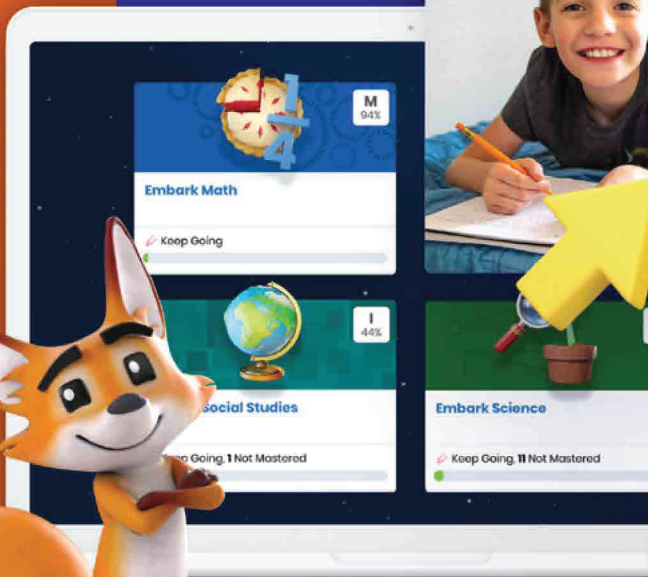
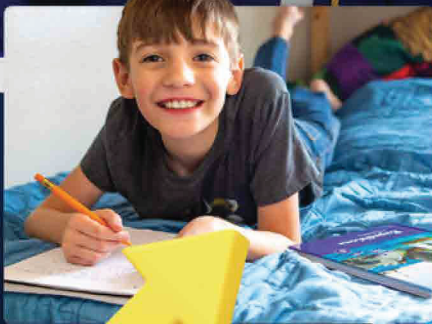


Stride

Annual Report



2023

Stride, Inc.

Stride

Learning at Every Step

Stride's mission is to help learners of all ages reach their full potential through inspired teaching and personalized learning.



To Our Fellow Shareholders,

Before I provide an update on our company for Fiscal Year 2023, I want to share some quick stories that epitomize who we are at Stride:

When a Michigan student was 9 years old, doctors couldn't diagnose his illness. He subsequently became bedridden and stopped attending a traditional brick-and-mortar school. Later, he found the support and flexibility he needed in an online classroom supported by Stride.

An advanced learner in Iowa dreamed of finishing high school early and using the extra semester to become a foreign exchange student and study abroad. This past spring, she graduated from high school and landed in Paraguay on the same day.

A student from a rural community in Indiana worried that he wouldn't graduate on time—until he enrolled in one of Stride's K12-powered schools. He got back on track and graduated from high school alongside his peers.

These stories remind us that thousands of students strive to reach their academic and professional dreams—they just need a little extra support to make their dreams a reality. I'm so proud to lead a company that helps change lives with this commitment in mind. Every day—in homes, schools, and communities across the country—Stride programs are meeting learners at their point of need, making a long-lasting difference, and changing the future of education.

To ensure that we're giving students every opportunity to succeed, we continue to focus on the following key areas and opportunities for long-term growth: imbuing our culture with a commitment to innovation, including embracing AI and gamification to enrich the learning experience while continuing to drive efficiencies; and preparing learners of all ages for the rapidly changing workforce.

We believe that these areas represent our dedication to student achievement and professional advancement and will continue to help build long-term value for our shareholders in the months and years to come.

Thank you for your continued support of this mission.

James Rhyu
Chief Executive Officer



STRIDE'S COMMITMENT TO

Fostering Innovation and Changing the Future

At Stride, we continue to embrace AI, gamification, and technology—in every form—as we work to imbue our culture with innovation and personalize learning for the students and families we serve.

A core part of this commitment is our dedication to engaging K–12 students in new and exciting ways. Through various enrichment challenges and competitions throughout the year, Stride's K12-powered students have the chance to demonstrate their ingenuity and creativity. These innovative opportunities help them connect what they learn in the classroom with today's real-life challenges.

For example, our new Ocean Climate Impact Challenge allows students to learn more about marine science, biology, the environment, and other related sciences through Minecraft gaming activities. As part of this challenge, students become immersed in various virtual oceanic environments and then work with conservation experts to address ecological challenges. Students

learn about risks to ocean habitats, such as pollution and coral degradation, and how experts remediate and prevent damage to our fundamental ecosystems.

Similarly, through our National Innovation Challenge, high school students nationwide imagine bold solutions to today's most pressing environmental issues. Working individually or in teams, students develop original concepts that address land, ocean, and freshwater conservation, or climate change, through scientific application, civic engagement, and/or community impact.

In addition to environmental innovation and sustainability studies, we're continuing to foster students' spirit of innovation in the e-sports space.



Our new **Ocean Climate Impact Challenge** allows students to learn more about marine science, biology, the environment, and other related sciences through **Minecraft gaming activities**.

The **video gaming and e-sports fields** are projected to generate **\$184 billion next year**—and are slated “to be worth **\$211 billion by 2025**.”¹



E-sports remains one of the fastest-growing industries in the world. The video gaming and e-sports fields are projected to generate **\$184 billion next year**—and are slated “to be worth \$211 billion by 2025,” according to a study by [Deloitte](#).¹ As one of the nation’s leading education providers in the online space, we’re continuing to harness our capacity to intersect gaming with learning to better engage students in this rapidly growing field.

That’s why we expanded our e-sports offerings this year with the [Stride Esports Fall 2022 tournaments](#).² This season, we brought together more than 1,000 student gamers of all levels who connected and competed in Minecraft Build Challenges, Fortnite Duos, Rocket League, and more. Students learned the value of leadership, sportsmanship, and teamwork throughout their gaming journey.

Notably, “teamwork” took on a new significance for our company this year. **Through several incredible partnerships, we raised awareness of the online school experience and expanded our reach and impact:**

- In partnership with Snoop Dogg and Doggyland, the [Stride Learning Hub](#)³

now offers teachers access to content that enables elementary-age students to learn through the power of singing and dancing.

- Through our new partnership with [Rebel Girls](#),⁴ a global, multi-platform girl empowerment brand, we offer curated collections of book and audio content about women and girls who’ve changed the world.
- Our expanded partnership with [Never Whisper Justice](#)⁵ (NWJ), a justice-centered creative agency, paved the way for a new film and documentary curriculum series for students.

Additionally, in partnership with academic leaders and institutions nationwide, we officially offered our free, interactive “[One Voice](#)” curriculum⁶ to families and educators. This inquiry-based K–12 curriculum connects U.S. history and contemporary issues to foster respectful, honest, and fact-based dialogue about race, equity, and inclusion.

Now, more than ever, students are looking for solutions to society’s most urgent and complex challenges. Through our innovative partnerships and interactive enrichment initiatives, we’re guiding students toward the answers they seek.

¹ Deloitte, “[Investing in esports](#),” December 16, 2022.

² Stride, Inc. “[Stride Esports](#).”

³ Stride, Inc. “[Learning Hub](#).”

⁴ Rebel Girls, “[Empowering Stories for Every Girl](#).”

⁵ Never Whisper Justice, “[See Our Story](#).”

⁶ Stride, Inc. “[Change Begins with One Voice](#).”



CELEBRATING OUR RECENT TRIUMPHS

2023 Awards



Stride received a **Bronze Stevie Award** for Minecraft Worlds in the Virtual Learning Solution category.



Stride won the “**Online Education Solution Provider of the Year**” award in the 5th Annual EdTech Breakthrough Awards.



The newly adapted K–5 curriculum from Stride Learning Solutions took home the **Children's Home Learning Product of the Year** award at the Digital Education Awards.



Tech Elevator, a Stride company, won the **Adult Home Learning Product of the Year** award at the Digital Education Awards.



Stride received the **Gold-Level Merit Award for Education Technology** at the Digital Education Awards.





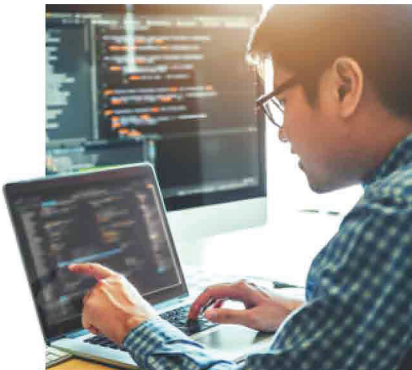
STRENGTHENING THE

Future Workforce and Expanding Our Footprint

According to a recent study by McKinsey & Company, “one in 16 workers may have to switch occupations by 2030.”⁷ This is partially due to what experts predict will be significant job growth in industries like healthcare and technology. At Stride, we’re committed to helping learners of all ages prepare for this rapidly changing workforce. Our growing career learning portfolio supports this commitment.

More students are relying on our career and college prep programs to guide long-term success—learning through experience, solving real-world problems, and building a personalized pathway to a rewarding

career. By exploring a diverse set of professions, the middle and high school students we serve are charting a future aligned with their individual passions and ambitions.



One in 16 workers may have to switch occupations by 2030. This is partially due to what experts predict will be significant job growth in industries like healthcare and technology.

⁷ McKinsey and Company, [“What is the future of work?”](#) January 23, 2023.

Our local and school-specific programs across the country are **helping bridge the gaps** in **student** and **state workforce** needs.



To this end, we launched several exciting initiatives this year:

- [Stride's High School Student Entrepreneur Resource Center](#)⁸ and [Tallo's Student Community on Entrepreneurship](#)⁹ connect thousands of students to resources that help them carve out a career path that works best for them.
- A new partnership with [Southern New Hampshire University](#)¹⁰ (SNHU) allows eligible high school graduates to enroll in SNHU's course-based online programs—including healthcare and tech-related programs—at 20% off the cost of tuition.
- A new four-part webinar series, [My Career Connections](#),¹¹ introduces high school students nationwide to more than 50,000 open opportunities with industry-leading hiring partners like Wayfair, CVS Health, Boeing, and the U.S. State Department.

[Data indicates](#)¹² that “three-fourths of high school graduates say they were moderately, slightly, or not at all prepared to make college or career decisions after graduation.” That's why, in addition to the national career learning initiatives above, our local and school-specific programs across the country are helping bridge the gaps in student and state workforce needs.

In South Carolina, we launched [Heron Virtual Academy of South Carolina](#) (HVASC). Students at HVASC benefit from an Individualized Learning Plan (ILP), a curriculum created specifically for each student that caters to their interests, academic strengths, challenges, and postsecondary planning. Additionally, faculty at HVASC implement social emotional learning and trauma-informed practices aimed at helping students cope with issues both in and out of the classroom, learn life skills, and develop a more profound sense of community.

⁸ Stride Career Prep, “[High School Student Entrepreneurship Resource Center](#).”

⁹ Tallo, “[Land Your Dream Job](#).”

¹⁰ Southern New Hampshire University, “[Today Is the Day](#).”

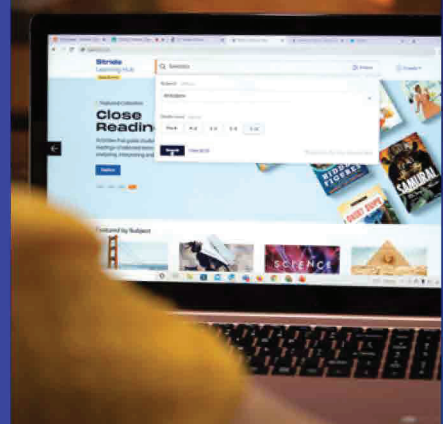
¹¹ Stride News, “[Stride to Help High School Students Explore Jobs and Get Hired With New My Career Connections Series](#),” January 17, 2023.

¹² K-12 Dive, “[Survey: Most high school graduates don't feel prepared for college, career decisions](#),” December 14, 2022.

Nurturing Teachers

Teachers are key to student learning. That's why Stride works to ensure that teachers have the best training possible. To that end, these are some of the live and asynchronous training resources we provided for our teachers this year:

- Artificial Intelligence in the Classroom & Minecraft for Education
- Instructional Mapping
- Professional Development Sessions
- Teaching Strategies Trainings
- MetaMetrics Trainings
- Reading PDs
- Teacher Observation Trainings
- Power BI Trainings
- Stride Learning Hub Trainings
- Newsela Professional Learning Series Workshops



**Stride works to ensure that teachers
have the best training possible.**



In West Virginia, a new collaboration between [West Virginia Virtual Academy](#) (WVVA) and Pierpont Community and Technical College (Pierpont) allows students to take dual credit classes through Pierpont and earn credit toward an associate degree—or potentially earn an associate degree—by the time they graduate from high school. Beginning in 6th grade, WVVA students can enroll in career exploration courses; as they transition into high school, students can also enroll in pathways that lead to earning industry-recognized credentials.

Meanwhile, in Colorado, [Destinations Career Academy of Colorado](#) (CODCA) put the finishing touches on a unique program that allows high schoolers to garner experience and training in phlebotomy. And in Mississippi, a new partnership between The [Keystone School](#) and the Mississippi Department of Corrections (MDOC) is helping expand access to career-focused education among incarcerated individuals across the state.

These are just a few of the many ways we're helping learners across the country work toward future job security and ensuring

they have the chance to succeed—both academically and professionally.

Whether just stepping into the workforce or looking for a career change, thousands of learners enroll in our programs because they want cost-effective pathways to high-demand fields. Through [MedCerts](#), one of our adult career development programs, learners get the tools they need for in-demand healthcare or IT certifications.

At MedCerts, adult learners can use immersive 3D animated demonstrations, interactive skills activities, simulated software applications, game-based learning, and more. And through a unique new partnership with the University of Tennessee this year, MedCerts provides individualized academic support to students and helps program graduates and certification recipients prepare for and find jobs in their fields of study.

From expanding our career learning business and footprint to continuing to shape our role in mainstream culture, we're reimagining the learning journey for thousands of people and changing life trajectories along the way.

Whether just stepping into the workforce or looking for a career change, **thousands of learners** enroll in our programs because they **want cost-effective pathways to high-demand fields.**



New Education Hub in Little Rock

The newly opened administrative headquarters for Arkansas Virtual Academy (ARVA) helps to uphold its commitment to student achievement.

The new headquarters provides space for in-person student activities, student testing, and training for the school's faculty members.

Plans are also underway for ARVA to partner with area businesses and industries to provide career training programs for ARVA students and those in other school systems.



Financial Results

For Fiscal Year 2023, Stride reported revenue of \$1.84 billion, **growing almost 9% year-over-year.**

Our adjusted operating income was \$201 million, up 6.8% year-over-year.

We reported record revenue and adjusted operating income in fiscal 2023, growing revenue for our seventh straight year.

Additionally, we continue to generate strong free cash flow, finishing the year with cash, cash equivalents, and restricted cash of \$410.8 million.



For Fiscal Year 2023, Stride reported revenue of \$1.84 billion, **growing almost 9% year-over-year.**

2023

HIGHLIGHTS

Revenue

2023	\$1,837.4M
2022	\$1,686.7M
2021	\$1,536.8M

Adjusted Operating Income¹

2023	\$201.0M
2022	\$188.2M
2021	\$161.4M

Adjusted EBITDA²

2023	\$296.2M
2022	\$273.1M
2021	\$239.9M

Free Cash Flow³

2022	\$136.6M
2021	\$139.3M
2020	\$81.9

¹ Adjusted operating income is defined as income from operations as adjusted for stock-based compensation and the amortization of intangible assets.

² Adjusted EBITDA is defined as net income as adjusted for interest (income) expense, net; other (income) expense, net; income tax expense; (income) loss from equity method investments; depreciation and amortization; and stock-based compensation.

³ Free Cash Flow is defined as net cash provided by operating activities less purchases of property and equipment, capitalized software development costs, and capitalized curriculum development costs.

A reconciliation of Adjusted Operating Income, Adjusted EBITDA and Free Cash Flow metrics to GAAP results can be found on page 116.

Looking Ahead

As I embark on another year as CEO, I want to thank the thousands of Stride employees who have worked hard to make this past year a success.

Each and every Stride team is committed to ensuring that learners achieve their dreams, and I'm so proud to work alongside them.

I remain committed to strengthening shareholder value. My team and I will continue to **foster a culture that celebrates ingenuity**. And we will never stop seeking new ideas and being a **beacon for innovation**.

I am thankful for your support in this endeavor. Together, we are helping learners reach their full potential through inspired teaching and personalized learning.

Warmest regards,



James Rhyu
Chief Executive Officer

Stride

FORM 10-K

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 10-K

- ☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended June 30, 2023
- ☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-33883

Stride, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
11720 Plaza America 9th Floor
Reston, VA 20190
(Address of Principal Executive Offices)

95-4774688
(I.R.S. Employer
Identification No.)

(703) 483-7000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.0001 par value	LRN	New York Stock Exchange (NYSE)

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Non-accelerated filer ☐

Accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the registrant's voting and non-voting stock held by non-affiliates of the registrant as of December 31, 2022 was \$798,629,000. Aggregate market value excludes an aggregate of approximately 17,565,221 shares of common stock held by officers and directors and by each person known by the registrant to own 5% or more of the outstanding common stock on such date. Exclusion of shares held by any of these persons should not be construed to indicate that such person possesses the power, direct or indirect, to direct or cause the direction of the management or policies of the registrant, or that such person is controlled by or under common control with the registrant.

The number of shares of the registrant's common stock outstanding as of August 11, 2023 was 42,992,835.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's definitive proxy statement for its 2023 annual meeting of stockholders to be filed pursuant to Regulation 14A with the Securities and Exchange Commission not later than 120 days after the registrant's fiscal year ended June 30, 2023, are incorporated by reference into Part III of this Form 10-K.

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CERTAIN DEFINITIONS

Unless the context requires otherwise, all references in this Annual Report on Form 10-K (the “Annual Report”) to “Stride,” “Company,” “we,” “our” and “us” refer to Stride, Inc. and its consolidated subsidiaries.

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this Annual Report on Form 10-K are forward-looking statements. We have tried, whenever possible, to identify these forward-looking statements using words such as “anticipates,” “believes,” “estimates,” “continues,” “likely,” “may,” “opportunity,” “potential,” “projects,” “will,” “will be,” “expects,” “plans,” “intends,” “should,” “would” and similar expressions to identify forward-looking statements, whether in the negative or the affirmative. These statements reflect our current beliefs and are based upon information currently available to us. Accordingly, such forward-looking statements involve known and unknown risks, uncertainties and other factors which could cause our actual results, performance or achievements to differ materially from those expressed in, or implied by, such statements. These risks, uncertainties, factors and contingencies include, but are not limited to:

- reduction of per pupil funding amounts at the schools we serve;
- inability to achieve a sufficient level of new enrollments to sustain our business model;
- limitations of the enrollment data we present, which may not fully capture trends in the performance of our business;
- failure to enter into new school contracts or renew existing contracts, in part or in their entirety;
- failure of the schools we serve or us to comply with federal, state and local regulations, resulting in a loss of funding, an obligation to repay funds previously received, or contractual remedies;
- governmental investigations that could result in fines, penalties, settlements, or injunctive relief;
- declines or variations in academic performance outcomes of the students and schools we serve as curriculum standards, testing programs and state accountability metrics evolve;
- harm to our reputation resulting from poor performance or misconduct by operators or us in any school in our industry and/or in any school in which we operate;
- legal and regulatory challenges from opponents of virtual public education or for-profit education companies;
- changes in national and local economic and business conditions and other factors, such as natural disasters, pandemics and outbreaks of contagious diseases and other adverse public health developments;
- discrepancies in interpretation of legislation by regulatory agencies that may lead to payment or funding disputes;
- termination of our contracts, or a reduction in the scope of services, with schools;
- failure to develop the Career Learning business;
- entry of new competitors with superior technologies and lower prices;
- unsuccessful integration of mergers, acquisitions and joint ventures;
- failure to further develop, maintain and enhance our technology, products, services and brands;

- inadequate recruiting, training and retention of effective teachers and employees;
- infringement of our intellectual property;
- disruptions to our Internet-based learning and delivery systems, including, but not limited to, our data storage systems and third-party cloud systems and facilities, resulting from cybersecurity attacks;
- misuse or unauthorized disclosure of student and personal data; and
- failure to prevent or mitigate a cybersecurity incident that affects our systems.

Forward-looking statements reflect our management’s expectations or predictions of future conditions, events or results based on various assumptions and management’s estimates of trends and economic and regulatory factors in the markets in which we are active, as well as our business plans. They are not guarantees of future performance. By their nature, forward-looking statements are subject to risks and uncertainties. Our actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements. There are a number of factors that could cause actual conditions, events or results to differ materially from those described in the forward-looking statements contained in this Annual Report. A discussion of factors that could cause actual conditions, events or results to differ materially from those expressed in any forward-looking statements appears in “Part 1—Item 1A—Risk Factors.”

Readers are cautioned not to place undue reliance on forward-looking statements in this Annual Report or that we make from time to time, and to consider carefully the factors discussed in “Part 1—Item 1A—Risk Factors” of this Annual Report in evaluating these forward-looking statements. These forward-looking statements are representative only as of the date they are made, and we undertake no obligation to update any forward-looking statement as a result of new information, future events or otherwise.

PART I

ITEM 1. *BUSINESS*

Company Overview

We are an education services company providing virtual and blended learning. Our technology-based products and services enable our clients to attract, enroll, educate, track progress, and support students. These products and services, spanning curriculum, systems, instruction, and support services are designed to help learners of all ages reach their full potential through inspired teaching and personalized learning. Our clients are primarily public and private schools, school districts, and charter boards. Additionally, we offer solutions to employers, government agencies and consumers.

We offer a wide range of individual products and services, as well as customized solutions, such as our most comprehensive school-as-a-service offering which supports our clients in operating full-time virtual or blended schools. More than three million students have attended schools powered by Stride curriculum and services since our inception.

Our solutions address two growing markets: General Education and Career Learning.

General Education	Career Learning
<ul style="list-style-type: none"> • School-as-a-service • Stride Private Schools 	<ul style="list-style-type: none"> • Stride Career Prep school-as-a-service • Learning Solutions Career Learning software and services sales
<ul style="list-style-type: none"> • Learning Solutions software and services sales 	<ul style="list-style-type: none"> • Adult Learning

Products and services for the General Education market are predominantly focused on core subjects, including math, English, science and history, for kindergarten through twelfth grade students to help build a common foundation of knowledge. These programs provide an alternative to traditional “brick-and-mortar” school options and address a range of student needs including, safety concerns, increased academic support, scheduling flexibility, physical/health restrictions or advanced learning. Products and services are sold as a comprehensive school-as-a-service offering or à la carte.

Career Learning products and services are focused on developing skills to enter and succeed in careers in high-growth, in-demand industries—including information technology, healthcare and general business. Through our Career Learning programs, we offer middle and high school students content pathways that include job-ready skills and work experiences and, for high school students, that can lead toward an industry certification and/or college credits. Like General Education products and services, the products and services for the Career Learning market are sold as a comprehensive school-as-a-service offering or à la carte. Through our Adult Learning brands, we also offer in-person and remote immersive programs and self-paced, structured online Career Learning programs to adult learners in software engineering, healthcare, and medical fields, as well as providing staffing and talent development services to employers. These programs are offered directly to consumers, as well as to employers and government agencies.

For both the General Education and Career Learning markets, the majority of revenue is derived from our comprehensive school-as-a-service offering which includes an integrated package of curriculum, technology systems, instruction, and support services that we administer on behalf of our customers. The average duration of the agreements for our school-as-a-service offering is greater than five years, and most provide for automatic renewals absent a customer notification of non-renewal. During any fiscal year, we may enter into new agreements, receive non-automatic renewal notices, negotiate replacement agreements, terminate such agreements or receive notices of termination, or customers may transition a school to a different offering.

Our History

We were founded in 2000 to utilize advances in technology to provide children with access to a high quality education regardless of their geographic location or socioeconomic background. Given the geographic flexibility of technology based education, we believed we could help address the growing concerns regarding the regionalized disparity in the quality and breadth of available curriculum and instruction, both in the United States and abroad. The convergence of these factors and rapid advances in Internet networks created the opportunity to make a significant impact by deploying online learning software and systems on a flexible, online platform.

In September 2001, we introduced our kindergarten through 2nd grade offering in Pennsylvania and Colorado, serving approximately 900 students in the two states combined. We subsequently added new grades and new schools in additional states. We also launched blended public schools that combine face to face time in the classroom with online instruction and opened an online private school to reach students worldwide. For the 2022-2023 school year, we provided our school-as-a-service offering to 87 schools in 31 states and the District of Columbia in the General Education market, and 52 schools or programs in 27 states and the District of Columbia in the Career Learning market. We also serve schools in 48 states and the District of Columbia through our Learning Solutions sales channel.

In 2020, we acquired three adult learning companies, Galvanize, Tech Elevator, and MedCerts to enter into and expand the Company's offerings. These Adult Learning brands deliver a mix of in-person and remote training in software engineering and allied healthcare to consumers and enterprises.

Our Market

The U.S. market for K-12 education is large and virtual and blended learning has gained broader awareness and acceptance following the COVID-19 pandemic. For example:

- According to a May 2023 report of the National Education Policy Center (“NEPC”) entitled “Virtual Schools in the U.S. 2023,” in 2021-22, 1,093 full-time virtual schools enrolled 566,344 students, and 332 blended schools enrolled 106,219 students. The NEPC report further states thirty-five states had full-time virtual schools.
- A January 2023 survey by the National School Choice Awareness Foundation, found that 53.7% of parents had considered, searched for, or chosen a new or different school or learning environment for their school-aged child within the past year. Of those who were considering switching, 20.8% of parents visited, inquired about, or researched full-time online school.
- In 2022, the National Home Education Research Institute estimated that there were approximately 3.1 million home-educated students in the United States during School Year 2021-2022. Prior to the COVID-19

pandemic, the number of students was 2.5 million, and estimates showed home-educated student enrollments growing by 2% per year since 2016.

- September 2022 data from the Bureau of Labor Statistics estimates that demand for occupations that require nondegree postsecondary education will grow 6.7% by 2031, a faster rate than overall employment.

Demand for Education Alternatives: The Market Opportunity

As evidenced by the rapid evolution of education technology and varying educational options being offered to learners of all ages, no single learning model has been found that works equally well for every student. Learners today utilize technology in all aspects of their lives, and we expect this reality to extend to their education. Our business has been built on the premise that every learner, regardless of geographic location or socioeconomic background, is entitled to a high-quality education that is individualized and adaptable based on the student's unique needs. We also believe all learners can benefit from more engaging technology-enriched educational content.

We anticipate that full time online public schools will meet the needs of a small percentage of the overall United States K-12 student population, but that segment will still represent a large and growing opportunity for us in absolute terms. Across our educational programs, learners come from a broad range of social, economic and academic backgrounds. Examples of students for whom our full-time virtual or blended solutions may fit include, but are not limited to, families with: (i) students seeking to learn in a way that better accommodates their individual needs; (ii) safety, social and health concerns about their local school, including students who are being bullied or are subjected to discrimination; (iii) students with disabilities who are seeking alternatives to traditional classrooms; (iv) students for whom the local public school is not meeting their needs; (v) students who seek or need greater flexibility than other alternatives, such as student athletes and performers who are not able to attend regularly scheduled classes; (vi) college bound students who want to bolster their college readiness and application appeal by taking additional Advanced Placement ("AP"), honors and/or elective courses; (vii) students seeking career and technical skills; (viii) high school dropouts who have decided to reenroll in school to earn a diploma; and (ix) students of military families who desire high-quality, consistent education as they relocate to new locations. Our individualized learning approach allows students to optimize their educational experience and, therefore, their chances of achieving their goals.

Although the COVID-19 pandemic changed the awareness and acceptance of virtual and blended learning, we continue to expect most students in the United States will be educated in traditional school buildings and classrooms. However, we believe that certain student segments will benefit from the availability to choose an online public education (including blended learning models), and that states and districts will seek to incorporate virtual and blended solutions into their school-based programs. Our school-as-a-service offering offers a full service, integrated program, and a complete solution for districts and schools that desire a comprehensive option. For public school customers who need less than a full-service offering, our Learning Solutions sales channel provides online curriculum and services on a solution oriented, customized basis. We continue to invest significant resources, organically and through licensing or acquisitions, in developing product offerings that afford us the flexibility to serve different types of customers with varying value propositions and price points that are adaptable to an institution's and individuals' capabilities and needs. These investments are intended to expand our current assets into markets that have appeal to today's education consumers. Moreover, we have pursued, and will continue to pursue, selected markets outside the United States where we believe our products and services can address local foreign market needs.

We believe the growth in careers requiring non-degree post-secondary awards will drive more adult learners to seek training solutions that lead to credentials or certifications. It is anticipated that these learners will seek lower cost, more accessible training solutions that prepare them for the workforce in less time than traditional post-secondary degree programs. Our adult learning solutions provide these types of learners with content, instruction, and career placement services to help them achieve their career goals. Additionally, according to the Society for Human Resource Management, recruiting and hiring remains one of the top challenges for companies. To address this challenge, companies are beginning to cover the cost of training for entry-level positions as well as increasing budgets for upskilling and reskilling of their existing workforce. Stride's adult learning solutions address these employer needs by providing training and job placement and recruitment services. We anticipate that this market will continue to grow as more employers recognize the benefits of retaining existing talent rather than sourcing new talent.

