.archive.org/web/20190630153422/http://sawyerinitiative.com/news-and-development/we-did-it/>

¹³ Walden materials illustrating their lack of resources and not assuming responsibility for students finding clinicals:

https://academicguides.waldenu.edu/ld.php?content_id=45260984 – p. 32-33;

<https://academicanswers.waldenu.edu/faq/73266>

¹⁴ A small sampling of grievances against Walden regarding its handling of clinicals:

<https://www.facebook.com/2161325054104691/posts/walden-university-continues-to-be-evasive-with-the-ccne-guidelines-which-clearly/2353931298177398/>; <https://www.gradreports.com/colleges/walden-university/masters/nursing?page=2>

¹⁵ <https://studentaid.gov/data-center/school/proprietary>

¹⁶ https://www.brookings.edu/wp-content/uploads/2015/08/Chart_LooneyYannelis_StudentLoanDefaults.png

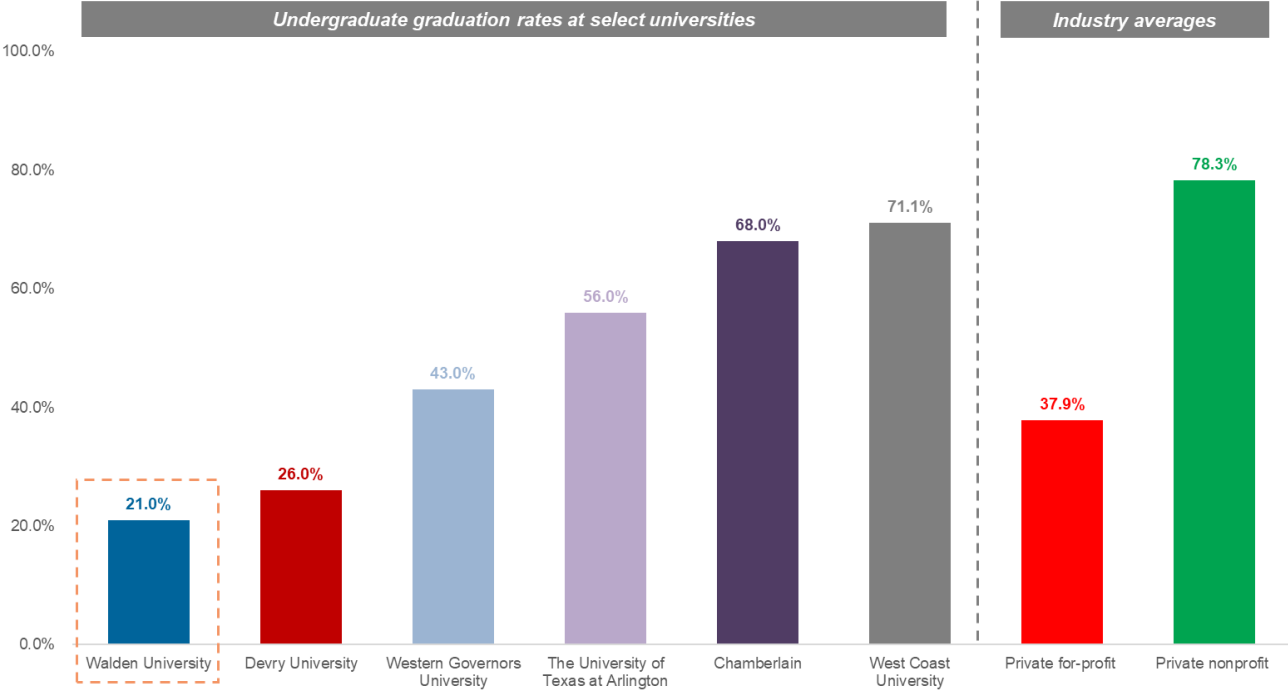
¹⁷ <https://www.chamberlain.edu/blog/8-graduates-share-advice-on-how-to-find-a-fnp-practicum-site>

¹⁸ <https://www.sec.gov/ix?doc=/Archives/edgar/data/730464/000155837020010728/atge-20200630x10k.htm> - p. 8

students extra thousands of dollars from their own pockets on preceptors or third-party matching services such as NPHub, PreceptorLink, and ClinicalMatchMe.

In light of the above, we would urge the Company to refrain from launching financing at this juncture when there is so much uncertainty and doubt as to whether the Walden deal will even proceed. In the “best” case, this transaction won’t be completed for many months. In the “worst” case, this transaction won’t be completed at all. Instead, Adtalem should redouble its efforts on its own Walden investigation to ensure there are no surprises post-closing. We strongly believe this investigation should be run by a special committee of the Board and an independent law firm that has not been involved in the Walden deal. We also request that management elaborate on tomorrow’s earnings call on the status of Adtalem’s own investigation into the Walden situation, including who is conducting it, whether it is independent from that of Walden or its parent Laureate Education Inc., and what issues it is focused on. We would be happy to share more specific research or talk to any interested party, including Board members, investigators, and shareholders.

Meanwhile, in addition to these new troubling findings about the government’s investigations into Walden, we would be remiss not to repeat our general concern regarding the subpar quality of Walden as an asset. Adtalem’s justification for the Walden acquisition focuses squarely on the programs offered at the institution, not the student outcomes. We would argue the quality of a university is not determined by the programs its offers, but by its success educating students and preparing them for a career in their chosen field. Walden’s undergraduate graduation rates are significantly worse than its peers¹⁹ and abjectly disturbing. A mere 21% of students who enroll graduate from Walden. In fact, Walden’s graduation rate is even worse than DeVry’s. While we would be interested in seeing standalone figures for the graduate programs, we do not believe that Walden makes this information publicly available and have not been able to find government collected data.



