

# BRIDGING THE SKILLS GAP



LINCOLN TECH<sup>®</sup>

Quarter Ended March 31, 2021

# Safe Harbor Statement

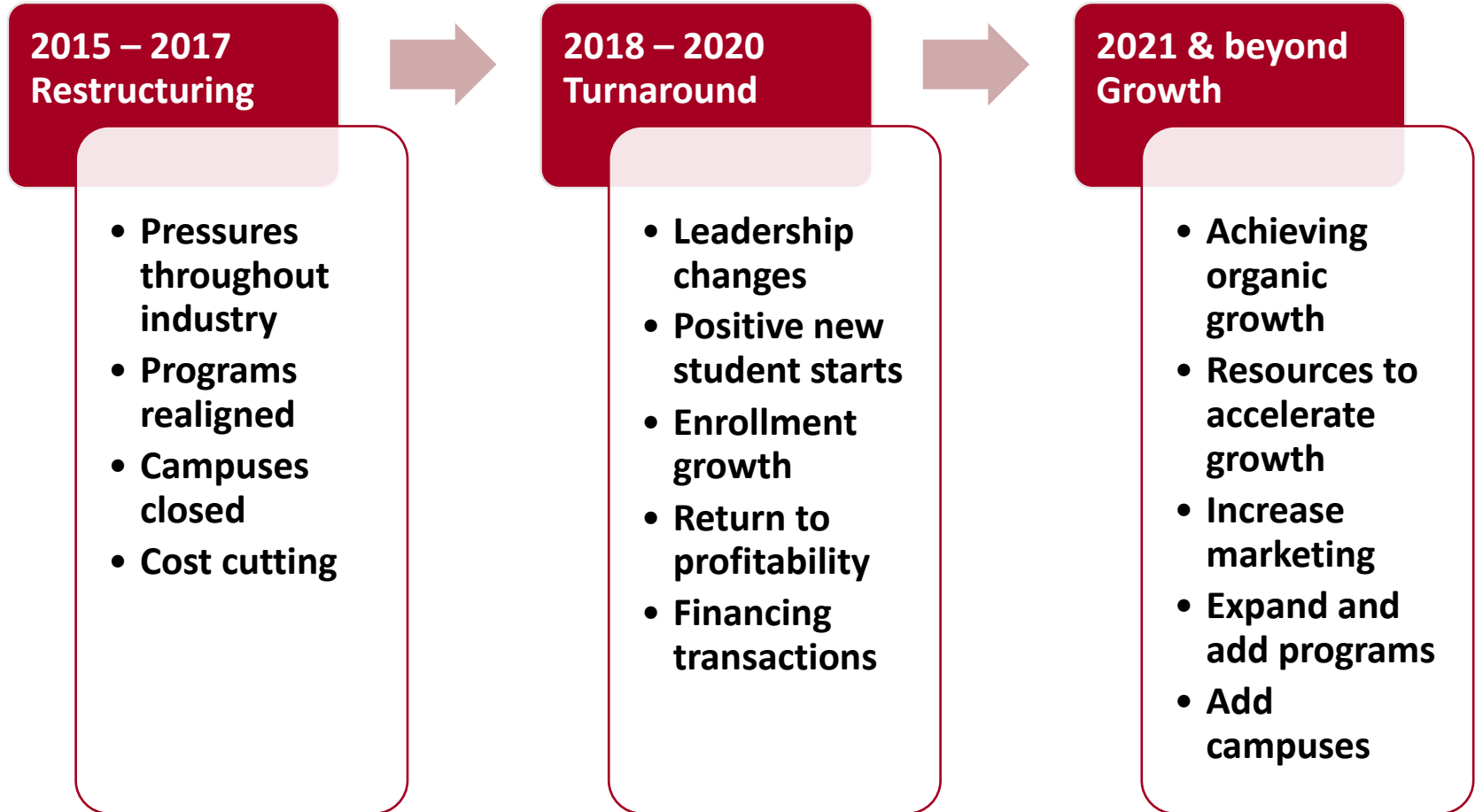
Statements in this presentation regarding Lincoln’s business that are not historical facts may be “forward-looking statements” that involve risks and uncertainties. Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily be accurate indications 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; the COVID-19 pandemic and its impact on our business and the U.S. and global economics; general economic conditions; and other factors discussed in our annual report on Form 10-K for the year ended December 31, 2020. 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, 2020. 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.

# Investment Opportunity

- The Skills Gap - Employers cannot find enough technically trained employees
- Lincoln is a leading, technical, hands-on educator and trainer serving high demand industries (transportation, skilled trades and healthcare) facing this Skills Gap
- Enrollment and revenue grew organically while facing a strong employment market. Both are now expected to accelerate due to higher unemployment
- Significant operating leverage with 40% of incremental revenue dropping to the bottom line
- Strong balance sheet with resources to expand programs and campuses to accelerate growth
- Lincoln should emerge from COVID-19 disruption in an excellent position for growth
  - Lincoln has historically benefited from economic slowdowns
  - Renewed attention on healthcare careers
  - Methods of operating under distance learning can be retained to deliver education under a more efficient blended strategy going forward



# 2021 : A New Chapter for Lincoln



# Transformational Impact of COVID-19

## Pivoted to Online/Blended

- All campuses were closed mid March & moved to remote services
- Campuses started to re-open in June with all open by August
- All campus support services offered at the campus and remotely
- Lincoln finished 2020 financially stronger than 2019

## Strong 2020 Results

- Revenue grew by 7.2% to \$293.0 million and starts increased 10.7%
- EBITDA grew by 66.1% to \$22.2 million
- Cash increased and debt declined to end the year net cash +
- Started 2021 with 1,034 more students

## 2021 Operations

- Expect to operate with the current social distancing rules
- New student starts should remain strong
- Improving online delivery to enhance student engagement
- Launching 4 new programs to increase growth

## 2022 and Beyond

- All programs will be blended 25% online / 75% on campus.
- Lincoln's existing operations will be simplified and streamlined
- Additional services will improve graduation and placement rates
- Operating efficiencies should lead to increased profitability

# Lincoln Graduates are Essential Workers

Approximately 90% of our students are pursuing careers that the U.S Department of Homeland Security considers Essential Critical Infrastructure Workers.



