

Follow-up Materials

ADT  **LEM**

GLOBAL EDUCATION

February 2021

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I. Q2 2021 Earnings Update

Walden Was Presented Primarily as Nursing Education Business

A FLASHBACK TO WHAT MANAGEMENT PRESENTED IN SEPTEMBER 2020 (WALDEN ANNOUNCEMENT)

The combined company will have a market-leading position across a spectrum of nursing programs

Nursing Program	Generic BSN	MSN - FNP	DNP	MSN	MSN Non-Clinical	RN to BSN
2019 Rank	#1	#1	#1	#1	#2	#2
#1 Provider	 CHAMBERLAIN UNIVERSITY 9,610	 CHAMBERLAIN UNIVERSITY WALDEN UNIVERSITY A higher degree. A higher program. 12,104	 CHAMBERLAIN UNIVERSITY 1,065	 CHAMBERLAIN UNIVERSITY WALDEN UNIVERSITY A higher degree. A higher program. 24,231	 WGU 9,600	 WGU 24,891
#2 Provider	 WEST COAST UNIVERSITY 5,610	 UNIVERSITY OF TEXAS ARLINGTON 2,795	 GRAND CANYON UNIVERSITY 1,004	 WGU 9,600	 CHAMBERLAIN UNIVERSITY 2,955	 CHAMBERLAIN UNIVERSITY 11,176

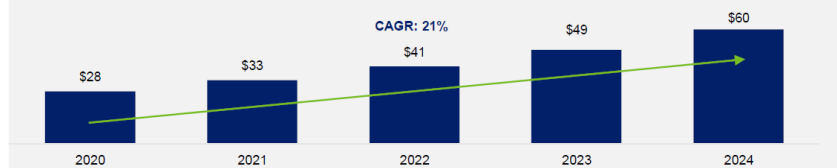
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Increasing exposure to growing online modality and nursing education

- The online learning market is expected to grow at a CAGR of 11% during 2019 - 2025¹
- Degrees granted by online providers have outpaced degrees granted from on-campus or hybrid models across degree levels over the last five years
- Healthcare workers, most notably nurses, are in high demand
- Primarily online nursing enrollment has grown faster than hybrid and on-campus delivery modes across the top 25 nursing institutions²

Nursing Education Market Estimated To Grow at 21%+ (\$ in billions)



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In Reality, We Estimate That Only Half of Walden's EBITDA Comes from Nursing

While management was unclear during the call (see management commentary), we believe the table below is directionally accurate and points to half of Walden coming from nursing programs and half of EBITDA coming from lower quality non-nursing programs

WALDEN FINANCIAL BREAKDOWN (2020)

Walden Total Sales		\$591.3
	Mix %	(\$) Amount
Health Sciences (Nursing)	37%	\$218.8
Health Sciences (Non-Nursing)	5%	29.6
Social and Behavioral Sciences	35%	207.0
Other (Education, Mgmt & Tech)	23%	136.0
Walden Total EBITDA		\$171.0
	Mix %	(\$) Amount
Health Sciences (Nursing)	50%	\$86.0
Health Sciences (Non-Nursing)	6%	10.3
Social and Behavioral Sciences	32%	54.2
Other (Education, Mgmt & Tech)	12%	20.5
Walden Total EBITDA Margin		28.9%
Health Sciences (Nursing)		39.3%
Health Sciences (Non-Nursing)		35.0%
Social and Behavioral Sciences		26.2%
Other (Education, Mgmt & Tech)		15.1%

MANAGEMENT COMMENTARY (Q2 2021 EARNINGS)

“Yes. So let me start with the 88% on the EBITDA and just walk through that a little bit. And again, there is, I guess, Slide 5 on the supplemental deck that's helpful that. **But the way we view it is this. The -- clearly, colleges of nurse science of -- excuse me, health sciences include nursing, which is about 30% of the overall Walden..**”

– Lisa W. Wardell (Chairman, President & CEO), Q2 2021 Earnings, February 2, 2021

WHAT'S IN SOCIAL & BEHAVIORAL SCIENCES?