Our Lines of Revenue

General Education

Products and services for the General Education market are predominantly focused on core subjects, including math, English, science and history, for kindergarten through twelfth grade students to help build a common foundation of knowledge. These programs provide an alternative to traditional school options and address a range of student needs including, safety concerns, increased academic support, scheduling flexibility, physical/health restrictions or advanced learning. Products and services are sold as a comprehensive school-as-a-service offering or à la carte.

Career Learning

Career Learning products and services are focused on developing skills to enter and succeed in careers in high-growth, in-demand industries—including information technology, healthcare and general business. We provide middle and high school students with Career Learning programs that complement their core general education coursework in math, English, science and history. Stride offers multiple career pathways supported by a diverse catalog of Career Learning courses. The middle school program exposes students to a variety of career options and introduces career skill development. In high school, students may engage in industry content pathway courses, project-based learning in virtual teams, and career development services. High school students have the opportunity to progress toward certifications, connect with industry professionals, earn college credits while in high school, and participate in job shadowing and/or work-based learning experiences that facilitate success in today's digital, tech-enabled economy. A student enrolled in a school that offers Stride's General Education program may elect to take Career Learning courses, but that student and the associated revenue is reported as a General Education enrollment and General Education revenue. A student and the associated revenue is counted as a Career Learning enrollment or Career Learning revenue only if the student is enrolled in a Career Learning program or school.

Like General Education products and services, the products and services for the Career Learning market are sold as a comprehensive school-as-a-service offering or à la carte. We also offer focused post-secondary career learning programs to adult learners, through our Galvanize, Tech Elevator, and MedCerts brands. These include skills training for the software engineering, healthcare, and medical fields, as well as staffing and talent development services to employers. These programs are offered directly to consumers, as well as to employers and government agencies.

Our Sales Channels

Virtual and Blended Schools

The Virtual and Blended Public Schools we serve offer an integrated package of systems, services, products, and professional expertise that we administer to support a virtual or blended public school. Customers of these programs can obtain the administrative support, information technology, academic support services, online curriculum, learning system platforms and instructional services under the terms of a negotiated service and product agreement. We provide our school-as-a-service offerings to virtual and blended public charter schools and school districts. These contracts are negotiated with, and approved by, the governing authorities of the customer. The duration of these service and product agreements are typically greater than five years, and most provide for automatic renewals absent a customer notification of non-renewal. During any fiscal year, the Company may enter into new agreements, receive non-automatic renewal notices, negotiate replacement agreements, terminate such agreements or receive notice of termination, or customers may transition a school to a different offering. The governing boards may also establish school policies and other terms and conditions over the course of a contract, such as enrollment parameters. The authorizers who issue the charters to our school-as-a-service customers can renew, revoke, or modify those charters as well.

The majority of our revenue is derived from these school-as-a-service agreements with the governing authorities of the public schools we serve. In addition to providing a comprehensive course catalog, related books and physical materials, a learning management system for online learning, and, in certain cases, student computers, we also offer these schools a variety of administrative support, technology and academic support services. Full time virtual and blended school students access online lessons over the internet and utilize offline learning materials we provide. Students receive assignments, complete lessons, take assessments, and are instructed by teachers with whom they interact via email, telephonically, in synchronous virtual classroom environments, and sometimes face to face. In either case, for parents who believe their child is not thriving in their current school or for students and families who require time or location flexibility

in their schooling, virtual and blended public schools can provide a compelling choice. Students attending many of these schools are also provided the opportunity to participate in a wide variety of school activities, including field trips, service-learning opportunities, honor societies, and clubs. In addition to school level activities, we sponsor a wide variety of extracurricular activities on a national basis, such as clubs, contests and college and career planning sessions.

In addition to our full time virtual programs, we offer a variety of support services and sell our products to blended schools, which are schools that combine online and face to face instruction for students in a variety of ways with varying amounts of time spent by students in a physical learning center. In contrast to a typical brick and mortar public school, blended schools can provide a greater selection of available courses, increased opportunities for self-paced, individualized instruction and greater scheduling flexibility. These blended programs bring students and teachers physically together more often than a purely online program. In some blended schools we support, students attend a learning center on a part time basis, where they receive face to face instruction, in addition to their online virtual curriculum and instruction.

Learning Solutions

Our Learning Solutions sales channel distributes our software and services to schools and school districts across the U.S. Over the past few years, both as a result of the COVID-19 pandemic and continuing trends toward digital solutions, public schools and school districts have been increasingly adopting online solutions to augment teaching practices, launch new learning models, cost effectively expand course offerings, provide schedule flexibility, improve student engagement, increase graduation rates, replace textbooks, and retain students. State education funds traditionally allocated for textbook and print materials have also been authorized for the purchase of digital content, including online courses, and in some cases mandated access to online courses. Additionally, districts are seeking support for implementations that blend virtual and in-person instruction.

To address the growing need for digital solutions and the emerging need for comprehensive virtual solutions, our Learning Solutions team provides curriculum and technology solutions, packaged in a portfolio of flexible learning and delivery models mapped to specific student and/or district needs. This portfolio approach provides a continuum of delivery models, from full time programs to individual course sales and supplemental options that can be used in traditional classrooms to differentiate instruction. Our Learning Solutions team strives to partner with public schools and school districts, primarily in the U.S., to provide more options and better tools to empower teachers to improve student achievement through personalized learning in traditional, blended and online learning environments and to provide comprehensive support for teachers and administrators to deliver effective virtual and blended instructions.

Private Programs

We also operate tuition-based private schools that meet a range of student needs from individual course credit recovery to college preparatory programs. These programs address students and families in the states in which we do not offer a free public option, as well as students looking for additional flexibility. Additionally, many families can use education savings accounts, tax credits and vouchers to attend these schools for low or no cost. We also pursue international opportunities where we believe there is significant demand for quality online education. Our international students are typically from expatriate families who wish to study in English and foreign students who desire a U.S. high school diploma. In addition, we have entered into agreements that enable us to distribute our products and services to our international and domestic school partners who use our courses to provide broad elective offerings and dual diploma programs.

Consumer Sales

We also offer individual online courses and supplemental educational products directly to families. These purchasers desire to educate their children as homeschoolers, outside of the traditional school system or to supplement their child's existing public or private school education without the aid of an online teacher. Customers of our consumer products have the option of purchasing a complete curriculum, individual courses, or a variety of other supplemental products, covering various subjects depending on their child's needs. Typical applications include summer school course work, home-schooling, enrichment, and educational supplements.

Adult Learning

We offer adult learning training programs through Galvanize, Tech Elevator, and MedCerts, which provide programs that address the skills gap facing companies in the information technology and healthcare sectors. We offer in-

person and remote immersive full-time software engineering programs designed for adult learners looking to advance their technology careers by providing such learners with skills and real-world experiences. MedCerts provides self-paced, fully online structured training programs that lead to certifications in the healthcare field. These brands also work directly with enterprises to create customized, tailored education plans to help companies train, upskill, and reskill their employees.

Our Business Strategy

We are committed to maximizing every learner's potential by personalizing their educational experience, delivering a quality education to schools and students, and supporting our customers in their quest to improve academic outcomes and prepare them for college and future careers. In furtherance of those objectives, we plan to continue investing in our curriculum and learning systems. These investments include initiatives to create and deploy a next generation curriculum and learning platform, improve the effectiveness of our school workforce, develop new instructional approaches to increase student and parental engagement, and improve our systems and security architecture. This strategy consists of the following key elements:

Affect Better Student Outcomes. We are committed to improving student outcomes for every student in the schools we serve. To achieve this goal we: (i) invest in training and professional development for teachers and school leaders, which may include a competency-based Master's Graduate Degree in Online Teaching K-12 through our partnership with Southern New Hampshire University; (ii) develop programs and initiatives designed to improve the learning experience, such as our interactive media projects, virtual science labs and AP test prep; (iii) enhance our curriculum to make it more engaging, adaptive and available to all students anywhere; and (iv) update our content as state standards and state assessments change. We also will focus our marketing and enrollment efforts on helping students and families understand the unique demands and challenges of the online learning environment. We believe better understanding by parents and students will better prepare students for the work and improve their chance at academic success.

Improve Student Retention in Our School-as-a-Service Offerings. To ensure the best outcomes for students, we have partnered with the school boards we serve to make a concerted effort to enroll and retain students who are truly engaged and ready to learn. Research shows that students who remain in the same school setting longer generally perform better academically, and retention is especially challenging with virtual and blended schools because families have the option of enrolling their children in a brick-and-mortar school or another virtual or blended school. Once students are enrolled, we offer programs to provide early intervention and focused engagement and retention strategies, which strive to help students stay on track, improve engagement and, ultimately, give students a better chance at academic success.

Grow Career Learning Enrollments and Expand Career Training Market. To grow Stride's Career Learning business and enrollments we are expanding the Stride Career Prep brand, and pursuing industry partnerships. We believe this approach will be more advanced than traditional vocational training and broader than enrollment in a series of career technical education ("CTE") courses. We seek to expand our addressable market by offering career readiness training beyond our traditional K-12 market and into adult education and corporate training.

Introduce New and Improved Products and Services. We intend to continue to expand our product line and offerings, both internally and through licensing or strategic acquisitions of products that expand our current portfolio. This includes pursuing development and licensing of curriculum and platforms that are accessible from tablet and mobile devices and leveraging adaptive learning technologies and solutions. We will also invest in our current products and assets to make them more accessible to larger markets by improving the user experience and content.

Increase Enrollments at Existing Virtual and Blended Public Schools. Some state regulations, school governing authorities and/or districts limit or cap student enrollment or enrollment growth. At the direction of our school board and school district customers, we seek to provide an opportunity for more students to attend these schools, and support their efforts to work with legislators, state departments of education, educators and parents to increase or remove student enrollment caps.

Expand Virtual and Blended Public School Presence into Additional States and Cities. As laws change and opportunities arise, we work with states, school districts, regional education organizations, and charter schools to authorize and establish new virtual and blended public schools and to contract with them to provide our curriculum, online learning platform, support services, and other related offerings. Traditional school districts are becoming a greater percentage of our customer base.

Grow Our Learning Solutions Sales Channel. Our broad Learning Solutions course catalog ranges from pre-K to 12th grade, instructional services, supplemental solutions, and teacher development and is the key driver for Learning Solutions growth. We work to continue the market adoption of these solutions and services as school districts partner with us to address a variety of academic needs and to facilitate personalized learning in traditional, blended and online learning environments.

Add Enrollments in Our Private Schools. We currently operate online private schools that we believe appeal to a broad range of students and families. We look to drive increased enrollments in these schools by increasing awareness, through targeted marketing programs, and by partnerships with traditional brick and mortar private schools.

Develop Additional Channels through which to Deliver Our Learning Systems. We plan to evaluate other delivery channels on a routine basis and to pursue opportunities where we believe there is likely to be significant demand for our offering, such as direct classroom instruction, blended classroom models, career technical education, supplemental educational products, adult learning, and individual products packaged and sold directly to consumers. We have made strategic investments in other companies to supplement our Learning Solutions go-to-market approach with a focus on advising school districts on their digital classroom transformation efforts.

Pursue Strategic Partnerships and Acquisitions. We may pursue selective acquisitions that complement our existing educational offerings and business capabilities, and that are natural extensions of our core competencies. We may also pursue acquisitions that extend our offerings and business capabilities. We believe we can be a valued-added partner or contribute our expertise in curriculum development and educational services to serve more students. In 2018, we partnered with Southern New Hampshire University to invest in the development of degree-granting programs for online teaching.

Products and Services

We continue to invest in curriculum and technology to educate students more effectively and efficiently. Much of our investment has been in the development of improved functionality of our curriculum and systems. Areas of focus include: (i) integration and user experience—making sure that all of our systems and solutions are easy for teachers, administrators, students, and parents to use; (ii) mobile enabled products; (iii) portability—making sure that our platforms integrate with and onto third-party platforms; (iv) features which personalize learning for all students we serve; (v) courses that are flexible enough to provide assistance to struggling students; (vi) reading and oral fluency scoring; (vii) alignment with state standards; (viii) built-in tutoring and support functionality; and (ix) a virtual learning platform which supports the scheduling and delivery of instruction, tracking of attendance, recording of instructional sessions, and allows student group work.

We provide various products and services to customers on an individual basis as well as customized solutions, including our comprehensive school-as-a-service offering which supports our customers in operating full-time virtual or blended schools. We continue to expand upon our personalized learning model, improve the user experience of our products, and develop tools and partnerships to more effectively engage and serve students, teachers, administrators, and adult learners.

Curriculum and Content

Our customers can select from hundreds of high-quality, engaging, online coursework and content, as well as many state-customized versions of those courses, electives, and instructional supports. We have built core courses with the guidance and recommendations of leading educational organizations at the national and state levels. State standards continue to evolve, and we invest in our curriculum to meet these changing requirements. Additionally, through our Galvanize, Tech Elevator and MedCerts brands, we have high-quality, engaging, online coursework and content in information technology and healthcare.

Systems

We have established a secure and reliable technology platform, which integrates proprietary and third-party systems to provide a high-quality educational environment and gives us the capability to grow our customer programs and enrollment. Our end-to-end platform includes content management, learning management, student information, data reporting and analytics, and various support systems that allow customers to provide a high-quality, and personalized

educational experience for students. À la carte offerings can provide curriculum and content hosting on customers' learning management systems, or integrate with customers' student information systems.

Instructional Services

We offer a broad range of instructional services that include customer support for instructional teams, including recruitment of state certified teachers, training in research-based online instruction methods and systems, oversight and evaluation services, and ongoing professional development. Stride also provides training options to support teachers and parents to meet students' learning needs. Our range of training options are designed to enhance skills needed to teach using an online learning platform, and include hands-on training, on-demand courses, and support materials.

Support Services

We offer a broad range of support services, including marketing and enrollment (e.g., supporting prospective students through the admission process), assessment management, administrative support (e.g., budget proposals, financial reporting, and student data reporting), and technology and materials support (e.g., providing student computers, offline learning kits, internet access and technology support services).

Academic Performance

Our fundamental goal for every child who enrolls in a school that has purchased our school-as-a-service offering, is to improve their academic performance. With the implementation of the federal Every Student Succeeds Act ("ESSA") beginning with the 2017-18 school year, each of the states in which we support virtual and blended public schools has been given the authority to develop a school accountability plan within the confines of a broad federal ESSA framework based on their own conception of the best means to advance college and career readiness. The ESSA requires states to utilize four academic-related indicators in their accountability plans to measure school and student performance: academic achievement, student growth in reading and math, graduation rate, and progress in achieving English language proficiency. The states were given discretion on the weight to give to each indicator and how to apply them. Most of the state ESSA plans submitted in 2017 to the U.S. Department of Education use some form of summative rating method to describe school performance, such as conferring an A-F grade or using a ranking system having a 1-10 scale. A significant new element of this education law is a requirement for states to adopt at least one non-academic indicator in their state's accountability system to measure "school quality or student success," often called the "fifth" indicator. Unlike No Child Left Behind where the only measure of school performance was an Annual Yearly Progress report, there are a wide range of non-academic options enumerated in the ESSA that the states can adopt to advance their own "school quality or student success" accountability objectives. The states may include measures of student engagement, educator engagement, student access to and completion of advanced coursework, post-secondary readiness, school climate and safety, and any other indicator a state may choose for this purpose. For example, a post-secondary readiness accountability indicator can include student participation in and completion of a CTE program of study, or access to dual credit programs. Similarly, a student engagement indicator may focus on teacher observations or ratings that demonstrate improvements in this area.

We share the view taken by many states that assessing a student by his or her learning growth is a more accurate indicator of school and student performance than attaining a static proficiency score. This approach is now reflected in the ESSA as well. All of our school-as-a-service offerings administer state or nationally recognized assessments to measure student achievement and growth during the school year, to prepare students for state assessments and to guide instruction. To ensure all schools are utilizing best practices learned from other successful school clients and from other high performing schools across the country, we have developed an academic framework that addresses teacher preparation, delivery of instruction, and student assessment. Effective instruction is informed by and evaluated based on student level data. As part of the academic framework, schools implement plans to collect student level data throughout the year through the use of norm-referenced growth measures at least three times per year, along with strategically placed formative interims, benchmarks, and summative assessments.

In addition to the complexities involved in measuring academic performance of students, we believe that the virtual and blended public schools we serve face unique challenges impacting academic success not necessarily encountered to the same extent by traditional brick and mortar schools. These challenges include students who enter behind grade level or under credited, high student mobility, lack of control over the student learning environment and higher than average percentages of students eligible for free or reduced price lunch in many states. With rare exceptions, the data shows that students identified as eligible for free lunch had lower percentages at or above proficiency levels than students

eligible for reduced price lunch, and both groups usually underperformed students identified as not eligible for subsidized meals. In addition, for decades, educational research has shown that persistence—remaining and proceeding at pace in the same school setting—can benefit academic performance, while mobility—moving from one school setting to another—can have a destabilizing influence, causing students to struggle and lapse in academic performance.

While measuring academic performance is necessary, taking meaningful steps to improve academic performance and student outcomes is an integral part of our mission. Accordingly, we continually strive to achieve that objective by undertaking new initiatives and improving existing programs that support students and families. To monitor student learning progress during the school year, we use multiple equivalent assessments at the lesson, unit and semester level. This is intended to ensure that our measurement is reliable and valid. We provide more synchronous sessions for at-risk students based on data driven instruction that provides for targeted teacher intervention to assist students with lesson challenges.

Competition

As a general matter, we face varying degrees of competition from a variety of education companies because the scope of our offerings and the customers we serve encompass many separate and distinct segments of the education business. We compete primarily with companies that provide online curriculum and school support services to K-12 virtual and blended public schools and school districts, including those with a career orientation. These companies include Pearson PLC (Connections Academy), Lincoln Learning Solutions, StrongMind, Pansophic Learning, Inspire Charter Schools, and Charter Schools USA, and state administered online programs, among others. We also face competition from digital and print curriculum developers. The digital curriculum providers include Curriculum Associates, Imagine Learning LLC, Edmentum Inc., Dreambox Learning, Inc., and traditional textbook publishers such as Houghton Mifflin Harcourt and McGraw Hill. Other competing digital curriculum providers, including Khan Academy, Duolingo, IXL Learning, Inc. and Renaissance Learning, Inc., offer a different pricing model which provides curriculum at a lower cost (sometimes free) but may charge for additional products or services. We also compete with institutions such as The Laurel Springs School (Spring Education Group) and Penn Foster Inc. for online private pay school students. Additionally, our Adult Learning offerings compete with other in-person and remote immersive programs and self-paced online training programs. These include General Assembly (a subsidiary of Adecco), Bloom Institute of Technology, Carrus, Inc., and Education to Go (a subsidiary of Cengage Learning), among others.

We believe that the primary factors on which we compete are:

- extensive experience in, and understanding of, virtual education delivery;
- comprehensive suite of academic programs;
- customer satisfaction;
- quality of integrated curriculum and materials with an online delivery platform;
- qualifications, experience and training teachers for online instruction;
- comprehensiveness of school management and student support services;
- integrated K-12 solutions, with components designed and built to work together;
- ability to leverage our assets across our business; and
- sophisticated government affairs knowledge and experience in virtual and blended school regulatory environments.

Broadly speaking, we participate in the market for digital education and adult training. In states where we enter into multi-year service and product agreements with virtual and blended public schools, we believe that we generally serve less than 1% of the public school students in that state. The customers for Learning Solutions sales are schools and school districts seeking individual courses to supplement their course catalogs or school districts seeking to offer an online education program to serve the needs of a small subset of their overall student population. Defining a more precise relevant market upon which to base a share estimate would not be meaningful due to significant limitations on the comparability of data among jurisdictions. For example, some providers to K-12 virtual public schools serve only high school students; others serve elementary and middle school students, and some serve both. There are also providers of online virtual K-12 education that operate solely within individual states or geographic regions rather than globally as we do. Furthermore, some school districts offer their own virtual programs with which we compete. Parents in search of an alternative to their local public school have a number of alternatives beyond virtual and blended public schools, including private schools, public charter schools and home schooling. In our private schools, we compete for students seeking an English-based K-12

education worldwide. In addition, our integrated learning systems consist of components that face competition from many different types of education companies, such as traditional textbook publishers, test and assessment firms and private education management companies. These learning systems are designed to operate domestically and internationally, and thus, the geographic market for many of our products and services is global and indeterminate in size. Finally, our Adult Learning brands compete with post-secondary providers, both public and private, as well as other certificate and credential providers. They also compete with upskilling and reskilling training programs developed in-house by employers.

Key Functional Areas

Public Affairs, School Development, Student Recruitment and Marketing

We seek to increase public awareness of the educational and fiscal benefits of our online learning options through full-time virtual and blended instructional models, as well as supplementary course options. We receive numerous inquiries from school districts, legislators, public charter school boards, community leaders, state departments of education, educators and parents who express the desire to have a choice in public school options. Our public affairs and school development teams work together with these interested parties to identify and pursue opportunities to expand the use of our products and services in new and existing jurisdictions.

Our student recruitment and marketing team is focused on promoting the K-12 online education category and generating enrollments for the Company's virtual and blended school customers within that category. This is achieved by creating awareness among families with K-12 students through integrated marketing campaigns that include offline and digital media, as well as web assets. These campaigns are continuously optimized using data analytics and market research. The marketing team also assists in enhancing the onboarding experience of new students to online schooling. Additionally, our marketing team is working to ensure awareness of our adult learning options, delivered through our Galvanize, Tech Elevator, and MedCerts brands.

Operations

Over our more than 20 years of operation, we believe that we have gained significant experience in the sourcing, assembly and delivery of school supplies and materials. We have developed strong relationships with partners allowing us to source goods at favorable price, quality and service levels. Our fulfillment partner stores our inventory, assembles our learning kits and ships the kits to students. We have invested in systems, including our Order Management System, to automatically translate the curriculum selected by each enrolled student into a personalized order to fulfill the corresponding learning kits to ship to each student. As a result, we believe we have an end-to-end warehousing and fulfillment operation that will cost-effectively scale as the business grows in scope and complexity.

For many of our virtual and blended public school customers, we attempt to reclaim any materials that could be cost-effectively re-utilized in the next school year. These items, once returned to our fulfillment centers, are refurbished and included in future learning kits. This reclamation process allows us to maintain lower materials costs. Our fulfillment activities are highly seasonal, and are centered on the start of school in August or September. To ensure that students in virtual and blended public schools have access to our systems, we often provide students with a computer, where applicable or required and all necessary support. We source computers and ship them to students when they enroll and reclaim the computers upon termination of their enrollment or withdrawal from the school in which they are enrolled.

Technology

Stride's online learning systems, along with our back-office support systems, run on cloud infrastructure from Amazon Web Services (AWS) and Microsoft Azure.

Architecture. Stride's key systems leverage a technology architecture that allows us to develop iterative solutions to meet both present and future market needs.

Availability and Redundancy. Stride's systems run on world-class cloud infrastructure from AWS and Azure that operate in multiple availability zones.

Cybersecurity. A business-centric information security program has also been adopted that is tailored to adjust to an ever-changing IT compliance and information security threat landscape. Our cybersecurity measures and policies are

aligned with cybersecurity guidance from the National Institute of Standards & Technologies (NIST) across our cloud ecosystems.

Physical Infrastructure. Stride has completed the migration of our entire application portfolio to Amazon Web Services (AWS) and Microsoft Azure. We leverage various technologies to monitor our application and infrastructure ecosystem on a 7 X 24 X 365 basis.

Other Information

Intellectual Property

We continue to invest in our intellectual property through internal development and by acquisitions as we aim to offer more courses for new grades and expand into adjacent education markets, both in the United States and overseas. Through acquisitions, we have also obtained curriculum, patents and trademarks that expand our portfolio of educational products and services. We continue to add features and tools to our proprietary learning platform and support systems to assist teachers and students and improve educational outcomes, such as adaptive learning technologies. These intellectual property assets are critical to our success and we avail ourselves of the full protections provided under the patent, copyright, trademark and trade secrets laws. We also routinely utilize confidentiality and licensing agreements with our employees, the virtual and blended public schools, traditional schools, school districts and private schools that we serve, individual consumers, contractors and other businesses and persons with which we have commercial relationships.

Our patent portfolio includes five U.S.-issued patents and one foreign-issued patents directed towards various aspects of our educational products and offerings. Three of the U.S.-issued patents encompass our system and methods of virtual schooling and online foreign language instruction. The other two U.S.-issued patents and the foreign-issued patent encompass our system and method for producing, delivering and managing educational material.

We own copyrights related to the lessons contained in the courses that comprise our proprietary curriculum. We also have obtained federal, state and foreign registrations for numerous trademarks that are related to our offerings, and we have applied to the U.S. Patent and Trademark Office to register certain new trademarks.

We grant licenses to individuals to use our software and access our online learning systems. Similarly, schools are granted licenses to utilize our online learning systems and other systems. These licenses are intended to protect our ownership and the confidentiality of the embedded information and technology contained in our software and systems. We also own many of the trademarks and service marks that we use as part of the student recruitment and branding services we provide to schools. Those marks are licensed to the schools for use during the term of the products and services agreements.

Our employees, contractors and other parties with access to our confidential information sign agreements that prohibit the unauthorized use or disclosure of our proprietary rights, information and technology.

Human Capital Resources

As of June 30, 2023, we had approximately 7,800 employees, including approximately 4,400 teachers. Substantially all of these employees are located in the United States. In addition, there are approximately 3,400 teachers who are employed by virtual or blended public schools that we manage under contracts with those schools but are not direct employees of Stride. None of our employees are represented by a labor union or covered by a collective bargaining agreement; however, certain schools we serve employ unionized teachers. We believe that our employee relations are good.

Our success depends in large part on continued employment of senior management and key personnel who can effectively operate our business, which is necessary in the highly regulated public education sector involving a publicly traded for profit company. We believe a critical component to our success depends on the ability to attract, develop and retain key personnel.

We select and hire based upon our values of making an impact on the lives of our students. In addition to annual goals, and individual job duties, we consider demonstration of our core values—passion, accountability, courage, trust, and inclusiveness—an important factor in performance appraisals.

We support professional development opportunities that reflect our desire to ‘hire from within’ and to enhance employees’ skillsets in ways that improve their effectiveness and sense of fulfillment. We offer our employees many different professional development opportunities through job related training and a number of benefit programs, including a Tuition Assistance Benefit, discount tuition options with several participating colleges and universities, and discounted options to access K-12 curriculum.

At our Company, we uphold a workplace culture that celebrates diversity and embraces inclusion. We are proud of our diverse workforce and recognize the value diversity brings to our team.

- 50% of our Board is comprised of minorities and 30% are women.
- 65% of our executive leadership team is comprised of minorities and women.
- 81% of our full-time employees are women.
- For direct education-related roles, largely the K-12 teacher population, employee demographics mirror national averages for these positions.

We continue to recognize opportunities to improve our gender equity and minority representation. Various efforts are underway to create a more diverse workforce that supports our learner community, including robust professional, managerial, and leadership development programs. In addition, we offer customized training for teams, as well as training that focuses on diversity and inclusion topics, including unconscious bias training for all employees.

Corporate Information

Our website address is www.stridelearning.com.

Available Information

We make available, free of charge through the Investors section of our website (www.stridelearning.com), our annual reports on Form 10 K, quarterly reports on Form 10 Q, current reports on Form 8 K, and amendments to those reports filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), promptly after they are electronically filed with the Securities and Exchange Commission (the “SEC”). These filings are also available on the SEC’s website at www.sec.gov, which contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Our earnings conference calls are web cast live via the Investors section of our website. Information contained on our website is expressly not incorporated by reference into this Annual Report.

Regulation

We and the virtual and blended public schools that we serve are subject to regulation by and laws of each of the states in which we operate. The state laws and regulations that impact our business are primarily those that authorize or restrict our ability to operate these schools, the applicable funding mechanisms for the schools and the increasing number of states with their own, unique privacy laws. To the extent these schools receive federal funds, such as through a grant program or financial support dedicated for the education of low income families, these schools also become subject to additional federal regulation.

State Laws Authorizing or Restricting Virtual and Blended Public Schools. The authority to operate a virtual or blended public school is dependent on the laws and regulations of each state. Laws and regulations vary significantly from one state to the next and are constantly evolving. In states that have implemented specific legislation to support virtual and blended public schools, the schools are able to operate under these statutes. Other states provide for virtual and blended public schools under existing public charter school legislation or provide that school districts and/or state education agencies may authorize them. Some states do not currently have legislation that provides for virtual and blended public schools or have requirements that effectively prohibit such schools and, as a result, may require new legislation before virtual and blended public schools can open in the state.

Obtaining new legislation in the remaining states where we do not have virtual and blended public schools can be a protracted and uncertain process. When determining whether to pursue expansion into new states in which the laws are ambiguous, we research the relevant legislation and policy climate and then make an assessment of the perceived likelihood of success before deciding to commit resources.