# Company Overview



# Nasdaq : LINC

- A national leader with 75 years of experience
- Focused on providing hands-on training serving national, large regional, and local employers in transportation, skilled trades, and healthcare
- Strong student outcomes and regulatory record
- The growing “middle skills gap” will drive growth for the next decade
- Increased student starts has returned Lincoln to profitability
- High operating leverage as enrollment grows
- Recent financing transactions provide flexibility to accelerate growth
- Opportunities to expand footprint and program offerings for additional growth

<b>Stock Price as of 03/31/2021</b>	<b>\$6.41</b>	<b>Revenues (2020)</b>	<b>\$293.1 million</b>
<b>52-week Price Range</b>	<b>\$2.20 - \$7.87</b>	<b>EBITDA (2020)</b>	<b>\$22.2 million</b>
<b>Common Shares Outstanding</b>	<b>26.9 million</b>	<b>Institutional Ownership</b>	<b>69.3%</b>
<b>Market Capitalization</b>	<b>\$172.4 million</b>	<b>Insider Ownership</b>	<b>9.4%</b>
<b>Average Volume (3 mo.)</b>	<b>177,723</b>		



# Lincoln Today



- **Headquartered in Parsippany, NJ**
- **Operates 22 campuses in 14 states with approximately 12,700 students**
- **Two segments focused on “middle skills training”**

## Transportation and Skilled Trades

13 Campuses

Approximately 8,200 students\*

High employer demand for training in Automotive, Diesel, HVAC, CNC, Welding, Electrical

Growing list of industry partners

## Healthcare and Other Professions

9 Campuses

Approximately 4,500 students\*

Growing demand for healthcare professionals

Strong demand by students especially for licensed practical nursing

\* as of 03/31/2021

# Campuses Across the Country

Opportunity for expansion in the South and West

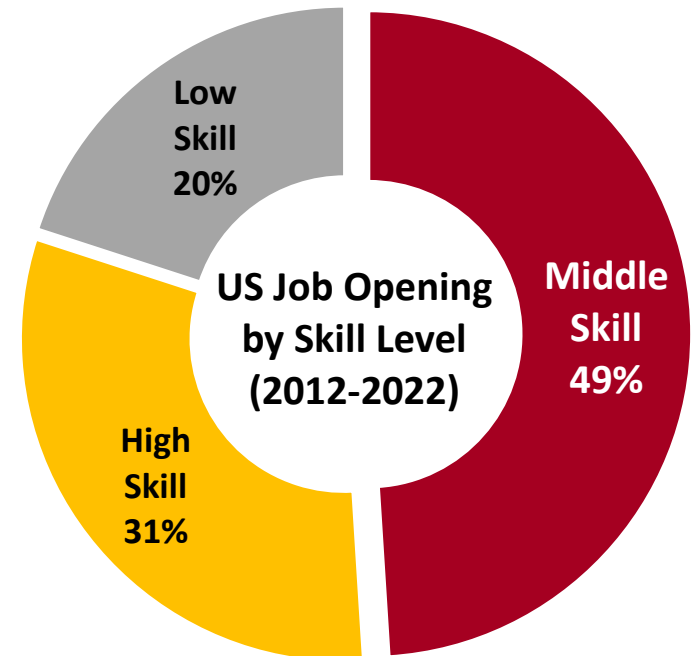


# Demand for “Middle Skills Training”

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.

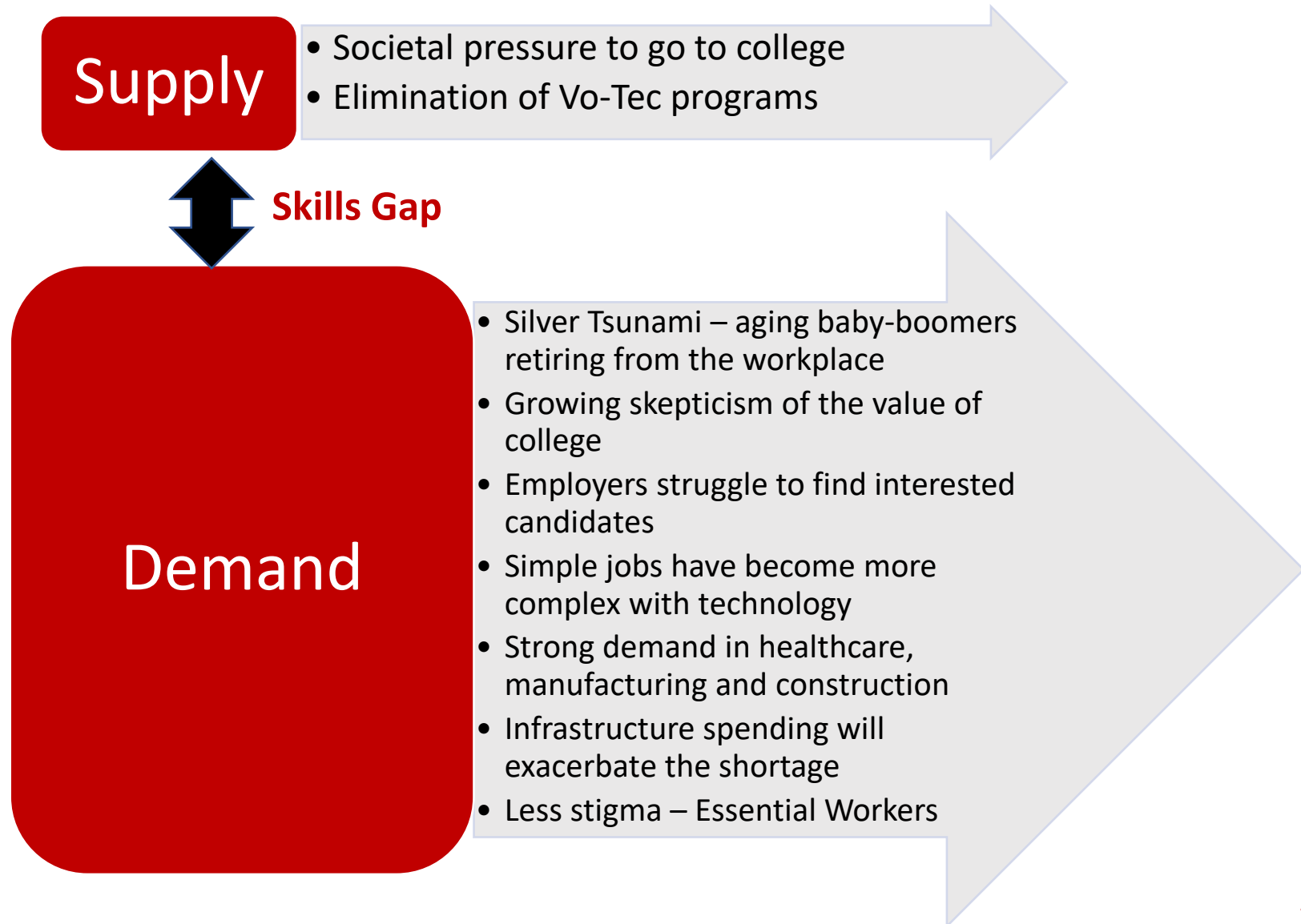
(Source: National Skills Coalition)

Lincoln connects employers with entry level trained professionals from the adult, high school and military sectors.