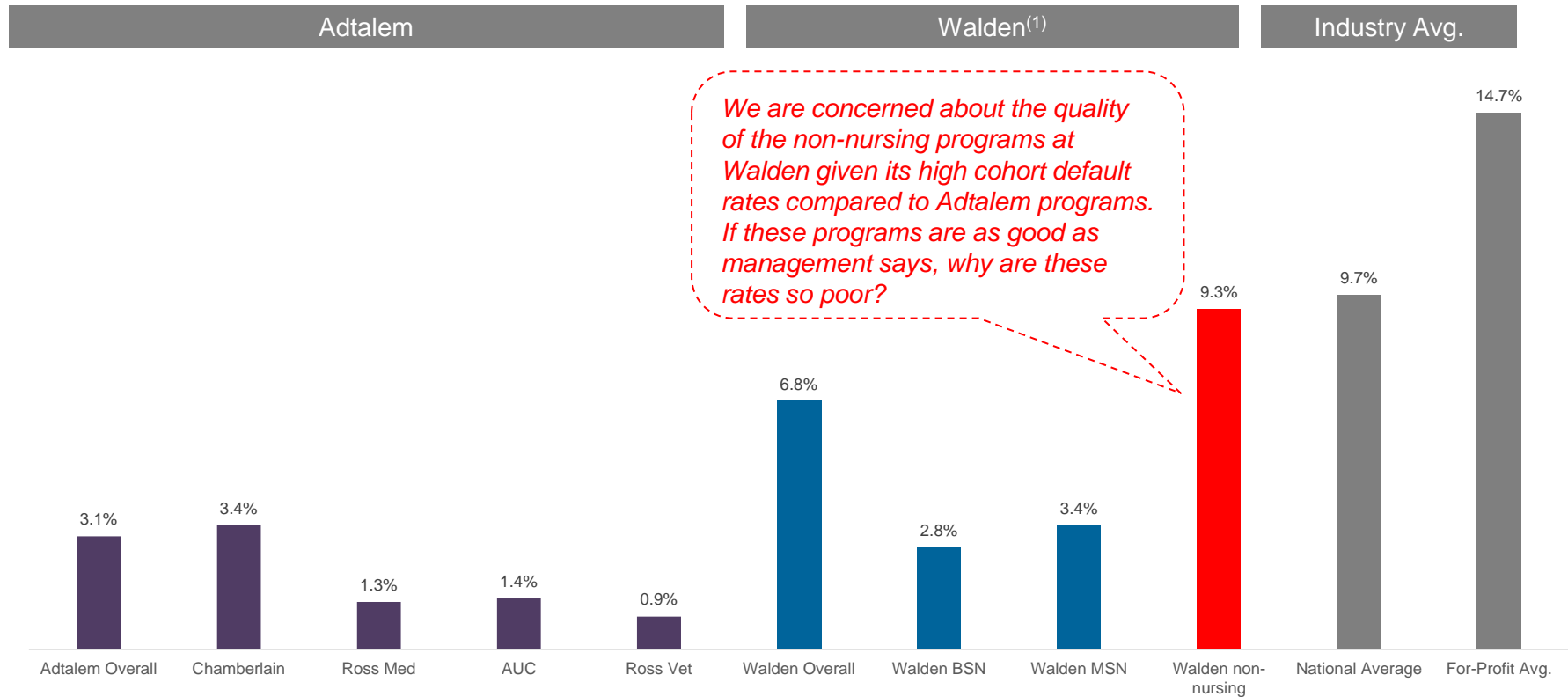
School of Counseling	School of Public Policy and Administration
School of Human Services	School of Criminal Justice
School of Psychology	Barbara Solomon School of Social Work

ARE THESE MARGINS SUSTAINABLE FOR AN ONLINE EDUCATION BUSINESS?

Source: Company presentation, filings, and publicly available information

Walden's Non-Nursing Programs Have Poor Student Outcomes

Walden has a materially higher percentage of students that default on their loans. Our analysis implies that Walden's non-nursing programs (~70% of Walden's EBITDA) have a cohort default rate of ~9.3% vs. 3.1% for Adtalem overall



Why is management and the Board “de-worsifying” Adtalem business?

