

# Lincoln Educational Services

Investor Introduction Presentation  
November 2018

NASDAQ: LINC



**LINCOLN TECH®**

PUT YOUR **POTENTIAL** TO WORK

# Forward Looking Statement

*Statements in this press release regarding Lincoln's business that are not historical facts may be "forward-looking statements" that involve risks and uncertainties. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made and/or management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to: our failure to comply with the extensive regulatory framework applicable to our industry or our failure to obtain timely regulatory approvals in connection with a change of control of our company or acquisitions; our success in updating and expanding the content of existing programs and developing new programs in a cost-effective manner or on a timely basis; risks associated with changes in applicable federal laws and regulations, including final rules that took effect during 2011 and other pending rulemaking by the U.S. Department of Education; uncertainties regarding our ability to comply with federal laws and regulations regarding the 90/10 rule and cohort default rates; risks associated with the opening of new campuses; risks associated with integration of acquired schools; industry competition; our ability to execute our growth strategies; conditions and trends in our industry; general economic conditions; and other factors discussed in our annual report on Form 10-K for the year ended December 31, 2017. For a discussion of such risks and uncertainties, which could cause actual results to differ from those contained in the forward-looking statements, see "Risk Factors" in Lincoln's annual report on Form 10-K for the year ended December 31, 2017. All forward-looking statements are qualified in their entirety by this cautionary statement, and Lincoln undertakes no obligation to revise or update this news release to reflect events or circumstances after the date hereof.*

# BRIDGING THE SKILLS GAP



PUT YOUR **POTENTIAL** TO WORK



# Lincoln is...

- Providing middle skills gap solutions to students as well as targeted American industries & professions
- Over 70 years of experience & diversification
- Achieving:
  - High graduation & job placement rates
  - Solid regulatory benchmarks
  - Increased student starts
- Four consecutive quarters of student start growth; Positioned for profitability in 2019