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

# Drivers of Organic Demand for Training



# Significant Opportunity for Organic Growth

**BLS data for annual new hires for Lincoln’s top programs**

Transportation and Skilled Trades		Healthcare and Other Professions	
Automotive Technology	74,000	LPN	66,300
Diesel Technology	28,400	Medical Assisting	99,700
Collision Repair	16,000	Dental Assisting	44,800
Electrical	94,600	Culinary	158,500
Welding	48,800	Baking & Pastry	28,100
HVAC	42,800	Cosmetology	94,600
Electronic Systems Technology	12,700	Aesthetics	9,400
CNC Manufacturing Technology	13,600	Information Technology	65,000
<b><i>Lincoln’s Market Share ~1.5%</i></b>		<b><i>Lincoln’s Market Share ~0.5%</i></b>	

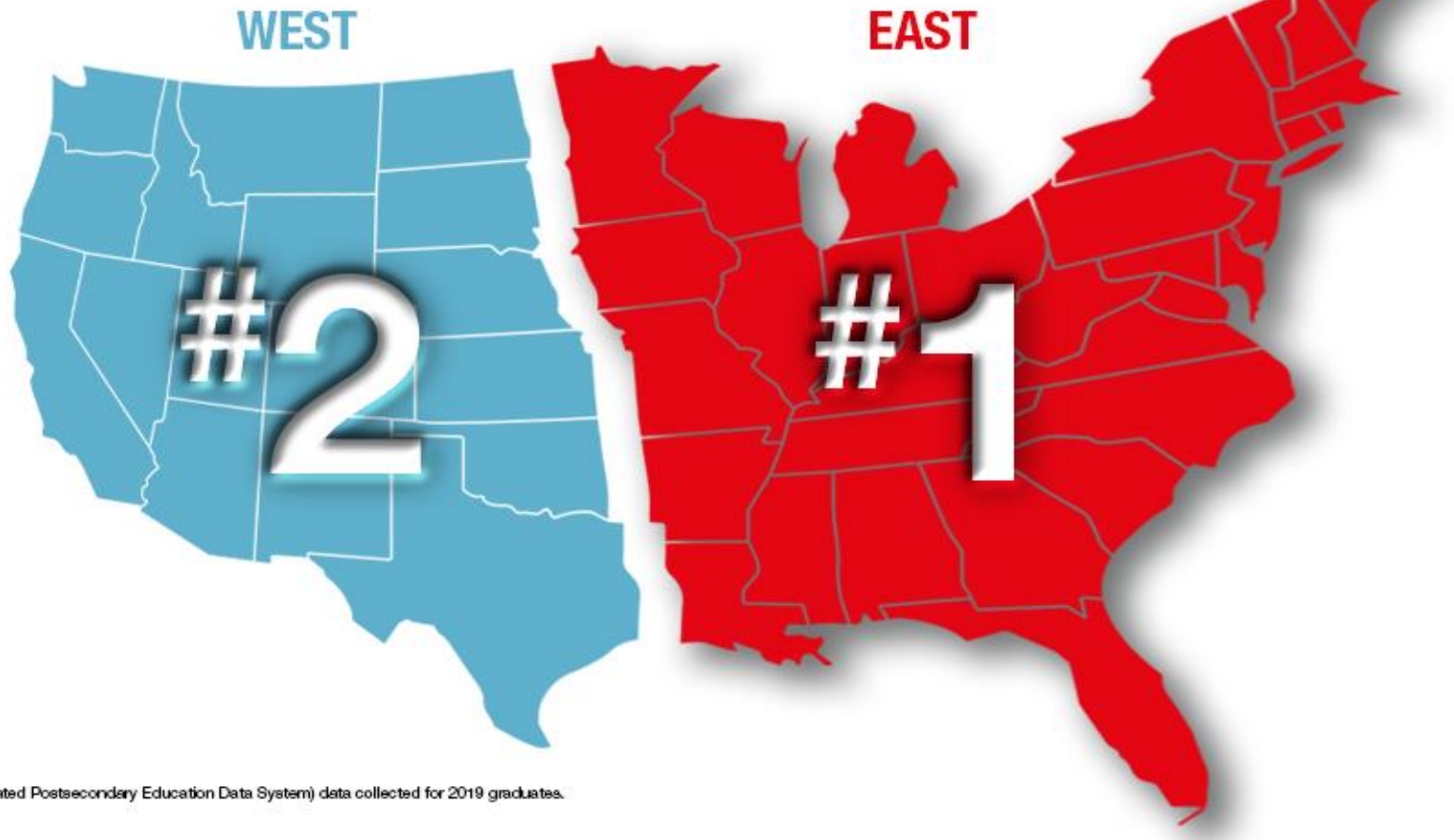
National figures cited above are based on projected annual job openings which refers to the average annual job openings due to growth and net replacement. This data was compiled from the U.S. Dept. of Labor, Bureau of Labor Statistics, for the years 2018 through 2028, [www.careeronestop.org](http://www.careeronestop.org), captured on November 2, 2020. State-specific employment projections can also be found at [careeronestop.org](http://careeronestop.org).

# Lincoln's Workforce Solution Differentiator— Not your local Community College

- Superior graduation rates and placement rates
- Develop training programs with feedback from employers and key industry associations to understand gaps and needs
- Integrate industry preferred licensing and certifications into the curriculum
- Expect students to meet employability standards for appearance, attendance and professional attitude while in school
- Build labs and shops that replicate the working environment using professional grade equipment and tools
- Incorporate cutting edge education technology with animations, videos and simulations to make learning active and engaging
- Offer an accelerated program with multiple entry points to allow students to graduate quickly and enter the workforce earlier
- Provide robust student support services to ensure strong outcomes



**Largest Provider of Automotive and Skilled Trade Graduates in the East**



Based on IPEDS (Integrated Postsecondary Education Data System) data collected for 2019 graduates.