Source: Company presentation, filings, and publicly available information

1. Implied cohort default rate of Walden non-nursing assumes that Walden's nursing program has a blended 3.3% default rate (~87% MSN & 13% BSN; 13% BSN mix based on management commentary suggesting that undergrad nursing revenue is 1/3rd of total undergrad revenue, also implies that total nursing revenue is 42% of total revenue)

Walden's Degrees

Under 40% of students graduate with nursing degrees

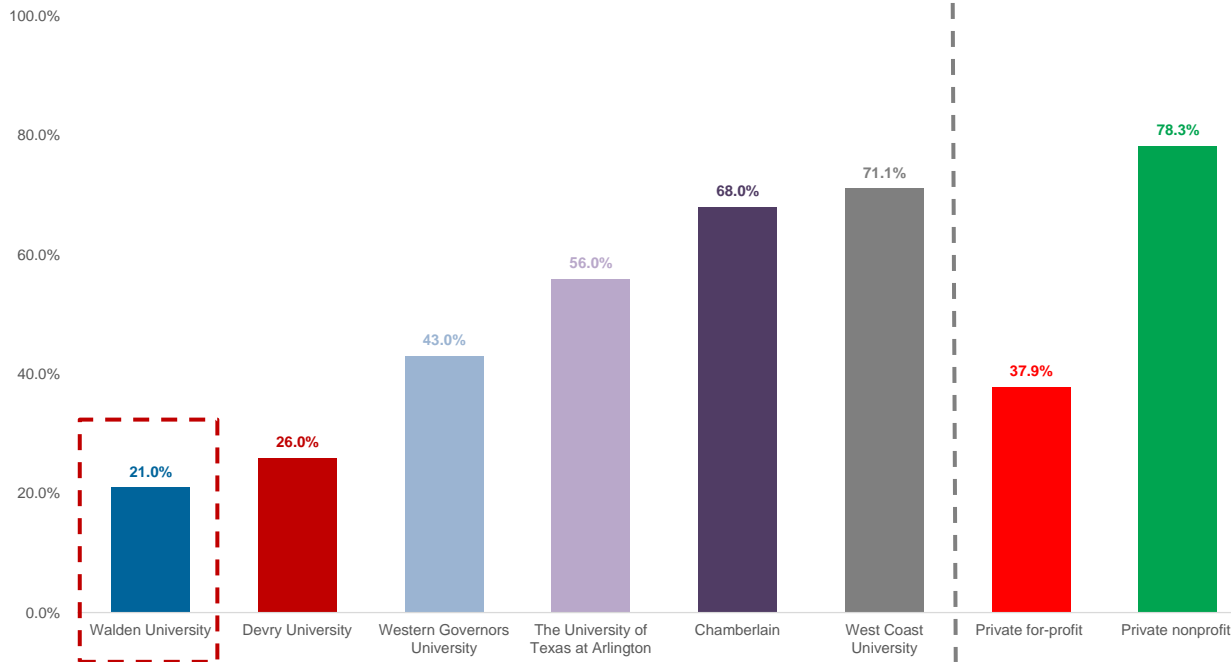
<u>Programs</u>	<u># degrees 2018-2019</u>	<u>Percentage</u>
Nursing	4,832	36.1%
Education	2,461	18.4%
Business, Management & Marketing	1709	12.8%
Health Professions (ex Nursing)	1,537	11.5%
Public Administration and Social Service Professions	1,192	8.9%
Psychology	1,169	8.7%
Computer and Information Sciences and Support Services	169	1.3%
Homeland Security, Law Enforcement & Firefighting	159	1.2%
Communication & Journalism	87	0.7%
Family and Consumer Sciences/Human Sciences	43	0.3%
Multi/Interdisciplinary Studies	11	0.1%
Social Sciences	1	0.0%
Total	13,370	100%

Undergraduate University Graduation Rates

Management commentary doesn't explain why Walden undergraduate graduation rates are so much lower than its peers?

Undergraduate graduation rates at select universities

Industry averages



MANAGEMENT COMMENTARY (Q2 2021 EARNINGS)

"And Jeff, I would just add one thing to the outcomes because I know there's been discussion around graduation rates and what those are certainly on the undergraduate level. And I want to be very clear that, first of all, a lot of those rates are full-time first-time students, which excludes the various students that Walden serves and, in fact, Chamberlain serves ...