¹⁹ Peers include the 4 private for-profit institutions with the largest nursing programs

Furthermore, we continue to believe that Adtalem is misleading its shareholders when it attempts to justify the Walden acquisition by pointing to the share of revenue that comes from Walden’s “good programs”. In our view, “good programs” comprise nowhere near the approximately 77% that the Company asserts. Rather, it seems this number is probably closer to 40%, and even within this 40%, Walden seems to not deliver on the clinical aspects that make nursing programs higher barrier to entry to begin with.

BUSINESS QUALITY

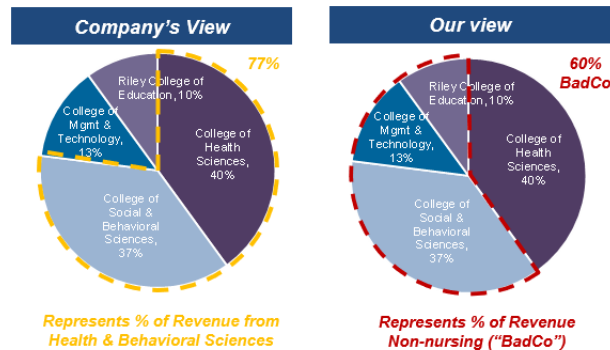
Walden’s nursing programs (~40% of revenue)

- Online-only nursing programs operate in a much more competitive and lower barrier to entry markets vs. traditional on-campus nursing programs like Chamberlain
- Significant increase in competition from other non-profit brand-name institutions that have superior brand recognition vs. Walden
- Masters of Science in Nursing program under DoJ investigation as a result of Walden’s failure to support students in fulfilling their clinical experience requirements

Walden’s non-nursing programs (~60% of revenue)

- Poor student outcomes and “DeVry” type programs
- Non-nursing for-profit online education programs are commoditized degrees / “me too” programs in a very saturated and competitive market
- Materially worse supply / demand fundamentals than nursing market

REVENUE MIX BY PROGRAM (ESTIMATED)



WHAT'S IN SOCIAL & BEHAVIORAL SCIENCES?

School of Counseling	School of Public Policy and Administration
School of Human Services	School of Criminal Justice
School of Psychology	Barbara Solomon School of Social Work

Ultimately, online education is increasingly becoming more commoditized due to the low barriers to entry from competitors in a market that is already heavily saturated. This is in part why we believe Walden’s revenues have declined at a 5-year CAGR of –0.9%, compared with 7.1% CAGR for Chamberlain.

Walden University							
	2015	2016	2017	2018	2019	2020	CAGR
Revenue	\$618.0	\$618.0	\$618.0	NA	NA	\$591.3	(0.9%)
Growth	2.3%	0.0%	0.0%	NA	NA	NA	

Chamberlain University							
	2015	2016	2017	2018	2019	2020	CAGR
Revenue	\$363.1	\$437.5	\$461.6	\$472.8	\$487.4	\$511.7	7.1%
Growth	27.2%	20.5%	5.5%	2.4%	3.1%	5.0%	

While the deal looks good and accretive on paper, the Board needs to realize that it is an illusion based on cheap financing, aggressive synergies assumptions²⁰, and questionable go-forward prospects for

²⁰ Adtalem assumes \$60 million in run-rate synergies for Walden which has a cost structure of \$420.3 million implying synergies of 14.3% of the target’s cost structure. Two recent transactions in the for-profit space imply that these synergy targets are overly aggressive and unlikely to be achieved. For reference, American Public Education (Nasdaq: APEI) acquired Rasmussen University and assumes run-rate synergy targets of 4.6% of the target’s costs structure. Also, Strayer Education (Nasdaq: STRA) acquired Capella Education and assumed run-rate synergies of \$50 million. Since Capella Education was a public company, we assumed that this \$50 million in synergies included around \$15 million in public company executives (e.g., CEO, CFO, general counsel) and public company costs. Walden doesn’t have these costs. If we exclude these expenses, the comparable synergy target is 10% of the target’s cost structure. The mid-point of these 2 synergy targets is 7.3%, implying a run-rate synergy target of \$31 million for the Walden acquisition or roughly half of the announced synergy target

Walden in light of the DoJ investigation. The reality, in our opinion which is based on extensive due diligence efforts, is that Adtalem is overpaying for an inferior and potentially toxic asset, much like the ones the Company has tried so hard to divest. We are deeply concerned by the DoJ Investigation and where it may be headed. At a minimum, we believe that any efforts to secure the financing for the Walden transaction at this time would be a costly, logic-defying breach of the Board's fiduciary duties to Adtalem's shareholders. The Company needs to wait for the DoJ Investigation to be completed, and then assess what, if any, value remains in Walden.

Again, our preference would have been to discuss this matter with you privately, but your refusal to engage with us has left us no choice but to air these concerns publicly for the benefit of all stakeholders.

Very truly yours,



Arnaud Ajdler
Managing Partner
Engine Capital LP



David Brown
Portfolio Manager
Hawk Ridge Capital Management LP