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January 21, 2021

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

Dear Members of the Board:

Engine Capital LP (together with its affiliates, "Engine") and Hawk Ridge Partners LP (together with its affiliates, "Hawk Ridge," and collectively with Engine, "we") own approximately 3.9% of the outstanding shares of Adtalem Global Education Inc. ("Adtalem," "ATGE," or the "Company"). We invested in Adtalem because of its robust portfolio of healthcare education assets and the extremely favorable market environment within which it operates. Despite the tremendous opportunity at the Company, we have serious concerns about the ability of the Board of Directors (the "Board") and management team to realize the Company's true potential, allocate capital appropriately, and capitalize on its growth prospects. We are writing this letter as a follow up to Engine's previous letter to the Board, dated December 30, 2020 and included in the appendix, to outline a series of actions (the "2022 Adtalem Plan") readily within the control of senior management and the Board to create stockholder value, as we summarized at the close of this letter. Time is of the essence given the Board's intent to "de-worsify" the Company with the value destructive Walden transaction and its unwillingness to engage in a meaningful conversation on the merits of this transaction.

For context, Engine is a value-oriented special situations fund launched in 2013 with $300 million in assets under management ("AUM") that invests both actively and passively in companies undergoing change. Hawk Ridge is an investment firm founded in 2005 with a focus on investing in high quality, mis-understood small cap equities with $2 billion in AUM.

Adtalem's stock has materially underperformed[1] its self-selected peers[2] over a number of different time periods, including the period since Lisa W. Wardell's appointment as Chief Executive Officer of the Company in May 2016; the period since the announcement of the disposition of DeVry University in December 2017; and over the last three years. As shown in the table below, ATGE has been a chronic underperformer. This is particularly troubling since

[1] Total stockholder return calculated using ATGE closing price of $36.90 per share on January 15, 2021.
[2] Refers to the Company's New Peer Group as defined in ATGE's Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on August 18, 2020.

we believe Adtalem has some of the best assets and growth prospects in the education space and should therefore be outperforming its peers.

ATGE Total Stockholder Return vs. Proxy Peers				
Date	*Event*	*ATGE*	*Peers*	***Relative Performance***
May-16	Lisa Wardell CEO	85.6%	107.7%	(22.1%)
Dec-17	DeVry disposition	(9.0%)	2.5%	(11.5%)
Jan-18	Last 3 years	(20.3%)	1.3%	(21.6%)

We believe there are a number of reasons for disappointing investor returns at Adtalem, including (A) subpar operational performance in an otherwise favorable business climate, (B) poor capital allocation practices, (C) the need for operational reorganization and personnel rightsizing, (D) the unnecessary conglomerate structure, and lastly, (E) a lack of operational and industry experience among members of the Board and management, which in our opinion may be a contributing factor to each of the aforementioned issues.

A. Subpar Operational Performance

Persistent underperformance at the medical schools, and in particular, at Ross University's School of Medicine ("Ross Med"). The Company has failed to take advantage of historic tailwinds supporting its healthcare education businesses. Adtalem operates four for-profit healthcare education companies that are responsible for graduating and placing thousands of nurses and hundreds of doctors and veterinarians in the United States each year, with placement rates and licensure test scores that meet or exceed industry averages, depending on the program. The coronavirus pandemic has further exacerbated traditional non-profit schools' ability to meet the rising need for medical training. Applications for medical school are growing 18% for the upcoming 2021 academic year[3] and anecdotal evidence suggests the growth in nursing school applications is even greater. Despite the historically positive backdrop for medical schools, Ross Med and to a lesser extent American University of the Caribbean School of Medicine ("AUC"), two of Adtalem's core assets, have continued to struggle. While management and the Board have been preoccupied with the acquisition of unrelated financial services businesses and Walden, St. George's University ("SGU") has displaced Ross Med as the medical school of choice in the Caribbean, following a private equity firm's purchase of SGU for a low-teens EBITDA multiple in 2014. Furthermore, osteopathy schools have seen significant growth and are increasingly challenging the value proposition of Caribbean medical schools as an alternative to U.S. medical schools, a threat that Adtalem has not taken seriously enough.

Despite substantial increases in marketing and a brand-new campus in Barbados, Ross Med's enrollment remains at depressed levels. We estimate enrollment at Ross Med as of September was down around 700 students, or over 15% since its peak in 2014. We believe these enrollment challenges at Ross Med are related to its eroding student value proposition and the school's inability to attract quality students. Anecdotal evidence suggests that 41% of the students who

[3] The Association of American Medical Colleges, *Enrollment Up at U.S. Medical Schools* (Dec. 16, 2020), https://www.aamc.org/news-insights/press-releases/enrollment-us-medical-schools.

enroll at Ross Med do not graduate, with attrition rates nearly double that of SGU.[4] Furthermore, those that do graduate take longer.[5] We estimate there is a $35 million plus EBITDA opportunity by returning enrollment to the prior peak level. Given the significant increase in medical school applications in 2021, we expect this business to finally inflect in the coming quarters. However, we attribute these expected improvements to a "rising tide lifts all boats" versus any operational improvements within management's control.