# Growing Base of Industry Partners

- Positions Lincoln as long-term solutions provider for both entry level technicians and advanced workforce training
- Employers appreciate the technical and soft skills of our students
- Partners provide validation of the quality of our education
- Co-branding opportunities with elite partners helps attract new students
- Partners provide better job opportunities for our graduates





# Experienced Management Team (Years at Lincoln)



**Scott Shaw**  
President and CEO  
(20)



**Brian Meyers**  
EVP, CFO & Treasurer  
(18)



**Stephen Buchenot**  
EVP of Campus  
Operations (28)



**Chad Nyce**  
EVP, Chief Innovation  
Officer (1)



**Alexandra Luster**  
EVP, General counsel &  
Secretary (26)



**Stephen Ace**  
SVP of Human Resources  
(13)



**Ami Bhandari**  
SVP of Education and  
Corporate Strategy (18)



**Susan English**  
SVP of Career Services &  
Industry Partners (36)



**Francis Giglio**  
SVP of Compliance and  
Regulatory (17)



**James Rasmussen**  
SVP Admissions  
(14)



**Tayfun Selen**  
SVP Administration and  
Real Estate (10)

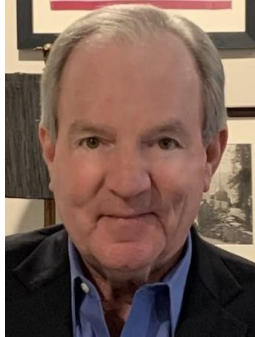


**Peter Tahinos**  
SVP of Marketing  
(6)



**Val Thomas**  
SVP & Chief Information  
Officer (11)

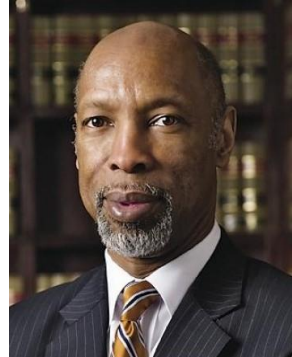
# BOARD OF DIRECTORS



**J. Barry Morrow**  
Non-Executive Chairman,  
Lincoln Educational  
Services; Founder &  
Chief Executive Officer,  
BK Capital Group



**John A. Bartholdson**  
Co-Founder & Partner,  
Juniper Investment Co.  
LLC



**Dr. Michael A. Plater**  
Former University  
President, Strayer  
University



**James J. Burke, Jr.**  
Founder & Managing  
Partner, JJB Capital  
Partners LLC



**Kevin M. Carney**  
Former Executive Vice  
President & Chief  
Financial Officer,  
Web.com Group Inc.



**Celia H. Currin**  
Former Marketing  
Executive, Dow Jones &  
Wall Street Journal



**Ronald E. Harbour**  
Senior Advisor, Global  
Automotive Manufacturing  
Practice, Oliver Wyman Co.



**Carlton Rose**  
President, Global Fleet  
Maintenance &  
Engineering, UPS; 1981  
Lincoln Tech Graduate



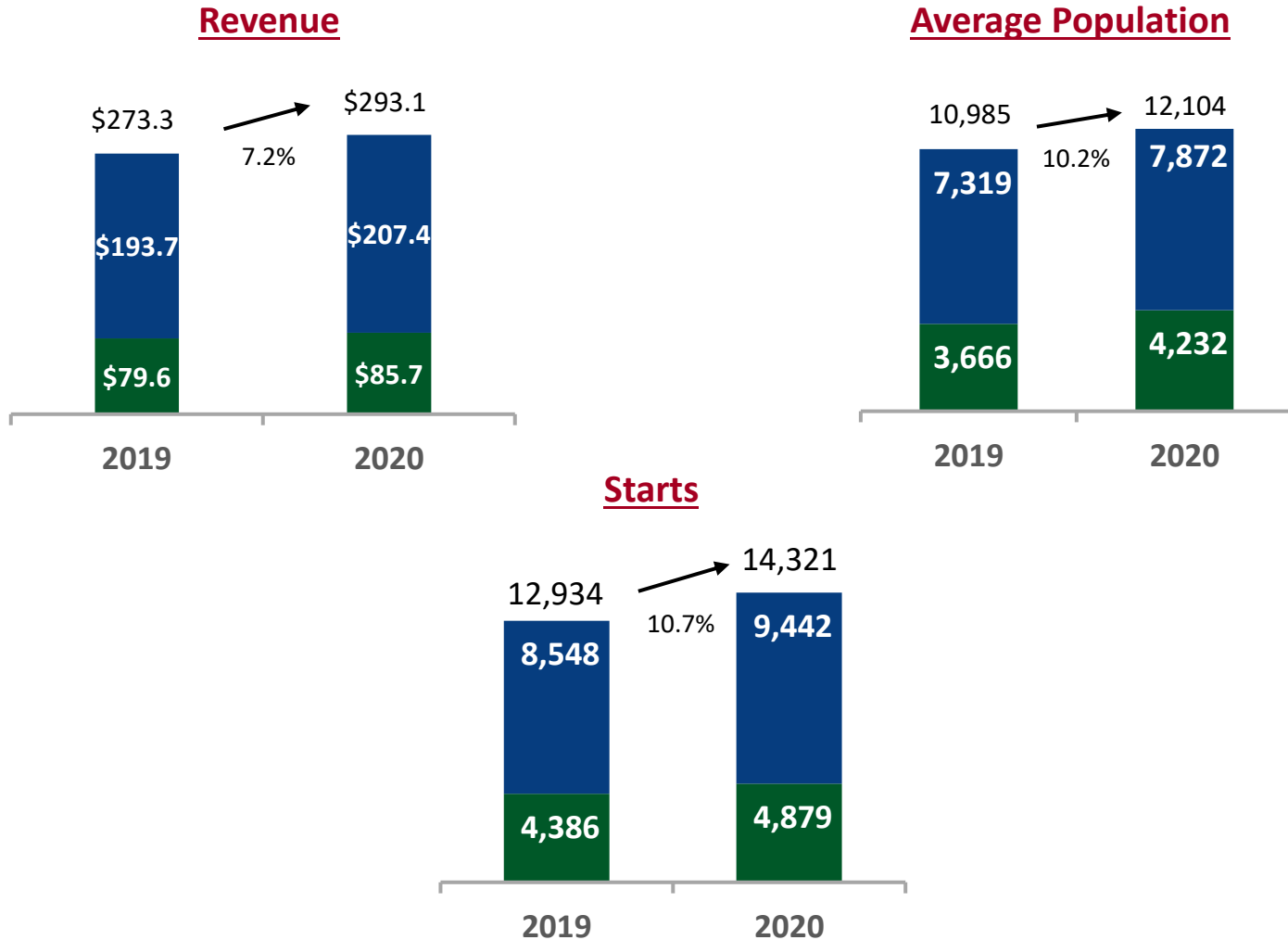
**Scott M. Shaw**  
President & Chief  
Executive Officer, Lincoln  
Educational Services