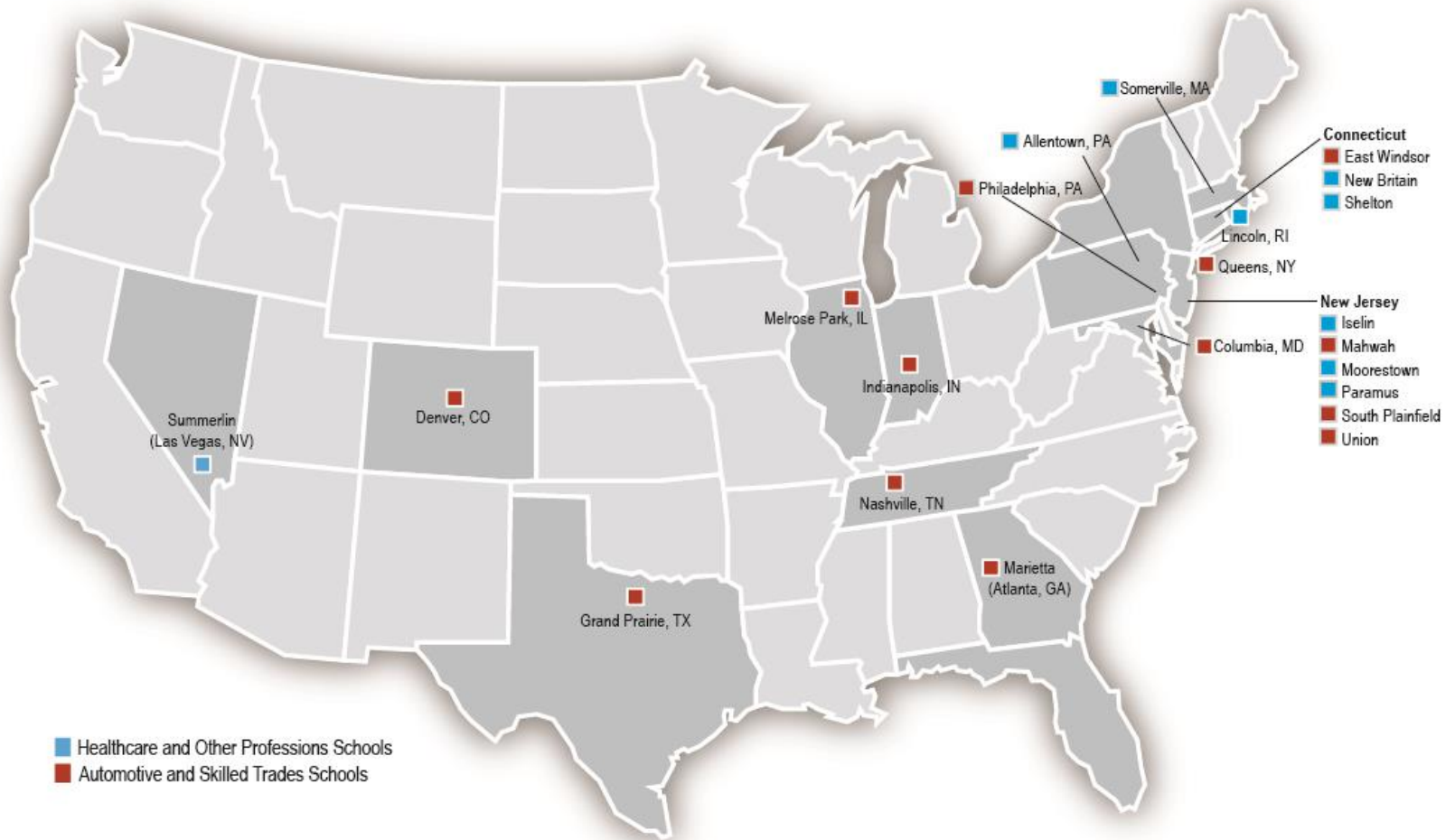
# Lincoln Today



- Founded in 1946; Headquartered in West Orange, NJ
- Operates 22 campuses in 14 states with 11,500 students\*
- Two segments focused on middle skills training
  - Transportation & Skilled Trades
    - Approximately 8,000 students at 13 campuses
    - High employer demand for training in Automotive, HVAC, CNC, Welding
    - Growing list of partners
  - Healthcare & Other Professions
    - Approximately 3,500 students at 9 campuses
    - High employer demand for LPN training
    - Strong demand by students

*\* Number of campuses & students as of 9-30-18; excludes campuses under the Transitional segment*

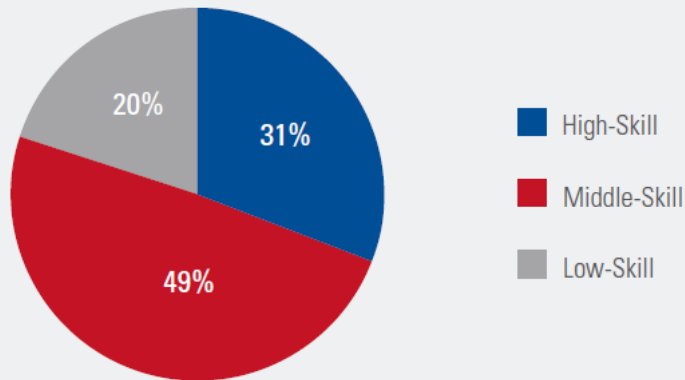
# Lincoln Tech Campuses Across the Country



# What is Middle Skills Training?

*Middle-skill jobs, which require education beyond high school but not a four-year degree, make up the largest part of America's labor market. Key industries in the United States are unable to find enough sufficiently trained workers to fill these jobs.* (source: National Skills Coalition)

