

# Welcome

## Lincoln Educational Services Corporation 2020 Annual Meeting of Shareholders



# BRIDGING THE SKILLS GAP



LINCOLN TECH®

Year Ending 2019

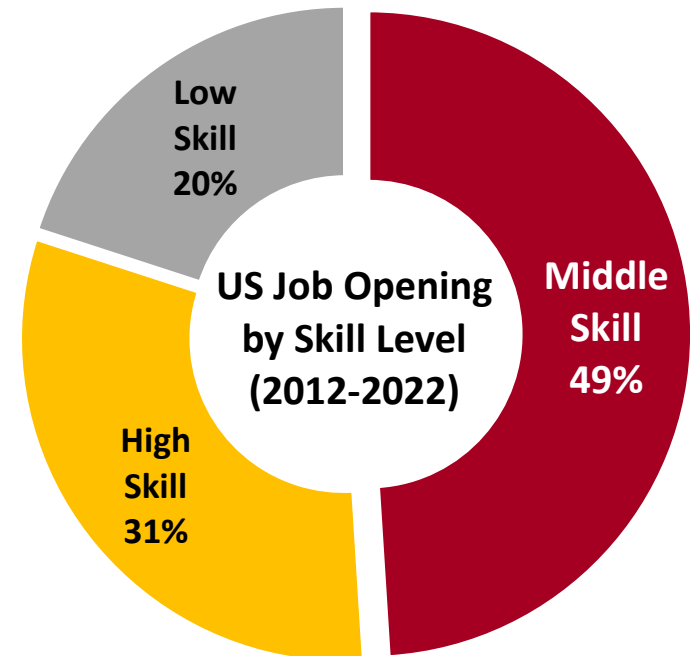
# Cautionary Statement

Statements during this Annual Meeting 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, if at all. 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, as required; 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 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 economies; general economic conditions; and other factors discussed in our annual report on Form 10-K for the year ended December 31, 2019. 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, 2019. All forward-looking statements are qualified in their entirety by this cautionary statement, and Lincoln undertakes no obligation to revise or update the remarks made to reflect events or circumstances after the date of the 2020 Annual Meeting of Shareholders.

# 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)



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



# 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.



# Drivers of Organic Demand for Training

**Expanding Skills Gap  
with more open  
positions than  
qualified employees  
seeking employment**

**Aging workforce &  
retirement of baby  
boomers leaves many  
middle skill jobs  
vacant**

**Societal emphasis on  
getting a  
4-year college degree**

**Decline in career &  
technical education at  
high schools**

**Growing  
transportation,  
construction and  
healthcare sectors**

# 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	76,000	LPN	63,000
Diesel Technology	42,000	Medical Assisting	95,000
Collision Repair	17,100	Dental Assisting	46,000
Electrical	82,000	Culinary	146,000
Welding	46,000	Baking & Pastry	29,000
HVAC	39,000	Cosmetology	85,000
Electronic Systems Technology	12,000	Aesthetics	8,000
CNC Manufacturing Technology	17,000	Information Technology	44,000
<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 2016 through 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).

# Company Overview





# Nasdaq : LINC

- A national leader with nearly 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 12/31/2019</b>	<b>\$2.70</b>	<b>Revenues (2019)</b>	<b>\$273 million</b>
<b>52-week Price Range</b>	<b>\$1.66 - \$3.30</b>	<b>EBITDA (2019)</b>	<b>\$13.4 million</b>
<b>Common Shares Outstanding</b>	<b>25.2 million</b>	<b>Institutional Ownership</b>	<b>74%</b>
<b>Market Capitalization</b>	<b>\$68.1 million</b>	<b>Insider Ownership</b>	<b>6%</b>
<b>Average Volume (3 mo.)</b>	<b>19,478</b>		