State Laws and Regulations Applicable to Virtual and Blended Public Schools. A virtual or blended public school that fails to comply with the state laws and regulations applicable to it may be required to repay these funds and could become ineligible for receipt of future state funds. To be eligible for state funding, some states require that virtual and blended public schools be organized as not-for-profit charters exempt from taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The schools must then be organized exclusively for charitable educational purposes, and not for the benefit of private, for-profit management companies. The board or governing authority of the not-for-profit virtual or blended public school must retain ultimate accountability and control for the school's operations to retain its tax-exempt status. It may not delegate its responsibility and accountability for the school's operations. Our service agreements with these virtual and blended public schools are, therefore, structured to ensure the full independence of the not-for-profit board and preserve its arms-length ability to exercise its fiduciary obligations to operate a virtual or blended public school.

Laws and regulations affect many aspects of operating a virtual or blended public school. They can dictate the content and sequence of the curriculum, the methods for counting student enrollments for funding purposes, graduation requirements, use of approved textbooks, the length of the school year and the school day, the accessibility of curriculum and technology to students with disabilities, teacher to student ratios, specific credentialing of teachers and administrators, the assessment of student performance and any accountability requirements. In addition, a virtual or blended public school may be obligated to comply with states' requirements to offer programs for specific populations, such as students at risk of dropping out of school, advanced and talented students, non-English speaking students, pre-kindergarten students and students with disabilities. Tutoring services and the use of technology may also be regulated. Other state laws and regulations may affect the school's compulsory attendance requirements, treatment of absences and make-up work, and access by parents to student records and teaching and testing materials.

In addition to federal laws protecting the privacy of student education records, a growing number of states are enacting laws to protect the privacy of student data and to guard against its misuse. As a general matter, these laws are designed to prevent third-party vendors to schools from using student data for non-educational purposes and ensuring the security of personally identifiable information. In addition, virtual or blended public schools may have to comply with state requirements that school campuses report various types of data as performance indicators of the success of the program.

States have laws and regulations concerning the certification, training, experience and continued professional development of teachers and staff with which a virtual or blended public school may be required to comply. There are also numerous laws pertaining to employee salaries and benefits, statewide teacher retirement systems, workers' compensation, unemployment benefits and matters related to employment agreements and procedures for termination of school employees. State labor laws applicable to public-sector employees and their rights to organize may also apply to virtual charter schools, such as teachers they employ. A virtual or blended public school must also comply with requirements for performing criminal background checks on school staff, reporting criminal activity by school staff and reporting suspected child abuse. An increasing number of states are also enacting more general laws about personal information that apply regardless of whether the individual is a student.

As with any public school, virtual and blended public schools must comply with state laws and regulations applicable to governmental entities, such as open meetings or sunshine laws, which may require the board of trustees of a virtual or blended public school to provide advance public notice of and hold its meetings open to the public unless an exception in the law allows an executive session. Failure to comply with these requirements may lead to personal civil and/or criminal penalties for board members or officers or the invalidation of actions taken during meetings that were not properly noticed and open to the public. Virtual and blended public schools must also comply with public information or open records laws, which require them to make school records available for public inspection, review and copying unless a specific exemption in the law applies. Additionally, laws pertaining to records privacy and retention and to standards for maintenance of records apply to virtual and blended public schools.

Other types of regulation applicable to virtual and blended public schools include restrictions on the use of public funds, the types of investments made with public funds, accounting and financial management, and marketing practices.

There remains uncertainty about the extent to which virtual and blended public schools we serve may be required to comply with state laws and regulations applicable to traditional public schools because the concept of virtual and blended public schools is still evolving, especially as technology advances. Although we receive state funds indirectly, according to the terms of each service agreement with the local public school entity, our receipt of state funds subjects us to extensive state regulation and scrutiny. States routinely conduct audits of these schools, to verify enrollment, attendance, information technology security, fiscal accountability, special education services and other regulatory issues. While we may believe that a virtual public school or blended school we serve is compliant with state law, an agency's different interpretation of law in a particular state, or the application of facts to such law, could result in findings of non-compliance, potentially affecting future funding or repayment of past funding.

Regulations Restricting Virtual and Blended Public School Growth and Funding. As a public schooling alternative, some state and regulatory authorities have elected to proceed cautiously with virtual and blended public schools. Statutes or regulations that hinder our ability to serve certain jurisdictions include: restrictions on student eligibility, such as mandating attendance at a traditional public school prior to enrolling in a virtual or blended public school; caps on the total number of students in a virtual or blended public school; restrictions on grade levels served; geographic limitations on enrollments; fixing the percentage of per pupil funding that must be paid to teachers; state-specific curriculum requirements; limits on the number of charters that can be granted in a state; and requirements to obtain approval from a student's resident school district.

Funding regulations for virtual public schools and blended schools can take a variety of forms. These regulations include: (i) attendance—some state daily attendance rules were designed for traditional classroom procedures, and applying them to track daily attendance and truancy in an online setting can cause disputes to arise over interpretation and funding; (ii) enrollment eligibility—some states place restrictions on the students seeking to enroll in virtual and blended public schools, resulting in lower aggregate funding levels; (iii) teacher contact time—some states have regulations that specify minimum levels of teacher-student face-to-face time; and (iv) completion of course work. These regulations can create logistical challenges for statewide virtual and blended public schools, reduce funding and eliminate some of the economic, academic and technological advantages of virtual learning.

Federal and State Grants. We have worked with some entities to secure public and grant funding that flows to virtual and blended public schools that we serve. These grants are awarded to the local or state education agency or to the not-for-profit entity that holds the charter of the virtual or blended public school on a competitive basis in some instances and on an entitlement basis in other instances. Grants awarded to public schools and programs—whether by a federal or state agency or nongovernmental organization—often include reporting requirements, procedures and obligations.

Federal Laws Applicable to Virtual Public Schools and Blended Schools

Five primary federal laws are directly applicable to the day-to-day provision of educational services we provide to virtual and blended public schools:

Every Student Succeeds Act ("ESSA"). Under the ESSA, the states have the discretion to develop and design their own accountability systems within a broad federal framework. In addition, states have been given the authority to adopt different types of annual accountability plans for school performance, including proficiency and growth standards for all students and subgroups. The ESSA makes clear that the U.S. Department of Education has a limited role to impose federal mandates, direction or control over the authority given to the states. Notwithstanding these federal limitations, states are still required under ESSA to test students in reading or language arts and math annually in grades 3-8 and once in grades 10-12, and in science once in each of the following grade spans: 3-5, 6-9 and 10-12. All states have plans approved by the U.S. Department of Education to demonstrate compliance with ESSA.

Individuals with Disabilities Education Act ("IDEA"). The IDEA is implemented through regulations governing every aspect of the special education of a child with one or more specific disabilities that fit within any of the disability categories listed in the Act. The IDEA created a responsibility on the part of a school to identify students who may qualify under the IDEA and to perform periodic assessments to determine the students' needs for services. A student who qualifies for services under the IDEA must have in place an individual education plan, which must be updated at least annually, created by a team consisting of school personnel, the student, and the parent. This plan must be implemented in a setting where the child with a disability is educated with non-disabled peers to the maximum extent appropriate. IDEA provides the student and parents with numerous due process rights relating to the student's program and education, including the right to seek mediation of disputes and make complaints to the state education agency. The schools we manage are

responsible for ensuring the requirements of IDEA are met. The virtual public schools and blended schools are required to comply with certain requirements in IDEA concerning teacher certification and training. We, the virtual public school or the blended school could be required to provide additional staff, related services, supplemental aids and services or a private school option at our own cost to comply with the requirement to provide a free appropriate public education to each child covered under the IDEA. If we fail to meet this requirement, we, the virtual public school or blended school could lose federal funding and could be liable for compensatory educational services, reimbursement to the parent for educational service the parent provided and payment of the parent's attorney's fees.

The Rehabilitation Act of 1973 and the Americans with Disabilities Act. A virtual public school or blended school receiving federal funds is subject to Section 504 of the Rehabilitation Act of 1973 ("Section 504") insofar as the regulations implementing the Act govern the education of students with disabilities as well as personnel and parents. Section 504 prohibits discrimination against a person on the basis of disability in any program receiving federal financial assistance if the person is otherwise qualified to participate in or receive benefit from the program. Students with disabilities not specifically listed in the IDEA may be entitled to specialized instruction or related services pursuant to Section 504 if their disability substantially limits a major life activity. Beginning in 2011, the Office of Civil Rights of the United States Department of Education interpreted both Section 504 and Title II of the Americans with Disabilities Act to apply to elementary and secondary schools and to require that students with disabilities be afforded substantially equivalent ease of use as students without disabilities. As applied to online public schools, such "web accessibility" requires technical capabilities similar to those applied to procurements of information technology by the federal government under Section 508 of the Rehabilitation Act of 1973 ("Section 508") or standards adopted by the world-wide web consortium, such as Web Content Accessibility Guidelines ("WCAG") Level A and Level AA. If a school fails to comply with the requirements and the procedural safeguards of Section 504, it may lose federal funds even though these funds flow indirectly to the school through a local board. In the case of bad faith or intentional wrongdoing, some courts have awarded monetary damages to prevailing parties in Section 504 lawsuits. Because there is no federal rule setting a uniform technical standard for determining web accessibility under Section 508 and Title II of the ADA, online service providers have no uniform standard of compliance. Some states have adopted the standards promulgated under Section 508 while others require WCAG Level A and/or Level AA or their own unique standards.

Family Educational Rights and Privacy Act ("FERPA"). Virtual public schools and blended schools are also subject to the FERPA which protects the privacy of a student's educational records and generally prohibits a school from disclosing a student's records to a third party without the parent's prior consent. The law also gives parents certain procedural rights with respect to their minor children's education records. A school's failure to comply with this law may result in termination of its eligibility to receive federal education funds. Schools that contract with vendors that violate FERPA may be prohibited from contracting with the vendor for five years.

Communications Decency Act. The Communications Decency Act of 1996 ("CDA") provides protection for online service providers against legal action being taken against them because of certain actions of others. For example, the CDA states that no provider or user of an interactive computer service shall be treated as the publisher or speaker of any data given by another provider of information content. Further, Section 230 of the CDA grants interactive online services of all types, broad immunity from tort liability so long as the information at issue is provided or posted by a third party. As part of our technology services offering, we provide an online school platform on which teachers and students may communicate. We also conduct live classroom sessions using Internet-based collaboration software and we may offer certain online community platforms for students and parents. While the CDA affords us with some protection from liability associated with the interactive online services we offer, there are exceptions to the CDA that could result in successful actions against us that give rise to financial liability.

Other Federal Laws. Other federal laws also apply to virtual managed schools, in some cases depending on the demographics associated with a school. For example, Title VI of the Civil Rights Act of 1964 has been deemed to apply to ELL Students, as further defined in the joint guidance issued by the U.S. Departments of Justice and Education in January 2015. Title IX of the Education Amendments of 1972 also applies, which prohibits discrimination on the basis of gender in education programs, activities and employment, applies to all schools that receive federal funds. There are also other federal laws and regulations that affect other aspects of our business such as the Children's Online Privacy Protection Act ("COPPA"), which imposes certain parental notice and other requirements on us that are directed to children under 13 years of age who access the web-based schools we manage. In addition, the Children's Internet Protection Act requires that school districts that receive certain types of federal funding must ensure that they have technology which blocks or filters certain material from being accessed through the Internet. We have developed procedures by which computers that we ship to students meet this requirement. Many other federal and state laws, such as deceptive trade practices laws, the

Lanham Act and others apply to us, just as they do to other businesses. If we fail to comply with these and other federal laws, we could be determined ineligible to receive funds from federal programs or face penalties.

Laws and Regulations Applicable to Consumer Education Products offered by Galvanize, Tech Elevator and MedCerts

State Laws Authorizing or Restricting Private Post-Secondary Schools. The authority to operate a private post-secondary school is dependent on the laws and regulations of each state. Laws and regulations vary significantly from one state to the next and are constantly evolving, with regulatory authority vesting under various state agencies. Galvanize, Tech Elevator and MedCerts each currently operate in a multi-jurisdictional regulatory environment, maintaining licenses in several states. In states that have implemented specific legislation to license and oversee private post-secondary schools, Galvanize, Tech Elevator and MedCerts are able to operate under these statutes. State laws and regulations affect many aspects of operating a private post-secondary school, including, but not limited to, requiring the content and sequence of the curriculum, the methodology for counting student enrollments and reporting outcomes, graduation requirements, the duration of the approved program, the accessibility of curriculum and technology to students with disabilities, specific credentialing of teachers and administrators, the assessment of student performance, accountability requirements, and compliance with student record collection and retention requirements.

Other types of state regulations applicable to private post-secondary schools include, but are not limited to, restrictions on the use of scholarships and tuition discounts, student payment policies and the collection of and use of student fees, accounting and financial management, and limitations on marketing and advertising practices. States also have laws and regulations concerning the certification, training, experience and continued professional development of teachers and staff with which private post-secondary schools may be required to comply. Additionally, state unfair competition and consumer protection laws and regulations apply to Galvanize, Tech Elevator and MedCerts in their dealings with the public, which include limitations on advertising and disclosures, and the structure of financing methods for consumer customers. Lastly, additional regulations and student outcome reporting requirements may affect Galvanize, Tech Elevator and MedCerts should they seek funding related to the Workforce Innovation and Opportunity Act in any given state.

Federal Laws Applicable

Each of Galvanize, Tech Elevator and MedCerts does not qualify or receive Title IV funding under the Higher Education Act but is eligible for federal funding through its veteran's education and workforce programs. As such, each is required to comply with the anti-discrimination provisions of Title VI of the Civil Rights Act of 1964, Title IX of the Education Amendments of 1972, as amended, Section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, and all Federal regulations adopted to carry out such laws. If we fail to comply with these federal laws, we could be determined ineligible to receive funds from federal programs or face penalties.

ITEM 1A. *RISK FACTORS*

Risk Factors Summary

The following summary description sets forth an overview of the material risks we are exposed to in the normal course of our business activities. The summary does not purport to be complete and is qualified in its entirety by reference to the full risk factor discussion immediately following this summary description. Our business, results of operations and financial conditions, as well as your investment in our common stock, could be materially and adversely affected by any of the following material risks:

- The majority of our revenues come from our school-as-a-service offering and depends on per pupil funding amounts and payment formulas remaining near levels existing at the time we execute service agreements with the schools we serve;
- Any failure to comply with applicable laws or regulations, the enactment of new laws or regulations, poor academic performance or misconduct by us or operators of other virtual public schools;
- Opponents of public charter schools could prevail in challenging the establishment and expansion of such schools through the judicial process;
- Disputes over our inability to invoice and receive payments for our services due to ambiguous enabling legislation and interpretive discrepancies by regulatory authorities;
- Any failure to renew an authorizing charter for a virtual or blended public school;
- Actual or alleged misconduct by current or former directors, officers, key employees or officials;
- Changes in the objectives or priorities of the independent governing bodies of the schools we serve;
- Any nonpayment or nonperformance by our customers, including due to actions taken by the independent governing authorities of our customers;
- Any failure to renew a contract for a school-as-a-service offering, which is subject to periodic renewal;
- Any failure to enroll or re-enroll a significant number of students by the schools we serve;
- The enrollment data we present may not fully capture trends in our business performance;
- Our marketing efforts may not be effective and changes in our marketing efforts and enrollment activities could lead to declines in enrollment;
- The student demographics of the schools we serve can lead to higher costs;
- The ability to meet state accountability testing standards and achieve parent and student satisfaction;
- Compliance with curriculum standards and assessments for individual state determinations under the ESSA;
- Risks due to mergers, acquisitions and joint ventures;
- Negative impacts caused by the actions of activist stockholders;
- Market demand for online options in public schooling may decrease or not continue, or additional states may not authorize or adequately fund virtual or blended public schools;
- Increasing competition in the education industry sectors that we serve;

- The continuous evolution of regulatory frameworks on the accessibility of technology and curriculum;
- Differences between our quarterly estimates and the actual funds received and expenses incurred by the schools we serve;
- Seasonal fluctuations in our business;
- Our ability to create new products, expand distribution channels and pilot innovative educational programs;
- Our ability to recruit, train and retain quality certified teachers;
- Higher operating expenses and loss of management flexibility due to collective bargaining agreements;
- Our reliance on third-party service providers to host some of our solutions;
- Any problems with our Company-wide ERP and other systems;
- Our ability to maintain and enhance our product and service brands;
- Our ability to protect our valuable intellectual property rights, or lawsuits against us alleging the infringement of intellectual property rights of others;
- Any legal liability from the actions of third parties;
- Any failure to maintain and support customer facing services, systems, and platforms;
- Any failure to prevent or mitigate a cybersecurity incident affecting our systems, or any significant interruption in the operation of our data centers;
- Our reliance on the Internet to enroll students and to deliver our products and services;
- Failure to comply with data privacy regulations;
- Any failure by the single vendor we use to manage, receive, assemble and ship our learning kits and printed educational materials;
- Any significant interruption in the operation of AWS or Azure could cause a loss of data and disrupt our ability to manage our technological infrastructure;
- Scale and capacity limits on some of our technology, transaction processing systems and network hardware and software;
- Our ability to keep pace with changes in our industry and advancements in technology;
- Our ability to attract and retain key executives and skilled employees;
- Our ability to obtain additional capital in the future on acceptable terms; and
- The possibility that a material misstatement of our annual or interim financial statements, resulting from a material weakness in our internal control over financial reporting, would not be prevented or detected on a timely basis.

Risks Related to Government Funding and Regulation of Public Education

The majority of our revenues come from our comprehensive school-as-a-service offering in both the General Education and Career Learning markets and depends on per pupil funding amounts and payment formulas remaining near the levels existing at the time we execute service agreements with the schools we serve. If those funding levels or formulas are materially reduced or modified due to economic conditions or political opposition, or new restrictions are adopted or payments delayed, our business, financial condition, results of operations and cash flows could be adversely affected.

The public schools we contract with are financed with government funding from federal, state and local taxpayers. Our business is primarily dependent upon those funds with a majority of our revenue coming from our comprehensive school-as-a-service offerings in both the General Education and Career Learning markets. Budget appropriations for education at all levels of government are determined through a legislative process that may be affected by negative views of for-profit education companies, recessionary conditions in the economy at large, or significant declines in public school funding. The results of federal and state elections can also result in shifts in education policy and the amount of funding available for various education programs.

The political process and potential variability in general economic conditions, including due to possible pandemics, rising inflation and geo-political instability, create a number of risks that could have an adverse effect on our business including the following:

- Legislative proposals can and have resulted in budget or program cuts for public education, including the virtual and blended public schools and school districts we serve, and therefore have reduced and could potentially limit or eliminate the products and services those schools purchase from us, causing our revenues to decline. From time to time, proposals are introduced in state legislatures that single out virtual and blended public schools for disparate treatment.
- Economic conditions, including current and future business disruptions and debt and equity market volatility caused by changing interest rates, rising inflation, the government closures of various banks and liquidity concerns at other financial institutions, geo-political instability, possible pandemics and the potential for local and/or global economic recession, could reduce state education funding for all public schools or cause a delay in the payment of government funding to schools and school districts or a delay in payments to us for our products or services, the effects of which could be disproportionate for the schools we serve. Our annual revenue growth is impacted by changes in federal, state and district per pupil funding levels. For example, due to the budgetary problems arising from the 2008 recession, many states reduced per pupil funding for public education affecting many of the public schools we serve, including even abrupt midyear cuts in certain states, which in some cases were retroactively applied to the start of the school year as a result of formulaic adjustments. In addition, as we enter into service and product agreements with multiple schools in a single state, the aggregate impact of funding reductions applicable to those schools could be material. For example, we have agreements with 13 schools in California and while each school is independent with its own governing authority and no single school in California accounts for more than 10% of our revenue, regulatory actions that affect the level or timing of payments for all similarly situated schools in that state could adversely affect our financial condition. The specific level of federal, state and local funding for the coming years is not yet known for specific states and, when taken as a whole, it is reasonable to believe that a number of the public schools we serve could experience lower per pupil enrollment funding, while others may increase funding, as economic conditions or political conditions change.
- As a public company, we are required to file periodic financial and other disclosure reports with the SEC. This information may be referenced in the legislative process, including budgetary considerations, related to the funding of alternative public school options, including virtual public schools and blended schools. The disclosure of this information by a for-profit education company, regardless of parent satisfaction and student performance, may nonetheless be used by opponents of virtual and blended public schools to propose funding reductions or restrictions.
- From time to time, government funding to schools and school districts is not provided when due, which sometimes causes the affected schools to delay payments to us for our products and services. These payment delays have occurred in the past and can deprive us of significant working capital until the matter is resolved, which could hinder our ability to implement our growth strategies and conduct our business. For example,

in fiscal year 2016, the Commonwealth of Pennsylvania was unable to approve a budget, including funding for public school education, and thus the Agora Cyber Charter School received no funds and could not make timely contractual payments to the Company for our products and services, even though we continued to incur the costs to keep the school operating.

Failure to comply with regulatory requirements, poor academic performance, or misconduct by us or operators of other virtual public schools could tarnish the reputation of all the school operators in our industry, which could have a negative impact on our business or lead to punitive legislation.

As a non-traditional form of public education, online public school operators will be subject to scrutiny, perhaps even greater than that applied to traditional brick and mortar public schools or public charter schools. Not all virtual public schools will have successful academic programs or operate efficiently, and new entrants may not perform well either. Such underperformance could create the impression that virtual schooling is not an effective way to educate students, whether or not our learning systems achieve satisfactory performance. Consistently poor academic performance, or the perception of poor performance, could also lead to closure of an online public school or termination of an approved provider status in some jurisdictions, or to passage of legislation empowering the state to restructure or close low-performing schools. For example, a 2016 Nevada law expanded a charter authorizer's ability to terminate a charter based upon academic performance or to reconstitute a school's governing board, and a 2013 Tennessee law included academic performance criteria applicable only to virtual schools.

Beyond academic performance issues, some virtual school operators, including us, have been subject to governmental investigations alleging, among other things, false attendance reporting, the misuse of public funds or failures in regulatory compliance. These allegations have attracted significant adverse media coverage and have prompted legislative hearings and regulatory responses. Investigations have focused on specific companies and individuals, or even entire industries, such as the industry-wide investigation of for-profit virtual schools initiated by the Attorney General of California in 2015. The precise impact of these governmental investigations on our current and future business is difficult to discern, in part because of the number of states in which we operate and the range of purported malfeasance or performance issues involved. If these situations, or any additional alleged misconduct, cause all virtual public schools to be viewed by the public and/or policymakers unfavorably, we may find it difficult to expand into new states or renew our contracts with our clients.

Opponents of public charter schools, including virtual and blended, have sought to challenge the establishment and expansion of such schools through the judicial process. If these interests prevail, it could damage our ability to sustain or grow our current business or expand in certain jurisdictions.

We have been, and will likely continue to be, subject to public policy lawsuits by those who do not share our belief in the value of this form of public education or the involvement of for-profit education management companies. Whether we are a named party to these lawsuits, legal claims have involved challenges to the constitutionality of authorizing statutes, methods of instructional delivery, funding provisions and the respective roles of parents and teachers that can potentially affect us. For example, the Louisiana Association of Educators, an affiliate of a national teachers union, sought to terminate funding on state constitutional grounds to certain types of charter schools through the judicial process (including to a public school we serve), and while the teachers union was initially successful, the Louisiana Supreme Court reversed that decision in March 2018. *See Iberville Parish School Board v. Louisiana State Board of Elementary and Secondary Education*.

Should we fail to comply with the laws and regulations applicable to our business, such failures could result in a loss of public funding and an obligation to repay funds previously received, which could adversely affect our business, financial condition and results of operations.

Once authorized by law, virtual and blended public schools are generally subject to extensive regulation, as are the school districts we serve. These regulations cover specific program standards and financial requirements including, but not limited to: (i) student eligibility standards; (ii) numeric and geographic limitations or caps on enrollments; (iii) state-specific curriculum requirements and standards; (iv) restrictions on open-enrollment policies by and among districts; (v) prescribed teacher-to-student ratios and teacher funding allocations from per pupil funding; (vi) teacher certification and reporting requirements; and (vii) virtual school attendance reporting. State and federal funding authorities conduct regular program and financial audits of the public schools we serve to ensure compliance with applicable regulations. If a final determination of non-compliance is made, funds may be withheld, which could impair that school's

ability to pay us for services in a timely manner, or the school could be required to repay funds received during the period of non-compliance. Additionally, the indemnity provisions in our standard service agreements, with virtual and blended public schools and school districts, may require us to return any contested funds on behalf of the school.

As an emerging form of public education with unique attributes, enabling legislation for online public schools is often ambiguous and subject to discrepancies in interpretation by regulatory authorities, which may lead to disputes over our ability to invoice and receive payments for services rendered.

Statutory language providing for virtual and blended public schools is sometimes interpreted by regulatory authorities in ways that may vary from year to year making compliance subject to uncertainty. More issues normally arise during our first few school years of doing business in a state because such state's enabling legislation often does not address specific issues, such as what constitutes proper documentation for enrollment eligibility or attendance reporting in a virtual or blended school. From time to time there are changes to the regulators' approaches to determining the eligibility of students for funding purposes. Another issue may be differing interpretations on what constitutes a student's substantial completion of a semester in a public school or daily attendance requirements. These regulatory uncertainties may lead to disputes over our ability to invoice and receive payments for services rendered, or to disputes with auditors of public schools, which could adversely affect our business, financial condition and results of operations. For example, in October 2017, the California Department of Education commenced an audit covering, among other things, the average daily attendance records and associated funding provided to the California Virtual Academies ("CAVAs"), dependent on the proper method of counting the time-value and daily engagement of students enrolled in independent study programs provided by non-classroom based charter schools and the regulations applicable to such programs and schools.

The operation of virtual and blended public charter schools depends on the maintenance of the authorizing charter and compliance with applicable laws. If these charters are not renewed, our contracts with these schools would be terminated.

In many cases, virtual and blended public schools operate under a charter that is granted by a state or local authorizer to the charter holder, such as a community group or an established not-for-profit corporation, which typically is required by state law to qualify for student funding. In fiscal year 2023, a majority of our revenue was derived from our comprehensive school-as-a-service offerings in both the General Education and Career Learning markets, the majority of which were virtual and blended public schools operating under a charter. The service and products agreements for these schools are with the charter holder or the charter board. Non-profit public charter schools qualifying for exemption from federal taxation under Internal Revenue Code Section 501(c)(3) as charitable organizations must also operate on an arms-length basis in accordance with Internal Revenue Service rules and policies to maintain that status and their funding eligibility. In addition, many state public charter school statutes require periodic reauthorization. If a virtual or blended public school we support fails to maintain its tax-exempt status and funding eligibility, fails to renew its charter, or if its charter is revoked for non-performance or other reasons that may be due to actions of the independent charter board completely outside of our control, our contract with that school would be terminated. For example, in fiscal year 2018, the Buckeye Community Hope Foundation terminated the charter of Insight School of Ohio.

Actual or alleged misconduct by current or former directors, officers, key employees or officials could make it more difficult for us to enter into new contracts or renew existing contracts.

If we or any of our current or former directors, officers, key employees, or officials are accused or found to be guilty of serious crimes or civil violations, including the mismanagement or improper accounting of public funds, or violations of the federal securities laws, the schools we serve could be barred or discouraged from entering into or renewing service agreements with us. As a result, our business and revenues would be adversely affected.

New laws or regulations not currently applicable to for-profit education companies in the K-12 sector could be enacted and negatively impact our operations and financial results.

As the provision of online K-12 public education matures, policy or business practice issues may arise that could lead to the enactment of new laws or regulations similar to, or in addition to, laws or regulations applicable to other education industry sectors. For example, for-profit education companies that own and operate post-secondary colleges and programs depend in significant part on student loans provided by the federal government to cover tuition expenses and income sharing agreements, and federal laws prohibit incentive compensation for success in securing enrollments or financial aid to any person engaged in student recruiting or admission activities. In contrast, while students in virtual or

blended public K-12 schools are entitled to a public education with no federal or state loans necessary for tuition, laws could be enacted that make for-profit management companies serving such schools subject to similar recruitment or other restrictions. In keeping with good business practices, we do not award or permit incentive compensation to be paid to our public school program enrollment staff or contractors based on the number of students enrolled. New laws that specifically target for-profit education companies or education management organizations from operating public charter schools could also adversely affect our business, financial condition and results of operation.

Risks Related to Our Business and Our Industry

The schools we contract with and serve are governed by independent governing bodies that may shift their priorities or change objectives in ways that are adverse to us and to the students who attend the school programs we administer, or they may react negatively to acquisitions or other transactions.

We contract with and provide a majority of our products and services to virtual and blended public schools governed by independent boards or similar governing bodies. While we typically share a common objective at the outset of our business relationship, over time our interests could diverge resulting in changes adverse to our business or the students enrolled in those schools. The governing boards of the schools we serve in which we hire the Principal or Head of School (“HoS”) may seek to employ their own HoS as a condition for contract renewal. This decision may potentially reduce the value of the programs they purchase from us by structurally separating the HoS from regular involvement with our virtual school management experts, employee-based professional development programs, and internal understanding of the proprietary curriculum and innovations we develop to improve academic performance. As these independent boards shift their priorities or change objectives, reduce or modify the scope of services and products we provide, or terminate their relationships with us, our ability to generate revenues consistently over time or to improve academic outcomes would be adversely affected.

Our contracts for a school-as-a-service offering are subject to periodic renewal, and each year, some of these agreements are set to expire. If we are unable to renew several such contracts or if a single significant contract expires during a given year, our business, financial condition, results of operations and cash flow could be adversely affected.