Underperformance of Financial Services. Despite owning a collection of high quality, growing certification assets, EBITDA in this segment has only grown $5 million since FY16 despite the Company spending over $450 million on acquisitions over that time frame. Becker & ACAMS, the two primary businesses in this segment, are the dominant players in attractive industries – Becker is the 800-pound gorilla in the CPA test preparation market, and ACAMS operates in the rapidly growing anti-money laundering certification market. Since FY16 when Ms. Wardell was appointed CEO, we estimate Becker has seen its revenue decline from $103 million to less than $90 million. We believe EBITDA has fallen by half as the Company's investments in continuing education and non-CPA verticals have failed to take off yet have burdened the business with additional cost. While ACAMS has grown, it has undershot Adtalem's forecasts of 20% compounded revenue growth. Even before the coronavirus pandemic, membership trends had decelerated to low-teens growth versus the mid-forties growth at the time of acquisition.

We are also very concerned by the significant management turnover at the division. For example, ACAMS' leadership has been a revolving door with three presidents in as many years (Tim McClinton until April 2019, Rohit Sharma until June 2020, and Scott Liles since November 2020). We also note the departure of Mehul Patel, who served as the head of the financial services division from August 2017 until February 2020, when he was replaced with Stephen W. Beard, the current Chief Operating Officer of Adtalem. Despite the recent underperformance, we believe issues at both Becker and ACAMS are fixable and that these assets are severely undervalued by the market's current valuation of the Company.

B. <u>Poor Capital Allocation</u>

Walden Acquisition. We were severely disappointed with the Board's decision to acquire Walden, a move that has destroyed value for stockholders. Walden, a substantially inferior asset to the Company's own schools as measured by cohort default rates and gainful employment measures,[6] was purchased at an unjustifiable price. The Laureate Education Inc. consent statement[7] provides a summary of the head-scratching process. As the probability of a change in administration increased, potentially creating a less favorable regulatory environment for the for-profit-education industry, Adtalem upped its offer for Walden multiple times starting at $1.2

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[4] TheMDJourney, *The Ultimate Guide to Caribbean Medical Universities*, https://themdjourney.com/ultimate-guide-to-caribbean-medical-universities.

[5] School profiles at Studentaid.gov show a 77% on time grad rate for SGU vs. 55.6% for Ross Med.

[6] Walden's three-year cohort default rate was 6.8% in 2017, according to U.S. Department of Education data, with around 40% of its students graduating with a nursing degree. Assuming the default rates of those Walden nursing graduates are similar to the default rates of Chamberlain graduates (around 3.5%), this implies the cohort default rates for the non-nursing programs are materially worse, which is likely to increase regulatory risk. By comparison the average cohort default rate across Adtalem's four schools is below 2%.

[7] As filed with the SEC on Form DEFM14C on November 20, 2020.

billion in January and eventually "winning" the auction at $1.48 billion in September. Ironically, the process could hardly be described an auction. Adtalem spent the better part of its time bidding against itself as the only other bidder, Strategic Education, Inc., dropped out of the process months earlier in February 2020, after bidding $1.15 billion in February 2020. Adtalem therefore paid nearly 29% more than the next highest bidder was willing to pay before withdrawing from the process. To add insult to injury, Adtalem is taking on a substantial amount of debt to complete the acquisition and paid a multiple of 8.4x LTM EBITDA, well in excess of its own depressed trading multiple of 6.5x LTM EBITDA and 6.0x 2021 EBITDA.[8]

Adtalem asserts that 77% of Walden's revenues is derived from Health & Behavioral Sciences degrees,[9] as a way to highlight the quality of the asset and justify its acquisition. We believe this number is misleading as only a subsection of these programs offers the compelling student value proposition and outcomes offered by nursing degrees. Nursing degrees are unique relative to other degrees because of the significant nursing shortages that ensure strong employment prospects upon graduation. BSN and master degrees in nursing come with better career prospects, higher earnings, better patient outcomes and higher reimbursement rates for the hospital providers. The following table shows the number of 2018-2019 Walden graduates per program[10].

Programs	# degrees 2018-2019	Percentage
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%

Only 36% of Walden graduates fall into the attractive nursing category. The balance includes Education (18.4%), Business (12.8%), other Health Professions[11] (11.5%), and Psychology (8.7%). We believe that to get to its 77% number, Adtalem includes programs such as psychology, criminal justice, human services, social work, public policy, counseling, and health

[8] Stated ATGE multiples are pre-announcement of the Walden transaction.
[9] Acquisition of Walden University Presentation:
https://s24.q4cdn.com/745190157/files/doc_downloads/2020/Adtalem-09112020-Investor-Presentation.pdf
[10] Analyses derived from 2018-2019 data from National Center for Education Statistics
https://nces.ed.gov/collegenavigator/?q=Walden+university&s=all&id=125231#programs
[11] Health Professions include degrees in health care administration, mental health counseling, and public health.

care administration.[12] Our diligence suggests these degrees have inferior value propositions compared to nursing degrees, as evidenced by their high three-year cohort default rate as discussed in footnote 6. By comparison, 99% of Chamberlain students graduate from four high value, high barrier to entry nursing programs.