# Campuses Across the Country

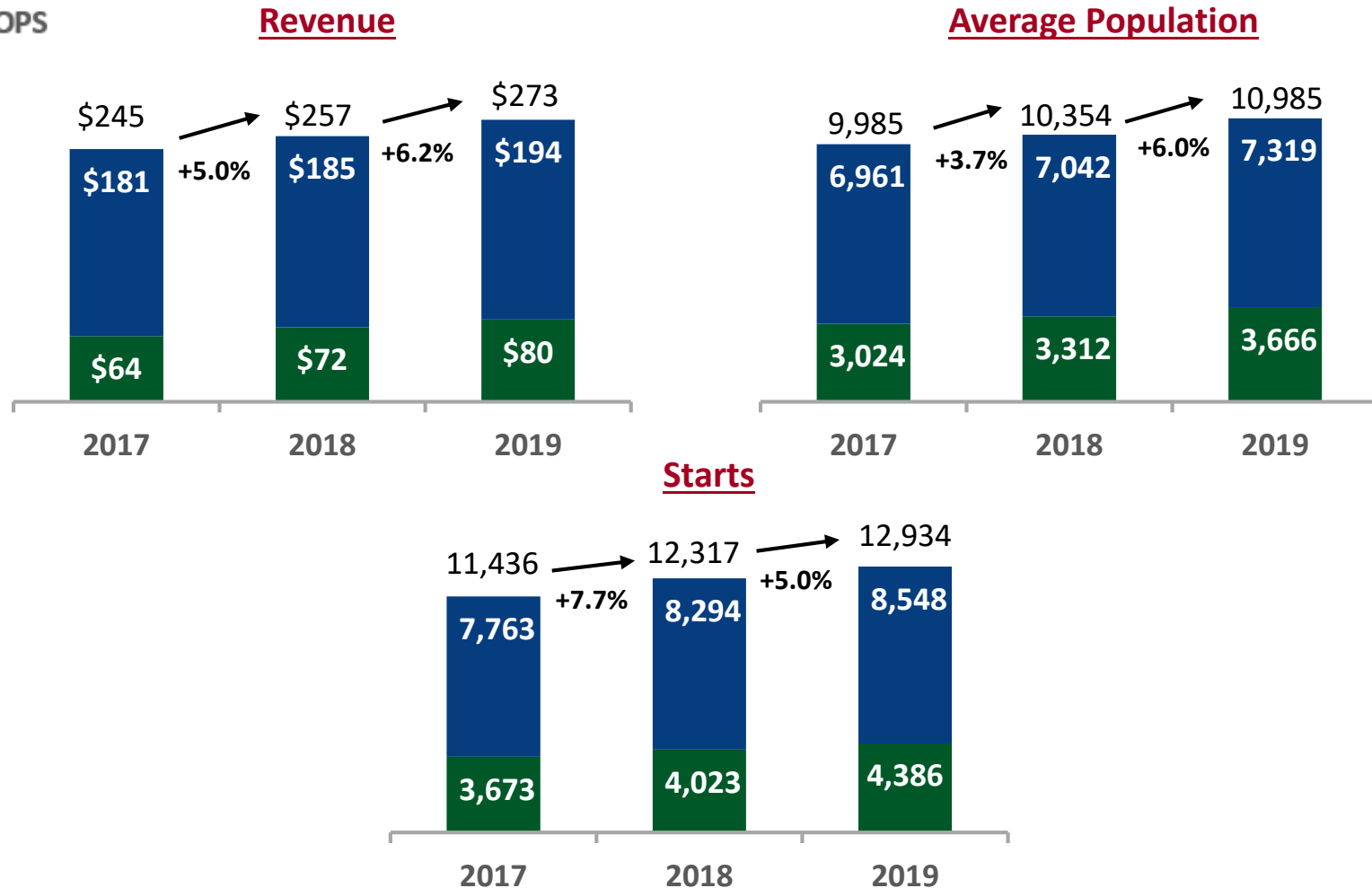
Opportunity for expansion in the South and West



# Pro Forma Operations Annual Revenue, Starts, & Average Population\*

(\$ in millions)