# Financial Review



# Revenue, Starts, & Average Population (\$ in millions)

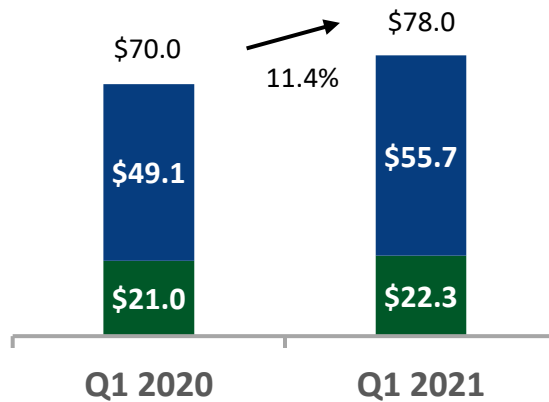
- Transportation
- HOPS



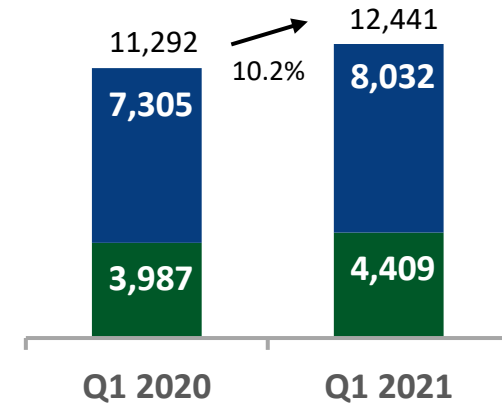
# Revenue, Starts, & Average Population (\$ in millions)

- Transportation
- HOPS

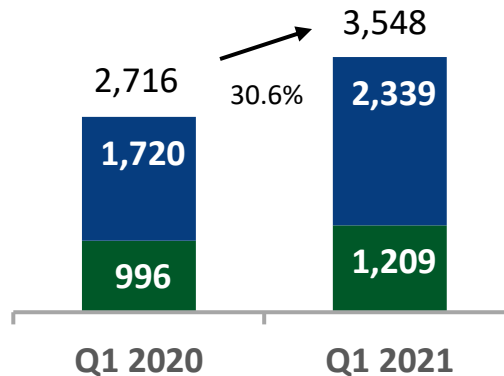
## Revenue



## Average Population

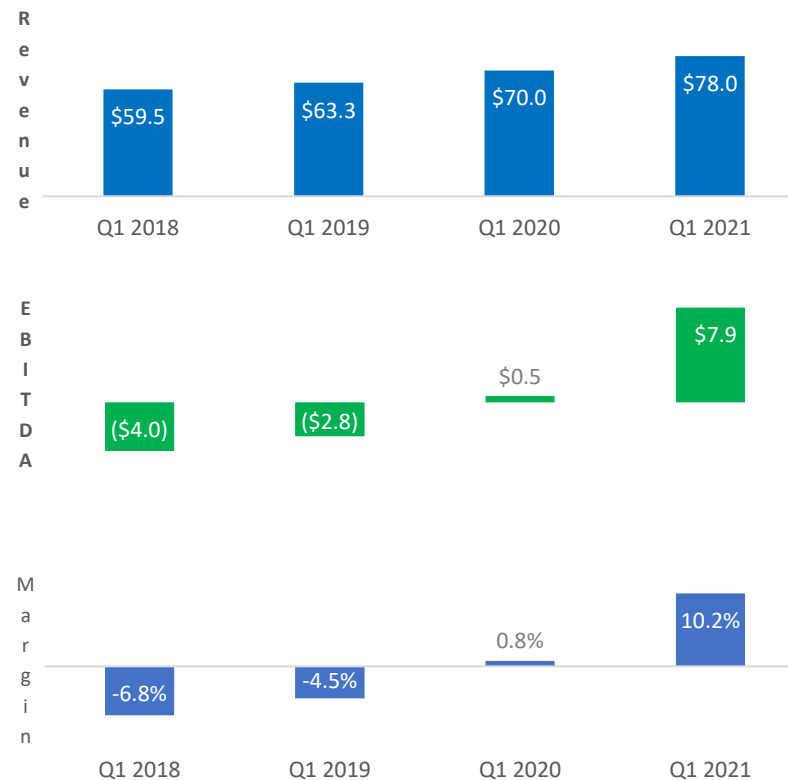


## Starts



# Total Operations (\$ in millions)

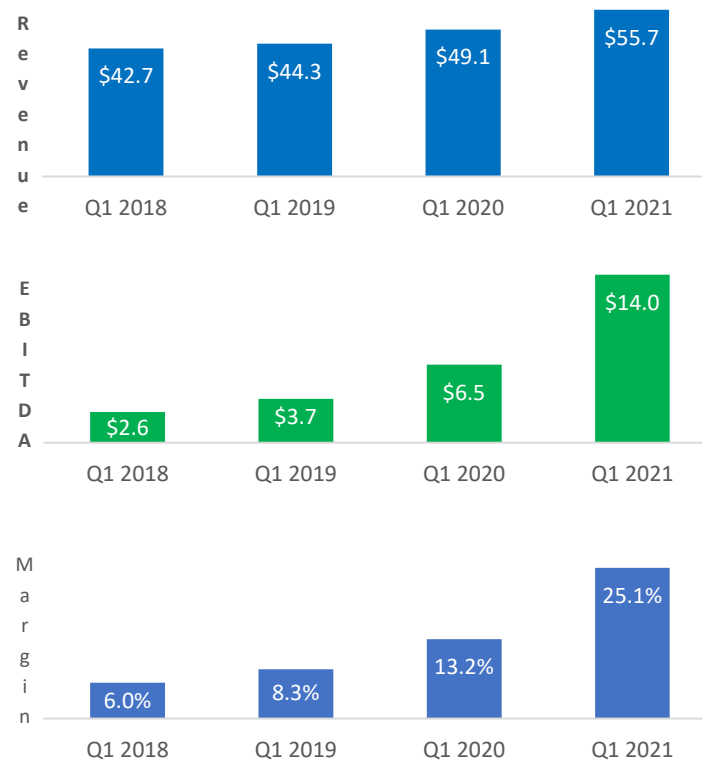
- Approximately 12,700 students enrolled at 22 campuses as of 03/31/2021
- Key metrics such as revenue, average population continue to grow



\* 2018 excludes transitional segment (closed schools) and are presented as pro forma operations. Refer to appendix.