In fiscal year 2023, we had contracts for our school-as-a-service offerings for 87 schools in 31 states and the District of Columbia. A portion of these contracts are scheduled to expire in any given year and may not be renewed or may be renewed on terms much less favorable to us. Most of these contracts include auto renewal provisions having significant advance notice deadlines. The advance notice provisions are intended to allow sufficient time to engage in renewal negotiations before and during the final year of these contracts. A renewed contract could involve a restructuring of our services and management arrangements that could lower our revenue or even change how revenue and expenses are recognized. When the customer prefers the existing contract terms to be extended, it can elect to disregard the advance notice provision and have the contract automatically renew. If we are unable to renew contracts or if contract renewals have significantly less favorable terms or unbundle previously provided services, our business, financial condition, results of operations and cash flow could be adversely affected.

If the schools we serve fail to enroll or re-enroll a sufficient number of students, or we fail to enroll a significant number of students in the Career Learning programs for adult learners, our business, financial condition and results of operations will be adversely affected.

A majority of our revenues are a direct function of how many students are enrolled in our school-as-a-service offerings, the number of school districts and students who subscribe to such district programs, and the enrollments in our international and private schools.

Because families have alternative choices both within and outside the public school system for educating their children, it is typical during each school year that some students withdraw from schools using our online education services and switch to their traditional local public schools, other charter school alternatives or private schools. While many of our school-as-a-service offerings also accept new student enrollment throughout the year where permitted, generally our average student enrollment declines as the school year progresses such that we serve on average fewer students at the end of any given school year than at the beginning of the year. If our school-as-a-service offerings experience higher withdrawal rates during the year and/or enroll fewer new students as the year progresses than we have experienced in the past, our revenues, results of operations and financial condition would be adversely affected.

Similarly, at the start of each new school year, students who had remained enrolled through the end of the previous year may have graduated from the terminal grade in a school or have left our school-as-a-service offerings for any number of reasons. To the extent our school-as-a-service offerings do not retain previously enrolled students from the prior year, they must attract new students at the start of the year to sustain their average student enrollment year over year, as well as to grow their enrollment each year, based upon enrollment objectives determined by the governing authority of those schools. If the schools we serve in the aggregate are able only to sustain prior year enrollment levels, our revenues may not grow from the prior year, absent improved revenue capture or the addition of new schools. More fundamentally, if average student enrollment at the schools we serve declines from one year to the next, our revenues, results of operations and financial condition will be adversely affected.

We also contract with virtual public schools and school districts to provide marketing and enrollment services, and we provide similar services directly to our international and private schools. However, many of these customers are responsible for their own marketing and enrollment activities. Efforts on our part to sustain or increase enrollments in the face of higher student withdrawals or fewer returning students at the start of a school year may lead to higher costs for us, and may adversely affect our operating margin. If we or the virtual public schools and school districts are unsuccessful in marketing plans or enrollment processes for the schools, the average student enrollment at the schools may not grow or could even decline, and adversely affect our revenues, results of operations and financial condition.

We also derive revenues from our Galvanize, Tech Elevator and MedCerts offerings to adult learners. The vast majority of the enrollments in these programs are for shorter periods of time, and re-enrollments are not typical due to the nature of these offerings. Thus, we must continually attract and enroll new adult learners in order to maintain our revenues at current levels or grow our revenues. Efforts on our part to sustain or increase enrollments in the face of lower enrollments compared to prior periods may lead to higher costs for us, and may adversely affect our operating margin. If we are unsuccessful in marketing plans or enrollment processes for these programs for adult learners, the average enrollment in our Galvanize, Tech Elevator or MedCerts offerings may not grow or could even decline, which could adversely affect our revenues, results of operations and financial condition.

The enrollment data we present is subject to certain limitations and may not fully capture trends in the performance of our business.

We periodically disclose enrollment data for students in our General Education and Career Learning lines of revenue. However, this data may not fully capture trends in the performance of our business for a number of reasons, including:

- Enrollments for General Education and Career Learning only include those students in full service public or private programs where Stride provides a combination of curriculum, technology, instructional and support services inclusive of administrative support;
- This data includes enrollments for which Stride receives no public funding or revenue;
- No enrollments are included in Career Learning for Galvanize, Tech Elevator or MedCerts; and
- Over time a student may move from being counted as a General Education enrollment to being counted as a Career Learning enrollment, or vice versa, depending on the educational choices made by each student, which choices in certain cases may be impacted by counseling from Stride employees, and this may result in enrollment growth in one line of revenue being offset by a corresponding decrease in enrollments for the other line of revenue.

Accordingly, changes in enrollment data may not entirely correspond with changes in the financial performance of our business, and if the mix of enrollments changes, our revenues will be impacted to the extent the average revenues per enrollments are significantly different.

Because the independent governing authorities of our customers may shift priorities or incur new obligations which have financial consequences, we may be exposed to the risk of loss resulting from the nonpayment or nonperformance by our customers and our financial condition, results of operations and cash flows could suffer.

The independent boards or similar governing bodies may shift their priorities or incur new obligations, which may have financial consequences on our customers. If our customers were to cause or be subjected to situations that lead

to a weakened financial condition, dispute our invoices, withhold payments, or file for bankruptcy, we could experience difficulty and prolonged delays in collecting receivables, if at all. Any nonpayment or nonperformance by our customers could adversely affect our business, financial condition, results of operations and cash flows. For example, in fiscal year 2017, as the Agora Cyber Charter School continued to operate as a self-managed charter school, it delayed its payments to us and our accounts receivable from the school have grown significantly, resulting in a revised payment schedule agreement, which accompanied a contract extension.

As we continue to refine our marketing efforts, and support the enrollment activities for our school-as-a-service offerings and adult learning programs, changes in our marketing efforts and enrollment activities could lead to a decline in overall enrollment at the schools we serve or at the adult learning programs we offer.

As parents evaluate school choices for their children, we are segmenting our marketing efforts to better attract students who are most likely to benefit from and succeed in virtual education programs and who are likely to remain enrolled with a virtual school over several years. Our research leads us to believe that students with parents who are active and regularly engaged in their education are more likely to be successful in a virtual school. In some cases, the governing authorities of these schools may request different enrollment policies or criteria. Our marketing efforts, therefore, may not be wholly successful, and could lead to an overall decline in enrollment for our school-as-a-service, thus adversely affecting our revenue, results of operations and financial condition.

Additionally, for our Galvanize, Tech Elevator and MedCerts offerings to adult learners, we are focusing our marketing and enrollment efforts to identify and attract adult learners in the software engineering, healthcare and medical fields, as well as providing staffing and talent development services to employers and government agencies. However, our marketing efforts may not be successful. As a result, our overall enrollment in these adult learning programs may decline, and our revenue, results of operations and financial condition may be adversely affected.

The student demographics of the schools we serve can lead to higher costs and affect our ability to sustain or grow our operating income.

The schools we serve are publicly funded and are generally obligated to accept all students meeting state or district criteria for enrollment. Because an online education environment may offer a better educational opportunity for students falling behind grade level, our school-as-a-service offerings have experienced in recent years a higher academically at-risk student population, requiring supplemental student and family support services and closer one-on-one involvement by teachers and school personnel, leading to higher costs to us in providing full management and curriculum services to the schools. We consider students academically at-risk if they were not proficient on the previous year's state assessment, are credit-deficient, have previously dropped out, have failed courses, or score lower than average on diagnostic norm-referenced assessments. Some states have additional or different indicators to determine students who are at risk. These factors are used by the state to identify at-risk students in several states and have been found through research to impact future student performance. The schools we serve also enroll a significant percentage of special needs students with learning and/or physical disabilities, which also adds to the total costs incurred by the schools.

Education of high school students is generally more costly than K-8 as more teachers with subject matter expertise (e.g., chemistry, calculus) must be hired to support an expansive curriculum, electives, and counseling services. As the relative percentage of high school students increases as part of the total average enrollment in our school-as-a-service offerings, our costs are likely to increase.

As our cost structure evolves due to the demographics, educational profile and mix of the students enrolled in our school-as-a-service offerings, our profit margins may decline, and we may have increasing difficulty in sustaining or growing our operating income commensurate with our revenues.

If student performance falls, state accountability standards are not achieved, teachers or administrators tamper with state test scoring or graduation standards, or parent and student satisfaction declines, a significant number of students may not remain enrolled in a virtual or blended public school that we serve, charters may not be renewed or enrollment caps could be put in place, or enrollment practices could be limited, and our business, financial condition and results of operations will be adversely affected.

The success of our business depends in part on the choice of a family to have their child begin or continue his or her education in a virtual or blended public school that we serve. This decision is based on many factors, including student

performance and parent and student satisfaction. Students may perform significantly below state averages or the virtual or blended public school may fail to meet state accountability standards. Like many traditional brick and mortar public schools, not all of the public schools we serve meet the requirements of their applicable accountability frameworks, as large numbers of new enrollments from students underperforming in traditional schools can decrease overall results or the underperformance of any one subgroup can lead to the entire school failing to meet accountability expectations and potentially lead to the school's closure. For example, in Tennessee, the Commissioner of Education has statutory authority to close a virtual school if an accountability trigger is met. In addition, although serving academically at-risk students is an important aspect of our obligation to educate any child regardless of circumstance, the performance of these students can adversely affect a school's standing under applicable accountability standards. We expect that, as our enrollments increase and the portion of students that have not used our learning systems for multiple years increases, the average performance of all students using our learning systems may decrease, even if the individual performance of other students improves over time. This effect may also be exacerbated if students enrolled in schools that we provide services to or acquire are predominately below state proficiency standards or experience low graduation rates. For example, at-risk students who attended the Electronic Classroom of Tomorrow (ECOT) schools in Ohio, which were closed in mid-school year 2017-18 by state regulators, and who then transferred to other public schools, including the Ohio Virtual Academy supported by us, could negatively impact a receiving school's overall academic performance ratings absent a different accountability measure applicable to such students or waiver of such standards. Moreover, under ESSA, state authorities may change their accountability frameworks in ways that negatively impact the schools we serve.

Students in the school-as-a-service offerings we serve are required to complete standardized state testing, and the frequency and the results of this testing may have an impact on school enrollment. The significant increase of testing undertaken at the state level has led some parents to opt out of state assessments, a parental right which is now codified in the ESSA, thereby resulting in an incomplete and potentially inaccurate assessment of school and student performance. To avoid the consequences of failing to meet applicable required proficiency, growth or accountability standards, teachers or school administrators may engage in improperly altering student test scores or graduation standards, especially if teacher performance and compensation are evaluated on these results. Finally, parent and student satisfaction may decline as not all parents and students are able to devote the substantial time and effort necessary to complete our curriculum. A student's satisfaction may also suffer if his or her relationship with the virtual or blended public school teacher does not meet expectations. If student performance or satisfaction declines, students may decide not to remain enrolled in a virtual or blended public school that we serve and our business, financial condition and results of operations could be adversely affected.

Compliance with curriculum standards and assessments for individual state determinations under the ESSA may create ongoing challenges to ensure that our curriculum products align with state requirements, which could possibly cause academic performance to decline and dissatisfaction by our school customers which could limit our growth and profitability.

Under the ESSA, states will set their own curriculum standards in reading, math and science, and the federal government is prohibited from mandating or incentivizing states to adopt any set of particular standards, such as Common Core. States were also given the authority under the ESSA to craft their own assessment programs to measure the proficiency of their students for college and career readiness, and may also choose to offer already available nationally recognized assessments at the high school level, such as the SAT or ACT tests. As implementation proceeds at the state level, and use of the assessments previously developed by the Partnership for Assessment of Readiness for College and Careers and Smarter Balanced Assessment Consortium consortia continues to erode, a multitude of different standards and assessments may emerge and result in temporary misalignments of our curriculum offerings with state standards, cause academic performance to decline, create a need for additional teacher training and product investments, all of which could adversely affect our relationship with public school contracting with us for a school-as-a-service offering and school district customers, financial condition, contract renewals and reputation.

Mergers, acquisitions and joint ventures present many risks, and we may not realize the financial and strategic goals that formed the basis for the transaction.

When strategic opportunities arise to expand our business, we may acquire or invest in other companies using cash, stock, debt, asset contributions or any combination thereof, such as the acquisitions of Galvanize in January 2020, Tech Elevator in November 2020 and MedCerts in November 2020. We may face risks in connection with these or other future transactions, including the possibility that we may not realize the anticipated cost and revenue synergies on a timely basis, or at all, or further the strategic purpose of any acquisition if our forecasts do not materialize. The pursuit of

acquisitions and their integrations may divert the resources that could otherwise be used to support and grow our existing lines of business. The combination of two or more independent enterprises is a complex, costly and time-consuming process. Acquisitions may create multiple and overlapping product lines that are offered, priced and supported differently, which could cause customer confusion and delays in service. We may have difficulties coordinating sales and marketing efforts to effectively position the combined company's capabilities. Customers may decline to renew their contracts, or the contracts of acquired businesses might not allow us to recognize revenues on the same basis. These transactions and their integrations may also divert our management's attention, and our ongoing business may be disrupted by acquisition, transition or integration activities. In addition, we may have difficulty separating, transitioning and integrating an acquired company's systems, including but not limited to, financial accounting systems, information technology systems, transaction processing systems, internal controls and standards, and procedures and policies, and the associated costs in doing so may be higher than we anticipate.

There may also be other adverse effects on our business, operating results or financial condition associated with the expansion of our business through acquisitions. We may fail to identify or assess the magnitude of certain liabilities, shortcomings or other circumstances prior to acquiring a company or technology, which could result in unexpected operating expenses, unexpected accounting treatment, unexpected increases in taxes due or a loss of anticipated tax benefits. The acquired companies may not be able to achieve the levels of revenue, earnings or operating efficiency that we expect. Our use of cash to pay for acquisitions may limit other potential uses of our cash, including investment in other areas of our business, stock repurchases, dividend payments and retirement of outstanding indebtedness. If we issue a significant amount of equity for future acquisitions, existing stockholders may be diluted and earnings per share may decrease. We may pay more than the acquired company or assets are ultimately worth and we may have underestimated our costs in continuing the support and development of an acquired company's offerings. Our operating results may be adversely impacted by liabilities resulting from a stock or asset acquisition, which may be costly, disruptive to our business, or lead to litigation.

We may be unable to obtain required approvals from governmental authorities on a timely basis, if at all, which could, among other things, delay or prevent us from completing a transaction, otherwise restrict our ability to realize the expected financial or strategic goals of an acquisition or have other adverse effects on our current business and operations. We may face contingencies related to intellectual property, financial disclosures, and accounting practices or internal controls. Finally, we may not be able to retain key executives of an acquired company.

To execute our business plans, we depend upon the experience and industry knowledge of our officers and other key employees, including those who joined us as part of the Galvanize, Tech Elevator, and MedCerts acquisitions. The combined company's success will depend, in part, upon our ability to retain key management personnel and other key employees, some of which may experience uncertainty about their future roles with the combined company as a result of the acquisition. This may have a material adverse effect on our ability to attract and retain key personnel.

The occurrence of any of these risks could have a material adverse effect on our business, results of operations, financial condition or cash flows, particularly in the case of a larger acquisition or several concurrent acquisitions.

Our business could be negatively affected as a result of actions by activist stockholders, and such activism could impact the trading value of our securities and harm our business, financial condition and results of operations.

Responding to actions by activist stockholders can be costly and time consuming, disrupting our operations and diverting the attention of management and our employees. If activist stockholders were to emerge, their activities could interfere with our ability to execute our strategic plan and divert resources from our business. In addition, a proxy contest for the election of directors at our annual meeting would require us to incur significant legal fees and proxy solicitation expenses and require significant time and attention of management and our Board of Directors. Any perceived uncertainties as to our future direction also could affect the market price and volatility of our securities, cause key executives to leave the Company, adversely affect the relationships we have with our school board customers, and harm existing and new business prospects.

If market demand for online options in public schooling does not increase or continue or if additional states do not authorize or adequately fund virtual or blended public schools, our business, financial condition and results of operations could be adversely affected.

While historically we grew by opening new virtual public schools in new states, in recent years the pace of state expansion has declined while opening more schools in existing states has increased. In fiscal year 2023, we served 87 virtual public schools and blended schools in 31 states and the District of Columbia. Without adding additional states, our school-as-a-service revenues may become increasingly dependent on serving more virtual schools in existing states. We may also not be able to fill available enrollment slots as forecasted. If the market demand for virtual and blended public schools does not increase or declines, if the remaining states are hesitant to authorize virtual or blended public schools, if enrollment caps are not removed or raised, or if the funding of such schools is inadequate, our opportunities for growth and our ability to sustain our revenues, results of operations and financial condition would be adversely affected.

Increasing competition in the education industry sectors that we serve could lead to pricing pressures, reduced operating margins, loss of market share, departure of key employees and increased capital expenditures.

As a general matter, we face varying degrees of competition from a variety of education providers because our learning systems integrate all the elements of the education development and delivery process, including curriculum development, textbook publishing, teacher training and support, lesson planning, testing and assessment, job placement and industry-certified content, and school performance and compliance management. In both our General Education and Career Learning markets, we compete with companies that provide online curriculum and support services. We also compete with public school districts and state departments of education that offer K-12 online programs of their own or in partnership with other online curriculum vendors. As we pursue our post-secondary Career Learning strategic initiatives through our Galvanize, Tech Elevator and MedCerts subsidiaries, we will be competing with corporate training businesses and some employers that offer education as an employee benefit. We anticipate intensifying competition both from existing competitors and new entrants. Our competitors may adopt superior curriculum content, technology and learning platforms, school support or marketing approaches, and may have different pricing and service packages that may have greater appeal than our offerings. In addition, some of our school-as-a-service offerings could seek to transition to a self-managed school by inviting competitive alternatives to portions of the products and services now provided entirely by us under our integrated fully managed service agreements. If we are unable to successfully compete for new business, win and renew contracts, including fully managed public school contracts, or students fail to realize sufficient gains in academic performance, our revenues, opportunities for growth and operating margins may decline. Price competition from our current and future competitors could also result in reduced revenues, reduced margins or the failure of our product and service offerings to achieve or maintain more widespread market acceptance.

We may also face competition from publishers of traditional educational materials that are substantially larger than we are and have significantly greater financial, technical and marketing resources, and may enter the field through acquisitions and mergers. Many of these traditional publishers, or new market entrants, have developed their own online curriculum products and teaching materials that compete directly with our post-secondary Career Learning products. As a result, they may be able to devote more resources and move quickly to develop products and services that are superior to our platform and technologies. We may not have the resources necessary to acquire or compete with technologies being developed by our competitors, which may render our online delivery format less competitive or obsolete. These new and well-funded entrants may also seek to attract our key executives as employees based on their acquired expertise in virtual education where such specialized skills are not widely available.

Our future success will depend in large part on our ability to maintain a competitive position with our curriculum and our technology, as well as our ability to increase capital expenditures to sustain the competitive position of our product and retain our talent base. We cannot assure that we will have the financial resources, technical expertise, marketing, distribution or support capabilities to compete effectively.

Regulatory frameworks on the accessibility of technology and curriculum are continually evolving due to legislative and administrative developments and the rapid evolution of technology, which could result in increased product development costs and compliance risks.

Our online curriculum is made available to students through websites, computers and other display devices connected to the Internet. The website platforms and online curriculum include a combination of software applications that include graphics, pictures, videos, animations, sounds and interactive content that may present challenges to

individuals with disabilities. A number of states and federal authorities have considered or are considering how web-based information should be made accessible to persons with such disabilities. To the extent they enact or interpret laws and regulations to require greater accessibility than we currently provide, we may have to modify our offerings to satisfy those requirements. Because there is no federal rule setting a uniform technical standard for determining web accessibility under Section 508 and Title II of the ADA, online service providers have no uniform standard of compliance. Some states have adopted the standards promulgated under Section 508 while others require WCAG Level A and/or Level AA or their own unique standards. In addition, Section 504 of the Rehabilitation Act of 1973 is designed to ensure that students with disabilities have an equal opportunity to access each school's website and online learning environment. To the extent that we enter into federal government contracts, different standards of compliance could be imposed on us under Section 508 of the Rehabilitation Act, or by states who apply these federal standards under Section 508 or other standards to education providers, which standards may be changed from time to time. Beyond the significant product development costs associated with these evolving regulations, a failure to meet such requirements could also result in loss or termination of material contracts, inability to secure new contracts, or in potential legal liability.

Our revenues from our school-as-a-service offerings are based in part on our estimate of the total funds each school will receive in a particular school year and our estimate of the full year expenses to be incurred by each school. As a result, differences between our quarterly estimates and the actual funds received and expenses incurred could have an adverse impact on our results of operations and cash flows.

We recognize revenues ratably from certain of our fees charged to school-as-a-service offerings over the course of our fiscal year. To determine the pro rata amount of revenues to recognize in a fiscal quarter, we estimate the total expected funds each school will receive in a particular school year. Additionally, we take responsibility for any operating deficits incurred at most of the school-as-a-service offerings we serve. Because this may impair our ability to collect the full amount invoiced in a period and therefore collection cannot reasonably be assured, we reduce revenues by the estimated pro rata amount of the school's net operating loss. We review our estimates of total funds and operating expenses periodically, and we revise as necessary, by adjusting our year-to-date earned revenues to be proportional to the expected revenues to be earned during the fiscal year. Actual school funding received and school operating expenses incurred may vary from our estimates or revisions and could adversely impact our revenues, results of operations and cash flows.

Our business is subject to seasonal fluctuations, which may cause our operating results to fluctuate from quarter-to-quarter and adversely impact our working capital and liquidity throughout the year.

Our operating results normally fluctuate as a result of seasonal variations in our business, principally due to the number of months in a fiscal quarter that our school customers are fully operational and serving students. In the typical academic year, our first and fourth fiscal quarters have fewer than three full months of operations, whereas our second and third fiscal quarters will have three complete months of operations. Instructional costs and services increase in the first fiscal quarter, primarily due to the costs incurred to ship learning kits at the beginning of the school year. These instructional costs may increase significantly quarter-to-quarter as school operating expenses increase. The majority of our selling and marketing expenses are incurred in the first and fourth fiscal quarters, as our primary enrollment season is April through September.

We expect quarterly fluctuations in our operating results to continue. These fluctuations could result in volatility and adversely affect our cash flow. As our business grows, these seasonal fluctuations may become more pronounced. As a result, we believe that sequential quarterly comparisons of our financial results may not provide an accurate assessment of our financial position.

Risks Related to Our Operations

We plan to continue to create new products, expand distribution channels and pilot innovative educational programs to enhance academic performance. If we are unable to effectively manage these initiatives or they fail to gain acceptance, our business, financial condition, results of operations and cash flows would be adversely affected.

As we create and acquire new products, expand our existing customer base and pilot new educational programs, we expect to face challenges distinct from those we currently encounter, including:

- our continual efforts to innovate and pilot new programs to enhance student learning and to foster college and career opportunities, such as our Stride Career Prep schools which offer pathways for Career Learning, may not receive sufficient market acceptance to be economically viable;
- the ongoing transition of our curriculum from Flash to HTML, and our use of third-party educational platforms that we do not control, could create issues with customer satisfaction, early withdrawals and declines in re-registrations, and potentially harm our reputation;
- the acquisition or opening of additional school-as-a-service offering in states where we already have a contract with other schools can potentially complicate the school selection process for prospective parents, and present marketing differentiation challenges depending on the facts and circumstances in that state;
- our development of public blended schools has raised different operational challenges than those we face with full-time virtual schools. Blended schools require us to lease facilities for classrooms, staff classrooms with teachers, sometimes provide meals and kitchen facilities, adhere to local safety and fire codes, purchase additional insurance and fulfill many other responsibilities;
- operating in international markets may require us to conduct our business differently than we do in the United States or in existing countries. Additionally, we may have difficulty training and retaining qualified teachers or generating sufficient demand for our products and services in international markets. International opportunities will also present us with different legal, operational, tax and currency challenges;
- the use of our curriculum in classrooms will produce challenges with respect to adapting our curriculum for effective use in a traditional classroom setting;
- our creation of curricula and instruction protocols for courses taught through our Galvanize, Tech Elevator and MedCerts subsidiaries requires us to rely upon specialized instructors and curriculum developers;
- our online private school business is dependent on a tuition-based financial model and may not be able to enroll a sufficient number of students over time to achieve long-run profitability or deliver a high level of customer satisfaction; and
- our participation in summer foreign language instruction camps through MIL could generate new legal liabilities and financial consequences associated with our responsibility for students housed on leased college campuses on a 24-hour basis over the duration of the camp.

Our failure to manage these business expansion programs, or any new business expansion program or new distribution channel we pursue, may have an adverse effect on our business, financial condition, results of operations and cash flows.

High-quality teachers are critical to the success of our learning systems. If we are not able to continue to recruit, train and retain quality certified teachers, our curriculum might not be effectively delivered to students, compromising their academic performance and our reputation. As a result, our brand, business and operating results may be adversely affected.

High-quality teachers are critical to maintaining the value of our learning systems and assisting students with their daily lessons. In addition, teachers in the public schools we manage or who provide instruction in connection with

the online programs we offer to school districts, must be state certified (with limited exceptions or temporary waiver provisions in various states), and we must implement effective internal controls in each jurisdiction to ensure valid teacher certifications, as well as the proper matching of certifications with student grade levels and subjects to be taught. Teachers must also possess strong interpersonal communications skills to be able to effectively instruct students in a virtual school setting, and the technical skills to use our technology-based learning systems. There is a limited pool of teachers with these specialized attributes and the public schools and school districts we serve must provide competitive benefits packages to attract and retain such qualified teachers.

The teachers in many public schools we serve are not our employees and the ultimate authority relating to those teachers resides with an independent not-for-profit governing body, which oversees the schools. However, under many of our service and product agreements with virtual and blended public schools, we have responsibility to recruit, train and manage these teachers. The teacher recruitment and student assignment procedures and processes for our school-as-a-service offerings must also comply with individual state certification and reporting requirements. We must also provide continuous training to virtual and blended public school teachers so they can stay abreast of changes in student needs, academic standards and other key trends necessary to teach online effectively, including measures of effectiveness. We may not be able to recruit, train and retain enough qualified teachers to keep pace with school demand while maintaining consistent teaching quality in the various public schools we serve. Shortages of qualified teachers, failures to ensure proper teacher certifications and course assignments in each state, or decreases in the quality of our instruction, whether actual or perceived, could have an adverse effect on our business.

School teachers are subject to union organizing campaigns, and if the teachers employed by us or at the public schools we serve join a union, collective bargaining agreements negotiated with union representatives could result in higher operating expenses and the loss of management flexibility and innovation for which charter schools were created.

If the teachers at any one of the public schools we serve were to unionize, as is the case in California, the employer would become subject to a collective bargaining agreement with union representatives. A collective bargaining agreement could impact teacher salaries, benefits, work rules, teacher tenure and provide for restrictions on the teaching work-day and the time devoted to online instruction delivery or communications with students, and place limitations on the flexibility to reassign or remove teachers for inadequate performance. This could result in higher school-related expenses and could impede the sustainability of, or growth in, enrollment at the school due to the loss of management flexibility and innovation. The outcome could result in higher costs to us in providing educational support and curriculum services to the school, which may adversely affect our operating margins, overall revenues and academic performance results.

We rely on third-party service providers to host some of our solutions and any interruptions or delays in services from these third parties could impair the delivery of our products and harm our business.

We currently outsource some of our hosting services to third parties. We do not control the operation of any third-party facilities. These facilities are vulnerable to damage or interruption from natural disasters, fires, power loss, telecommunications failures and similar events. They are also subject to break-ins, computer viruses, sabotage, intentional acts of vandalism and other misconduct. The occurrence of any of these disasters or other unanticipated problems could result in lengthy interruptions in our service. Furthermore, the availability of our proprietary and third-party LMSs could be interrupted by a number of additional factors, including our customers' inability to access the Internet, the failure of our network or software systems due to human or other error, security breaches or the ability of the infrastructure to handle spikes in customer usage. Interruptions in our service may reduce our revenue, cause us to issue credits or pay penalties, cause customers to terminate their subscriptions and adversely affect our renewal rates and our ability to attract new customers. Our business will also be harmed if our customers and potential customers believe our service is unreliable.

We operate a complex Company-wide enterprise resource planning ("ERP") system, and if it were to experience significant operating problems, it could adversely affect our business and results of operations.

We operate a complex Company-wide, Oracle-hosted, integrated ERP system to handle various business, operating and financial processes, which handles a variety of important functions, such as order entry, invoicing, accounts receivable, accounts payable, financial consolidation and internal and external financial and management reporting matters. If the ERP system experiences significant problems, it could result in operational issues including delayed billing and accounting errors and other operational issues which could adversely affect our business and results of operations. System delays or malfunctioning could also disrupt our ability to timely and accurately process and report results of our

operations, financial position and cash flows, which could impact our ability to timely complete important business processes.

The continued development of our product and service brands is important to our business. If we are not able to maintain and enhance these brands, our business and operating results may suffer.