- Transportation
- HOPS

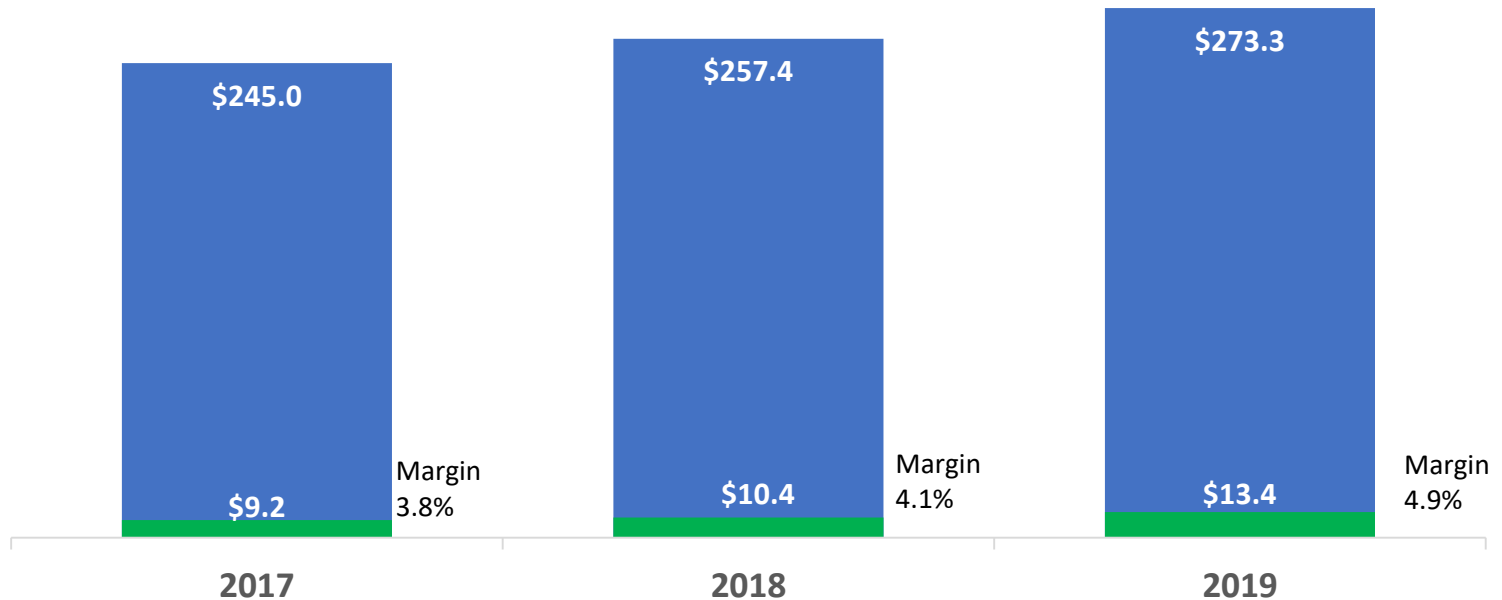


\* 2017 & 2018 exclude transitional segment (closed schools) and are presented as pro forma operations.

# Pro Forma Operations (\$ in millions)

- Approximately 11,300 students enrolled at 22 campuses as of 12/31/2019
- Nine consecutive quarters of start growth
- Key metrics such as revenue, student starts, student graduation, and placement rates continue to grow