Three days after announcing the transaction, Walden was notified that the U.S. Department of Justice ("DoJ") had started an investigation into potential violations of the False Claims Act in Walden's Master of Science in Nursing program, which we estimate represents ~27% of all of Walden's graduates and ~75% of its nursing graduates[13]. This should not have come as a surprise given past lawsuits and allegations towards Walden,[14] raising questions on the quality and depth of the due diligence performed by Adtalem's management and Board. Based on conversations with former DoJ officials and members of the Higher Learning Commission, we believe there are substantial reputational and financial risks associated with this investigation and the closing of this transaction. Management and the Board's failure to address these issues during due diligence, continued defense of this transaction in private conversations, and failure to admit it was anything more than a mistake represents an additional missed opportunity to potentially change course. At this point, it is the Board's fiduciary duty to thoroughly investigate these potential violations. Given the potential conflicts, 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.

Share Repurchase. Management and the Board proudly talk about Adtalem's significant share repurchase program. Unfortunately, the largest component of that repurchase was done in FY 2019 when the Company repurchased $252 million of its shares at ~$48 per share. Since FY 2017, the Company has repurchased $572.3 million of its shares at an average price in excess of $41 per share. Given the current share price, Adtalem is "underwater" and this large share repurchase has not added value to stockholders at this time despite the strength of broader market returns over the same period.

C. Need for Operational Reorganization and Personnel Rightsizing

Our discussions with former employees and industry experts point to a bloated cost structure with too many layers of management and redundant functions between the corporate office and the Company's separate divisions. These issues have created an organization that repeatedly underperforms operationally with more expenses than necessary, despite possessing underlying business with attractive growth prospects and strong barriers to entry. Examples include:

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[12] College of Social and Behavioral Sciences includes the School of Counseling, School of Human Services, School of Psychology, School of Public Policy and Administration, School of Criminal Justice, and the Barbara Solomon School of Social Work. See https://www.waldenu.edu/college-of-social-and-behavioral-sciences.

[13] https://nces.ed.gov/collegenavigator/?q=Walden+university&s=all&id=125231#programs

[14] NBC News, *Student Sues Walden University* (Dec. 2, 2016), https://www.nbcnews.com/news/us-news/student-sues-walden-university-i-wasted-six-years-my-life-n690706; see also Top Class Actions, *Walden University Class Action Alleges Bait & Switch Tactics* (Oct. 10, 2016), https://topclassactions.com/lawsuit-settlements/lawsuit-news/346542-walden-university-class-action-alleges-bait-switch-tactics.

- **Marketing**. We understand that Adtalem spends around $20 million in marketing at the corporate level, including $2–3 million to promote the Adtalem brand alone. We seriously question the rationale behind spending any money to promote the brand of a holding company that has no customer-facing operations. In addition, we believe that most marketing functions should be reassigned to the divisions and report to the division leaders, thereby (i) eliminating the need for a chief marketing officer at the corporate level, (ii) simplifying operations by eliminating redundancies between corporate and divisions, and (iii) increasing the cost-effectiveness of the marketing function, of which currently more than 75 employees belong. We believe a majority of that $20 million expense could be eliminated.

- **Personnel Reduction**. Mr. Beard oversees corporate development, strategy, government and regulatory affairs, communications and civic engagement activities. We understand that this group represents more than 55 full-time employees and question whether this number of personnel dedicated solely to these functions is necessary (e.g., 6-7 highly compensated individuals in a strategy and corporate development function).

- **Medical School Consolidation**. Ross Med and AUC have margins significantly below peers, which we believe is due to a combination of poor marketing effectiveness and a redundant cost structure. For example, the back office (including the marketing, information technology, human resources, and finance functions) of these two schools are completely separate yet located one mile apart in Florida. We suggest combining the back office and business leadership of both schools to save money and improve cooperation between the schools. This discussion of consolidation also raises the question of rebranding AUC under the name Ross Med at St. Maarten, potentially allowing the combined entity to better compete with St. George's University.