Enhancing brand awareness is critical to attracting and retaining students, and for serving additional virtual and blended public schools, school districts and online private schools, and we intend to spend significant resources to accomplish that objective. These efforts include sales and marketing directed to targeted locations as well as the national marketplace, discrete student populations, the educational community at large, key policy groups, image-makers and the media. As we continue to seek to increase enrollments and extend our geographic reach and product and service offerings, maintaining quality and consistency across all our services and products may become more difficult to achieve, and any significant and well-publicized failure to maintain this quality and consistency will have a detrimental effect on our brands. We cannot provide assurances that our new sales and marketing efforts will be successful in further promoting our brands in a competitive and cost-effective manner. If we are unable to further enhance our brand recognition and increase awareness of our products and services, or if we incur excessive sales and marketing expenses, our business and results of operations could be adversely affected.

Our intellectual property rights are valuable, and any inability to protect them could reduce the value of our products, services and brand.

Our patents, trademarks, trade secrets, copyrights, domain names and other intellectual property rights are important assets. For example, we have been granted three U.S. patents related to our provision of virtual schooling, including the system components for creating and administering assessment tests and our lesson progress tracker, and two U.S. patents related to foreign language instruction. Additionally, we are the copyright owner of courses in our proprietary curriculum.

Various events outside of our control pose a threat to our intellectual property rights. For instance, effective intellectual property protection may not be available in every country in which our products and services are distributed or made available through the Internet. Also, the efforts we have taken to protect our proprietary rights may not be sufficient or effective. If we fail to protect adequately our intellectual property through patents, trademarks and copyrights, license agreements, employment agreements, confidentiality agreements, nondisclosure agreements or similar agreements, our intellectual property rights may be misappropriated by others, invalidated or challenged, and our competitors could duplicate our technology or may otherwise limit any competitive technology advantage we may have. Any significant impairment of our intellectual property rights could harm our business or our ability to compete. Also, protecting our intellectual property rights is costly and time consuming. Any unauthorized use of our intellectual property could make it more expensive to do business and harm our operating results.

It is possible that we may not be able to sufficiently protect our innovations. In addition, given the costs of obtaining patent protection, we may choose not to protect certain innovations that later turn out to be important. Further, there is always the possibility that the scope of the protection gained will be insufficient or that an issued patent be deemed invalid or unenforceable.

We also seek to maintain certain intellectual property as trade secrets. This secrecy could be compromised by outside parties, whether through breach of our network security or otherwise, or by our employees or former employees, intentionally or accidentally, which would cause us to lose the competitive advantage resulting from these trade secrets. Third parties may acquire domain names that are substantially similar to our domain names leading to a decrease in the value of our domain names and trademarks and other proprietary rights.

Lawsuits against us alleging infringement of the intellectual property rights of others and such actions would be costly to defend, could require us to pay damages or royalty payments and could limit our ability or increase our costs to use certain technologies in the future.

Companies in the Internet, software, technology, education, curriculum and media industries own large numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. Regardless of the merits, intellectual property claims are time-consuming and expensive to litigate or settle. For example, a non-practicing entity sued us alleging that our proprietary learning

systems infringed three of its patents although its lawsuit was ultimately dismissed on the merits in 2014. In addition, to the extent claims against us are successful, we may have to pay substantial monetary damages or discontinue certain products, services or practices that are found to be in violation of another party's rights. We may also have to seek a license and make royalty payments to continue offering our products and services or following such practices, which may significantly increase our operating expenses.

We may be subject to legal liability resulting from the actions of third parties, including independent contractors, business partners, or teachers, which could cause us to incur substantial costs and damage our reputation.

We may be subject, directly or indirectly, to legal claims associated with the actions of or filed by our independent contractors, business partners, or teachers. In the event of accidents or injuries or other harm to students, we could face claims alleging that we were negligent, provided inadequate supervision or were otherwise liable for their injuries and our insurance may not cover the expenses of litigation or settlement amounts. Additionally, we could face claims alleging that our independent curriculum contractors or teachers infringed the intellectual property rights of third parties. A liability claim against us or any of our independent contractors, business partners, or teachers could adversely affect our reputation, enrollment and revenues. Even if unsuccessful, such a claim could create unfavorable publicity, cause us to incur substantial expenses and divert the time and attention of management.

We operate in markets that are dependent on Information Technology (IT) systems and technological change. Failure to maintain and support customer facing services, systems, and platforms, including addressing quality issues and execution on time of new products and enhancements, could negatively impact our revenues and reputation.

We use complex IT systems and products to support our business activities, including customer-facing systems, back-office processing and infrastructure. We face several technological risks associated with online product service delivery, information technology security (including virus and cyber-attacks, ransomware, as well as software related bugs, misconfigurations or other vulnerabilities), e-commerce and enterprise resource planning system implementation and upgrades. From time to time we have experienced verifiable attacks on our system by unauthorized parties, and our plans and procedures to reduce such risks may not be successful. Thus, our business could be adversely affected if our systems and infrastructure experience a significant failure or interruption in the event of future attacks on our system by unauthorized parties.

The failure to prevent a cybersecurity incident affecting our systems could result in the disruption of our services and the disclosure or misappropriation of sensitive information, which could harm our reputation, decrease demand for our services and products, expose us to liability, penalties, and remedial costs, or otherwise adversely affect our financial performance.

In order to provide our services and solutions, we depend on various hardware, software, infrastructure, online sites and connected networks (hereinafter, "IT Systems"), including those of third parties. In addition, as part of our business, we collect, use, process, transmit, host and store information, including personal data related to employees, customers, students, and parents, as well as proprietary business data and other sensitive information (collectively, "Confidential Information"). The confidentiality, integrity and availability of our IT Systems and Confidential Information is at risk of being compromised, whether through malicious activity (including social engineering) by internal or external actors, or through human or technological errors that result from negligence or software "bugs" or other vulnerabilities. Although we dedicate personnel and resources toward protecting against cybersecurity risks and threats, our efforts may fail to prevent a security incident.

For example, on December 1, 2020, we announced a security incident involving a ransomware attack. The incident resulted in the attacker accessing certain parts of our corporate back-office systems, including some student and employee information on those systems. We do not believe the incident has had a material impact on our business, operations or financial results. We worked with our cyber insurance provider to make a payment to the ransomware attacker, as a proactive and preventive step to prevent the information obtained by the attacker from being released on the Internet or otherwise disclosed, although there is always a risk that the threat actor will not adhere to negotiated terms. Any remediation measures that we have taken or that we may undertake in the future in response to this security incident may be insufficient to prevent future attacks.

Cyberattacks are expected to accelerate on a global basis in both frequency and magnitude, and threat actors are increasingly sophisticated in using techniques that circumvent controls, evade detection, and remove forensic evidence, which means that we and critical third parties may be unable to anticipate, contain, investigate or recover from future attacks or incidents in a timely or effective manner. In addition, remote and hybrid working arrangements that started during the COVID-19 pandemic may continue in the future, which presents additional opportunities for threat actors to engage in social engineering (for example, phishing) and to exploit vulnerabilities present in many non-corporate networks.

Any security incident that results in Confidential Information, including personal information, being stolen, accessed, used or modified without authorization, or that otherwise disrupts or negatively impacts our operations or IT Systems, could harm our reputation, lead to customer attrition, and expose us to regulatory investigations, enforcement actions or litigation, including class actions. We may also be required to expend significant capital and other resources in response to a security incident, including notification under data privacy laws and regulations, and incur expenses related to investigating and containing the incident, restoring lost or corrupted data, and remediating our IT Systems. Monetary damages, regulatory fines or penalties and other costs or losses, as well as injunctive remedies that require changes to our business model or practices, could be significant and may exceed insurance policy limits or may not be covered by our insurance at all. In addition, a security incident could require that we expend substantial additional resources related to the security of our IT Systems, diverting resources from other projects and disrupting our businesses.

We rely on the Internet to enroll students and to deliver our products and services and to market ourselves and schools that contract with us, all of which exposes us to a growing number of legal risks and increasing regulation.

We collect information regarding students during the online enrollment process and a significant amount of our curriculum content is delivered over the Internet. As a result, specific federal, state and other jurisdictional laws that could have an impact on our business include the following:

- the COPPA, as implemented by regulations of the Federal Trade Commission (revised July 2013), imposes restrictions on the ability of online companies to collect and use personal information from children under the age of 13;
- the FERPA, which imposes parental or student consent requirements for specified disclosures of student information to third parties, and emerging state student data privacy laws;
- the CDA, which provides website operators immunity from most claims arising from the publication of third-party content;
- numerous state cyberbullying laws which require schools to adopt policies on harassment through the Internet or other electronic communications;
- rapidly emerging state student data privacy laws which require schools to adopt privacy policies and/or require certain contractual commitments from education technology providers are applicable to virtual schools and can significantly vary from one state to another;
- federal and state laws that govern schools' obligations to ELL students and students with disabilities; and
- the European Union General Data Protection Regulation ("GDPR") which may apply to certain aspects of our private schools.

In addition, the laws applicable to the Internet are still developing. These laws impact pricing, advertising, taxation, consumer protection, quality of products and services, and are in a state of change. New or amended laws may also be enacted, which could increase the costs of regulatory compliance for us or force us to change our business practices. As a result, we may be exposed to substantial liability, including significant expenses necessary to comply with such laws and regulations and indemnification of schools we operate for liabilities resulting from a school's failure to comply with such laws and regulations.

Failure to comply with data privacy regulations could result in reputational damage to our brands and adversely affect our business, financial condition and results of operations.

Any perceived or actual unauthorized access, disclosure of personally identifiable information, whether through breach of our network or a vendor's network by an unauthorized party, employee theft, misuse or error or otherwise, could harm our reputation, impair our ability to attract and retain our customers, or subject us to claims or litigation arising from damages suffered by individuals. Failure to adequately protect personally identifiable information could potentially lead to penalties, significant remediation costs, reputational damage, the cancellation of existing contracts and difficulty in competing for future business. In addition, we could incur significant costs in complying with relevant laws and regulations regarding the unauthorized disclosure of personal information, which may be affected by any changes to data privacy legislation at both the federal and state levels. Because we serve students residing in foreign countries, we may be subject to privacy laws of other countries and regions, such as the GDPR. In addition to the possibility of penalties, remediation costs and reputational damage, the cost of compliance with foreign laws may outweigh revenue from those countries to such an extent that we may discontinue or restrict our offerings to certain countries.

We utilize a single logistics vendor for the management, receiving, assembly and shipping of all of our learning kits and printed educational materials. In addition, we utilize the same vendor at a second location for the reclamation and redeployment of our student computers. This partnership depends upon execution on the part of us and the vendor. Any material failure to execute properly for any reason, including damage or disruption to any of the vendor's facilities would have an adverse effect on our business, financial condition and results of operations.

Substantially all of the inventory for our learning kits and printed materials is located in one warehouse facility, which is operated by a third-party logistics vendor that handles receipt, assembly and shipping of all physical learning materials. If this logistics vendor were to fail to meet its obligations to deliver learning materials to students in a timely manner, or if a material number of such shipments are incomplete or contain assembly errors, our business and results of operations could be adversely affected. In addition, we provide computers for a substantial number of our students. Execution or merger integration failures which interfere with the reclamation or redeployment of computers may result in additional costs. Furthermore, a natural disaster, fire, power interruption, work stoppage or other unanticipated catastrophic event, especially during the period from April through June when we are awaiting receipt of most of the curriculum materials for the school year and have not yet shipped such materials to students, could significantly disrupt our ability to deliver our products and operate our business. If any of our material inventory items were to experience any significant damage, we would be unable to meet our contractual obligations and our business would suffer.

Any significant interruption in the operation of AWS or Azure could cause a loss of data and disrupt our ability to manage our technological infrastructure.

We have migrated the applications that form the basis of our products to Amazon Web Services (AWS) and Microsoft Azure. Amazon and Microsoft are global leaders in the cloud services industry and provide world class data centers and capabilities. However, our reliance on these vendors exposes us to risks outside of our control.

Additionally, we do not control the operation of these cloud facilities and must rely on AWS and Azure to provide the physical security, facilities management and communications infrastructure services related to our cloud environment. If AWS or Azure encounter financial difficulty, such as bankruptcy or other events beyond our control, that causes it to fail to secure adequately and maintain its hosting facilities or provide the required data communications capacity, students of the schools we serve may experience interruptions in our service or the loss or theft of important customer data.

Scale and capacity limits on some of our technology, transaction processing systems and network hardware and software may be difficult to project and we may not be able to expand and upgrade our systems in a timely manner to meet significant unexpected increased demand.

As the number of schools we serve increases and our student base grows, the traffic on our transaction processing systems and network hardware and software will rise. In our capacity planning processes, we may be unable to accurately project the rate of increase in the use of our transaction processing systems and network hardware and software. In addition, we may not be able to expand and upgrade our systems and network hardware and software capabilities to accommodate significant unexpected increased or peak use. If we are unable to appropriately upgrade our systems and network hardware and software in a timely manner, our operations and processes may be temporarily disrupted.

Our efforts to expand capacity may not produce the operational and financial results for which those investments were intended.

As we have grown to serve more schools, students and families in an increasing number of states and countries, we have invested in infrastructure systems and technology to keep pace such as new communication systems, enterprise hardware and software systems. In the absence of compatible business processes, adequate employee training, integration with other dependent systems, and sufficient staffing, this expanded capacity alone may not result in improved performance or outcomes.

We may be unable to keep pace with changes in our industry and advancements in technology as our business and market strategy evolves.

As changes in our industry occur or macroeconomic conditions fluctuate, including due to changing interest rates, rising inflation, the government closures of various banks and liquidity concerns at other financial institutions, geopolitical instability, artificial intelligence and machine learning, pandemics and the potential for local and/or global economic recession, we may need to adjust our business strategies or find it necessary to restructure our operations or businesses, which could lead to changes in our cost structure, the need to write down the value of assets, or impact our profitability. We also make investments in existing or new businesses, including investments in technology and expansion of our business lines. These investments may have short-term returns that are negative or less than expected and the ultimate business prospects of the business may be uncertain.

As our business and market strategy evolves, we also will need to respond to technological advances and emerging industry standards in a cost-effective and timely manner in order to remain competitive, such as the ubiquitous use of tablets for public school applications, artificial intelligence and machine learning, adaptive learning technologies, and web accessibility standards. The need to respond to technological changes may require us to make substantial, unanticipated expenditures. There can be no assurance that we will be able to respond successfully to technological change.

We may be unable to attract and retain key executives and skilled employees, and because our employees are located throughout the United States, we may incur additional compliance and litigation costs that could adversely impact our business, financial condition and our results of operations.

Our success depends in large part on continued employment of senior management and key personnel who can effectively operate our business, which is necessary in the highly regulated public education sector involving a publicly traded for-profit company. This complexity requires us to attract and retain experienced executive management and employees with specialized skills and knowledge across many disciplines. If any of these employees leave us and we fail to effectively manage a transition to new personnel, or if we fail to attract and retain qualified and experienced professionals on acceptable terms, our business, financial condition and results of operations could be adversely affected.

Our success also depends on our having highly trained financial, technical, recruiting, sales and marketing personnel. We will need to continue to hire additional personnel as our business grows. A shortage in the number of people with these skills or our failure to attract them to our Company could impede our ability to increase revenues from our existing products and services, ensure full compliance with federal and state regulations, launch new product offerings, and would have an adverse effect on our business and financial results.

We are subject to the Fair Labor Standards Act and other state and federal employment laws. These laws govern such matters as minimum wage, overtime, leave, and other working conditions that can increase our labor costs or subject us to liabilities to our employees. In addition, many state and local jurisdictions are adopting their own laws, such as paid sick leave, to address conditions of employment not covered by federal law and/or to provide additional rights and benefits to employees. These developments and disparate laws could increase our costs of doing business, lead to litigation, or have a material adverse effect on our business, financial condition and results of operations.

We may need additional capital in the future, but there is no assurance that funds will be available on acceptable terms.

We may need to raise additional funds in order to achieve growth or fund other business initiatives. This financing may not be available in sufficient amounts or on terms acceptable to us and may be dilutive to existing stockholders. Additionally, any securities issued to raise funds may have rights, preferences or privileges senior to those of existing stockholders. If adequate funds are not available or are not available on acceptable terms, our ability to expand, develop

or enhance services or products, or respond to competitive pressures will be limited. In addition, economic conditions, including current and future business disruptions and debt and equity market volatility caused by changing interest rates, rising inflation, the government closures of various banks and liquidity concerns at other financial institutions, geopolitical instability, possible pandemics and the potential for local and/or global economic recession may impact our ability to raise funds on acceptable terms.

Moreover, the Company maintains the majority of its cash and cash equivalents in accounts with major U.S. and multi-national financial institutions, and our deposits at certain of these institutions exceed insured limits. Market conditions can impact the viability of these institutions. In the event of failure of any of the financial institutions where we maintain our cash and cash equivalents, there can be no assurance that we would be able to access uninsured funds in a timely manner or at all. Any inability to access or delay in accessing these funds could adversely affect our business, financial condition and results of operations.

We have identified a material weakness in our internal control over financial reporting, which could result in a material misstatement of our annual or interim consolidated financial statements that would not be prevented or detected on a timely basis.

In connection with the audit of our consolidated financial statements as of and for the year ended June 30, 2023, we have concluded that there is a material weakness relating to our internal control over financial reporting, as described in Part II, Item 9A, “Controls and Procedures.” A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company’s annual or interim consolidated financial statements will not be prevented or detected on a timely basis. Solely as a result of this material weakness, management has concluded that our internal control over financial reporting and disclosure controls and procedures were not effective as of June 30, 2023.

As described in Part II, Item 9A, “Controls and Procedures,” we have begun, and are currently in the process of, remediating the material weakness. However, the measures we have taken and expect to take to improve our internal controls may not be sufficient to address the issue, and we may need to take additional measures to ensure that our internal controls are effective or to ensure that the identified material weakness will not result in a material misstatement of our annual or interim consolidated financial statements.

If we fail to establish and maintain adequate internal control over financial reporting, including any failure to implement remediation measures and enhancements for internal controls, or if we experience difficulties in their implementation, our business, financial condition and results of operations could be adversely affected. Further, any material weakness or unsuccessful remediation could affect investor confidence in the accuracy and completeness of our financial statements. In addition, perceptions of us among customers, lenders, investors, securities analysts and others could also be adversely affected.

We can give no assurances that the measures we have taken to date, or any future measures we may take, will remediate the material weaknesses identified or that any additional material weaknesses will not arise in the future.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. *PROPERTIES*

Our headquarters is located in approximately 23,000 square feet of office space in Reston, Virginia. The facility is under a lease that expires in July 2033. In addition, we lease approximately 497,000 square feet in multiple locations throughout the United States under individual leases that expire between July 2023 and August 2030.

ITEM 3. *LEGAL PROCEEDINGS*

See Item 8 of Part II, “Financial Statements and Supplementary Data – Note 10 – Commitments and Contingencies - Litigation.”

ITEM 4. *MINE SAFETY DISCLOSURES*

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

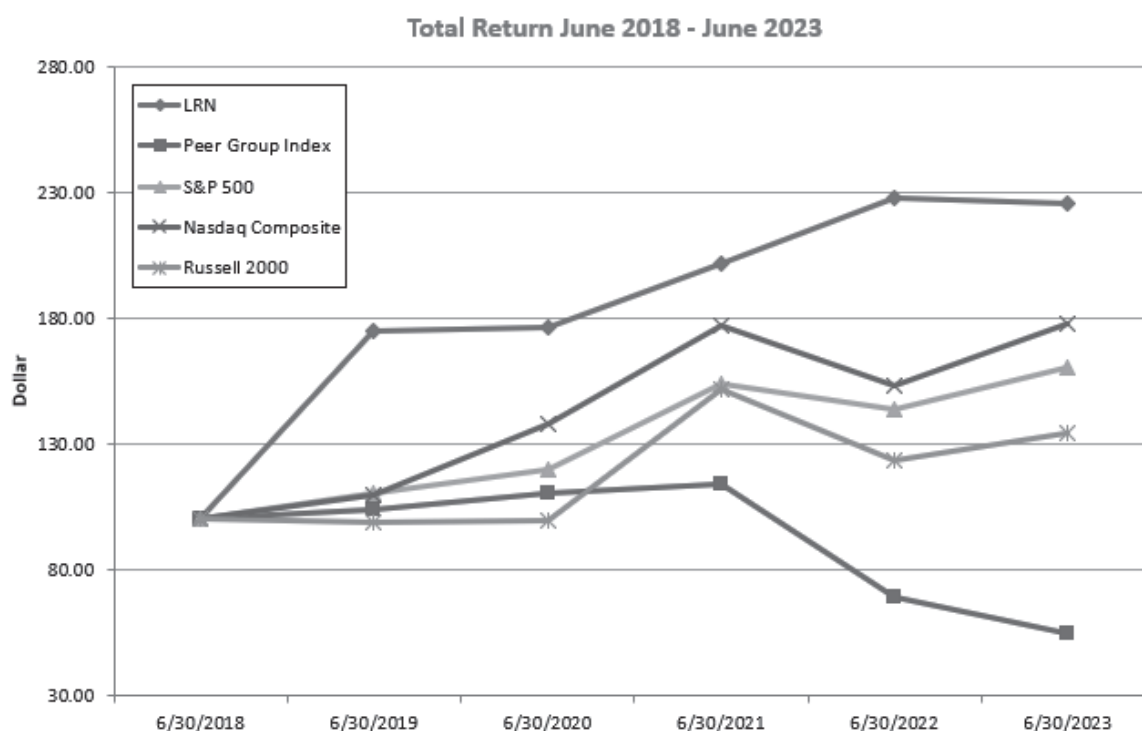
Our common stock, par value \$0.0001 per share, is traded on the New York Stock Exchange (the "NYSE") under the symbol "LRN." As of August 11, 2023, there were 388 registered holders of our common stock.

Stock Performance Graph

The graph below compares the cumulative return of holders of Stride, Inc.'s common stock with the cumulative returns of the S&P 500 index, the NASDAQ Composite Index, the Russell 2000 Index and our Peer Group Index, which is composed of 2U, Inc., Adtalem Global Education Inc., American Public Education Inc., Perdoceo Education Corporation, Chegg, Inc., Grand Canyon Education Inc., Udemy, Inc., Pearson PLC, Strategic Education Inc., and Coursera, Inc. The graph assumes that the value of the investment in our common stock in each index (including reinvestment of dividends) was \$100 on June 30, 2018 and tracks it through June 30, 2023. All prices reflect closing prices on the last day of trading at the end of each calendar quarter.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN(1)(2)

Among Stride, Inc., S&P 500 Index, NASDAQ Composite Index, Russell 2000 Index and Peer Group Index



	30-Jun-18	30-Jun-19	30-Jun-20	30-Jun-21	30-Jun-22	30-Jun-23
LRN	100	175	176	202	228	225
Peer Group Index	100	104	111	114	69	55
S&P 500	100	110	120	154	143	160
Nasdaq Composite	100	110	138	177	153	178
Russell 2000	100	99	100	152	124	134

- (1) The information presented above in the stock performance graph shall not be deemed “soliciting material” or to be “filed” with the SEC or subject to Regulation 14A or 14C, except to the extent that we subsequently specifically request that such information be treated as soliciting material or specifically incorporate it by reference into a filing under the Securities Act of 1933, as amended (the “Securities Act”), or a filing under the Exchange Act.
- (2) The stock price performance shown on the graph is not necessarily indicative of future price performance. Information used in the graph was obtained from a source we believe to be reliable, but we do not assume responsibility for any errors or omissions in such information.

Dividend Policy

We have never declared or paid any cash dividends on our common stock, and we currently do not anticipate paying any cash dividends for the foreseeable future. Instead, we anticipate that all of our earnings on our common stock will be used to provide working capital, to support our operations, and to finance the growth and development of our business, including potentially the acquisition of, or investment in, businesses, technologies or products that complement our existing business. Any future determination relating to dividend policy will be made at the discretion of our Board of Directors and will depend on a number of factors, including, but not limited to, our future earnings, capital requirements, financial condition, future prospects, and applicable Delaware law, which provides that dividends are only payable out of surplus or current net profits and other factors our Board of Directors might deem relevant.

ITEM 6. *RESERVED*

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") contains certain forward-looking statements within the meaning of Section 21E of the Exchange Act. Historical results may not indicate future performance. Our forward-looking statements reflect our current views about future events, are based on assumptions, and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those contemplated by these statements. Factors that may cause differences between actual results and those contemplated by forward-looking statements include, but are not limited to, those discussed in "Risk Factors" in Part I, Item 1A, of this Annual Report. We undertake no obligation to publicly update or revise any forward-looking statements, including any changes that might result from any facts, events, or circumstances after the date hereof that may bear upon forward-looking statements. Furthermore, we cannot guarantee future results, events, levels of activity, performance, or achievements.

This MD&A is intended to assist in understanding and assessing the trends and significant changes in our results of operations and financial condition. As used in this MD&A, the words, "we," "our" and "us" refer to Stride, Inc. and its consolidated subsidiaries. This MD&A should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Annual Report. The following overview provides a summary of the sections included in our MD&A:

- *Executive Summary*—a general description of our business and key highlights of the year ended June 30, 2023.
- *Key Aspects and Trends of Our Operations*—a discussion of items and trends that may impact our business in the upcoming year.
- *Critical Accounting Estimates*—a discussion of critical accounting estimates requiring judgments and the application of critical accounting policies.
- *Results of Operations*—an analysis of our results of operations in our consolidated financial statements.
- *Liquidity and Capital Resources*—an analysis of cash flows, sources and uses of cash, commitments and contingencies, seasonality in the results of our operations, and quantitative and qualitative disclosures about market risk.

Executive Summary

We are an education services company providing virtual and blended learning. Our technology-based products and services enable our clients to attract, enroll, educate, track progress, and support students. These products and services, spanning curriculum, systems, instruction, and support services are designed to help learners of all ages reach their full potential through inspired teaching and personalized learning. Our clients are primarily public and private schools, school districts, and charter boards. Additionally, we offer solutions to employers, government agencies and consumers.

We offer a wide range of individual products and services, as well as customized solutions, such as our most comprehensive school-as-a-service offering which supports our clients in operating full-time virtual or blended schools. More than three million students have attended schools powered by Stride curriculum and services since our inception.

Our solutions address two growing markets: General Education and Career Learning.

General Education	Career Learning
<ul style="list-style-type: none">• School-as-a-service• Stride Private Schools• Learning Solutions software and services sales	<ul style="list-style-type: none">• Stride Career Prep school-as-a-service• Learning Solutions Career Learning software and services sales• Adult Learning

Products and services for the General Education market are predominantly focused on core subjects, including math, English, science and history, for kindergarten through twelfth grade students to help build a common foundation of knowledge. These programs provide an alternative to traditional school options and address a range of student needs including, safety concerns, increased academic support, scheduling flexibility, physical/health restrictions or advanced learning. Products and services are sold as a comprehensive school-as-a-service offering or à la carte.

Career Learning products and services are focused on developing skills to enter and succeed in careers in high-growth, in-demand industries—including information technology, healthcare and general business. We provide middle and high school students with Career Learning programs that complement their core general education coursework in math, English, science and history. Stride offers multiple career pathways supported by a diverse catalog of Career Learning courses. The middle school program exposes students to a variety of career options and introduces career skill development. In high school, students may engage in industry content pathway courses, project-based learning in virtual teams, and career development services. High school students also have the opportunity to progress toward certifications, connect with industry professionals, earn college credits while in high school, and participate in job shadowing and/or work-based learning experiences that facilitate success in today's digital, tech-enabled economy. A student enrolled in a school that offers Stride's General Education program may elect to take Career Learning courses, but that student and the associated revenue is reported as a General Education enrollment and General Education revenue. A student and the associated revenue is counted as a Career Learning enrollment or Career Learning revenue only if the student is enrolled in a Career Learning program or school. Like General Education products and services, the products and services for the Career Learning market are sold as a comprehensive school-as-a-service offering or à la carte. We also offer focused post-secondary career learning programs to adult learners, through Galvanize, Inc. ("Galvanize"), Tech Elevator, Inc. ("Tech Elevator"), and MedCerts, LLC ("MedCerts"). These include skills training in the software engineering, healthcare, and medical fields, as well as providing staffing and talent development services to employers. These programs are offered directly to consumers, as well as to employers and government agencies.

For both the General Education and Career Learning markets, the majority of revenue is derived from our comprehensive school-as-a-service offering which includes an integrated package of curriculum, technology systems, instruction, and support services that we administer on behalf of our customers. The average duration of the agreements for our school-as-a-service offering is greater than five years, and most provide for automatic renewals absent a customer notification of non-renewal. During any fiscal year, we may enter into new agreements, receive non-automatic renewal notices, negotiate replacement agreements, terminate such agreements or receive notices of termination, or customers may transition a school to a different offering. For the 2022-2023 school year, we provided our school-as-a-service offering for 87 schools in 31 states and the District of Columbia in the General Education market, and 52 schools or programs in 27 states and the District of Columbia in the Career Learning market.

We generate a significant portion of our revenues from the sale of curriculum, administration support and technology services to virtual and blended public schools. The amount of revenue generated from these contracts is impacted largely by the number of enrollments, the mix of enrollments across grades and states, state or district per student funding levels and attendance requirement, among other items. The average duration of the agreements for our school-as-a-service offering is greater than five years, and most provide for automatic renewals absent a customer notification within a negotiated time frame.