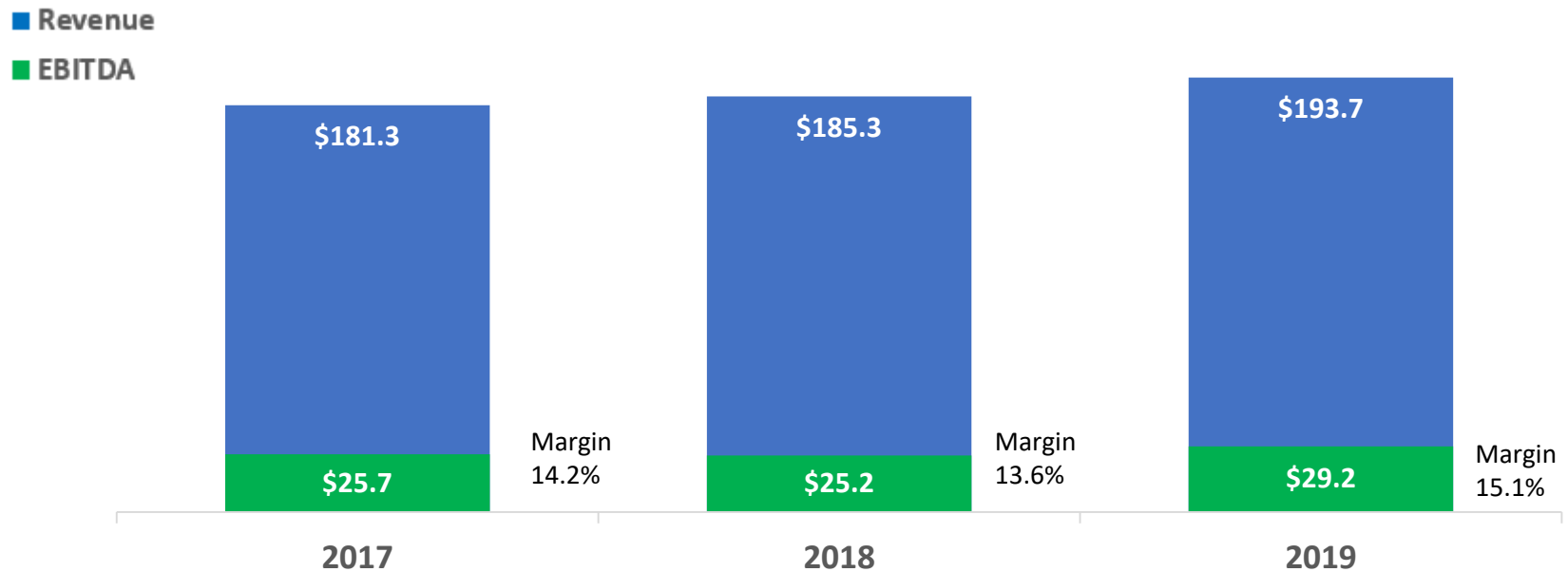
■ Revenue  
■ EBITDA



\* 2017 & 2018 exclude transitional segment (closed schools) and are presented as pro forma operations. Refer to appendix.

# Transportation and Skilled Trades (\$ in millions)

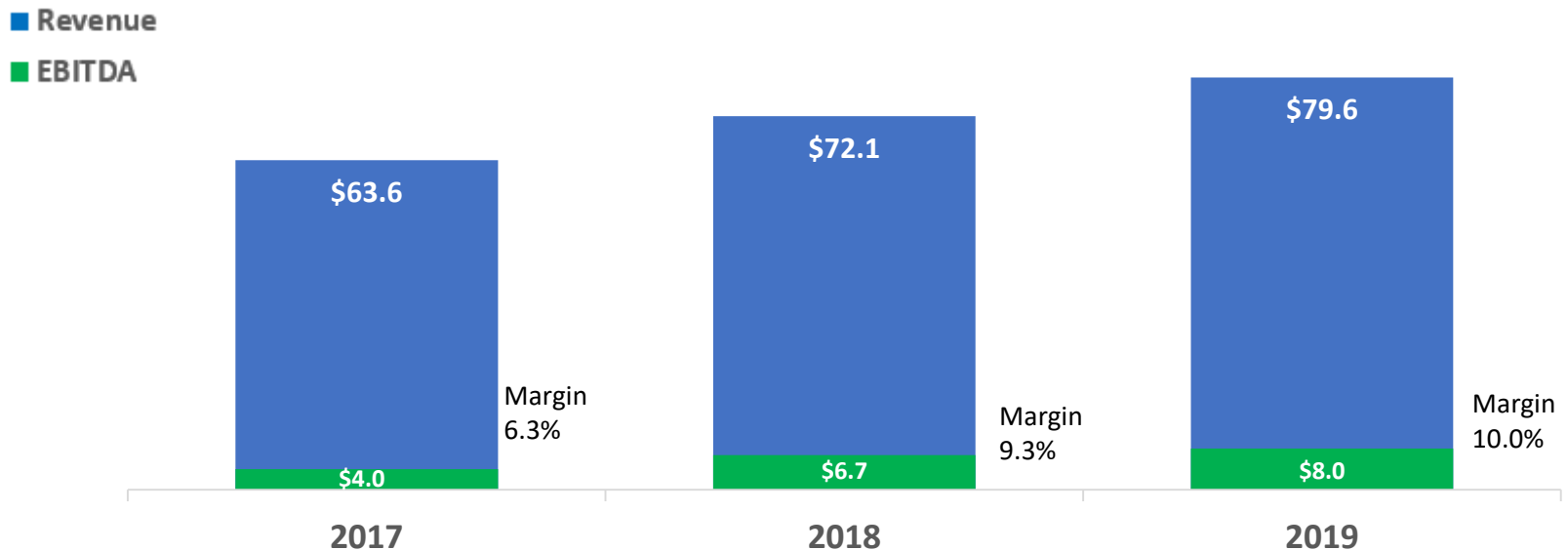
- Approximately 7,400 students enrolled at 13 campuses as of 12/31/2019
- High demand for training in Automotive, Diesel, HVAC, CNC, Welding, Electrical
- Growing list of industry partners