D. Unnecessary Conglomerate Structure

Adtalem suffers from a conglomerate discount as it combines assets with different financial characteristics, risks and valuations. In such situations, investors are often unwilling to value a company based on a sum-of-the-parts analysis and will instead discount the value of the different assets. Adtalem trades for 6.0x EBITDA, a multiple similar to other for-profit education companies despite its ownership of Becker, OnCourse Learning (acquired for ~13x EBITDA), ACAMS (acquired for ~8x revenue), Ross Med and AUC (private equity firm paid low-teens multiple for SGU) that are worth significantly higher multiples. The potential acquisition of Walden further compounds the issue by adding substantial traditional for-profit exposure which will make it harder for the Company to position itself as the truly differentiated portfolio of healthcare education assets that it is, deserving a premium well in excess of its traditional for-profit education peers.

E. Lack of Operational and Industry Experience among Senior Management and the Board

We believe a lack of relevant operating and industry experience among senior management and members of the Board has contributed to the failure to either identify or tackle the

aforementioned issues. In fact, not a single Board member has experience in for-profit education, a stunning data point on its own. In particular, we note that:

- Ms. Wardell, the Chairman and Chief Executive Officer of the Company, has a private equity background at RLJ Financial, Inc. ("RLJ Financial") and very limited operating experience until her appointment as Chief Executive Officer of Adtalem in May 2016.

- Mr. Beard, Adtalem's Chief Operating Officer since January 2019, is a lawyer by training and previously served as the Company's General Counsel. Despite his lack of operating experience, Mr. Beard is in charge of the underperforming financial services division as well as a host of other functions like corporate development, strategy, government and regulatory affairs, communications, and civic engagement activities.

- Kathy Boden Holland, Group President of Adtalem Health, overseas a collection of the largest healthcare education businesses in the country, including Chamberlain University, Ross Med, Ross University School of Veterinary Medicine, and AUC. Before being appointed to this role in 2018, Ms. Holland had no experience in for-profit education (she was executive vice president, bank products at Elevate Credit, a tech-enabled provider of online credit solutions for non-prime consumers) and was a colleague of Ms. Wardell's at RLJ Financial.

Given the regulated and complex nature of the industry, we think the lack of operating and industry experience among leadership and the Board raises legitimate questions about the quality of its decision-making with respect to the Walden acquisition, which no industry participant we have spoken with found compelling, to say the least. In addition, we are also concerned by the lack of "skin in the game" demonstrated by the Company's independent directors, who we found have not purchased any shares of the Company on the open market since joining the Board.

The 2022 Adtalem Plan

Despite the foregoing issues, we believe there is tremendous value in Adtalem that is waiting to be unlocked with the right strategy and leadership in place. The Company is now at a critical juncture given the Walden transaction and the upcoming likely inflection in Chamberlain and the medical school businesses. Adtalem's core mission of healthcare education has never been more important and what is needed today is extreme focus on the core business and operational excellence to take advantage of the opportunities that exist, including addressing the urgent shortage of qualified medical personnel that Adtalem can help address. The list of concrete actions below summarizes the key tenets of what we refer to as the 2022 Adtalem Plan, which we look forward to discussing with you in more detail:

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).

If the Board executes on the aforementioned initiatives, we believe there is substantial upside to be unlocked. The following table highlights the sum-of-the-parts opportunity.

		EBITDA Multiple			Enterprise Value		
	EBITDA (2022E)	Low	Mid	High	Low	Mid	High
Chamberlain	$135.0	8.0x	8.5x	9.0x	$1,080.0	$1,147.5	$1,215.0
Medical & Vet Schools	105.0	10.0x	11.5x	13.0x	1,050.0	1,207.5	1,365.0
Financial Services	50.0	11.0x	13.0x	15.0x	550.0	650.0	750.0
Walden - Nursing	85.5	7.0x	7.5x	8.0x	598.5	641.3	684.0
Walden - Excluding Nursing	85.5	5.0x	5.5x	6.0x	427.5	470.3	513.0
Walden Synergies	48.0	6.0x	6.5x	7.0x	288.0	312.0	336.0
Home / Office	(30.0)	7.8x	8.7x	9.6x	(235.4)	(261.0)	(286.6)
Cost Savings (Ex: Walden)	37.5	7.8x	8.7x	9.6x	294.3	326.3	358.3
Total EBITDA	**$516.5**				**$4,052.9**	**$4,493.8**	**$4,934.7**
Consolidated EV/ EBITDA					*7.8x*	*8.7x*	*9.6x*

Free Cash Flow (Excluding Walden & Cost Savings)	
2021 FCF	$125.0
2022 FCF	$130.0

	Low	Mid	High
Total Enterprise Value	$4,052.9	$4,493.8	$4,934.7
Plus: FCF (2021E & 2022E)	255.0	255.0	255.0
Less: Net Debt	(1,300.0)	(1,300.0)	(1,300.0)
Equity Value	**3,007.9**	**3,448.8**	**3,889.7**
Shares Outstanding	*52.1*	*52.1*	*52.1*
Price per share	**$57.74**	**$66.21**	**$74.67**
Current price per share	$36.90	$36.90	$36.90
Upside	**56.5%**	**79.4%**	**102.4%**