The two key financial metrics that we use to assess financial performance are revenues and operating income. During the year ended June 30, 2023, revenues increased to \$1,837.4 million from \$1,686.7 million in the prior year, an increase of 8.9%. Over the same period, operating income increased to \$165.5 million from \$156.6 million in the prior year, an increase of 5.7%. Increases in operating income were driven by revenue growth and increases in gross margin. Additionally, we use the non-financial metric of total enrollments to assess performance, as enrollment is a key driver of our revenues. Total enrollments for the year ended June 30, 2023 were 178.2 thousand, a decrease of 6.9 thousand, or 3.7%, over the prior year. Our revenues are subject to annual school district financial audits, which incorporate enrollment counts, funding and other routine financial audit considerations. The results from these audits and other routine changes in funding estimates are incorporated into the Company's monthly funding estimates for the current and prior periods. Historically, aggregate funding estimates differed from actual reimbursements by less than 2% of annual revenue, which may vary from year to year.

Environmental, Social and Governance

As overseers of risk and stewards of long-term enterprise value, Stride's Board of Directors plays a vital role in

assessing our organization’s environmental and social impacts. They are also responsible for understanding the potential impact and related risks of environmental, social and governance (“ESG”) issues on the organization’s operating model. Our Board and management are committed to identifying those ESG issues most likely to impact business operations and growth. We craft policies that are appropriate for our industry and that are of concern to our employees, investors, customers and other key stakeholders. Our Board ensures that the Company’s leaders have ample opportunity to leverage ESG for the long-term good of the organization, its stakeholders, and society. Each Committee of the Board monitors ESG efforts in their respective areas, with the Nominating and Governance Committee coordinating across all Committees.

Since our inception more than 20 years ago, we have removed barriers that impact academic equity. We provide high-quality education for anyone—particularly those in underserved communities—as a means to foster economic empowerment and address societal inequities from kindergarten all the way through college and career readiness. We reinforced our commitment in this area by launching several initiatives including initially offering scholarships to advance education and career opportunities for students in underserved communities, expanding career pathways in socially responsible law enforcement and increasing employment of teachers in underserved communities at Stride-powered schools. We developed interactive, modular courses focused on racial equity and social justice that are being made available for free to every public school.

Among the many ESG issues we support within the Company, we endeavor to promote diversity and inclusion across every aspect of the organization. We sponsor employee resource groups to provide support for female, minority, differently abled, LGBTQ+, and veteran employees and support employee volunteer efforts. Our commitment is evident in the make-up of our leadership team. We have more minorities in executive management and more women in executive management than the representative population. Importantly, our Board of Directors is also diverse with female, Hispanic, and black or African American members.

Our commitment to ESG initiatives is an endeavor both the Board and management undertake for the general betterment of those both inside and outside of our Company.

The nature of our business supports environmental sustainability. Most of our employees work from home and most students at Stride-powered schools attend virtual classes, even prior to the COVID-19 crisis, reducing the carbon output from commuting in cars or buses. Our online curriculum reduces the need for paper. Our meetings are most often held virtually using digital first presentations rather than paper.

Key Aspects and Trends of Our Operations

Revenues—Overview

We generate a significant portion of our revenues from the sale of curriculum, administration support and technology services to virtual and blended public schools. We anticipate that these revenues will continue to represent the majority of our total revenues over the next several years. However, we also expect revenues in other aspects of our business to continue to increase as we execute on our growth strategy. Our growth strategy includes increasing revenues in other distribution channels, expanding our adult learning training programs, adding enrollments in our private schools, and expanding our learning solutions sales channel. Combined revenues from these other sectors were significantly smaller than those from the virtual and blended public schools we served in the year ended June 30, 2023. Our success in executing our strategies will impact future growth. We have several sales channels from which we generate revenues that are discussed in more detail below.

Factors affecting our revenues include:

- (i) the number of enrollments;
- (ii) the mix of enrollments across grades and states;
- (iii) administrative services and curriculum sales provided to the schools and school districts;
- (iv) state or district per student funding levels and attendance requirements;
- (v) prices for our products and services;

- (vi) growth in our adult learning programs; and
- (vii) revenues from new initiatives, mergers and acquisitions.

Virtual and Blended Schools

The virtual and blended schools we serve offer an integrated package of systems, services, products, and professional expertise that we administer to support a virtual or blended public school. Customers of these programs can obtain the administrative support, information technology, academic support services, online curriculum, learning system platforms and instructional services under the terms of a negotiated service and product agreement. We provide our school-as-a-service offerings to virtual and blended public charter schools and school districts.

We define an enrollment as any student enrolled in a full service virtual or blended public school where we provide a combination of curriculum, technology, instructional and support services inclusive of administrative support. Generally, students will take four to six courses, except for some kindergarten students who may participate in half-day programs. We count each half-day kindergarten student as an enrollment. School sessions generally begin in August or September and end in May or June. To ensure that all schools are reflected in our measure of enrollments, we consider the number of students on September 30th to be our opening enrollment level, and the number of students enrolled on the last day of May to be our ending enrollment level. For each period, average enrollments represent the average of the month-end enrollment levels for each school month in the period. We continually evaluate our enrollment levels by state, by school and by grade. We track new student enrollments and withdrawals throughout the year.

We believe that our revenue growth from enrollments depends upon the following:

- the number of states and school districts in which we operate;
- the mix of students served;
- the restrictive terms of local laws or regulations, including enrollment caps;
- the appeal of our curriculum and instructional model to students and families;
- the specific school or school district requirements including credit recovery or special needs;
- the effectiveness of our program in delivering favorable academic outcomes;
- the quality of the teachers working in the schools we serve;
- the effectiveness of our marketing and recruiting programs to attract new enrollments; and
- retention of students through successive grade levels.

We continually evaluate our trends in revenues by monitoring the number of student enrollments in total, by state, by school and by grade, assessing the impact of changes in school funding levels, school mix (distribution of enrollments by school), changes in state funding rates and higher utilization in federal and state restricted funding per student, and the pricing of our curriculum and educational services.

Enrollments in virtual and blended schools on average generate substantially more revenues than enrollments served through our other sales channels where we provide limited or no administrative services.

Learning Solutions

Our Learning Solutions sales channel distributes our software and services to schools and school districts across the U.S. Over the past few years, public schools and school districts have been increasingly adopting online solutions to augment teaching practices, launch new learning models, cost-effectively expand course offerings, provide schedule flexibility, improve student engagement, increase graduation rates, replace textbooks, and retain students. State education funds traditionally allocated for textbook and print materials have also been authorized for the purchase of digital content, including online courses, and in some cases mandated access to online courses. Additionally, districts are seeking support for implementations that blend virtual and in-person instruction.

To address the growing need for digital solutions and the emerging need for comprehensive virtual solutions, our Learning Solutions team provides curriculum and technology solutions, packaged in a portfolio of flexible learning and delivery models mapped to specific student and/or district needs. This portfolio approach provides a continuum of delivery models, from full-time programs to individual course sales and supplemental options that can be used in traditional classrooms to differentiate instruction. Our Learning Solutions team strives to partner with public schools and school districts, primarily in the U.S., to provide more options and better tools to empower teachers to improve student achievement through personalized learning in traditional, blended and online learning environments and to provide comprehensive support for teachers and administrators to deliver effective virtual and blended instructions.

Sales opportunities are driven by a number of factors in a diverse customer population, which determine the deliverable and price. These factors include:

- *Type of Customer*—A customer can be a public school district, private school, charter school, early childhood learning center or corporate partner.
- *Curriculum Needs*—We sell our curriculum solutions based on the scope of the customer need, and a solution is generally purchased as end-user access to a complete catalog, individual course or supplemental content title.
- *License Options*—Depending on the scope of the solution, a license can be purchased for individual course enrollments, annual seat, school or district-wide site licenses or a perpetual license (a prepaid lifetime license). We may charge incrementally if we are hosting the solution.
- *Hosting*—Customers may host curricula themselves or license our hosted solution. We are able to track all students for customers who use our hosted solution. However, more often in large-scale, district-wide implementations, a customer may choose to host the curriculum, and in that case, we have no visibility of individual student usage for counting enrollments.
- *Services Menu*—Instructional services may be provided and priced per-enrollment or bundled in the overall price of the solution. Additional services, including professional development, title maintenance and support may also be provided and are priced based on the scope of services.

Private Schools

Private schools are schools where tuition is paid directly by the family of the student. We receive no public funds for students in our private schools. We operate accredited private online schools at differing price points and service levels. We define an enrollment as any student enrolled in one of these schools where we provide a combination of curriculum, technology, instructional and support services inclusive of administrative support. Our revenues are derived from tuition receipts that are a function of course enrollments and program price. In some circumstances, a third-party school may elect to enroll one of its students in a Stride private school course as a supplement to the student's regular on-campus instruction. In such cases, the third-party school may pay the Stride private school tuition. We have entered into agreements that enable us to distribute our products and services to our international and domestic school partners who use our courses to provide electives offerings and dual diploma programs.

We believe our revenue growth depends primarily on the recruitment of students into our programs through effective marketing and word-of-mouth referral based on the quality of our service. In addition, through high service quality, we seek to retain existing students and increase the total number of courses each student takes with us. In some cases, students return each summer and take only one course. In other cases, students choose a Stride private school as their principal form of education and may stay for many years. The flexibility of our programs, the quality of our curriculum and teaching, and the student community features lead to customer satisfaction and therefore, retention.

Consumer Sales

We also sell individual K-8 online courses and supplemental educational products directly to families. These purchasers desire to educate their children as homeschoolers, outside of the traditional school system or to supplement their child's existing public or private school education without the aid of an online teacher. Customers of our consumer products have the option of purchasing a complete grade-level curriculum for grades K-8, individual courses, or a variety of other supplemental products, covering various subjects depending on their child's needs. Typical applications include summer school course work, home-schooling and educational supplements.

Similar to our private schools, we believe our revenue growth depends primarily on the recruitment of students into our programs through effective marketing and word-of-mouth referral based on the quality of our service.

Adult Learning

We offer adult learning training programs through Galvanize, Tech Elevator, and MedCerts, which provide programs that address the skills gap facing companies in the information technology and healthcare sectors. We offer in-person and remote immersive full-time software engineering programs designed for adult learners looking to advance their technology careers by providing such learners with skills and real-world experiences. These programs are offered in software engineering. MedCerts provides self-paced, fully online structured training programs that lead to certifications in the healthcare field. In many cases, Galvanize, Tech Elevator, and MedCerts work directly with a company to create a customized, tailored education plan to help the company reach its goals and train its employees according to such plan.

We believe that revenue growth in our adult learning brands depends on our ability to identify and attract prospective learners through various marketing channels. Continued growth in these brands will also require that we demonstrate success in placing these learners in jobs following their completion of the program.

Instructional Costs and Services Expenses

Instructional costs and services expenses include expenses directly attributable to the educational products and services we provide. The public schools we administer are the primary drivers of these costs, including teacher and administrator salaries and benefits and expenses of related support services. We also employ teachers and administrators for instruction and oversight in Learning Solutions and Private Schools. Instructional costs also include fulfillment costs of student textbooks and materials, depreciation and reclamation costs of computers provided for student use, the cost of any third-party online courses and the amortization of capitalized curriculum and related systems. Our instructional costs are variable and are based directly on our number of schools and enrollments.

Our high school offering requires increased instructional costs as a percentage of revenues compared to our kindergarten to 8th grade offering. This is due to the following: (i) generally lower student-to-teacher ratios; (ii) higher compensation costs for some teaching positions requiring subject-matter expertise; (iii) ancillary costs for required student support services, including college placement, SAT preparation and guidance counseling; (iv) use of third-party courses to augment our proprietary curriculum; and (v) use of a third-party learning management system to service high school students. Over time, we may partially offset these factors by obtaining productivity gains in our high school instructional model, replacing third-party high school courses with proprietary content, replacing our third-party learning management system with another third-party system, leveraging our school infrastructure and obtaining purchasing economies of scale.

We have deployed and are continuing to develop new delivery models, including blended schools, where students receive limited face-to-face instruction in a learning center to complement their online instruction, and other programs that utilize brick and mortar facilities. The maintenance, management and operations of these facilities necessitate additional costs, which are generally not required to operate typical virtual public schools. We are pursuing expansion into new states for both virtual public and other specialized charter schools. If we are successful, we will incur start-up costs and other expenses associated with the initial launch of a school, including the funding of building leases and leasehold improvements.

Selling, General and Administrative Expenses

Selling, general, and administrative expenses include the salaries and benefits of employees engaged in business development, public affairs, sales and marketing, and administrative functions, and transaction and due diligence expenses related to mergers and acquisitions.

Also included are product development expenses which include research and development costs and overhead costs associated with the management of both our curriculum development and internal systems development teams. In addition, product development expenses include the amortization of internal systems. We measure and track our product development expenditures on a per course or project basis to measure and assess our development efficiency. In addition, we monitor employee utilization rates to evaluate our workforce efficiency. We plan to continue to invest in additional curriculum development and related software in the future. We capitalize selected costs incurred to develop our curriculum,

beginning with application development, through production and testing into capitalized curriculum development costs. We capitalize certain costs incurred to develop internal systems into capitalized software development costs.

Critical Accounting Estimates

The discussion of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. In the preparation of our consolidated financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the related disclosures of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. The results of our analysis form the basis for making assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, and the impact of such differences may be material to our consolidated financial statements. Our critical accounting policies have been discussed with the Audit Committee of our Board of Directors. We believe that the following critical accounting policies affect the more significant judgments and estimates used in the preparation of our consolidated financial statements:

Revenue Recognition

Revenue is recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services using the following steps:

- identify the contract, or contracts, with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract; and
- recognize revenue when, or as, the Company satisfies a performance obligation.

Revenues related to the products and services that we provide to students in kindergarten through twelfth grade or adult learners are considered to be General Education or Career Learning based on the school or adult program in which the student is enrolled. General Education products and services are focused on core subjects, including math, English, science and history, for kindergarten through twelfth grade students to help build a common foundation of knowledge. Career Learning products and services are focused on developing skills to enter and succeed in careers in high-growth, in-demand industries—including information technology, healthcare and general business, for students in middle school through high school and adult learners.

The majority of our contracts are with the following types of customers:

- a virtual or blended school whereby the amount of revenue is primarily determined by funding the school receives;
- a school or individual who licenses certain curriculum on a subscription or course-by-course basis; or
- an enterprise who contracts with the Company to provide job training.

Funding-based Contracts

We provide an integrated package of systems, services, products, and professional expertise that is administered together to support a virtual or blended public school. Contractual agreements generally span multiple years with performance obligations being isolated to annual periods which generally coincide with our fiscal year. Customers of these programs can obtain administrative support, information technology, academic support services, online curriculum, learning systems platforms and instructional services under the terms of a negotiated service agreement. The schools receive funding on a per student basis from the state in which the public school or school district is located. Shipments of materials for schools that occur in the fourth fiscal quarter and for the upcoming school year are recorded in deferred revenue.

We generate revenues under contracts with virtual and blended public schools and include the following components, where required:

- providing each of a school's students with access to our online school and lessons;
- offline learning kits, which include books and materials to supplement the online lessons;
- the use of a personal computer and associated reclamation services;
- internet access and technology support services;
- instruction by a state-certified teacher; and
- management and technology services necessary to support a virtual or blended school. In certain contracts, revenues are determined directly by per enrollment funding.

To determine the pro rata amount of revenue to recognize in a fiscal quarter, we estimate the total expected funds each school will receive in a particular school year. Total funds for a school are primarily a function of the number of students enrolled in the school and established per enrollment funding levels, which are generally published on an annual basis by the state or school district. We review its estimates of funding periodically, and updates as necessary, by adjusting its year-to-date earned revenues to be proportional to the total expected revenues to be earned during the fiscal year. Actual school funding may vary from these estimates and the impact of these differences could impact our results of operations. Since the end of the school year coincides with the end of our fiscal year, annual revenues are generally based on actual school funding and actual costs incurred (including costs for our services to the schools plus other costs the schools may incur). Our schools' reported results are subject to annual school district financial audits, which incorporate enrollment counts, funding and other routine financial audit considerations. The results of these audits are incorporated into the Company's monthly funding estimates for the current and prior periods. For the years ended June 30, 2022, 2021 and 2020, the Company's aggregate funding estimates differed from actual reimbursements impacting total reported revenue by approximately 1.6%, 1.4%, and (0.1)%, respectively.

Each state and/or school district has variations in the school funding formulas and methodologies that it uses to estimate funding for revenue recognition at its respective schools. As the Company estimates funding for each school, it takes into account the state definition for count dates on which reported enrollment numbers will be used for per pupil funding. The parameters the Company considers in estimating funding for revenue recognition purposes include school district count definitions, withdrawal rates, new registrations, average daily attendance, special needs enrollment, academic progress, historical completion, student location, funding caps and other state specified categorical program funding.

Under the contracts where we provide products and services to schools, we are responsible for substantially all of the expenses incurred by the school and have generally agreed to absorb any operating losses of the schools in a given school year. These school operating losses represent the excess of costs incurred over revenues earned by the virtual or blended public school (the school's expected funding), as reflected in its respective financial statements, including our charges to the schools. To the extent a school does not receive sufficient funding for each student enrolled in the school, the school would still incur costs associated with serving the unfunded enrollment. If losses due to unfunded enrollments result in a net operating loss for the year that loss is reflected as a reduction in the revenues and net receivables that we collect from the school. A school net operating loss in one year does not necessarily mean we anticipate losing money on the entire contract with the school. However, a school's net operating loss may reduce our ability to collect its management fees in full and recognized revenues are constrained to reflect the expected cash collections from such schools. We record the school's estimated net operating loss against revenues based upon the percentage of actual revenues in the period to total estimated revenues for the fiscal year. Actual school net operating losses may vary from these estimates or revisions, and the impact of these differences could have a material impact on results of operations.

Subscription-based Contracts

We provide certain online curriculum and services to schools and school districts under subscription agreements. Revenues from the licensing of curriculum under subscription arrangements are recognized on a ratable basis over the subscription period. Revenues from professional consulting, training and support services are deferred and recognized ratably over the service period.

In addition, we contract with individual customers who have access for one to two years to company-provided online curriculum and generally prepay for services to be received. Adult learners enroll in courses that provide specialized training in a specific industry. Each of these contracts are considered to be one performance obligation. We recognize these revenues pro rata over the maximum term of the customer contract based on the defined contract price.

Enterprise Contracts

We provide job training over a specified contract period to enterprises. Each of these contracts are considered to be one performance obligation. We recognize these revenues based on the number of students trained during the term of the contract based on the defined contract price.

Income Taxes

Accounting for income taxes prescribes the use of the asset and liability method to compute the differences between the tax bases of assets and liabilities and the related financial amounts, using currently enacted tax laws. If necessary, a valuation allowance is established, based on the weight of available evidence, to reduce deferred tax assets to the amount that is more likely than not to be realized. Realization of the deferred tax assets, net of deferred tax liabilities, is principally dependent upon achievement of sufficient future taxable income. We exercise significant judgment in determining our provisions for income taxes, our deferred tax assets and liabilities and our future taxable income for purposes of assessing our ability to utilize any future tax benefit from our deferred tax assets.

Although we believe that our tax estimates are reasonable, the ultimate tax determination involves significant judgments that could become subject to examination by tax authorities in the ordinary course of business. We periodically assess the likelihood of adverse outcomes resulting from these examinations to determine the impact on our deferred taxes and income tax liabilities and the adequacy of our provision for income taxes. Changes in income tax legislation, statutory income tax rates or future taxable income levels, among other things, could materially impact our valuation of income tax assets and liabilities and could cause our income tax provision to vary significantly among financial reporting periods.

We have a valuation allowance on net deferred tax assets of \$6.8 million and \$6.7 million as of June 30, 2023 and 2022, respectively, for the amount that will likely not be realized.

Results of Operations

Lines of Revenue

We operate in one operating and reportable business segment as a technology-based education company providing proprietary and third-party curriculum, software systems and educational services designed to facilitate individualized learning. The Chief Operating Decision Maker evaluates profitability based on consolidated results. We have two lines of revenue: (i) General Education and (ii) Career Learning.

Enrollment Data

The following table sets forth total enrollment data for students in our General Education and Career Learning lines of revenue. Enrollments for General Education and Career Learning only include those students in full service public or private programs where Stride provides a combination of curriculum, technology, instructional and support services inclusive of administrative support. No enrollments are included in Career Learning for Galvanize, Tech Elevator or MedCerts. This data includes enrollments for which Stride receives no public funding or revenue.

If the mix of enrollments changes, our revenues will be impacted to the extent the average revenue per enrollment is significantly different. We do not award or permit incentive compensation to be paid to our public school program enrollment staff or contractors based on the number of students enrolled.

The following represents our current enrollment for each of the periods indicated:

	Year Ended June 30,			2023 / 2022		2022 / 2021	
	2023	2022	2021	Change	Change %	Change	Change %
	(In thousands, except percentages)						
General Education (1)	112.3	143.2	156.7	(30.9)	(21.6%)	(13.5)	(8.6%)
Career Learning (1) (2)	65.9	41.9	29.6	24.0	57.3%	12.3	41.6%
Total Enrollment	178.2	185.1	186.3	(6.9)	(3.7%)	(1.2)	(0.6%)

- (1) Enrollments reported for the first quarter are equal to the official count date number, which was September 30, 2022 for the first quarter of fiscal year 2023 and September 30, 2021 for the first quarter of fiscal year 2022.
- (2) No enrollments are included in Career Learning for Galvanize, Tech Elevator or MedCerts.

Revenue Data

Revenues are captured by market based on the underlying customer contractual agreements. Where customers purchase products and services for both General Education and Career Learning markets, we allocate revenues based on the program for which each student is enrolled. All kindergarten through fifth grade students are considered General Education students. Periodically, a middle school or high school student enrollment may change line of revenue classification.

The following represents our current revenues for each of the periods indicated:

	Year Ended June 30,			Change 2023 / 2022		Change 2022 / 2021	
	2023	2022	2021	\$	%	\$	%
	(In thousands, except percentages)						
General Education	\$ 1,131,391	\$ 1,273,783	\$ 1,280,199	\$ (142,392)	(11.2%)	\$ (6,416)	(0.5%)
Career Learning							
Middle - High School	586,770	321,416	200,774	265,354	82.6%	120,642	60.1%
Adult	119,197	91,467	55,787	27,730	30.3%	35,680	64.0%
Total Career Learning	705,967	412,883	256,561	293,084	71.0%	156,322	60.9%
Total Revenues	<u>\$ 1,837,358</u>	<u>\$ 1,686,666</u>	<u>\$ 1,536,760</u>	<u>\$ 150,692</u>	8.9%	<u>\$ 149,906</u>	9.8%

Products and Services

Stride has invested over \$600 million in the last twenty years to develop curriculum, systems, instructional practices and support services that enable us to support hundreds of thousands of students. The following describes the various products and services that we provide to customers. Products and services are provided on an individual basis as well as customized solutions, such as our most comprehensive school-as-a-service offering which supports our clients in operating full-time virtual or blended schools. Stride is continuously innovating to remain at the forefront of effective educational techniques to meet students' needs. It continues to expand upon its personalized learning model, improve the user experience of its products, and develop tools and partnerships to more effectively engage and serve students, teachers, and administrators.

Curriculum and Content – Stride has one of the largest digital research-based curriculum portfolios for the K-12 online education industry that includes some of the best in class content available in the market. Our customers can select from hundreds of high-quality, engaging, online coursework and content, as well as many state customized versions of those courses, electives, and instructional supports. Since our inception, we have built core courses on a foundation of rigorous standards, following the guidance and recommendations of leading educational organizations at the national and state levels. State standards are continually evolving, and we continually invest in our curriculum to meet these changing requirements. Through our subsidiaries Galvanize, Tech Elevator and MedCerts, we have added high-quality, engaging,

online coursework and content in software engineering, healthcare, and medical fields.

Systems – We have established a secure and reliable technology platform, which integrates proprietary and third-party systems, to provide a high-quality educational environment and gives us the capability to grow our customer programs and enrollment. Our end-to-end platform includes single-sign on capability for our content management, learning management, student information, data reporting and analytics, and various support systems that allow customers to provide a high-quality and personalized educational experience for students. A la carte offerings can provide curriculum and content hosting on customers’ learning management systems, or integration with customers’ student information systems.

Instructional Services – We offer a broad range of instructional services that includes customer support for instructional teams, including recruitment of state certified teachers, training in research-based online instruction methods and Stride systems, oversight and evaluation services, and ongoing professional development. Stride also provides training options to support teachers and parents to meet students’ learning needs. Stride’s range of training options are designed to enhance skills needed to teach using an online learning platform, and include hands-on training, on-demand courses, and support materials.

Support Services – We offer a broad range of support services, including marketing and enrollment, supporting prospective students through the admission process, assessment management, administrative support (e.g., budget proposals, financial reporting, and student data reporting), and technology and materials support (e.g., provisioning of student computers, offline learning kits, internet access and technology support services).

Financial Information

The following table sets forth statements of operations data and the amounts as a percentage of revenues for each of the periods indicated:

	Year Ended June 30,					
	2023		2022		2021	
	(In thousands, except percentages)					
Revenues	\$ 1,837,358	100.0 %	\$ 1,686,666	100.0 %	\$ 1,536,760	100.0 %
Instructional costs and services	1,190,288	64.8	1,090,191	64.6	1,001,860	65.2
Gross margin	647,070	35.2	596,475	35.4	534,900	34.8
Selling, general, and administrative expenses	481,571	26.2	439,847	26.1	424,444	27.6
Income from operations	165,499	9.0	156,628	9.3	110,456	7.2
Interest expense, net	(8,404)	(0.5)	(8,277)	(0.5)	(17,979)	(1.2)
Other income (expense), net	15,452	0.8	(1,277)	(0.1)	2,829	0.2
Income before income taxes and income (loss) from equity method investments	172,547	9.4	147,074	8.7	95,306	6.2
Income tax expense	(45,346)	(2.5)	(40,088)	(2.4)	(24,539)	(1.6)
Income (loss) from equity method investments	(334)	(0.0)	144	0.0	684	0.0
Net income attributable to common stockholders	\$ 126,867	6.9 %	\$ 107,130	6.4 %	\$ 71,451	4.6 %

Comparison of the Years Ended June 30, 2023 and 2022

Revenues. Our revenues for the year ended June 30, 2023 were \$1,837.4 million, representing an increase of \$150.7 million, or 8.9%, from \$1,686.7 million for the year ended June 30, 2022. General Education revenues decreased \$142.4 million, or 11.2%, year over year. The decrease in General Education revenues was primarily due to the 21.6% decrease in enrollments, and changes to school mix (distribution of enrollments by school). Career Learning revenues increased \$293.1 million, or 71.0%, primarily due to a 57.3% increase in enrollments and school mix.

Instructional costs and services expenses. Instructional costs and services expenses for the year ended June 30, 2023 were \$1,190.3 million, representing an increase of \$100.1 million, or 9.2%, from \$1,090.2 million for the

year ended June 30, 2022. This increase in expense was due to hiring of personnel in growth states and salary increases. Instructional costs and services expenses were 64.8% of revenues during the year ended June 30, 2023, an increase from 64.6% for the year ended June 30, 2022.

Selling, general, and administrative expenses. Selling, general and administrative expenses for the year ended June 30, 2023 were \$481.6 million, representing an increase of \$41.8 million, or 9.5% from \$439.8 million for the year ended June 30, 2022. The increase was primarily due to an increase of \$31.3 million in personnel and related benefit costs and \$17.4 million in professional services and marketing expenses, partially offset by a decrease of \$6.5 million in bad debt expense and \$1.5 million in net operating lease expense. Selling, general, and administrative expenses were 26.2% of revenues during the year ended June 30, 2023, an increase from 26.1% for the year ended June 30, 2022.

Interest income (expense), net. Net interest expense for the year ended June 30, 2023 was \$8.4 million as compared to \$8.3 million in the year ended June 30, 2022. The increase in net interest expense was primarily due to an increase in interest expense related to our finance leases.

Other income (expense), net. Other income, net for the year ended June 30, 2023 was \$15.5 million as compared to other expense, net of \$1.3 million in the year ended June 30, 2022. The increase in other income, net was primarily due to the increase in our investments in marketable securities and the returns on those investments year over year.

Income tax expense. Income tax expense was \$45.3 million for the year ended June 30, 2023, or 26.3% of income before taxes, as compared to \$40.1 million, or 27.2% of income before taxes for the year ended June 30, 2022. The decrease in the effective income tax rate for the year ended June 30, 2023, as compared to the effective tax rate for the year ended June 30, 2022, was primarily due to the decrease in the amount of non-deductible compensation, which was partially offset by the decrease in excess tax benefit of stock-based compensation.

Comparison of the Years Ended June 30, 2022 and 2021

Revenues. Our revenues for the year ended June 30, 2022 were \$1,686.7 million, representing an increase of \$149.9 million, or 9.8%, from \$1,536.8 million for the year ended June 30, 2021. General Education revenues decreased \$6.4 million, or 0.5%, year over year. The decrease in General Education revenues was primarily due to the 8.6% decrease in enrollments, and changes to school mix (distribution of enrollments by school). Career Learning revenues increased \$156.3 million, or 60.9%, primarily due to a 41.6% increase in enrollments, school mix, as well as from the acquisitions of MedCerts and Tech Elevator.