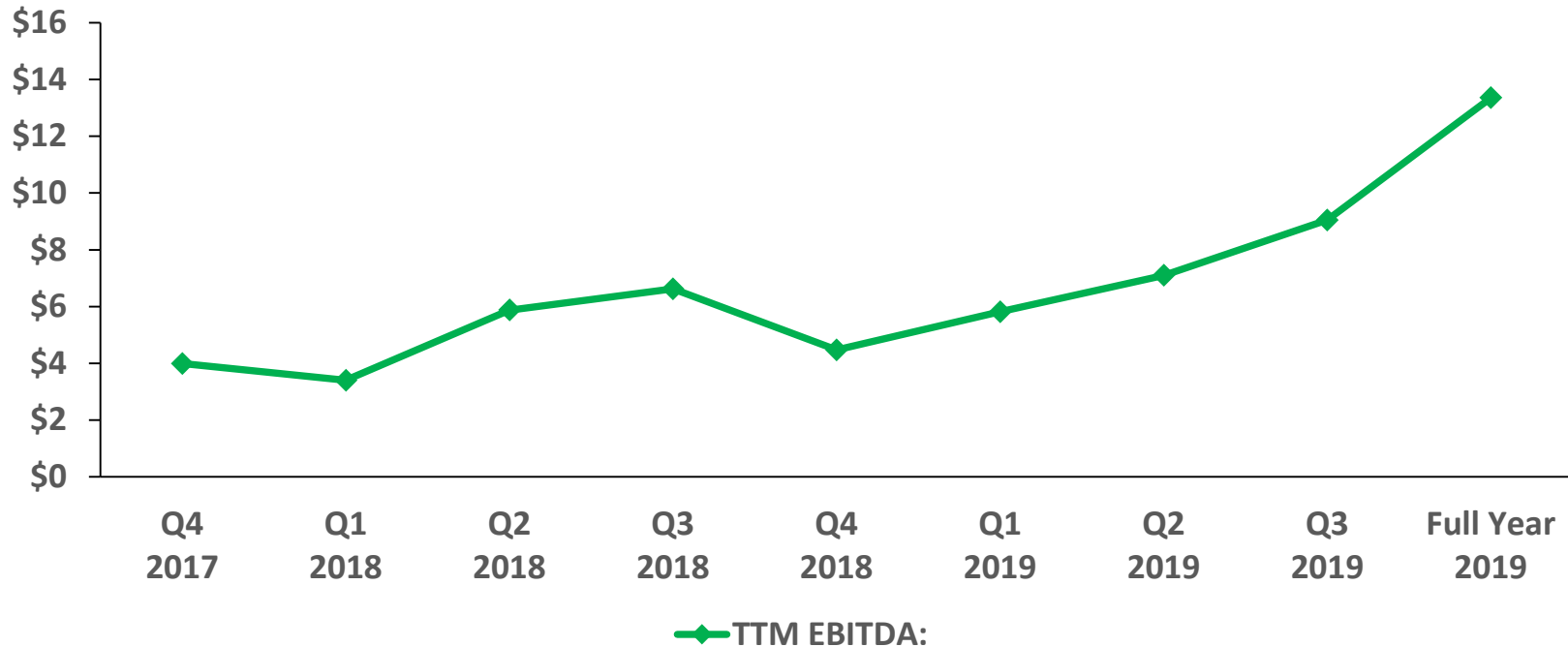
# Healthcare and Other Professions (\$ in millions)

- Approximately 3,900 students at 9 campuses as of 12/31/2019
- Growing demand for healthcare professionals
- Strong demand by students especially for Licensed Practical Nursing



# Increasing Profitability (\$ in millions)

Total Company EBITDA on a trailing 12-month basis



- Lincoln's EBITDA has increased in each quarter of 2019 as compared to 2018
- 2019 EBITDA was \$13.4M