Notes:
(1) Medical & Vet Schools EBITDA does not assume any operational improvement; assumes medical schools still operating below enrollment capacity
(2) SGU & AUC transaction multiples are in the teens
(3) ACAMS acquired at 8.3x sales, OnCourse Learning acquired at 13x EBITDA
(4) Assumes Walden Nursing represents ~50% of LTM EBITDA; discounted valuation relative to Chamberlain since Walden Nursing program is online only
(5) Apply 20% hair cut to management's $60M run-rate synergy estimates
(6) Assumes ~25% of ~$150M of corporate overhead is eliminated
(7) Free cash flow excludes any incremental cash flow from Walden, also assumes no operational improvements or cost savings

We appreciate the dialogue with management and the Board to date and look forward to continuing the discussion. We take our investment in the Company and the Board's stewardship of stockholders' capital very seriously and look forward to working with you collaboratively to ensure that value is created for all stakeholders. However, we reserve our rights to take whatever actions in the future we believe may be required to protect the best interests of stockholders.

Very truly yours,

Arnaud Ajdler
Managing Partner
Engine Capital LP

David Brown
Portfolio Manager
Hawk Ridge Capital Management

Appendix - ATGE December 30, 2020 Letter to the Board

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

December 30, 2020

Members of the Board of Directors
Adtalem Global Education Inc.
500 West Monroe
Chicago, IL 60661

Dear Board Members:

Engine Capital LP, together with its affiliates ("Engine"), has become a shareholder of Adtalem Global Education Inc. ("Adtalem", "ATGE" or the "Company"). Adtalem represents a significant investment for Engine. We invested in Adtalem because of the quality of its assets, the strength of its brands in certain attractive niches of the for-profit education and financial services markets, our belief that the Company is deeply undervalued, and the fact that there are opportunities readily within the control of the board of directors (the "Board") to significantly increase shareholder value.

For context, Engine is a value-oriented investment firm launched in July 2013. Since its launch, Engine has negotiated board representation or settlements at 20 public companies and added 29 highly qualified new board members to these companies. As part of our due diligence, we discussed the Company and its prospects with competitors and former employees. We also had the opportunity to discuss the business, its prospects, and the Walden University ("Walden") acquisition with CEO Lisa Wardell, CFO Michael Randolfi, and COO Stephen Beard. These discussions have led us to the conclusion that ATGE is comprised of many high-quality businesses with good brands in their respective niches, has significant growth potential given the supply and demand imbalances in its core markets, and possesses excellent free cash flow characteristics.

Despite these favorable characteristics, ATGE trades at the very depressed valuation of around 6.0x[1] forward EV/EBITDA, a significant discount to the valuation of the Company's underlying assets. We believe this discounted valuation is caused by three factors: 1) value-destroying capital allocation decisions, 2) a poor record of operating performance, and 3) a structural conglomerate discount whereby investors apply a low multiple (typically associated with the for-profit education space) to the higher-multiple businesses within the portfolio (such as ACAMS, Becker, and Ross University).

The recent Walden acquisition is a case in point of poor capital allocation with investors overwhelmingly disapproving the transaction, as evidenced by the stock losing 23% of its value in the 10 trading days following the announcement of the deal. While the stock has recovered since

[1] Multiple based on 2021 EBITDA. Represents broker consensus EBITDA per Capital IQ. All data as of 12/24/2020. Multiple unadjusted for the Walden acquisition

then, this recovery is taking place within the backdrop of a buoyant stock market. To put things in perspective, since the announcement of the Walden acquisition, ATGE stock is up 9.9% while the Russell 2000 is up 32.9%[2], a staggering underperformance of more than 2300 basis points. Instead of unlocking ATGE's intrinsic value through improved operational excellence, the repurchase of undervalued shares, and eventually a sale of the Company's assets, the Board has chosen the risky path of leveraging the Company's balance sheet to overpay for a lower-quality asset at a time of significant regulatory uncertainty. When asked why the Board would agree to buy an asset that increases Adtalem's exposure to the for-profit education industry ahead of the recent elections (which were widely expected to lead to a new democratic administration significantly less favorable to the for-profit education industry), Ms. Wardell replied that Adtalem was already in the for-profit education space, and therefore would be negatively impacted in any event in the case of a change in administration. We are dumbfounded by this reasoning as it ignores Adtalem's relative exposure to the for-profit education space and the impact of financial leverage on the Company. Before the Walden deal, Adtalem had a fortress balance sheet with $561 million of cash, close to 20% of its business in financial services, and Chamberlain, one of the best businesses in the for-profit education space, substantially insulating the Company from potentially negative regulatory changes. After the Walden deal, Adtalem has $1.65 billion of debt and significantly more exposure to the for-profit education space, including exposure to lower quality programs in the fields of business, criminal justice, and information technology that are more likely to be in the crosshairs of increased regulatory supervision. Two months before an election, Adtalem's Board and management have managed to "de-worsify" Adtalem's business and balance sheet.