Job Openings by Skill Level, United States, 2012-22

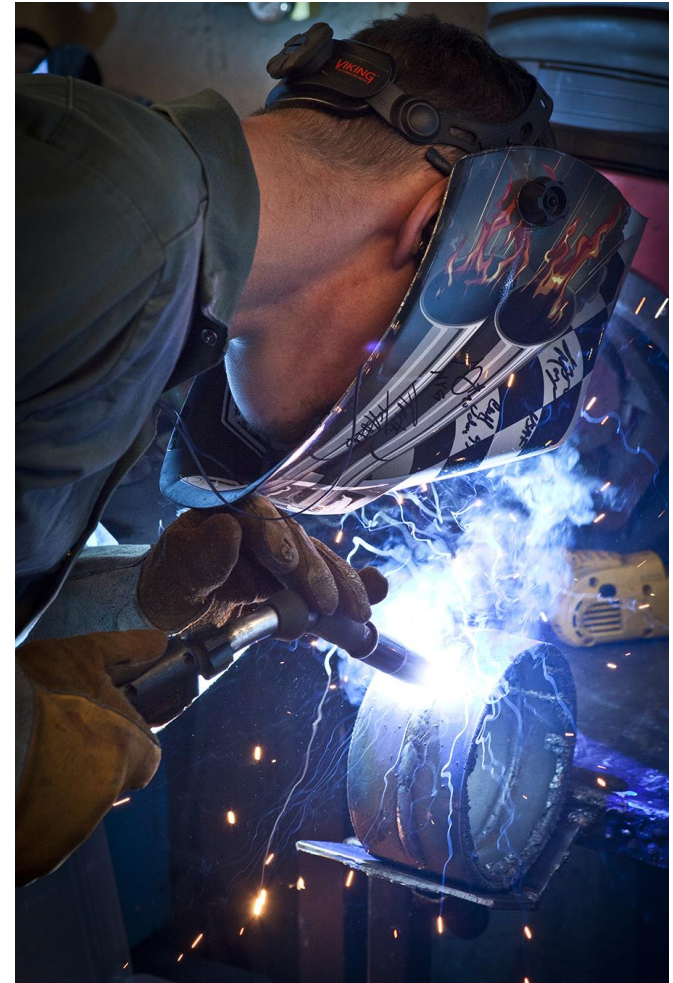


Source: NSC analysis of long-term occupational projections from state labor/employment agency.



# Reasons for Growing Demand

- Aging workforce & retirement of baby boomers leaves many middle skill jobs vacant
- Societal emphasis on 4-year college degrees
- Decline in career & technical education at the high school level
- Return of US manufacturing and construction
- Growing healthcare sector





## THE SECOND LARGEST PROVIDER OF AUTOMOTIVE & SKILLED TRADE GRADUATES IN THE NATION



REGION	CAMPUS LOCATIONS	2016 GRADUATES
National		5,426
Northeast	CT, MA, NJ, NY, PA, RI	2,371
South	GA, MD, TN, TX	1,757
Midwest	IL, IN	729
West	CO	569

Based on IPEDS (Integrated Postsecondary Education Data System) data collected for 2016 graduates.

# Careers with Strong Annual Demand

BLS data for annual new hires

## Transportation & Skilled Trades

Automotive Technology	76,000
Diesel Technology	42,000
Collision Repair	17,100
Electrical	82,000
Welding	46,000
HVAC	39,000
Electronic Systems Technology	12,000
CNC Manufacturing Technology	17,000

## Healthcare & Other Professions

LPN	63,000
Medical Assisting	95,000
Dental Assisting	46,000
Culinary	146,000
Baking and Pastry	29,000
Cosmetology	85,000
Aesthetics	8,000
IT	44,000

Lincoln's Market Share 1.5%

Lincoln's Market Share 0.5%

Lincoln has significant opportunity for organic growth

National figures cited above are based on projected annual job openings which refers to the average annual job openings due to growth and net replacement. This data was compiled from the U.S. Dept. of Labor, Bureau of Labor Statistics, for the years 2016-2026, [www.careeronestop.org](http://www.careeronestop.org), captured on March 27, 2018. State-specific employment projections can also be found at [careeronestop.org](http://careeronestop.org).

# Lincoln's Work Force Solution

- Develop training programs with feedback from employers & key industry associations to understand gaps and needs
- Integrate industry preferred licensing & certifications into the curriculum
- Expect students to meet employability standards for appearance, attendance & professional attitude while in school
- Build labs & shops that replicate the working environment using professional grade equipment and tools
- Incorporate cutting edge education technology with animations, videos & simulations to make learning active & engaging

# Growing Base of Industry Partners

- Lincoln positioned as long term solutions provider for entry level technicians & advanced workforce training
- Partners provide validation of the quality of our education
- Leverage co-branding opportunities with partners to help attract new students
- Partners provide better job opportunities





# Leadership

Name	Title	Years with Lincoln
Scott M. Shaw	President & CEO	17
Brian K. Meyers	Executive Vice President, CFO & Treasurer	15
Alexandra M. Luster	Executive Vice President, General Counsel & Secretary	23
Steve Buchenot	Senior Group President	26
Stephen Ace	SVP & Chief Human Resources Officer	10
Ami Bhandari	SVP of Education & Strategy	15
Tayfun Selen	SVP of Administration & Real Estate	7
Raj Shah	SVP of Financial Aid	16
Peter Tahinos	SVP of Marketing	5
Val Thomas	SVP & Chief Information Officer	8

# Operational Highlights

- Four consecutive quarters of start growth thru 9/30/18 for the first time in over five years
- Higher student population going into 2019, coupled with continued start growth, should return Lincoln to profitability in 2019
- Continuing strong demand by employers for our graduates
- New opportunities to expand industry partnerships
- Maintaining strong regulatory record
- Continuing improvement in graduation rate
- Diversification of programs & geography contributing to start growth

# Financial Statements

Our financial statements reflect the following operational results:

1. **Consolidated operations** – consists of total operations from on-going campuses (2 segments), transitional segment campuses & corporate expenses.
2. **Transitional segment operations** - consists of campuses that have been or are currently being taught out.
  - In 2018 we have one campus under the Transitional segment. In August 2018 we announced the closing of the Lincoln College of New England (“LCNE”) campus in Southington, CT by December 31, 2018. Accordingly, starting with the third quarter filings, LCNE’s historical operational results are reported under the Transitional segment.
    - LCNE’s operational recap:
      - In July 2018 the LCNE campus was placed on probation by NEASC (institutional accreditor)
      - Campus was budgeted to lose \$1.7M for 2018
      - Closing costs in 2018 range \$4.0M - \$4.5M (including ≈\$2M lease payments thru 1/20)
      - Majority of students transferred to another NEASC-accredited institution in the region (avoiding all student refunds)
    - In 2017 we had 5 campuses that closed by 12/31/17 reported under the Transitional segment.
3. **Pro-forma operations** - reflects operations from on-going campuses (2 segments) & corporate but excludes one-time adjustments & the transitional segment.

# Income Statement

(\$ in Thousands)

Nine Months Ended September 30, 2018					Three Months Ended September 30, 2018			
	As Reported Total	Closed Schools Transitional	One Time Adjustments*	Proforma Adj. Total	As Reported Total	Closed Schools Transitional	One Time Adjustments*	Proforma Adj. Total
Revenue	\$ 193,087	\$ 4,695	\$ -	\$ 188,392	\$ 70,078	\$ 821	\$ -	\$ 69,257
Operating Income	\$ (9,710)	\$ (2,895)	\$ 821	\$ (5,994)	\$ 76	\$ (1,865)	\$ 427	\$ 2,368
EBITDA	\$ (3,420)	\$ (2,885)	\$ 821	\$ 286	\$ 2,177	\$ (1,861)	\$ 427	\$ 4,466
Net Income	\$ (11,578)	\$ (2,895)	\$ 821	\$ (7,862)	\$ (600)	\$ (1,865)	\$ 427	\$ 1,693
Starts	10,344	140	-	10,204	4,653	30	-	4,623
Average Enrollment	10,404	269	-	10,135	10,897	127	-	10,770
Ending Population	11,732	173	-	11,559	11,732	173	-	11,559

\* Includes loss on sale of asset & severance.



# Income Statement

(\$ in Thousands)

2017					2016			
	As Reported Total	Closed Schools Transitional	One Time Adjustments*	Proforma Adj. Total	As Reported Total	Closed Schools Transitional	One Time Adjustments*	Proforma Adj. Total
Revenue	\$ 261,853	\$ 16,884	\$ -	\$ 244,969	\$ 285,559	\$ 40,413	\$ -	\$ 245,146
Operating Income	\$ (4,716)	\$ (6,926)	\$ (1,583)	\$ 627	\$ (28,914)	\$ (16,991)	\$ 16,697	\$ 4,774
EBITDA	\$ 3,986	\$ (6,830)	\$ (1,583)	\$ 9,233	\$ (17,854)	\$ (16,218)	\$ 16,697	\$ 15,062
Net Income	\$ (11,484)	\$ (6,926)	\$ 2,498	\$ (2,059)	\$ (28,304)	\$ (17,068)	\$ 13,095	\$ 1,859
Starts	11,799	363	-	11,436	13,226	1,791	-	11,435
Average Enrollment	10,772	787	-	9,985	11,864	1,853	-	10,011
Ending Population	10,159	397	-	9,762	11,235	1,396	-	9,839

\* Includes one time items such as: non cash gains, gains from sale of assets, impairments & interest normalized based on current loan

# Trends & Seasonality

## Start Trends (Excluding Transitional/Closed Schools)

Quarter Ending	Auto - Starts %	HOPS - Starts %	Total %
December 2017	7.2%	17.6%	11.5%
March 2018	0.6%	4.2%	1.7%
June 2018	7.5%	19.3%	11.0%
September 2018	10.2%	0.7%	7.5%
<b>12 Months</b>	<b>6.9%</b>	<b>8.8%</b>	<b>7.5%</b>



## Proforma EBITDA Seasonality (Excluding Transitional/Closed Schools) (\$ in 000's)

	Q1	Q2	Q3	Q4	TY
2017	\$ (3,053)	\$ (2,212)	\$ 3,308	\$ 11,191	\$ 9,234
2018	\$ (3,633)	\$ (547)	\$ 4,466	\$ -	\$ 286



# Guidance

## Revised Guidance:

1. Single digit increase in revenue by 3 - 6% (excluding Transitional)
2. Single digit increase in starts by 5 - 7% (excluding Transitional)
3. 2018 year end population > 2017 year end population (excluding Transitional)
4. Operating income range \$3M to \$1M (excluding Transitional)
5. Achieve net income in 2019