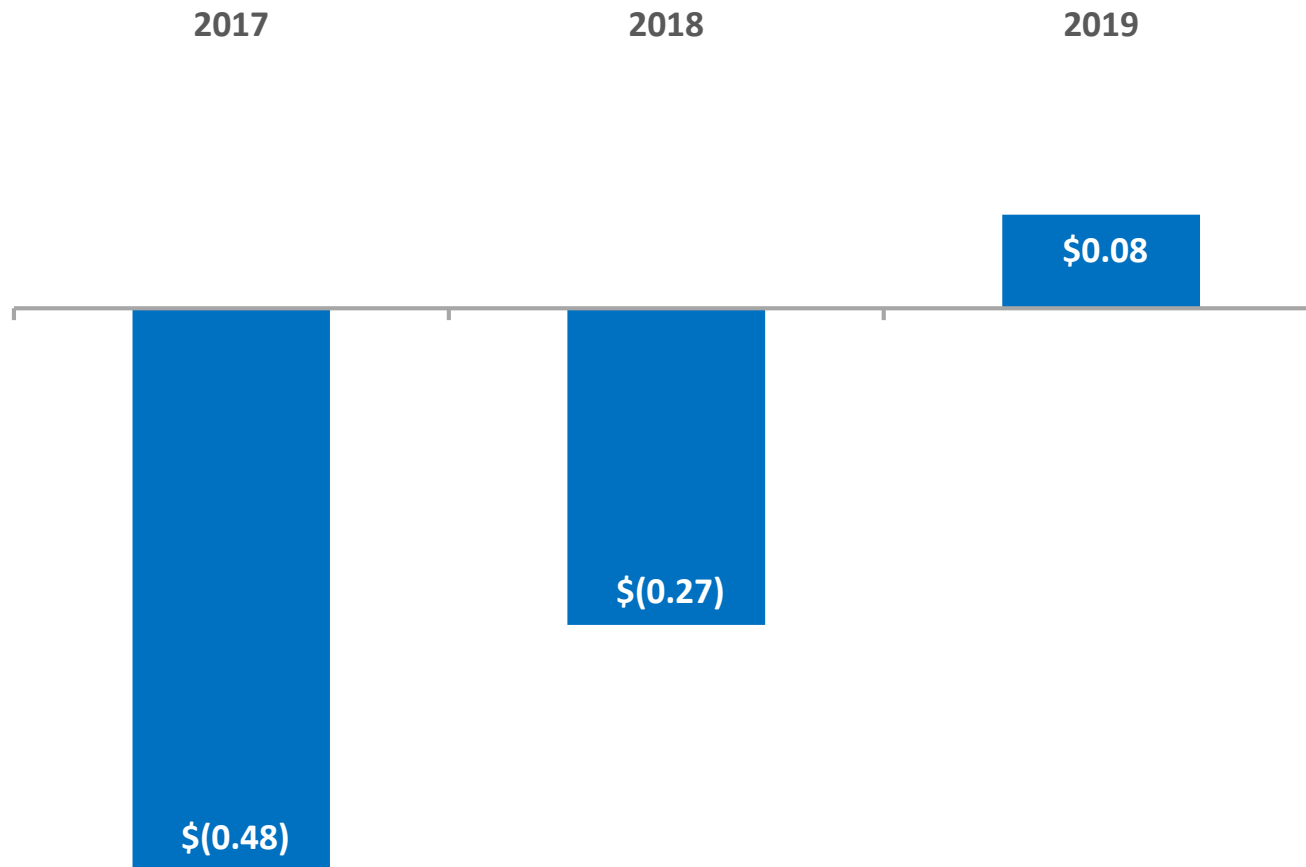
# EBITDA & Net Income Pro Forma Summary\*

(\$ in millions)

	<b>Annual</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Revenue:</b>			
Transportation	\$181.3	\$185.3	\$193.7
HOPS	63.6	72.1	79.6
<b>Total Revenue</b>	<b>\$244.9</b>	<b>\$257.4</b>	<b>\$273.3</b>
<b>EBITDA</b>			
Transportation	\$25.7	\$25.2	\$29.2
HOPS	4.0	6.7	8.0
Corporate	(20.5)	(21.5)	(23.9)
<b>Total EBITDA</b>	<b>\$9.2</b>	<b>\$10.4</b>	<b>\$13.3</b>
<b>Net Income</b>			
Transportation	\$17.7	\$17.7	\$22.0
HOPS	3.9	6.5	7.6
Corporate	(23.3)	(24.7)	(27.6)
<b>Total Net Income</b>	<b>-\$1.6</b>	<b>-\$0.6</b>	<b>\$2.0</b>

\* 2017 & 2018 exclude transitional segment (closed schools) and are presented as pro forma operations. Refer to appendix.