The Board has also significantly overpaid for Walden, paying 8.4x EBITDA, when ATGE, comprised of a collection of superior businesses, was only trading at around 5.4x EBITDA at the time of the deal announcement. Based on Laureate Education, Inc.'s ("Laureate") public disclosure, we know that there was only one other party – Strategic Education, Inc. ("Strategic") – that submitted a bid for Walden. Strategic's highest bid in February 2020 was approximately $1.15 billion[3], implying that Adtalem paid $330 million (around 28.7%) over the next bid. In reality, Adtalem was the only bidder for Walden, since in June 2020 Strategic communicated to Laureate's bankers that it would no longer pursue a Walden deal until after the U.S. presidential election due to regulatory concerns[4]. Adtalem's Board, on the other hand, seemed undeterred by those regulatory concerns and repeatedly bid against itself starting at $1.2 billion on January 26, 2020 and later raising its bids multiple times (despite being the only bidder at that point) to $1.3 billion on June 14, 2020, $1.461 billion on July 16, 2020, $1.445 billion on July 18, 2020, and then finally $1.48 billion on September 3, 2020.

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[2] Stock performance as of 12/24/2020

[3] According to the Schedule 14C filed by Laureate Education on 11/20/20: "On February 25, 2020, SEI informed Goldman Sachs that it was prepared to potentially increase its combined acquisition proposal for Walden University and the ANZ business to $1.75 billion, of which approximately $1.15 billion would be attributed to Walden University."

[4] Strategic later amended its position and communicated that it would be willing to explore a Walden transaction but subject to certain regulatory conditions. In any event, Strategic did not submit another bid for Walden after its February bid

The terms of the transaction are equally puzzling with Adtalem agreeing to some unusual and very seller-friendly terms as part of this transaction. As an example, Adtalem will most likely have to pay the $88.8 million termination fee if Adtalem can't close the transaction by the termination date of March 11, 2022. Typically, if a deal can't be consummated by the termination date, both parties can walk away without paying any termination fee. This termination fee would also have to be paid by Adtalem if the transaction is terminated because the DOE's written response includes a Burdensome Condition which seems highly unusual. Also, the educational compliance and approvals representations are weak from a buyer's perspective as they do not explicitly protect against investigations or violations subsequent to the signing of the purchase agreement.

The price paid for Walden, the terms of the transaction, and a reading of the proxy portray a Board and a management team desperate to acquire Walden, bidding against itself, raising its price repeatedly, and agreeing to atypical and seller-friendly terms despite the fact that Adtalem was the only buyer for the asset and the regulatory concerns were mounting with the increasing likelihood of a change of administration. The Walden acquisition could be a Harvard Business School case study of poor M&A decision-making.

Walden is not the first instance of this Board overpaying for acquisitions. Another example is ACAMS, which was acquired for over 20x EBITDA in 2016, a very high multiple which implies lofty operating expectations that we don't believe have been met. Adding insult to injury, ACAMS was put under the Adtalem umbrella, where it is currently being valued by the market at 6.0x EBITDA, further compounding the value destruction and highlighting the conglomerate discount Adtalem is suffering from.

In addition to our capital allocation concerns, we believe there are significant issues with business execution. Through numerous conversations with prior employees across various divisions as well as management's own admission, it is clear that Adtalem is not operating optimally and is significantly under-earning. A recurring theme that came up during our due diligence was the CEO and COO's lack of operating experience. In that regard, we are surprised Ms. Wardell and the Board would appoint Mr. Beard as COO since he has no operating experience. Given the limited operating experience of Ms. Wardell, we would have expected the COO to have much stronger operating experience. Our research indicates poor operational decisions both at the corporate and divisional levels. Fundamentally, Adtalem is a holding company that owns several assets in the for-profit education space and in financial services. Given this holding structure, Adtalem should carry very little corporate costs beyond finance and public company costs. Yet, we understand corporate overhead runs between $150 to $160 million annually, with too many functions being centralized and excessive costs in many areas. <u>By trying to justify its existence, Adtalem has created a large and unwieldy corporate infrastructure, leading to inefficiencies at the divisional level.</u> We understand there is a centralized marketing function at corporate in addition to marketing at the divisional level, creating confusion and duplication. Marketing should be run at the divisional level and should report to the division leaders since it is a significant lever for them to manage their P&L. We also believe the brand leaders at the divisions are likely to have a better sense of their marketing message than someone at corporate, leading us to question the need for a corporate Chief Marketing Officer. We also question why Adtalem needs to spend money

marketing its own brand or even having a social presence. The business units like Chamberlain, Ross University and ACAMS need to invest in their brands and their social media presence, not Adtalem, which is just the holding company. We also understand from our due diligence that the legal and compliance departments have become very large over the last few years. This is corroborated by LinkedIn with more than 30 people under a legal job description. Business development is also a large bucket, also corroborated through LinkedIn. This $150 to $160 million of corporate overhead is largely unchanged since the company reached its peak revenue of almost $2.2 billion many years ago. Management has been unwilling or unable to right size this overhead, even as the business has shrunk by almost half.