... 3/4 of these students work full-time, Chamberlain and Walden would fall into that category. There are parents with children at home, almost 50% are first-generation student -- generation college graduates, and many come from diverse communities. So that is why we're focused, that's why the Biden administration is focused on access and equity in education and health care. So we are really excited about the ability to be able to serve the student population as well as drive them through a career path with a greater extent of graduate masters and doctoral degrees that we will get as a result of this transaction."

— **Lisa W. Wardell (Chairman, President & CEO), Q2 2021 Earnings, February 2, 2021**

Aren't the factors that management describe in its commentary the same at the peer institutions?

The Deal Looks Good on Paper Because of Cheap Leverage. A Recap with Cost Savings Would Have Been as Accretive with Significantly Less Operational and Regulatory Risk

When comparing the Walden transaction on an apples to apples basis vs. standalone Adtalem issuing debt to buy back stock, the Walden deal is less attractive and is much riskier

	1 Walden Acquisition (Adtalem + Walden)	2 Leveraged Buyback & Cost Savings (Adtalem Standalone)	Key Assumptions
PF Net Debt	\$1,300.0	\$780.6	<ul style="list-style-type: none"> All financials as of June 30, 2020 (pre-Walden announcement) Status quo FY 2022 based on analysts' expectations before Walden deal was announced Tax rate of ~25% 52.7M shares outstanding
PF EBITDA (2022E)	489.3	293.8	
PF Net Leverage (2022E EBITDA)	2.7x	2.7x	
Run-Rate Synergies	\$60.0	\$0.0	
Cost Savings	0.0	37.5	1 Walden Acquisition Assumptions: <ul style="list-style-type: none"> \$154M of Walden EBIT (2022E) per LAUR Proxy Filings \$19M of Walden D&A (2022E) per LAUR Proxy filings \$60M run-rate synergies per ATGE guidance \$80M of incremental interest expense No integration costs assumed
Pro Forma EPS (2022E)	\$5.24	\$5.31	2 Leveraged Buyback & Cost Savings Assumptions: <ul style="list-style-type: none"> Assumes Adtalem leverages standalone balance sheet to 2.7x net leverage (comparable PF leverage for Walden deal) to buyback stock Assumes ATGE buys back shares at \$45 per share Interest on debt raised is 5.5% Cost savings assumes ~25% of ~\$150M of corporate overhead is eliminated
Status Quo Standalone EPS (Pre-Acq.) (2022E)	\$3.33	\$3.33	
Accretion (Dilution)	57.3%	59.4%	

Given the quality of its assets, a standalone ATGE would likely trade at a higher multiple than MergeCo. This path is likely to result in significantly higher value for shareholders with less operational and regulatory risk

The DoJ Investigation

Based on our discussions with industry experts and former regulators, we believe the DoJ investigation is a very big deal. The issue seems to center around the fact that a number of Walden students are not able to graduate because Walden fails to adequately support them in fulfilling their clinical experience requirements. We believe these actions could represent false claims to the US government

BACKGROUND ON THE INVESTIGATION

- The DoJ disclosed an investigation into potential violations of the False Claims Act in Walden's Master of Science in Nursing program
- We believe this is a very big deal, especially given the other agencies involved in this investigation
- **Based on our research, a majority of for-profit institutions that have been publicly targeted by the DoJ are no longer in existence or have been severely weakened. As you know, DeVry University was sold for a deminimus amount after being targeted by the DoJ**
- The issue seems to center around the fact that a number of Walden students are not able to graduate because Walden fails to adequately support them in fulfilling their clinical experience requirements. Walden's Nurse Practitioner ("NP") program accreditor requires students to complete extensive "supervised direct patient care clinical hours"
- Not only are clinicals important, but they are very difficult for a student to arrange on his/her own. Therefore, it is standard practice that nearly all healthcare-practitioner degrees require that the school arrange clinicals on behalf of the students
- The CCNE has historically not required NP programs to provide clinicals, but **in January 2019, CCNE amended their guidelines to make the universities ultimately responsible for providing students clinicals**
- **Despite this, we believe and are concerned that Walden is still placing the onus of finding the clinical site & supervisor on the student**