# Transportation and Skilled Trades (\$ in millions)

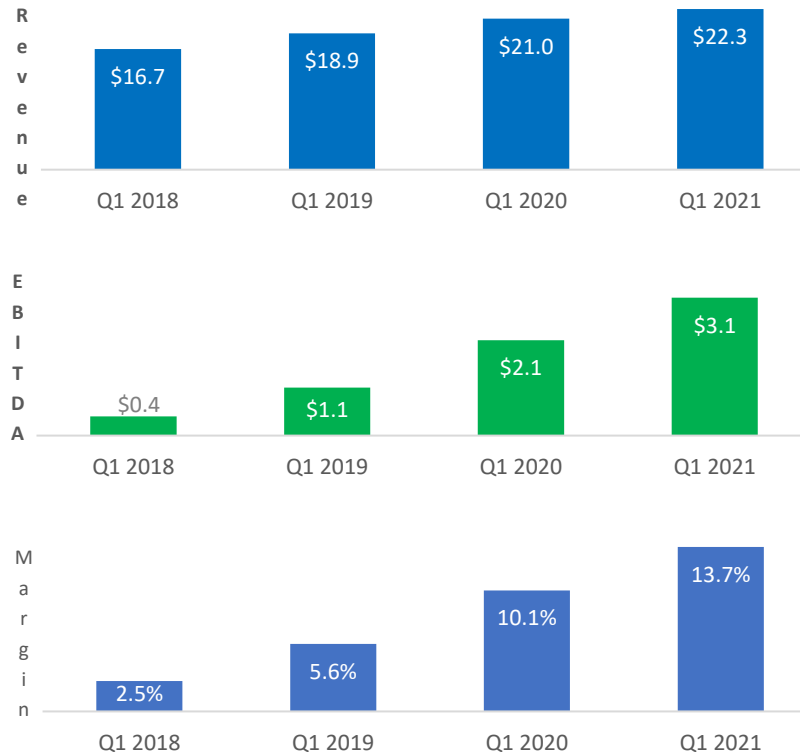
- Approximately 8,212 students enrolled at 13 campuses as of 03/31/2021
- High demand for training in Automotive, Diesel, HVAC, CNC, Welding, Electrical
- Growing list of industry partners



\* 2018 excludes transitional segment (closed schools) and are presented as pro forma operations. Refer to appendix.

# Healthcare and Other Professions (\$ in millions)

- Approximately 4,532 students at 9 campuses as of 03/31/2021
- Growing demand for healthcare professionals
- Strong demand by students especially for Licensed Practical Nursing

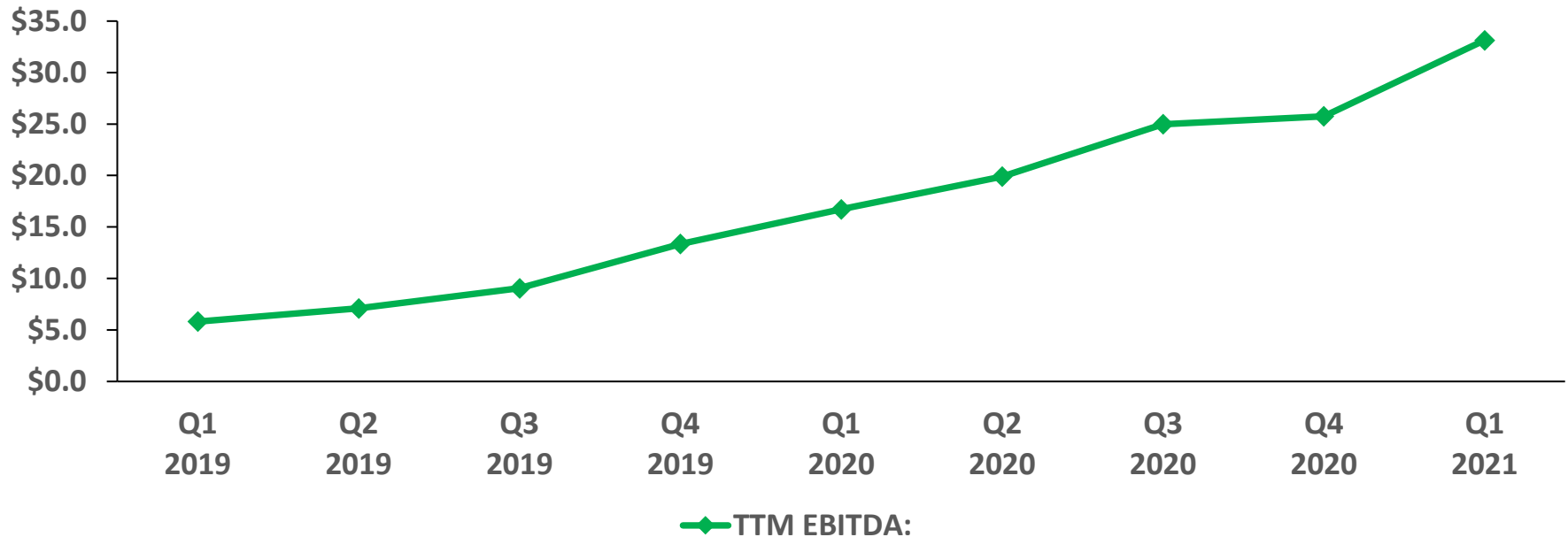


\* 2018 excludes transitional segment (closed schools) and are presented as pro forma operations. Refer to appendix.



# Increasing Profitability (\$ in millions)

Total Company EBITDA on a Trailing 12-month basis



- Lincoln's EBITDA has increased in each quarter of 2020 as compared to 2019
- 03/31/2021 EBITDA was +\$7.9M vs. +\$.5M on 03/31/2020

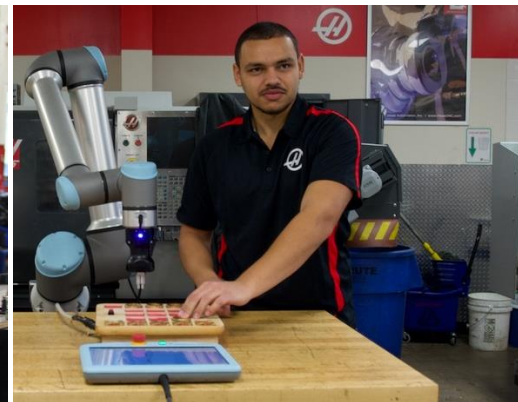
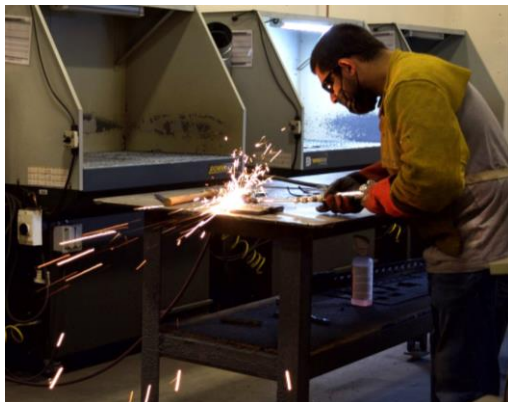
# EBITDA & Net Income Summary (\$ in millions)