At the divisional level, we believe that there are significant opportunities to consolidate leadership. As an example, under the leadership section of Adtalem's website, we find 5 executives tied to the medical and veterinary schools, which seems high. Between corporate and the divisions, there are simply too many layers of leadership. Given these dynamics and the overbearing role played by corporate, it is not surprising to see friction between the divisional leadership and corporate, which can be seen through the high level of turnover at the divisions. While the idea of centralizing certain costs may have some merits in theory, it has been poorly executed and has led to significant cost overruns. Instead of helping the divisions, the corporate group has led to frustration, confusion, and duplication.

Besides the cost issues, several divisions are not living up to their potential. Enrollment growth at Ross University and at the American University of the Caribbean (AUC) have been disappointing despite excellent programs and excellent residency outcomes, most likely because of poor marketing and student outreach. Our diligence suggests that competitor St. George's University has stronger enrollment growth and enjoys an EBITDA margin ~10% higher than the medical schools being run by Adtalem. AUC's current margins are well below where they were at the time of its acquisition in 2011. Although management commentary suggests that marketing and hurricane issues are no longer a concern for the business going forward, we note that the medical schools are currently operating well below their peak enrollment capacity. The financial services segment is also suffering from self-inflected wounds with ACAMS, in particular operating below its potential. Ms. Wardell acknowledged this during the Company's Q3 2020 earnings call on May 5, 2020 when she stated that: *"At less than 2% growth for Q3, ACAMS is falling short of our expectations, even accounting for COVID-19 disruption."* More recently, ACAMS launched a major system upgrade. Despite the significant IT corporate expenses ($50 to $60 million based on our due diligence), this migration to a new interface was so poorly handled that ACAMS had to send an apology email to its members.

With this operational underperformance as background, we are even more shocked that the Board would authorize management to pursue a large transformational acquisition like Walden. We question how Adtalem can integrate Walden when its current business is struggling operationally.

The third cause of ATGE's undervaluation is structural. The Company suffers from a conglomerate discount as it combines assets with different financial characteristics, risks, and valuations. In such situations, investors are often unwilling to value the company based on a sum-

of-the-parts but will instead discount the value of the different assets. This discount is due to the conglomerate's inability to optimize each asset individually. Pure-play companies are more focused, tend to be run more efficiently, are able to optimize their balance sheets and capital allocation decisions, and can better incentivize their management teams. This is why over the last decade most conglomerates have been broken up. Investors also prefer pure-play companies since it allows the market to properly value each asset separately. In our current situation, Adtalem trades for 6.0x EBITDA, a similar multiple to other for-profit education companies despite its ownership of much better-quality assets such as Ross University, Becker and ACAMS, that are worth significantly higher multiples. This conglomerate discount is further exacerbated in the case of Adtalem because of the various regulatory risks of the for-profit education industry, which depress the valuation multiples in that space. This is impacting the valuation of ATGE's businesses that have no or limited exposure to these regulatory risks (such as ACAMS, Becker, and Ross University).

Clearly, the status quo at Adtalem is untenable and the Board needs to take decisive actions to avoid further shareholder value deterioration and close the value gap. We believe the Company needs to immediately focus on the following aspects of its business:

1. Walden transaction. The Board needs to diligently consider all of its options to terminate the Walden transaction. The Board should view the DOJ investigation as a blessing in disguise as it may provide an avenue to walk away from the deal. As outsiders, it is difficult for us to ascertain whether this investigation alone could already be a justification to do so (we have spoken to for-profit education lawyers who believe it could be). Obviously, the Board knows a lot more than we do regarding its options, but we are concerned that a Board and management that have pushed this transaction so aggressively will not be willing to change course and try to walk away from the transaction with the same determination. ATGE's underperformance since the deal was announced speaks volumes and should make clear to the Board that this deal is a mistake. Management's interests may not be aligned with those of shareholders in this particular situation. Therefore, we believe the Board should immediately form a committee to directly oversee the Walden investigation with separate counsel tasked specifically to look at ways to terminate this transaction.

2. Sales of the medical schools and the financial services assets. Given the conglomerate discount we highlighted above, we do not believe Adtalem is the best owner of these assets. The medical schools and financial services assets would transact in the private market at multiples far superior than where they trade inside Adtalem. For-profit education companies currently trade at multiples between 5x and 7x EBITDA, while transaction precedents point to multiples north of 10x for both the medical schools and the financial services assets. In the private market, we suspect these assets would carry a larger debt load (allowing their new owners to reduce their cost of capital and therefore pay more) while simultaneously being run with more aggressive cost structures. The financial services assets, in particular, are currently restricted in their ability to market as effectively as possible in light of the DeVry settlement and, therefore, could further accelerate growth outside of Adtalem. A sale of these assets would also help Adtalem – in the event the Walden deal cannot be terminated – to rapidly delever its balance sheet and would pave the way for Adtalem to become a pure-play nursing education company instead of a holding of various brands (see next point).