Instructional costs and services expenses. Instructional costs and services expenses for the year ended June 30, 2022 were \$1,090.2 million, representing an increase of \$88.3 million, or 8.8%, from \$1,001.9 million for the year ended June 30, 2021. This increase in expense was due to hiring of personnel in growth states and salary increases. Instructional costs and services expenses were 64.6% of revenues during the year ended June 30, 2022, a decrease from 65.2% for the year ended June 30, 2021.

Selling, general, and administrative expenses. Selling, general, and administrative expenses for the year ended June 30, 2022 were \$439.8 million, representing an increase of \$15.4 million, or 3.6%, from \$424.4 million for the year ended June 30, 2021. The increase was primarily due to an increase of \$9.1 million in bad debt expense resulting primarily from reserves related to our investment in Tallo, Inc., \$8.7 million in licensing fees, and \$8.0 million in professional services and marketing expenses, partially offset by a \$7.8 million decrease in personnel and related benefit costs, including stock-based compensation. Selling, general, and administrative expenses were 26.1% of revenues during the year ended June 30, 2022, a decrease from 27.6% for the year ended June 30, 2021.

Interest income (expense), net. Net interest expense for the year ended June 30, 2022 was \$8.3 million as compared to \$18.0 million in the year ended June 30, 2021. The decrease in net interest expense was primarily due to the adoption of ASU 2020-06 in fiscal year 2022 which resulted in the elimination of interest expense related to the debt discount of the Convertible Senior Notes.

Income tax expense. Income tax expense was \$40.1 million for the year ended June 30, 2022, or 27.2% of income before taxes, as compared to \$24.5 million, or 25.6% of income before taxes for the year ended June 30, 2021. The increase in the effective income tax rate for the year ended June 30, 2022, as compared to the effective tax rate for the year ended

June 30, 2021, was primarily due to the increase in the amount of non-deductible compensation, which was partially offset by the increase in excess tax benefit of stock-based compensation.

Discussion of Seasonality of Financial Condition

Certain accounts in our balance sheet are subject to seasonal fluctuations. As our enrollments and revenues grow, we expect these seasonal trends to be amplified. The bulk of our materials are shipped to students prior to the beginning of the school year, usually in July or August. In order to prepare for the upcoming school year, we generally build up inventories during the fourth quarter of our fiscal year. Therefore, inventories tend to be at the highest levels at the end of our fiscal year. In the first quarter of our fiscal year, inventories tend to decline significantly as materials are shipped to students. In our fourth quarter, inventory purchases and the extent to which we utilize early payment discounts will impact the level of accounts payable.

Accounts receivable balances tend to be at the highest levels in the first quarter of our fiscal year as we begin billing for all enrolled students and our billing arrangements include upfront fees for many of the elements of our offering. These upfront fees result in seasonal fluctuations to our deferred revenue balances. We routinely monitor state legislative activity and regulatory proceedings that might impact the funding received by the schools we serve and to the extent possible, factor potential outcomes into our business planning decisions.

The deferred revenue related to our direct-to-consumer business results from advance payments for twelve month subscriptions to our online school. These advance payments are amortized over the life of the subscription and tend to be highest at the end of the fourth quarter and first quarter, when the majority of subscriptions are sold.

Liquidity and Capital Resources

As of June 30, 2023, we had net working capital, or current assets minus current liabilities, of \$756.1 million. Our working capital includes cash and cash equivalents of \$410.8 million and accounts receivable of \$463.7 million. Our working capital provides a significant source of liquidity for our normal operating needs. Our accounts receivable balance fluctuates throughout the fiscal year based on the timing of customer billings and collections and tends to be highest in our first fiscal quarter as we begin billing for students. In addition, our cash and accounts receivable were significantly in excess of our accounts payable and short-term accrued liabilities at June 30, 2023.

During the first quarter of fiscal year 2021, we issued \$420.0 million aggregate principal amount of 1.125% Convertible Senior Notes due 2027 (“Notes”). The Notes are governed by an indenture (the “Indenture”) between us and U.S. Bank National Association, as trustee. The net proceeds from the offering of the Notes were approximately \$408.6 million after deducting the underwriting fees and other expenses paid by the Company. The Notes bear interest at a rate of 1.125% per annum, payable semi-annually in arrears on March 1st and September 1st of each year, beginning on March 1, 2021. The Notes will mature on September 1, 2027. In connection with the Notes, we entered into privately negotiated capped call transactions (the “Capped Call Transactions”) with certain counterparties. The Capped Call Transactions are expected to cover the aggregate number of shares of the Company’s common stock that initially underlie the Notes, and are expected to reduce potential dilution to the Company’s common stock upon any conversion of Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of converted Notes. The upper strike price of the Capped Call Transactions is \$86.174 per share. The cost of the Capped Call Transactions was \$60.4 million and was recorded within additional paid-in capital.

Before June 1, 2027, noteholders will have the right to convert their Notes only upon the occurrence of certain events. After June 1, 2027, noteholders may convert their Notes at any time at their election until two days prior to the maturity date. We will settle conversions by paying cash up to the outstanding principal amount, and at our election, will settle the conversion spread by paying or delivering cash or shares of our common stock, or a combination of cash and shares of our common stock. The initial conversion rate is 18.9109 shares of common stock per \$1,000 principal amount of Notes, which represents an initial conversion price of approximately \$52.88 per share of common stock. The Notes will be redeemable at our option at any time after September 6, 2024 at a cash redemption price equal to the principal amount of the Notes, plus accrued and unpaid interest, subject to certain stock price hurdles as discussed in the Indenture.

On January 27, 2020, we entered into a \$100.0 million senior secured revolving credit facility (“Credit Facility”) to be used for general corporate operating purposes with PNC Capital Markets LLC. The Credit Facility has a five-year term and incorporates customary financial and other covenants, including, but not limited to, a maximum leverage ratio

and a minimum interest coverage ratio. The majority of our borrowings under the Credit Facility were at LIBOR plus an additional rate ranging from 0.875% - 1.50% based on our leverage ratio as defined in the agreement. The Credit Facility is secured by our assets. The Credit Facility agreement allows for an amendment to establish a new benchmark interest rate when LIBOR is discontinued during the five-year term. As of June 30, 2023, we were in compliance with the financial covenants. As part of the proceeds received from the Notes, we repaid our \$100.0 million outstanding balance and as of June 30, 2023, we had no amounts outstanding on the Credit Facility. The Credit Facility also includes a \$200.0 million accordion feature.

We are a lessee under finance lease obligations for student computers and peripherals under loan agreements with Banc of America Leasing & Capital, LLC ("BALC") and CSI Leasing, Inc. ("CSI Leasing"). As of June 30, 2023 and 2022, the finance lease liability was \$56.9 million and \$66.3 million, respectively, with lease interest rates ranging from 2.10% to 6.57%.

We entered into an agreement with BALC in April 2020 for \$25.0 million (increased to \$41.0 million in July 2020) to provide financing for our leases through March 2021 at varying rates. We entered into additional agreements during fiscal year 2021 to provide financing of \$54.0 million for our student computers and peripherals leases through October 2022 at varying rates. Individual leases with BALC include 36-month payment terms, fixed rates ranging from 2.10% to 6.57%, and a \$1 purchase option at the end of each lease term. We pledged the assets financed to secure the outstanding leases.

We entered into an agreement with CSI Leasing in August 2022 to provide financing for our leases. Individual leases under the agreement with CSI Leasing include 36-month payments terms, but do not include a stated interest rate. We use our incremental borrowing rate as the implied interest rate and the total lease payments to calculate our lease liability.

Our cash requirements consist primarily of day-to-day operating expenses, capital expenditures and contractual obligations with respect to interest on our Notes, office facility leases, capital equipment leases and other operating leases. We expect to make future payments on existing leases from cash generated from operations. We believe that the combination of funds to be generated from operations, borrowing on our Credit Facility and net working capital on hand will be adequate to finance our ongoing operations on a short-term (the next 12 months) and long-term (beyond the next 12 months) basis. In addition, we continue to explore acquisitions, strategic investments and joint ventures related to our business that we may acquire using cash, stock, debt, contribution of assets or a combination thereof.

Operating Activities

Net cash provided by operating activities for the year ended June 30, 2023 was \$203.2 million compared to \$206.9 million for the year ended June 30, 2022. The \$3.7 million decrease in cash provided by operations between periods was primarily due to a decrease in working capital of \$2.6 million.

Net cash provided by operating activities for the year ended June 30, 2022 was \$206.9 million compared to \$134.2 million for the year ended June 30, 2021. The \$72.7 million increase in cash provided by operations between periods was primarily due to an increase in net income and a lower increase in accounts receivable, partially offset by a decrease in accrued compensation and benefits and deferred revenue and other liabilities.

Net cash provided by operating activities for the year ended June 30, 2021 was \$134.2 million compared to \$80.4 million for the year ended June 30, 2020. The \$53.8 million increase in cash provided by operations between periods was primarily due to an increase in net income including non-cash adjustments partially offset by a decrease in working capital of \$56.8 million. The decrease in other assets and liabilities was primarily due to increases in accounts receivable, and inventory, prepaid expenses and other assets; partially offset by an increase in accounts payable and accrued compensation and benefits. The increase in accounts receivable was related to the increase in revenue with schools with payment terms that extend beyond our fiscal year, while the increase in accrued compensation and benefits was related to an increase in our corporate bonus and accrued salaries.

Investing Activities

Net cash used in investing activities for the years ended June 30, 2023, 2022 and 2021 was \$118.2 million, \$110.8 million and \$165.4 million, respectively.

Net cash used in investing activities for the year ended June 30, 2023 increased \$7.4 million from the year ended June 30, 2022. The increase was primarily due to higher net purchases of marketable securities of \$4.2 million and an increase in capital expenditures year over year of \$1.1 million.

Net cash used in investing activities for the year ended June 30, 2022 decreased \$54.6 million from the year ended June 30, 2021. The decrease was primarily due to the acquisitions of MedCerts and Tech Elevator for \$71.1 million in fiscal year 2021, partially offset by an increase in capital expenditures year over year of \$15.3 million.

Net cash used in investing activities for the year ended June 30, 2021 decreased \$52.0 million from the year ended June 30, 2020. The decrease was primarily due to the acquisition of Galvanize during the year ended June 30, 2020 being more than the acquisitions of MedCerts and Tech Elevator during the year ended June 30, 2021 and purchases of marketable securities of \$40.5 million.

Financing Activities

Net cash used in financing activities for the years ended June 30, 2023 and 2022 was \$63.5 million and \$93.3 million, respectively. Net cash provided by financing activities for the year ended June 30, 2021, was \$204.6 million.

Net cash used in financing activities for the year ended June 30, 2023 decreased \$29.8 million from the year ended June 30, 2022. The decrease was primarily due to a decrease in the repurchase of restricted stock for income tax withholding of \$24.4 million and \$22.9 million in deferred purchase consideration payments in fiscal year 2022, partially offset by a payment of contingent consideration of \$7.0 million and an increase in the repayment of finance lease obligations incurred for the acquisition of student computers of \$10.0 million.

Net cash used in financing activities for the year ended June 30, 2022 decreased \$297.9 million from the year ended June 30, 2021. The decrease was primarily due to the net proceeds from the issuance of our Notes of \$408.6 million, partially offset by capped call purchases related to the Notes of \$60.4 million, the repayment on our Credit Facility of \$100.0 million in fiscal year 2021; \$22.9 million in deferred purchase consideration payments related to MedCerts and Tech Elevator in fiscal year 2022; and an increase in the repurchase of restricted stock for income tax withholding of \$37.9 million.

Net cash provided by financing activities for the year ended June 30, 2021 increased \$139.0 million from the year ended June 30, 2020. The increase was primarily due to the net proceeds from the issuance of our Notes of \$408.6 million, partially offset by capped call purchases related to the Notes of \$60.4 million and the repayment of our Credit Facility of \$100.0 million. The net increase was partially offset by the net proceeds from our Credit Facility during the year ended June 30, 2020.

Recent Accounting Pronouncements

For information regarding, “Recent Accounting Pronouncements,” please refer to Note 3, “Summary of Significant Accounting Policies,” contained within our consolidated financial statements in Part II, Item 8, of this Annual Report on Form 10-K.

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

Inflation Risk

Current inflation has resulted in higher personnel costs, marketing expenses and supply chain expenses. There can be no assurance that future inflation will not have an adverse or material impact on our operating results and financial condition.

Interest Rate Risk

At June 30, 2023 and 2022, we had cash and cash equivalents totaling \$410.8 million and \$389.4 million, respectively. Our excess cash has been invested in money market funds, government securities, corporate debt securities and similar investments. At June 30, 2023, a 1% gross increase in interest rates for our variable-interest instruments would result in a \$4.1 million annualized increase in interest income. Additionally, the fair value of our investment portfolio is

subject to changes in market interest rates.

Our short-term debt obligations under our Credit Facility are subject to interest rate exposure. At June 30, 2023, we had no outstanding balance on our Credit Facility.

Foreign Currency Exchange Risk

We currently operate in several foreign countries, but we do not transact a material amount of business in a foreign currency. If we enter into any material transactions in a foreign currency or establish or acquire any subsidiaries that measure and record their financial condition and results of operations in a foreign currency, we will be exposed to currency transaction risk and/or currency translation risk. Exchange rates between U.S. dollars and many foreign currencies have fluctuated significantly over the last few years and may continue to do so in the future. Accordingly, we may decide in the future to undertake hedging strategies to minimize the effect of currency fluctuations on our financial condition and results of operations.

ITEM 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA*

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Stride, Inc.
Reston, Virginia

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Stride, Inc. (the “Company”) as of June 30, 2023 and 2022, the related consolidated statements of operations and comprehensive income, stockholders’ equity, and cash flows for each of the three years in the period ended June 30, 2023, and the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2023, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of June 30, 2023, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated August 15, 2023, expressed an adverse opinion thereon.

Change in Accounting Principle

As discussed in Note 3 to the consolidated financial statements, the Company changed its method of accounting for debt as of July 1, 2021, due to the adoption of Accounting Standards Update (“ASU”) No. 2020-06, *Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Equity’s Own Equity (Subtopic 815-40)*.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenues from Funding-based Contracts

As described in Note 3 to the Company's consolidated financial statements, for the year ended June 30, 2023, revenues from funding-based contracts approximated \$1.6 billion and contributed to both lines of revenue—General Education and Career Learning. The computation of funding-based contract revenue from state governments and/or school districts is based upon the amount of estimated funding where the public school or school district is located. Total estimated funding from all sources represents the maximum value of revenue to be recognized from funding-based contracts and is adjusted as necessary for individual school financial deficits and surpluses.

We identified management's judgments related to revenues for certain funding-based contracts as a critical audit matter. Assumptions and inputs used to determine estimated funding includes various enrollment related data and defined funding rates. Changes to these inputs and assumptions could have a material impact on the amount of expected annual funding, and thus revenues recognized. Auditing assumptions and inputs used to determine estimated funding involved especially challenging auditor judgment due to the nature and extent of audit effort required to address these matters.

The primary procedures we performed to address this critical audit matter included:

- Testing the completeness, existence, and accuracy of enrollment data by validating the underlying student data and assumptions used as inputs through the inspection of relevant source documents including admission records, report cards, and third-party support.
- Testing the Company's computations of estimated funding through validation of key inputs by agreeing to publicly available information and/or state/district communications evidence.
- Testing the mathematical accuracy of the estimated funding calculations.
- Performing a retrospective review of funding on a school by school basis and investigating variances outside of predetermined thresholds through the inspection of relevant source documents.

/s/ BDO USA, P.A.

We have served as the Company's auditor since 2005.
Potomac, Maryland
August 15, 2023

STRIDE, INC.

CONSOLIDATED BALANCE SHEETS

	June 30,	
	2023	2022
	(In thousands except share and per share data)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 410,807	\$ 389,398
Accounts receivable, net of allowance of \$30,031 and \$26,993	463,722	418,558
Inventories, net	36,716	36,003
Prepaid expenses	24,817	25,974
Other current assets	129,137	80,601
Total current assets	1,065,199	950,534
Operating lease right-of-use assets, net	69,508	85,457
Property and equipment, net	52,332	61,537
Capitalized software, net	83,465	71,800
Capitalized curriculum development costs, net	50,787	50,580
Intangible assets, net	74,771	88,669
Goodwill	246,676	241,022
Deferred tax asset	8,776	—
Deposits and other assets	109,152	93,946
Total assets	\$ 1,760,666	\$ 1,643,545
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 48,854	\$ 61,997
Accrued liabilities	76,626	63,200
Accrued compensation and benefits	57,426	73,027
Deferred revenue	76,159	53,630
Current portion of finance lease liability	35,621	37,389
Current portion of operating lease liability	14,449	12,830
Total current liabilities	309,135	302,073
Long-term finance lease liability	21,278	28,888
Long-term operating lease liability	59,425	75,127
Long-term debt	413,035	411,438
Deferred tax liability	—	3,205
Other long-term liabilities	10,497	10,233
Total liabilities	813,370	830,964
Commitments and contingencies		
Stockholders' equity		
Preferred stock, par value \$0.0001; 10,000,000 shares authorized; zero shares issued or outstanding	—	—
Common stock, par value \$0.0001; 100,000,000 shares authorized; 48,339,048 and 48,112,664 shares issued; and 43,004,305 and 42,777,921 shares outstanding, respectively	4	4
Additional paid-in capital	695,480	687,454
Accumulated other comprehensive income (loss)	(35)	143
Retained earnings	354,329	227,462
Treasury stock of 5,334,743 shares at cost	(102,482)	(102,482)
Total stockholders' equity	947,296	812,581
Total liabilities and stockholders' equity	\$ 1,760,666	\$ 1,643,545

See accompanying notes to consolidated financial statements.

STRIDE, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended June 30,		
	2023	2022	2021
	(In thousands except share and per share data)		
Revenues	\$ 1,837,358	\$ 1,686,666	\$ 1,536,760
Instructional costs and services	1,190,288	1,090,191	1,001,860
Gross margin	647,070	596,475	534,900
Selling, general, and administrative expenses	481,571	439,847	424,444
Income from operations	165,499	156,628	110,456
Interest expense, net	(8,404)	(8,277)	(17,979)
Other income (expense), net	15,452	(1,277)	2,829
Income before income taxes and income (loss) from equity method investments	172,547	147,074	95,306
Income tax expense	(45,346)	(40,088)	(24,539)
Income (loss) from equity method investments	(334)	144	684
Net income attributable to common stockholders	<u>\$ 126,867</u>	<u>\$ 107,130</u>	<u>\$ 71,451</u>
Net income attributable to common stockholders per share:			
Basic	\$ 3.00	\$ 2.58	\$ 1.78
Diluted	\$ 2.97	\$ 2.52	\$ 1.71
Weighted average shares used in computing per share amounts:			
Basic	42,286,392	41,451,101	40,211,016
Diluted	42,728,108	42,441,524	41,868,580

See accompanying notes to consolidated financial statements.

STRIDE, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended June 30,		
	2023	2022	2021
	(In thousands)		
Net income	\$ 126,867	\$ 107,130	\$ 71,451
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustment	(178)	617	(567)
Comprehensive income attributable to common stockholders	<u>\$ 126,689</u>	<u>\$ 107,747</u>	<u>\$ 70,884</u>

See accompanying notes to consolidated financial statements.

STRIDE, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands except share data)	Stride, Inc. Stockholders' Equity							
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
Balance, June 30, 2020	46,341,627	\$ 4	\$ 730,761	\$ 93	\$ 46,953	(5,334,743)	\$ (102,482)	\$ 675,329
Adjustment related to the adoption of new accounting guidance	—	—	—	—	(6,253)	—	—	(6,253)
Net income	—	—	—	—	71,451	—	—	71,451
Foreign currency translation adjustment	—	—	—	(567)	—	—	—	(567)
Stock-based compensation expense	—	—	38,927	—	—	—	—	38,927
Exercise of stock options	990,067	—	748	—	—	—	—	748
Withholding of stock options for tax withholding	(655,219)	—	(10,885)	—	—	—	—	(10,885)
Equity component of convertible senior notes, net of issuance costs and taxes	—	—	105,502	—	—	—	—	105,502
Purchases of capped calls in connection with convertible senior notes	—	—	(60,354)	—	—	—	—	(60,354)
Issuance of restricted stock awards	578,070	—	—	—	—	—	—	—
Forfeiture of restricted stock awards	(82,419)	—	—	—	—	—	—	—
Repurchase of restricted stock for tax withholding	(260,599)	—	(9,250)	—	—	—	—	(9,250)
Balance, June 30, 2021	46,911,527	\$ 4	\$ 795,449	\$ (474)	\$ 112,151	(5,334,743)	\$ (102,482)	\$ 804,648
Adjustment related to the adoption of new accounting guidance	—	—	(89,460)	—	8,181	—	—	(81,279)
Net income	—	—	—	—	107,130	—	—	107,130
Foreign currency translation adjustment	—	—	—	617	—	—	—	617
Stock-based compensation expense	—	—	19,021	—	—	—	—	19,021
Exercise of stock options	29,100	—	414	—	—	—	—	414
Vesting of performance share units, net of tax withholding	1,017,380	—	—	—	—	—	—	—
Issuance of restricted stock awards	582,273	—	—	—	—	—	—	—
Forfeiture of restricted stock awards	(160,795)	—	—	—	—	—	—	—
Repurchase of restricted stock for tax withholding	(266,821)	—	(37,970)	—	—	—	—	(37,970)
Balance, June 30, 2022	48,112,664	\$ 4	\$ 687,454	\$ 143	\$ 227,462	(5,334,743)	\$ (102,482)	\$ 812,581
Net income	—	—	—	—	126,867	—	—	126,867
Foreign currency translation adjustment	—	—	—	(178)	—	—	—	(178)
Stock-based compensation expense	—	—	21,419	—	—	—	—	21,419
Exercise of stock options	1,350	—	20	—	—	—	—	20
Vesting of performance share units, net of tax withholding	80,004	—	—	—	—	—	—	—
Issuance of restricted stock awards	595,818	—	—	—	—	—	—	—
Forfeiture of restricted stock awards	(137,134)	—	—	—	—	—	—	—
Repurchase of restricted stock for tax withholding	(313,654)	—	(13,413)	—	—	—	—	(13,413)
Balance, June 30, 2023	48,339,048	\$ 4	\$ 695,480	\$ (35)	\$ 354,329	(5,334,743)	\$ (102,482)	\$ 947,296

See accompanying notes to consolidated financial statements.

STRIDE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended June 30,		
	2023	2022	2021
	(In thousands)		
Cash flows from operating activities			
Net income	\$ 126,867	\$ 107,130	\$ 71,451
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	110,358	97,914	90,077
Stock-based compensation expense	20,320	18,570	39,333
Deferred income taxes	(10,373)	1,190	2,549
Provision for credit losses	9,158	15,673	6,561
Amortization of discount and fees on debt	1,597	1,573	12,620
Noncash operating lease expense	14,728	19,810	19,567
Other	(1,966)	9,949	9,766
Changes in assets and liabilities:			
Accounts receivable	(54,908)	(57,501)	(143,073)
Inventories, prepaid expenses, deposits and other current and long-term assets	(19,389)	4,798	(39,164)
Accounts payable	(11,999)	11	18,930
Accrued liabilities	24,132	7,598	15,899
Accrued compensation and benefits	(15,473)	(7,465)	32,437
Operating lease liability	(12,243)	(20,742)	(21,025)
Deferred revenue and other liabilities	22,341	8,376	18,222
Net cash provided by operating activities	203,150	206,884	134,150
Cash flows from investing activities			
Purchase of property and equipment	(4,336)	(9,748)	(3,567)
Capitalized software development costs	(44,973)	(42,191)	(31,264)
Capitalized curriculum development costs	(17,239)	(15,687)	(17,432)
Sale of long-lived assets	—	—	223
Sale of other investments	60	5,261	—
Acquisition of MedCerts, LLC, net of cash acquired	—	—	(55,031)
Acquisition of Tech Elevator, Inc., net of cash acquired	—	—	(16,107)
Acquisition of assets	(1,409)	—	—
Other acquisitions, loans and investments, net of distributions	(1,652)	(3,899)	(1,723)
Proceeds from the maturity of marketable securities	91,879	40,163	—
Purchases of marketable securities	(140,570)	(84,657)	(40,542)
Net cash used in investing activities	(118,240)	(110,758)	(165,443)
Cash flows from financing activities			
Repayments on finance lease obligations	(42,956)	(33,011)	(24,315)
Repayments on credit facility	—	—	(100,000)
Issuance of convertible senior notes, net of issuance costs	—	—	408,610
Purchases of capped calls in connection with convertible senior notes	—	—	(60,354)
Payments of contingent consideration	(7,024)	—	—
Payments of deferred purchase consideration	—	(22,858)	—
Proceeds from exercise of stock options	20	414	748
Withholding of stock options for tax withholding	—	—	(10,885)
Repurchase of restricted stock for income tax withholding	(13,541)	(37,855)	(9,228)
Net cash provided by (used in) financing activities	(63,501)	(93,310)	204,576
Net change in cash, cash equivalents and restricted cash	21,409	2,816	173,283
Cash, cash equivalents and restricted cash, beginning of period	389,398	386,582	213,299
Cash, cash equivalents and restricted cash, end of period	\$ 410,807	\$ 389,398	\$ 386,582
Reconciliation of cash, cash equivalents and restricted cash to balance sheet as of June 30, 2021:			
Cash and cash equivalents			\$ 386,080
Other current assets (restricted cash)			502
Total cash, cash equivalents and restricted cash			\$ 386,582

See accompanying notes to consolidated financial statements.

STRIDE, INC.

Notes to Consolidated Financial Statements

1. Description of the Business

Stride, Inc., together with its subsidiaries (“Stride” or the “Company”) is an education services company providing virtual and blended learning. The brand reflects the Company’s continued growth into lifelong learning, regardless of a student’s age or location. The Company’s technology-based products and services enable its clients to attract, enroll, educate, track progress, and support students. These products and services, spanning curriculum, systems, instruction, and support services are designed to help learners of all ages reach their full potential through inspired teaching and personalized learning. The Company’s clients are primarily public and private schools, school districts, and charter boards. Additionally, it offers solutions to employers, government agencies and consumers. These products and services are provided through two lines of revenue:

- Products and services for the General Education market are predominantly focused on core subjects, including math, English, science and history, for kindergarten through twelfth grade students to help build a common foundation of knowledge. These programs provide an alternative to traditional school options and address a range of student needs including, safety concerns, increased academic support, scheduling flexibility, physical/health restrictions or advanced learning. Products and services are sold as a comprehensive school-as-a-service offering or à la carte.
- Career Learning products and services are focused on developing skills to enter and succeed in careers in high-growth, in-demand industries—including information technology, healthcare and general business. The Company provides middle and high school students with Career Learning programs that complement their core general education coursework in math, English, science and history. Stride offers multiple career pathways supported by a diverse catalog of Career Learning courses. The middle school program exposes students to a variety of career options and introduces career skill development. In high school, students may engage in industry content pathway courses, project-based learning in virtual teams, and career development services. High school students also have the opportunity to progress toward certifications, connect with industry professionals, earn college credits while in high school, and participate in job shadowing and/or work-based learning experiences that facilitate success in today’s digital, tech-enabled economy. A student enrolled in a school that offers Stride’s General Education program may elect to take Career Learning courses, but that student and the associated revenue is reported as a General Education enrollment and General Education revenue. A student and the associated revenue is counted as a Career Learning enrollment or Career Learning revenue only if the student is enrolled in a Career Learning program or school. Like General Education products and services, the products and services for the Career Learning market are sold as a comprehensive school-as-a-service offering or à la carte. The Company also offers focused post-secondary career learning programs to adult learners, through Galvanize, Inc. (“Galvanize”), Tech Elevator, Inc. (“Tech Elevator”), and MedCerts, LLC (“MedCerts”). These include skills training in the software engineering, healthcare, and medical fields, as well as providing staffing and talent development services to employers. These programs are offered directly to consumers, as well as to employers and government agencies.

2. Basis of Presentation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

The Company operates in one operating and reportable business segment as a technology-based education company providing proprietary and third-party curriculum, software systems and educational services designed to facilitate individualized learning for students and adults. The Chief Operating Decision Maker evaluates profitability based on consolidated results.

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

3. Summary of Significant Accounting Policies

Recent Accounting Pronouncements

Accounting Standards Adopted

On July 1, 2021, the Company early adopted Accounting Standards Update (“ASU”) 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging— Contracts in Entity’s Own Equity (Subtopic 815-40) (“ASU 2020-06”) which, among other things, simplifies the accounting for convertible instruments by eliminating the requirement to separate conversion features from the host contract. Consequently, a convertible debt instrument is accounted for as a single liability measured at its amortized cost and interest expense will be recognized at the coupon rate. The adoption resulted in the elimination of the debt discount (and related deferred tax liability) that had been recorded within equity. The net impact of the adjustments was recorded to the opening balance of retained earnings, as presented in the statement of stockholders’ equity. The impacts of adoption were the following: (1) increase of \$110.6 million to long-term debt, (2) decrease of \$89.5 million to additional paid-in capital, (3) decrease of \$29.3 million to deferred tax liability, and (4) increase to retained earnings of \$8.2 million.