	Q1		Year		Growth	
	2020	2021	2019	2020	Q1	Year
<b>Revenue:</b>						
Transportation	\$49.1	\$55.7	\$193.7	\$207.4		
HOPS	\$21.0	\$22.3	\$79.6	\$85.7		
<b>Total Revenue</b>	<b>\$70.0</b>	<b>\$78.0</b>	<b>\$273.3</b>	<b>\$293.1</b>	<b>11.4%</b>	<b>7.2%</b>
<b>EBITDA</b>						
Transportation	\$6.5	\$14.0	\$29.2	\$40.9		
HOPS	\$2.1	\$3.1	\$8.0	\$11.5		
Corporate	-\$8.1	-\$9.1	-\$23.9	-\$30.3		
<b>Total EBITDA</b>	<b>\$0.5</b>	<b>\$7.9</b>	<b>\$13.4</b>	<b>\$22.2</b>	<b>1355.1%</b>	<b>66.1%</b>
<b>Net Income</b>						
Transportation	\$4.8	\$12.3	\$22.0	\$34.5		
HOPS	\$2.0	\$2.9	\$7.6	\$11.1		
Corporate	-\$8.6	-\$10.8	-\$27.6	\$3.0		
<b>Total Net Income</b>	<b>-\$1.7</b>	<b>\$4.5</b>	<b>\$2.0</b>	<b>\$48.6</b>	<b>256.6%</b>	<b>2310.5%</b>

# Income Taxes

- 2020 Release of Valuation Allowance \$35.9M
- 2021 Effective Tax Rate 27%
  - NOL's to offset future taxable income
    - Federal - \$43.1M
    - State - \$77.2M<sup>1</sup>

<sup>1</sup> some states have NOL utilization limitation, therefore, 2021 taxable income would not be completely offset by the carryforward NOL



# Pro Forma Operations Seasonality\*

Pro Forma EBITDA Seasonality (\$ in 000's)					
	Q1	Q2	Q3	Q4	TY
2018	\$ (4,033)	\$ (540)	\$ 4,039	\$ 10,977	\$ 10,442
2019	\$ (2,814)	\$ (153)	\$ 4,125	\$ 12,197	\$ 13,355
2020	\$ 544	\$ 3,034	\$ 5,623	\$ 12,980	\$ 22,181
2021	\$ 7,920				

Pro Forma Starts Seasonality					
	Q1	Q2	Q3	Q4	TY
2018	\$ 2,707	\$ 2,874	\$ 4,623	\$ 2,113	\$ 12,317
2019	\$ 2,859	\$ 2,977	\$ 4,779	\$ 2,319	\$ 12,934
2020	\$ 2,716	\$ 3,429	\$ 5,510	\$ 2,666	\$ 14,321
2021	\$ 3,548				

\* 2018 excludes transitional segment (closed schools) and is presented as pro forma operations. Refer to appendix.

# Liquidity

- **\$45 million credit facility**
  - \$20 million funded term loan – Outstanding as of 03/31/2021 approx. \$17.3 million
  - \$10 million delayed draw term loan – Zero as of 03/31/2021, \$10 million available
  - \$15 million revolving line of credit (\$10 sublimit for standby letters of credit) - \$11 million available as of 03/31/2021
- Improved balance sheet due to financing activities

As of 03/31/2021	
Cash, restricted cash and cash equivalents	\$26.7M
Credit agreement availability	\$21.0M
Total Liquidity	\$47.7M
Outstanding Debt	\$17.3M



# Real Estate Assets

## ▪ Owned Facilities

- \$60M Appraised Value (as of April 2019)
  - Denver, CO
  - Grand Prairie, TX
  - Nashville, TN
- ~\$30M Net Book Value
- Suffield, CT \*

\* A vacant former school property that is up for sale.

## ▪ Leased Properties

- 19 School Facilities
- 1 Corporate Headquarters

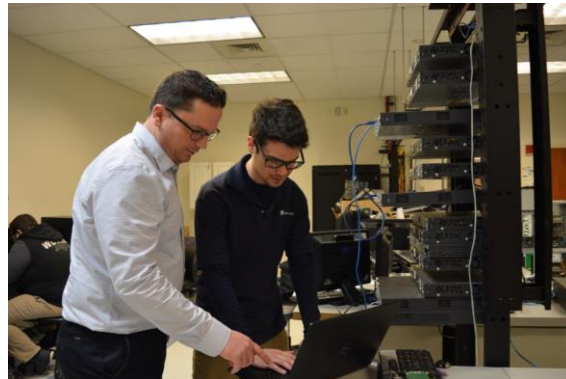
## Goals:

- ✓ Continue to right-size facilities
  - Space reduction
  - Sublease
- ✓ Increase utilization with new programs

# 2021 Financial Guidance

	2021
Revenue	+ 7% – 12% over 2020
Starts	+ 5% – 10% over 2020
Adjusted EBITDA*	\$32M - \$37M
Pre-Tax Income	\$22M - \$27M
Capital Expenditures	~\$7.5M

\*Adjusted EBITDA is calculated as EBITDA adding back non-cash stock compensation expense.



# Investment Merits

- A national leader in hands-on transportation, skilled trades, and healthcare training
- Organic revenue growth with increasing profitability
- The skills gap will drive growth for the next decade
- In a down economy, Lincoln's growth and profitability can increase substantially
- Opportunities to expand footprint and program offerings for additional growth
- Capacity at campuses provides high operating leverage on incremental growth
- Federal/State net operating losses carryforwards reducing future tax payments
- Strong student outcomes and regulatory record



# Appendix



# Use of Non-GAAP Financial Information

This presentation contains non-GAAP (Generally Accepted Accounting Principles) financial measures, which are intended to supplement, but not substitute for, the most directly comparable GAAP measures. Management chooses to disclose to investors these non-GAAP financial measures because they provide an additional analytical tool to clarify the results from operations and help to identify underlying trends. Additionally, such measures help compare the company's performance on a consistent basis across time periods. Management defines As Reported as actual operating results derived from previously filed annual and quarterly financial information submitted to the Securities and Exchange Commission. Management defines EBITDA as loss before interest expense, interest income, income taxes, depreciation and amortization. Management defines Pro forma as actual operating results derived from previously filed annual and quarterly financial information submitted to the Securities and Exchange Commission excluding unusual and non-recurring transactions such as closed school operations, gain on sale of assets and interest normalization. Management defines interest normalization as adjusting interest expense on debt from prior years using the Company's current credit agreement terms. To obtain a complete understanding of the company's performance, these measures should be examined in connection with revenue, operating loss and net loss, determined in accordance with GAAP, as presented in the financial statements and notes thereto included in the annual and quarterly filings with the Securities and Exchange Commission. Since the items excluded from these measures are significant components in understanding and assessing financial performance under GAAP, these measures should not be considered to be an alternative to revenue, operating loss and net loss as a measure of the company's operating performance. Exclusion of items in the non-GAAP presentation should not be construed as an inference that these items are unusual, infrequent or non-recurring. Other companies, including other companies in the education industry, may calculate non-GAAP financial measures differently than the Company does, limiting their usefulness as a comparative measure across companies. A reconciliation of the historical non-GAAP financial measures to the most directly comparable GAAP measures is included in the following slides.