IMPLICATIONS FOR STUDENTS & WALDEN

- As a result, **students can spend weeks cold calling potentially hundreds of practitioners to try to find a site and a supervisor, sometimes having to spend thousands of dollars on supervisors or matching services. In spite of that, students are still frequently unable to graduate on time or at all, due to inability to find clinicals**
- **For reference, in Walden's 2020-2021 academic year practicum manual, Walden clearly deflects responsibility for placing the student**
- Walden student outcomes significantly lag peers as a result.
- **We believe these practices could represent a false claim to the US government, since Walden is a recipient of federal student aid funds and could lead to significant penalties for Walden, if not worse**
- Walden has a poor industry reputation for enrolling too many students without a pathway to graduation, largely because of the clinicals issues mentioned above. We have confirmed this with industry executives, including at least one former Walden employee
- We understand that Walden's associate dean of nursing recently left or was let go, allegedly as a result of transgressions leading to the DoJ investigation
- **Clinicals have been a topic of outrage in the community for a number of years primarily, because 1) students are not being able to complete their degrees on time or at all when forced to find their own clinicals and 2) students are focused to pay supervisors for their own clinicals. This is why the CCNE changed its requirement effective January 1, 2019**

Launch of Financing Announced on February 3, 2021

Adtalem

\$1,400,000,000 Senior Secured Credit Facilities

\$400,000,000 Revolving Credit Facility

\$1,000,000,000 New Term Loan B

On behalf of Adtalem Global Education, Inc. ("Adtalem"), a Morgan Stanley Senior Funding, Inc.-led arranger group is pleased to invite you to participate in \$1,400,000,000 of Senior Secured Credit Facilities, consisting of a \$400,000,000 Revolving Credit Facility and a \$1,000,000,000 Term Loan B. Proceeds from the transaction will be used, alongside \$680,000,000 of other secured debt, to fund the acquisition of Walden University and pay down the existing Term Loan B.

Adtalem will host a Lenders' Call on Thursday, February 4, 2021 at 1:00 PM ET to review the business and the transaction. Details of the Lenders' Call are as follows:

Why launch the financing and incur interest expenses and fees while Adtalem has not yet completed its own investigation and the DoJ investigation is still ongoing?

A Better Path Forward – The 2022 Adtalem Plan

There is tremendous value in Adtalem that is waiting to be unlocked with the right strategy and leadership in place. The list of concrete actions below summarize the key tenets of what we refer to as the 2022 Adtalem Plan

- 1) Aggressively investigate the false claims allegations raised by the DoJ and explore all possible options for terminating the Walden transaction. This investigation should be conducted by a special committee of the Board under the guidance of a law firm that was not involved in the initial due diligence of Walden
- 2) Place people with significant operational and industry experience in charge of decision making
- 3) Separate the Chairman and CEO roles to assure proper oversight and add Board members with for-profit education experience
- 4) Eliminate Adtalem's holding company structure and conglomerate discount by divesting the financial services division, thereby reducing the need for multiple layers of management. In doing so, Adtalem would become a focused, pure-play healthcare education company
- 5) Further eliminate corporate overhead and redundancies by reassigning certain corporate functions (such as marketing and IT) to the divisions and aggressively reducing costs throughout the organization through personnel reduction and consolidation (e.g., Ross and AUC's business functions)

Some Questions for Management & The Board

- Online programs are increasingly competitive, especially for non-nursing programs given the low barriers to entry. What gives management any confidence that the current margins are sustainable?
- Why are the cohort default rates for non-nursing programs so high at 9.3% vs Adtalem at 3.1%?
- Why does the College Scorecard suggest only 21% of Walden undergraduates graduate? Why is it even worse than DeVry? Isn't this "de-worsifying" the Company?
- Why launch the financing for the Walden deal before the completion of the DoJ investigation? What are the fees and incremental interest expenses associated with doing a financing now, months before deal closing? Have you completed your own internal investigation?
- "Acquisition and integration costs incurred for the Walden transaction during the three and six months ended December 31, 2020 were \$11.1 million and \$24.5 million, respectively." Where is this money going?
- At acquisition ACAMS was projected to grow at 20%+ revenue CAGR ('16-'21) and triple revenues and reach \$100M by 2021 with a 30% EBITDA margin – Why has ACAMS underperformed these targets? Why has there been so much management turnover at ACAMS (3 presidents during the last three years)? Since ACAMS has not performed under this management team, why should shareholders have any confidence that the same management team can handle a much bigger acquisition?
- Why are you only recognizing 'synergies' now between Ross and AUC, given that you have owned the assets for many years?
- Why are overhead costs of \$150 million so high?