# Earnings Per Share



# Balance Sheet & Cash Flow Summaries

## Balance Sheet

	December 31,	
	2019	2018
Total Assets	\$ 194,763	\$ 146,038
Total Liabilities	\$ 139,633	\$ 106,172
Series A Convertible Preferred Stock	11,982	-
Total Stockholders Equity	43,148	39,866
Total Liabilities, Stock, and Preferred	\$ 194,763	\$ 146,038

## Net Cash (Debt)

	December 31,	
	2019	2018
Cash & Restricted Cash	\$ 38,644	\$ 45,946
Total Debt	34,028	48,769
Net Cash (Debt)	\$ 4,616	\$ (2,823)

## Cash Flow Summary

	December 31,		
	2019	2018	2017
Net Cash Provided by (Used in) Operating Activities	\$ 988	\$ (1,694)	\$ (11,321)
Capital Expenditures	(5,385)	(4,697)	(4,755)
Free Cash Flow	\$ (4,397)	\$ (6,391)	\$ (16,076)



# November 2019 Transactions (\$ in millions)

- **Strengthened liquidity position provides flexibility to execute growth initiatives**
  - Increased available liquidity by more than \$30 million
  - Annualized interest expense savings of approximately \$1 million
- **New \$60 million credit facility**
  - \$20 million funded term loan
  - \$10 million delayed draw term loan
  - \$15 million revolving line of credit (\$10 sublimit for standby letters of credit)
  - \$15 million cash collateralized line of credit when outstanding
- **Issued \$12.7 million of 9.6% convertible preferred stock (\$2.36 conversion price)**
- Improved balance sheet due to financing activities

	<b>9/30/19*</b>	<b>12/31/19</b>
Cash	\$11.8	\$23.6
Restricted cash	4.0	15.0**
Bank debt	<u>(26.9)</u>	<u>(34.0)**</u>
Net Cash (Debt)	<b><u>\$ (11.1)</u></b>	<b><u>\$ 4.6</u></b>
Cash and available liquidity	<b>\$11.8</b>	<b>&gt; \$40</b>