3. Eliminate the holding company structure. Once the medical schools and the financial services assets are sold, the Company could become a pure-play nursing education company and change its corporate name to Chamberlain. The holding structure would disappear. Layers of management could be removed. Duplicative functions could be eliminated. If Adtalem can't get out of the Walden deal, this new structure would take advantage of the enlarged scale of the nursing business and create the most shareholder value.

4. Rationalize the cost structure. As discussed above, Adtalem's cost structure is too high both at the corporate and the divisional level. We suggest the Company immediately hire a consulting firm to review these costs. This focus on cost should be paramount at this juncture in light of the significant leverage the Company is about to take on if Adtalem closes on the Walden transaction. Furthermore, if the medical schools and financial services businesses are ultimately sold, optimizing the profitability of these divisions now is important to maximize their value. As part of this exercise, more functions should be pushed down to the divisions as a precursor to their eventual sale or as a precursor to Chamberlain standing on its own. We believe the Board should be intimately involved in this rationalization exercise with an experienced operator specifically in charge of this cost restructuring and reporting on a bi-weekly basis to the Audit and Finance committee. We believe this cost structure rationalization represents a very significant opportunity.

5. Management structure. It is clear to us, as well as to other shareholders to whom we have spoken, that something is off with the management structure. Ms. Wardell had limited operating experience before becoming CEO of Adtalem. Mr. Beard has no operating experience but has recently been appointed the COO of the Company and has also been running the financial services division since February 2020. As we have highlighted above, the current business is far from being run optimally. The current leadership has emphasized the role of corporate, which has led to operating inefficiencies and deteriorating results at the divisions. This is a risky proposition when Adtalem may be about to strain its balance sheet with $1.65 billion of debt and try to integrate its largest acquisition to-date. We believe that the current structure with both the CEO and COO having limited operational experience is problematic. At the same time, it is our understanding that there are several very strong operators at the division level that could contribute to solving some of the current issues. As initial steps, an experienced executive should be named to run the financial services division as soon as possible and an executive with strong track record of operational excellence (including experience right sizing corporate overhead structure) should be put in charge of operations.

6. Corporate governance, board composition and alignment of interests. We believe that ATGE should adhere to corporate governance best practices. In particular, we note that the Company has combined the position of Chairman and CEO. In light of this governance structure, we question whether there is proper accountability of management, which may explain some of the issues we raise in this letter. An independent Chairperson should be immediately appointed.

We further believe that the Board could be significantly strengthened through the addition of new directors with strong and relevant backgrounds, with a particular focus on capital allocation and operational skillsets. Furthermore, the Board would be strengthened by having stronger independent shareholder representation. Finally, should the ongoing Walden investigation present

an opportunity to terminate the deal, we believe shareholders would have greater comfort in knowing that new board members are present to evaluate the transaction without bias.

Finally, we could not find one instance of insider buying by independent directors. More recently, not a single board member stepped up to buy shares despite the stock price's significant decline following the announcement of the Walden deal. If the Board felt so good about the Walden deal to approve this $1.48 billion acquisition and add significant leverage on Adtalem, why hasn't a single board member bought shares when the stock cratered following the announcement of that deal? The fact that not one director was willing to invest is disappointing and gives us concern regarding the culture of stock ownership at the Company and the Board's confidence in the future prospects of the Company.

7. Executive Compensation. We are concerned that the current management compensation structure fails to align executive compensation with the most relevant levers of shareholder value creation. For example, 40% of Ms. Wardell's short-term incentive is based on reaching a revenue target. We believe that revenue is a poor metric to use as it does not necessarily correlate with value creation (unprofitable growth) and can incentivize poor capital allocation decisions. Additionally, too much weight (15% to 30% depending on NEOs) is being given to individual performance goals as one of the metrics for the short-term bonuses. These qualitative goals are often vague and subjective and give too much leeway for the Compensation Committee to reward management in the face of poor performance. Fiscal 2020 is a good example. The Company missed its revenue and EPS targets by a meaningful amount, but Ms. Wardell still made 99% of her target bonus because she earned a 200% payout for her individual performance goals.

In conclusion, we believe that the Company is at a crossroads and a tremendous amount of shareholder value can be unlocked if the Board acts with a sense of urgency and makes the necessary changes. We request a meeting with members of the Board at your earliest convenience to discuss the matters and initiatives we have set forth in this private letter. On behalf of Engine, we look forward to working cooperatively with you to increase long-term shareholder value. However, we reserve our rights to take whatever actions in the future we believe may be required to protect the best interests of shareholders.

Very truly yours,

Arnaud Ajdler
Managing Partner