# Financial Statements

Our financial statements reflect the following operational results:

- 1. Consolidated operations** – consists of total operations from the 2 on-going campus segments (Transportation and Skilled Trades & Healthcare and Other Professions), transitional segment campuses & corporate expenses
- 2. Transitional segment operations** – consists of campuses that have been closed
  - As of January 1, 2019 there are no operations in the Transitional segment
  - In 2018 we had one campus under the Transitional segment
- 3. Pro-forma operations** – reflects operations from the 2 on-going segments & corporate but excludes the Transitional segment

# Quarterly EBITDA Reconciliation (\$ in thousands)

	For the Three Months Ended				For the Year Ended 2020	For the Three Months Ended				For the Year Ended 2021
	March 31, 2020	June 30, 2020	Sept 30, 2020	Dec 31, 2020		March 31, 2021	June 30, 2021	Sept 30, 2021	Dec 31, 2021	
Net Income (loss)										
Total Company	\$ (1,750)	\$ 783	\$ 3,512	\$ 46,020	\$ 48,565	\$ 4,489				
Add-back:										
Interest expense, net	354	327	278	315	1,274	285				
Provision for income taxes	50	50	50	(35,209)	(35,059)	1,245				
<b>Operating Income (loss)</b>	<b>\$ (1,346)</b>	<b>\$ 1,160</b>	<b>\$ 3,840</b>	<b>\$ 11,126</b>	<b>\$ 14,780</b>	<b>\$ 6,019</b>				
Depreciation and amortization:										
Total Company	1,890	1,874	1,783	1,854	7,401	1,901				
<b>EBITDA</b>	<b>\$ 544</b>	<b>\$ 3,034</b>	<b>\$ 5,623</b>	<b>\$ 12,980</b>	<b>\$ 22,181</b>	<b>\$ 7,920</b>				
Stock Compensation	292	325	670	400	1,686	493				
<b>Adjusted EBITDA</b>	<b>\$ 836</b>	<b>\$ 3,359</b>	<b>\$ 6,293</b>	<b>\$ 13,380</b>	<b>\$ 23,868</b>	<b>\$ 8,413</b>				

# Quarterly EBITDA Reconciliation (\$ in thousands)

	For the Three Months Ended				For the Year Ended 2018	For the Three Months Ended				For the Year Ended 2019
	March 31, 2018	June 30, 2018	Sept 30, 2018	Dec 31, 2018		Mar 31, 2019	Jun 30, 2019	Sep 30, 2019	Dec 31, 2019	
<b>Net Income (loss)</b>										
Total Company	\$ (6,874)	\$ (4,104)	\$ (600)	\$ 5,032	\$ (6,545)	\$ (5,467)	\$ (3,063)	\$ 1,339	\$ 9,206	\$ 2,015
Transitional	(131)	(899)	(1,865)	(3,099)	(5,994)	-	-	-	-	-
Pro Forma Total	<b>\$ (6,742)</b>	<b>\$ (3,205)</b>	<b>\$ 1,265</b>	<b>\$ 8,131</b>	<b>\$ (551)</b>	<b>\$ (5,467)</b>	<b>\$ (3,063)</b>	<b>\$ 1,339</b>	<b>\$ 9,206</b>	<b>\$ 2,015</b>
<b>Add-back:</b>										
Interest expense, net	563	531	625	673	2,391	552	827	754	822	2,955
Provision for income taxes	50	50	50	50	200	50	144	50	24	268
<b>Operating Income (loss)</b>	<b>\$ (6,130)</b>	<b>\$ (2,625)</b>	<b>\$ 1,940</b>	<b>\$ 8,854</b>	<b>\$ 2,040</b>	<b>\$ (4,865)</b>	<b>\$ (2,093)</b>	<b>\$ 2,143</b>	<b>\$ 10,052</b>	<b>\$ 5,237</b>
<b>Depreciation and amortization:</b>										
Total Company	2,100	2,088	2,102	2,131	8,421	2,050	1,940	1,982	2,144	8,116
Transitional	4	4	4	8	18	-	-	-	-	-
Pro Forma Total	<u>2,097</u>	<u>2,084</u>	<u>2,098</u>	<u>2,123</u>	<u>8,402</u>	<u>2,050</u>	<u>1,940</u>	<u>1,982</u>	<u>2,144</u>	<u>8,116</u>
<b>EBITDA</b>	<b>\$ (4,033)</b>	<b>\$ (540)</b>	<b>\$ 4,039</b>	<b>\$ 10,977</b>	<b>\$ 10,443</b>	<b>\$ (2,816)</b>	<b>\$ (152)</b>	<b>\$ 4,126</b>	<b>\$ 12,197</b>	<b>\$ 13,354</b>

# Pro Forma Operations EBITDA Reconciliation\* (\$ in thousands)

	For the Year Ended December 31, 2018					For the Year Ended December 31, 2019				
	Transportation and Skilled Trades	Healthcare and Other Professions	Transitional	Corporate	Total	Transportation and Skilled Trades	Healthcare and Other Professions	Transitional	Corporate	Total
Net Income (loss)	\$ 17,659	\$ 6,466	\$ (5,994)	\$ (24,676)	\$ (6,545)	\$ 21,979	\$ 7,588	\$ -	\$ (27,552)	\$ 2,015
Add-back:										
Interest expense, net	2	3	-	2,386	2,391	-	-	-	2,955	2,955
Provision for income taxes	-	-	-	200	200	-	-	-	268	268
<b>Operating Income (loss)</b>	<b>\$ 17,661</b>	<b>\$ 6,469</b>	<b>\$ (5,994)</b>	<b>\$ (22,090)</b>	<b>\$ (3,954)</b>	<b>\$ 21,979</b>	<b>\$ 7,588</b>	<b>\$ -</b>	<b>\$ (24,329)</b>	<b>\$ 5,238</b>
Depreciation and amortization	7,568	250	18	585	8,421	7,236	409	-	471	8,115
<b>EBITDA</b>	<b><u>\$ 25,229</u></b>	<b><u>\$ 6,719</u></b>	<b><u>\$ (5,976)</u></b>	<b><u>\$ (21,505)</u></b>	<b><u>\$ 4,467</u></b>	<b><u>\$ 29,215</u></b>	<b><u>\$ 7,997</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (23,858)</u></b>	<b><u>\$ 13,353</u></b>
Pro Forma EBITDA Add-Back:										
Transitional					\$ 5,976					\$ -
<b>Pro Forma Operations EBITDA</b>					<b><u>\$ 10,443</u></b>					<b><u>\$ 13,353</u></b>