\* Quarter before financing activities

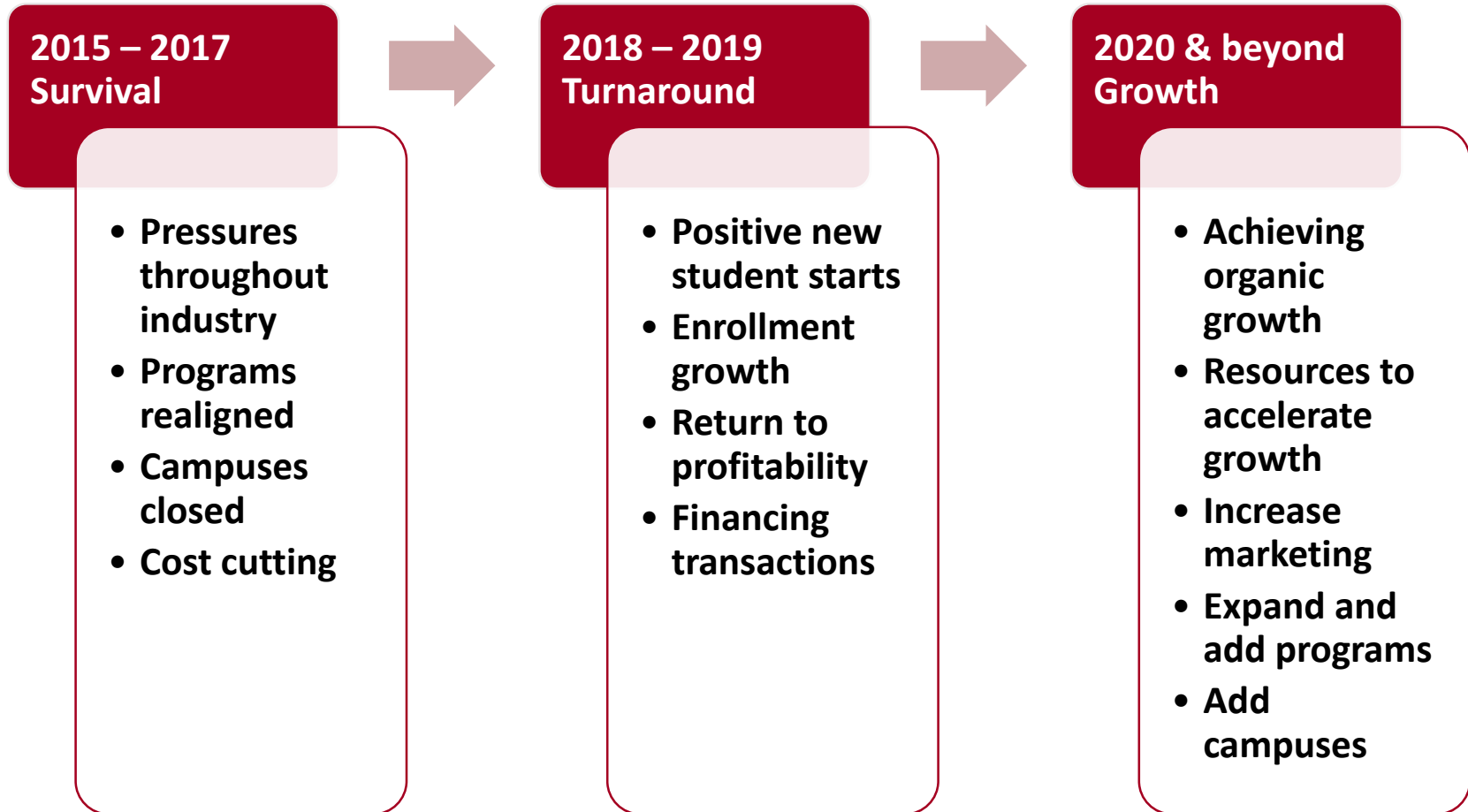
\*\*\$15 million of restricted cash was repaid in January 2020

# 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



# Entering 2020 : a New Chapter for Lincoln



# 2020 Priorities Pre-COVID-19

## Deliver on 2020 financial goals\*

- Revenue and student start growth of 3% to 5%
- EBITDA of \$15 to \$17 million; Operating income of \$7 to \$9 million
- Capital expenditures of \$6.5 million to \$7.5 million

## Support existing growth

- Campus capital projects and new training equipment
- Expand industry partnerships
- Improve pay and benefits to attract and retain performers

## Invest to accelerate growth

- Introduce successful programs to new campuses
- Add new programs
- Evaluate opportunities to expand footprint through either adding new campus or strategic acquisition
- Increase marketing to drive additional start growth

## Provide students with training to bridge the skills gap

- Continue to deliver strong student outcomes
- Maintain program affordability
- Leverage industry partnerships

\* These financial goals were per-COVID 19 and guidance was withdrawn on May 13, 2020

# Impact of COVID-19



## Education

Rapidly moved all programs to distant learning delivery

Certain skills require hands-on / in lab training

Obtaining 3<sup>rd</sup> party approvals to allow students to graduate on time

## Student Population

97% of students remain active with distant learning delivery (<3% on LOA as of 3/31/20)

Active population remains higher than last year through end of April

Lost over 400 starts in second half of March, but expect to recover over 75%

April starts were 867 compared to 668 in 2019

Retention is stronger & new enrollments are returning to normal

## Operations

Providing all student services remotely

Additional expenses to date offset by cost reductions

Starting to re-open campuses and expect all to reopen by July 1

Operations modified for social distancing - 9:1 student instructor ratio vs 15:1 pre COVID 19

## Future

High unemployment should increase enrollments

Growing interest in healthcare careers

Teaching remotely has taught us how to deliver skills training more efficiently



# 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
- Opportunities to expand footprint and program offerings for additional growth
- Capacity at campuses provides high operating leverage on incremental growth
- \$66.7 million of tax loss carryforwards reduces future cash outflows\*
- In a down economy, Lincoln's growth and profitability can increase substantially
- Strong student outcomes and regulatory record



\* Subject to 382 limitation expected to be completed Q2 2020 and not reflected on balance sheet due to having a full tax valuation allowance.

# Thank You