Appendix

Walden and Chamberlain have vastly different growth trajectories

which is a reflection of the different competitive dynamics of their respective markets. During the last 5 years, Walden has grown revenue at a CAGR of -0.9% versus Chamberlain at 7.1%.

WALDEN'S HISTORICAL FINANCIALS

	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	
New Enrollment Growth	NA	NA	NA	2.0%	0.0%	NA	
Total Enrollment Growth	NA	NA	2.0%	NA	0.0%	NA	

CHAMBERLAIN'S HISTORICAL FINANCIALS

	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%	

WALDEN'S PROJECTED FINANCIALS (LAUR PROXY FILING)

	2021	2022	2023	2024	CAGR
Revenue	\$625.0	\$659.0	\$709.0	\$774.0	7.4%
Growth	5.7%	5.4%	7.6%	9.2%	

SELECT COMMENTARY

Question: “First, just want to ask about Walden domestic. I know you're characterizing it as in line, but you had a pretty easy comp there. I think it was down in the year ago and you said it's timing factors at that the time and it got a little worse year-over-year despite that. So just anything else you can say on Walden domestic trends or outlook?” – Jeff Meuler (Senior Research Analyst, Robert Baird & Co.)

Answer: “...you will recall that it was in 2017 we had a lot of volatility and we turned that around in 2018. **And we continue to deliver according with our expectations on low single-digit enrollment growth....** But those growth drivers clearly has to put in the context of **Walden operating in a very mature and a very competitive market in the U.S. And our guidance remained very consistent that this business is large, it's mature and it's going to be growing in the very low single digits.**”

– Elif Serck-Hanssen (CEO), Q2 2019 Earnings, August 8, 2019

“...And at this time, we anticipate the year ending with **low single-digit growth in new enrollment. Frankly, that's a solid accomplishment for a mature business in a very complicated, highly competitive and challenging environment. I might even say it's a victory**”

– Paula Singer (Chief Learning & Innovation Officer), LAUR Investor Day, January 31, 2018

Synergies' assumptions are overly optimistic

Industry experts and former employees found the \$60M run-rate cost savings to be very aggressive and unrealistic given management's operational track record

	Strayer Education / Capella Education	American Public Education Inc. / Rasmussen University	Adtalem Globa Education / Walden University
Target Revenue	\$440.0	\$256.0	\$591.3
Less: Costs	(348.3)	(216.0)	(420.3)
Target EBITDA	\$91.7	\$40.0	\$171.0
Run-Rate Synergies	\$50.0	\$10.0	\$60.0
Less: Executive Comp & Public Company Costs (Assumed)	(15.0)	0.0	0.0
Adj. Run-Rate	\$35.0	\$10.0	\$60.0
As % of Target Costs	10.0%	4.6%	14.3%
As % of Target Sales	8.0%	3.9%	10.1%
Synergy Classification	-Consolidation of executive functions -Capturing efficiencies across marketing and IT	-Selling, General & Administrative -'Shared instructional costs & services	-Increased efficiencies in IT, cost of instruction, marketing spend and back office operations
Time expected to reach run-rate synergies	-18 months following close	-24 months following close	-24 months following close

- Cost synergies achieved in the Strayer Education / Capella Education transaction do not serve as a relevant comparable because of the take-private cost-cutting associated with operating as a public company.

The mid-point of these 2 synergy targets (Capella and Rasmussen transactions) is 7.3%, implying a run-rate synergy target of \$31 million for the Walden acquisition or roughly half of management synergy target of \$60 million