Accounting Standards Not Yet Adopted

In March 2020, the Financial Accounting Standards Board (“FASB”) issued ASU 2020-04, Reference Rate Reform (Topic 848) (“ASU 2020 04”) which provides relief to companies that will be impacted by the cessation of reference rate reform, e.g. LIBOR, that was tentatively planned for the end of fiscal year 2023. The ASU permitted an entity to consider contract modifications due to reference rate reform to be an event that did not require contract remeasurement. This ASU was applicable from March 12, 2020 through December 31, 2022 and adoption was permitted at any time during the period on a prospective basis. In December 2022, the FASB issued ASU 2022-06, Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848, which extends the provisions of Topic 848 to December 31, 2024. The Company’s senior secured revolving credit facility includes the use of alternate rates when LIBOR is not available. The Company does not expect the change from LIBOR to an alternate rate will have a material impact to the consolidated financial statements and, to the extent it enters into modifications of agreements that are impacted by the LIBOR phase-out, the Company will apply such guidance to those contract modifications.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the Company evaluates its estimates and assumptions, including those related to the allowance for credit losses, inventory reserves, amortization periods, the allocation of purchase price to the fair value of net assets and liabilities acquired in business combinations, fair values used in asset impairment evaluations, valuation of long-lived assets, accrual for incurred but not reported (“IBNR”) claims, contingencies, income taxes, fair value of contingent consideration and stock-based compensation expense. The Company bases its estimates on historical experience and various assumptions that it believes are reasonable under the circumstances. The results of the analysis form the basis for making assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

Revenue Recognition

Revenue is recognized when control of the promised goods or services is transferred to the Company’s customers, in an amount that reflects the consideration it expects to be entitled to in exchange for those goods or services using the following steps:

- identify the contract, or contracts, with a customer;

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract; and
- recognize revenue when, or as, the Company satisfies a performance obligation.

Revenues related to the products and services that the Company provides to students in kindergarten through twelfth grade or adult learners are considered to be General Education or Career Learning based on the school or adult program in which the student is enrolled. General Education products and services are focused on core subjects, including math, English, science and history, for kindergarten through twelfth grade students to help build a common foundation of knowledge. Career Learning products and services are focused on developing skills to enter and succeed in careers in high-growth, in-demand industries—including information technology healthcare and general business, for students in middle school through high school and adult learners.

The majority of the Company's contracts are with the following types of customers:

- a virtual or blended school whereby the amount of revenue is primarily determined by funding the school receives;
- a school or individual who licenses certain curriculum on a subscription or course-by-course basis; or
- an enterprise who contracts with the Company to provide job training.

Funding-based Contracts

The Company provides an integrated package of systems, services, products, and professional expertise that is administered together to support a virtual or blended public school. Contractual agreements generally span multiple years with performance obligations being isolated to annual periods which generally coincide with the Company's fiscal year. Customers of these programs can obtain administrative support, information technology, academic support services, online curriculum, learning systems platforms and instructional services under the terms of a negotiated service agreement. The schools receive funding on a per student basis from the state in which the public school or school district is located. Shipments of materials for schools that occur in the fourth fiscal quarter and for the upcoming school year are recorded in deferred revenue.

The Company generates revenues under contracts with virtual and blended public schools and include the following components, where required:

- providing each of a school's students with access to the Company's online school and lessons;
- offline learning kits, which include books and materials to supplement the online lessons;
- the use of a personal computer and associated reclamation services;
- internet access and technology support services;
- instruction by a state-certified teacher; and
- management and technology services necessary to support a virtual or blended school. In certain contracts, revenues are determined directly by per enrollment funding.

To determine the pro rata amount of revenue to recognize in a fiscal quarter, the Company estimates the total expected funds each school will receive in a particular school year. Total funds for a school are primarily a function of the number of students enrolled in the school and established per enrollment funding levels, which are generally published on an annual basis by the state or school district. The Company reviews its estimates of funding periodically, and updates as necessary, by adjusting its year-to-date earned revenues to be proportional to the total expected revenues to be earned during the fiscal year. Actual school funding may vary from these estimates and the impact of these differences could impact the Company's results of operations. Since the end of the school year coincides with the end of the Company's fiscal year, annual revenues are generally based on actual school funding and actual costs incurred (including costs for the Company's services to the schools plus other costs the schools may incur). The Company's reported results are subject to annual school district financial audits, which incorporate enrollment counts, funding and other routine financial audit considerations. The results of these audits are incorporated into the Company's monthly funding estimates for the current

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

and prior periods. Historically, aggregate funding estimates differed from actual reimbursements by less than 2% of annual revenue, which may vary from quarter to quarter. For the years ended June 30, 2022, 2021 and 2020, the Company's aggregate funding estimates differed from actual reimbursements impacting total reported revenue by approximately 1.6%, 1.4%, and (0.1%), respectively.

Each state and/or school district has variations in the school funding formulas and methodologies that it uses to estimate funding for revenue recognition at its respective schools. As the Company estimates funding for each school, it takes into account the state definition for count dates on which reported enrollment numbers will be used for per pupil funding. The parameters the Company considers in estimating funding for revenue recognition purposes include school district count definitions, withdrawal rates, new registrations, average daily attendance, special needs enrollment, academic progress, historical completion, student location, funding caps and other state specified categorical program funding.

Under the contracts where the Company provides products and services to schools, the Company is responsible for substantially all of the expenses incurred by the school and has generally agreed to absorb any operating losses of the schools in a given school year. These school operating losses represent the excess of costs incurred over revenues earned by the virtual or blended public school (the school's expected funding), as reflected in its respective financial statements, including Company charges to the schools. To the extent a school does not receive sufficient funding for each student enrolled in the school, the school would still incur costs associated with serving the unfunded enrollment. If losses due to unfunded enrollments result in a net operating loss for the year that loss is reflected as a reduction in the revenues and net receivables that the Company collects from the school. A school net operating loss in one year does not necessarily mean the Company anticipates losing money on the entire contract with the school. However, a school's net operating loss may reduce the Company's ability to collect its management fees in full and recognized revenues are constrained to reflect the expected cash collections from such schools. The Company records the school's estimated net operating loss against revenues based upon the percentage of actual revenues in the period to total estimated revenues for the fiscal year. Actual school net operating losses may vary from these estimates or revisions, and the impact of these differences could have a material impact on results of operations. For the years ended June 30, 2023, 2022 and 2021, the Company's revenues included a reduction for net school operating losses at the schools of \$23.8 million, \$36.3 million, and \$63.4 million, respectively. Because the Company has agreed to absorb any operating losses of the schools, the Company records the expenses incurred by the school as both revenue and expenses in the consolidated statements of operations. Amounts recorded as revenues and expenses for the years ended June 30, 2023, 2022 and 2021, were \$503.2 million, \$460.5 million and \$412.1 million, respectively.

Subscription-based Contracts

The Company provides certain online curriculum and services to schools and school districts under subscription agreements. Revenues from the licensing of curriculum under subscription arrangements are recognized on a ratable basis over the subscription period. Revenues from professional consulting, training and support services are deferred and recognized ratably over the service period.

In addition, the Company contracts with individual customers who have access for one to two years to company-provided online curriculum and generally prepay for services to be received. Adult learners enroll in courses that provide specialized training in a specific industry. Each of these contracts are considered to be one performance obligation. The Company recognizes these revenues pro rata over the maximum term of the customer contract based on the defined contract price.

Enterprise Contracts

The Company provides job training over a specified contract period to enterprises. Each of these contracts are considered to be one performance obligation. The Company recognizes these revenues based on the number of students trained during the term of the contract based on the defined contract price.

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

Disaggregated Revenues

The revenue recognition related to the types of contracts discussed above can span both of the Company's lines of revenue as shown below. For example, a funding-based contract may include both General Education and Career Learning students. In total, there is one performance obligation and revenue is recognized over the Company's fiscal year. The revenue is then disaggregated between General Education and Career Learning based on the Company's estimated full-year enrollment totals of each category. During the years ended June 30, 2023, 2022 and 2021, approximately 90%, 89%, and 88%, respectively, of the Company's General Education revenues, and 99%, 99% and 98%, respectively, of the Company's Middle – High School Career Learning revenues, were from funding-based contracts.

The following table presents the Company's revenues disaggregated based on its two lines of revenue for years ended June 30, 2023, 2022 and 2021:

	Year Ended June 30,		
	2023	2022	2021
General Education	\$ 1,131,391	\$ 1,273,783	\$ 1,280,199
Career Learning			
Middle - High School	586,770	321,416	200,774
Adult	119,197	91,467	55,787
Total Career Learning	705,967	412,883	256,561
Total Revenues	<u>\$ 1,837,358</u>	<u>\$ 1,686,666</u>	<u>\$ 1,536,760</u>

Concentration of Customers

During the years ended June 30, 2023, 2022 and 2021, the Company had no contracts that represented greater than 10% of total revenues.

Contract Balances

The timing of revenue recognition, invoicing, and cash collection results in accounts receivable, unbilled receivables (a contract asset) and deferred revenue (a contract liability) in the consolidated balance sheets. Accounts receivable are recorded when there is an executed customer contract and the customer is billed. An allowance is recorded to reflect expected losses at the time the receivable is recorded. The collectability of outstanding receivables is evaluated regularly by the Company to determine if additional allowances are needed. Unbilled receivables are created when revenue is earned prior to the customer being billed. Deferred revenue is recorded when customers are billed or cash is collected in advance of services being provided.

The opening and closing balance of the Company's accounts receivable, unbilled receivables and deferred revenue are as follows:

	Year Ended June 30,	
	2023	2022
	(In thousands)	
Accounts receivable	\$ 463,722	\$ 418,558
Unbilled receivables (included in accounts receivable)	20,647	19,702
Deferred revenue	76,159	53,630
Deferred revenue, long-term (included in other long-term liabilities)	2,061	3,099

The difference between the opening and closing balance of the accounts receivable and unbilled receivables relates to the timing of the Company's billing in relation to month end and contractual agreements. The difference between

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

the opening and closing balance of the deferred revenue relates to the timing difference between billings to customers and the service periods under the contract. Typically, each of these balances are at their highest during the first quarter of the fiscal year and lowest at the end of the fiscal year. The amount of revenue recognized during the years ended June 30, 2023, 2022 and 2021, that was included in the previous July 1st deferred revenue balance was \$53.1 million, \$38.9 million, and \$25.5 million, respectively. During the years ended June 30, 2023, 2022 and 2021, the Company recorded revenues of \$26.8 million, \$20.8 million and (\$1.4) million, respectively, related to performance obligations satisfied in prior periods.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. For the majority of its contracts, the Company's performance obligations are satisfied over time, as the Company delivers, and the customer receives the services, over the service period of the contract. The Company's payment terms are generally net 30 or net 45, but can vary depending on the customer or when the school receives its funding from the state.

The Company has elected, as a practical expedient, not to report the value of unsatisfied performance obligations for contracts with customers that have an expected duration of one year or less. The amount of unsatisfied performance obligations for contracts with customers which extend beyond one year as of June 30, 2023 was \$2.1 million.

Significant Judgments

The Company determined that the majority of its contracts with customers contain one performance obligation. The Company markets the products and services as an integrated package building off its curriculum offerings. It does not market distinct products or services to be sold independently from the curriculum offering. The Company provides the significant service of integrating the goods and services into the operation of the school and education of its students, for which the customer has contracted.

The Company has determined that the time elapsed method is the most appropriate measure of progress towards the satisfaction of the performance obligation. Generally, the Company delivers the integrated products and services package over the course of the Company's fiscal year. This package includes enrollment, marketing, teacher training, etc. in addition to the core curriculum and instruction. All of these activities are necessary and contribute to the overall education of its students, which occurs evenly throughout the year. Accordingly, the Company recognizes revenue on a straight-line basis.

The Company determined that the expected value method is the most appropriate method to account for variable consideration and the Company's forecasting method is an estimation process that uses probability to determine expected funding. On a monthly basis, the Company estimates the total funds each school will receive in a particular school year and the amount of full-year school revenues and operating expenses to determine the amount of revenue the Company will recognize. Enrollment and state funding rates are key inputs to this estimate. The estimates are adjusted monthly, and a cumulative catch-up adjustment is recorded to revenue as necessary to reflect the total revenues earned to date to be proportional to the total revenues to be earned in the fiscal year. The Company builds in known constraints (i.e. enrollment, funding, net operating losses, etc.) into the estimate of the variable consideration to record the most probable amount.

Sales Taxes

Sales tax collected from customers is excluded from revenues. Collected but unremitted sales tax is included as part of accrued liabilities in the consolidated balance sheets. Revenues do not include sales tax as the Company considers itself a pass-through conduit for collecting and remitting sales tax.

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

Shipping and Handling Costs

Shipping and handling costs are expensed when incurred and are classified as instructional costs and services in the consolidated statements of operations. Shipping and handling charges invoiced to a customer are included in revenues.

Research and Development Costs

All research and development costs, including patent application costs, are expensed as incurred. Research and development costs totaled \$15.5 million, \$7.5 million and \$3.7 million for the years ended June 30, 2023, 2022 and 2021, respectively, and are included within selling, general and administrative expenses in the consolidated statements of operations.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents generally consist of cash on hand and cash held in money market and demand deposit accounts. The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. The Company periodically has cash balances which exceed federally insured limits.

Investments in Marketable Securities

The Company's marketable securities generally consist of bonds and other securities which are classified as held-to-maturity. The securities with maturities between three months and one year are classified as short-term and are included in other current assets on the consolidated balance sheets. The securities with maturities greater than one year are classified as long-term and are included in deposits and other assets on the consolidated balance sheets. Held-to-maturity securities are recorded at their amortized cost. The Company recorded interest income, dividends and net gains of \$13.6 million, \$0.4 million and zero for the years ended June 30, 2023, 2022 and 2021, respectively. This activity is recorded within other income (expense) within the consolidated statements of operations.

The Company reviews the held-to-maturity debt securities for declines in fair value below the amortized cost basis under the credit loss model of Accounting Standards Codification ("ASC") Topic 326, *Financial Instruments – Credit Losses* ("ASC 326"). Any decline in fair value related to a credit loss is recognized in the consolidated statements of operations, with the amount of the loss limited to the difference between fair value and amortized cost. As of June 30, 2023 and 2022, the allowance for credit losses related to held-to-maturity debt securities was zero.

As of June 30, 2023, the Company's marketable securities consisted of investments in corporate bonds, U.S. treasury notes and commercial paper. The short-term and long-term portions were \$111.9 million and \$22.8 million, respectively. The maturities of the Company's long-term marketable debt securities range from one to two years. The following table summarizes the amortized cost, net carrying amount, and fair value disaggregated by class of instrument (in thousands).

	Amortized Cost	Allowance for Credit Losses	Net Carrying Amount	Gross Unrealized Gains (Losses)	Fair Value
Corporate Bonds	\$ 52,567	\$ -	\$ 52,567	\$ (460)	\$ 52,107
U.S. Treasury Notes	46,156	-	46,156	(228)	45,928
Commercial Paper	35,949	-	35,949	-	35,949
Total	\$ 134,672	\$ -	\$ 134,672	\$ (688)	\$ 133,984

As of June 30, 2022, the Company's marketable securities consisted of investments in corporate bonds, U.S. treasury notes, and commercial paper. The short-term and long-term portions were \$63.0 million and \$21.7 million, respectively. The maturities of the Company's long-term marketable debt securities range from one to two years. The following table summarizes the amortized cost, net carrying amount, and fair value disaggregated by class of instrument

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

(in thousands).

	Amortized Cost	Allowance for Credit Losses	Net Carrying Amount	Gross Unrealized Gains (Losses)	Fair Value
Corporate Bonds	\$ 50,067	\$ -	\$ 50,067	\$ (691)	\$ 49,376
U.S. Treasury Notes	16,399	-	16,399	(199)	16,200
Commercial Paper	18,186	-	18,186	-	18,186
Total	\$ 84,652	\$ -	\$ 84,652	\$ (890)	\$ 83,762

Allowance for Credit Losses

The Company maintains an allowance for credit losses primarily for estimated losses resulting from the inability or failure of individual customers to make required payments. The Company maintains an allowance under ASC 326 based on historical losses, changes in payment history, customer-specific information, current economic conditions, and reasonable and supportable forecasts of future economic conditions. The allowance under ASC 326 is updated as additional losses are incurred or information becomes available related to the customer or economic conditions.

The Company's allowance for credit losses increased from \$27.0 million as of June 30, 2022 to \$30.0 million as of June 30, 2023. The increase of \$3.0 million is comprised of an \$8.0 million provision, less \$5.0 million of amounts recovered. The Company's allowance for credit losses increased from \$21.4 million as of June 30, 2021 to \$27.0 million as of June 30, 2022. The increase of \$5.6 million is comprised of an \$8.6 million provision, less \$3.0 million of amounts recovered.

The Company writes-off accounts receivable based on the age of the receivable and the facts and circumstances surrounding the customer and reasons for non-payment. Actual write-offs might differ from the recorded allowance.

Inventories

Inventories consist primarily of textbooks and curriculum materials, a majority of which are supplied to virtual and blended public schools, and utilized directly by students. Inventories represent items that are purchased and held for sale and are recorded at the lower of cost (first-in, first-out method) or net realizable value. The Company classifies its inventory as current or long-term based on the holding period. As of June 30, 2023 and 2022, \$13.2 million and \$11.2 million, respectively, of inventory, net of reserves, was deemed long-term and included in deposits and other assets on the consolidated balance sheets. The provision for excess and obsolete inventory is established based upon the evaluation of the quantity on hand relative to demand. The excess and obsolete inventory reserve was \$4.1 million and \$6.5 million at June 30, 2023 and 2022, respectively.

Other Current Assets

Other current assets primarily include short-term marketable securities. Additionally, other current assets include textbooks, curriculum materials and other supplies which are expected to be returned upon the completion of the school year. Materials not returned are expensed as part of instructional costs and services.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization expense is calculated using the straight-line method over the estimated useful life of the asset (or the lesser of the term of the lease and the estimated useful life of the asset under the finance lease). Amortization of assets capitalized under finance lease arrangements is included in depreciation expense. Leasehold improvements are amortized over the lesser of the lease term or the estimated useful life of the asset. The determination of the lease term is discussed below under "Leases."

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

Property and equipment are depreciated over the following useful lives:

	Useful Life
Student and state testing computers and printers	3 - 5 years
Computer hardware	3 - 7 years
Computer software	3 - 5 years
Web site development	3 years
Office equipment	5 years
Furniture and fixtures	7 years
Leasehold improvements	Shorter of useful life or term of the lease

The Company makes an estimate of unreturned student computers and printers based on an analysis of recent trends of returns. The Company recorded accelerated depreciation of \$5.6 million, \$3.8 million and \$3.2 million for the years ended June 30, 2023, 2022 and 2021, respectively, related to unreturned student computers and printers.

The Company fully expenses computer peripheral equipment (e.g. keyboards, mice) upon purchase as recovery has been determined to be uneconomical. These expenses totaled \$3.1 million, \$8.6 million and \$6.3 million for the years ended June 30, 2023, 2022 and 2021, respectively, and are recorded as instructional costs and services.

Capitalized Software Costs

The Company develops software for internal use. Software development costs incurred during the application development stage are capitalized. The Company amortizes these costs over the estimated useful life of the software, which is generally three years. Capitalized software development costs are stated at cost less accumulated amortization.

Capitalized software additions totaled \$45.0 million, \$42.2 million and \$31.3 million for the years ended June 30, 2023, 2022 and 2021, respectively. There were no material write-downs of capitalized software projects for the years ended June 30, 2023, 2022 and 2021.

Capitalized Curriculum Development Costs

The Company internally develops curriculum, which is primarily provided as online content and accessed via the Internet. The Company also creates textbooks and other materials that are complementary to online content.

The Company capitalizes curriculum development costs incurred during the application development stage, as well as the design and deployment phases of the project. As a result, a significant portion of the Company's courseware development costs qualify for capitalization due to the concentration of its development efforts on the content of the courseware. Capitalization ends when a course is available for general release to its customers, at which time amortization of the capitalized costs begins. The period of time over which these development costs are amortized is generally five years.

Total capitalized curriculum development additions were \$17.2 million, \$15.7 million and \$17.4 million for the years ended June 30, 2023, 2022 and 2021, respectively. These amounts are recorded on the consolidated balance sheets, net of amortization charges. There were no material write-downs of capitalized curriculum development costs for the years ended June 30, 2023, 2022 and 2021.

Leases

The Company's principal leasing activities include student computers and peripherals, classified as finance leases, and facilities, classified as operating leases.

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

Leases are classified as operating leases unless they meet any of the criteria below to be classified as a finance lease:

- the lease transfers ownership of the asset at the end of the lease;
- the lease grants an option to purchase the asset which the lessee is expected to exercise;
- the lease term reflects a major part of the asset's economic life;
- the present value of the lease payments equals or exceeds the fair value of the asset; or
- the asset is specialized with no alternative use to the lessor at the end of the term.

Finance Leases

The Company enters into agreements to finance the purchase of student computers and peripherals provided to students of its schools. Individual leases typically include 3-year payment terms, at varying rates. The Company pledges the assets financed to secure the outstanding leases.

Operating Leases

The Company enters into agreements for facilities that serve as offices for its headquarters and school operations. Lease terms vary between 1 and 10 years. Certain leases include renewal options, usually based upon current market rates, as well as termination rights. The Company performs an evaluation of each lease to determine if the lease payments included in the renewal option should be included in the initial measurement of the lease liability.

Discount Rate

The present value of the lease payments is calculated using either the rate implicit in the lease, or the lessee's incremental borrowing rate, over the lease term. For the Company's finance leases, the stated rate is defined within the lease terms; while for the Company's operating leases, the rate is not implicit. For operating leases, the Company uses its incremental borrowing rate as the discount rate; determined as the Company's borrowing rate on a collateralized basis for a similar term and amount to the term and amount of the lease. The Company's current incremental borrowing rate of 6.13% is based upon its agreements used for its finance leases. The incremental borrowing rate is subsequently reassessed upon modification of its leasing arrangements or with the execution of a new lease agreement.

Policy Elections

Short-term Leases

The Company has elected as an on-going accounting policy election not to record a right-of-use asset or lease liability on its short-term facility leases of 12 months or less, and will expense its lease payments on a straight-line basis over the lease term. The accounting policy election is made by class of underlying asset to which the right of use relates. The Company has elected to apply the accounting policy election only to operating leases.

Goodwill and Intangible Assets

The Company records as goodwill the excess of the purchase price over the fair value of the identifiable net assets acquired. Finite-lived intangible assets acquired in business combinations subject to amortization are recorded at their fair value. Finite-lived intangible assets include trade names, acquired customers and distributors, developed technology and non-compete agreements. Such intangible assets are amortized on a straight-line basis over their estimated useful lives. Amortization expense for the years ended June 30, 2023, 2022 and 2021 was \$15.2 million, \$13.0 million and \$11.6 million, respectively, and is included within selling, general, and administrative expenses in the consolidated statements of operations. Future amortization of intangible assets is expected to be \$11.6 million, \$10.4 million, \$9.3 million, \$7.6 million and \$5.7 million in the fiscal years ending June 30, 2024 through June 30, 2028, respectively and \$29.9 million thereafter.

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

The Company reviews its finite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. If the total of the expected undiscounted future cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between fair value and the carrying value of the asset.

The Company has one reporting unit. The process for testing goodwill and intangible assets with indefinite lives for impairment is performed annually, as well as when an event triggering impairment may have occurred. Companies are also allowed to qualitatively assess goodwill impairment through a screening process which would permit companies to forgo the quantitative impairment test as part of their annual goodwill impairment process. The Company performs its annual assessment on May 31st, which is then updated for any changes in condition as of June 30th.

During the years ended June 30, 2023 and 2022, there were no events or changes in circumstances that would indicate that the carrying amount of the goodwill was impaired. During the year ended June 30, 2021, the Company qualitatively assessed its goodwill and intangible assets for impairment. It identified Coronavirus disease 2019 (“COVID-19”) as a triggering event, however there were no indicators that the fair value of the reporting unit may be less than its carrying amount, and as a result, the Company determined that no impairment was required.

The following table represents years ended June 30, 2023, 2022 and 2021:

(\$ in millions)	Amount
Goodwill	
Balance as of June 30, 2021	\$ 240.4
Acquisition of Modern Teacher LLC	0.6
Balance as of June 30, 2022	\$ 241.0
Acquisition of Tallo Assets	5.7
Balance as of June 30, 2023	<u>\$ 246.7</u>

The following table represents the balance of the Company’s intangible assets as of June 30, 2023 and 2022:

(\$ in millions)	June 30, 2023			June 30, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Trade names	\$ 77.2	\$ (23.0)	\$ 54.2	\$ 85.1	\$ (23.1)	\$ 62.0
Customer and distributor relationships	38.4	(28.0)	10.4	37.5	(23.9)	13.6
Developed technology	22.0	(12.1)	9.9	21.7	(8.9)	12.8
Other	1.4	(1.1)	0.3	1.4	(1.1)	0.3
Total	<u>\$ 139.0</u>	<u>\$ (64.2)</u>	<u>\$ 74.8</u>	<u>\$ 145.7</u>	<u>\$ (57.0)</u>	<u>\$ 88.7</u>

Impairment of Long-Lived Assets

Long-lived assets include property, equipment, right-of-use assets, capitalized curriculum and software developed or obtained for internal use. Management reviews the Company’s recorded long-lived assets for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. The Company determines the extent to which an asset may be impaired based upon its expectation of the asset’s future usability as well as on a reasonable assurance that the future cash flows associated with the asset will be in excess of its carrying amount. If the total of the expected undiscounted future cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between fair value and the carrying value of the asset. During the years ended June 30, 2023 and 2022, there were no events or changes in circumstances that may indicate that the carrying amount of the long-lived assets may not be recoverable. During the year ended June 30, 2021, the Company identified COVID-19 as a triggering event, however based on its assessment, the Company determined that COVID-19 did not impact the

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

recoverability of its long-lived assets.

Income Taxes

Deferred tax assets and liabilities are computed based on the difference between the financial reporting and income tax bases of assets and liabilities using the enacted marginal tax rate. The net deferred tax asset is reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the net deferred tax asset will not be realized.

Stock-Based Compensation

The Company estimates the fair value of share-based awards on the date of grant. The fair value of restricted stock awards is based on the closing price of the Company's common stock on the date of grant. Certain restricted stock awards with a market-based performance component are valued using a Monte Carlo simulation model that considers a variety of factors including, but not limited to, the Company's common stock price, risk-free rate, and expected stock price volatility over the expected life of awards. The Company recognizes forfeitures of share-based awards as they occur in the period of forfeiture.

Advertising and Marketing Costs

Advertising and marketing costs consist primarily of internet advertising, online marketing, direct mail, print media and television commercials and are expensed when incurred. Advertising costs totaled \$96.8 million, \$86.5 million and \$60.3 million for the years ended June 30, 2023, 2022 and 2021, respectively, and are included within selling, general, and administrative expenses in the consolidated statements of operations.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability, in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants at the measurement date. Measurements are described in a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The three levels of inputs used to measure fair value are:

- Level 1: Inputs based on quoted market prices for identical assets or liabilities in active markets at the measurement date.
- Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument's valuation.

The carrying values reflected in the consolidated balance sheets for cash and cash equivalents, receivables, and short term obligations approximate their fair values, as they are largely short-term in nature. The contingent consideration and Tallo, Inc. convertible note is discussed in more detail in Note 12, "Acquisitions and Investments." As of June 30, 2023, the estimated fair value of the long-term debt was \$416.9 million. The Company estimated the fair value based on the quoted market prices in an inactive market (Level 2). The long-term debt, comprised of the Company's convertible senior notes due 2027, is recorded at face value less the unamortized debt issuance costs on its consolidated

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

balance sheet, and is discussed in more detail in Note 7, “Debt.” As of June 30, 2023, the estimated fair value of the Company’s marketable securities was \$134.0 million. The Company estimated the fair value based on the quoted market prices in an inactive market (Level 2). The marketable securities are discussed in more detail in Note 3, “Summary of Significant Accounting Policies - Investments in Marketable Securities.”

There were no assets or liabilities measured at fair value on a recurring basis as of June 30, 2023.

The following table summarizes certain fair value information at June 30, 2022 for assets or liabilities measured at fair value on a recurring basis.

Description	Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
		(In thousands)		
Contingent consideration associated with acquisitions	\$ 11,290	\$ —	\$ —	\$ 11,290
Convertible note received in acquisition	\$ 889	\$ —	\$ —	\$ 889

The following table presents activity related to the Company’s fair value measurements categorized as Level 3 in the valuation hierarchy, valued on a recurring basis, for the year ended June 30, 2023.

Description	Year Ended June 30, 2023			
	Fair Value June 30, 2022	Purchases, Issuances, and Settlements	Realized Gain	Fair Value June 30, 2023
	(In thousands)			
Contingent consideration associated with acquisitions	\$ 11,290	\$ (7,024)	\$ (4,266)	\$ —
Convertible note received in acquisition	889	(889)	—	—

The following table presents activity related to the Company’s fair value measurements categorized as Level 3 of the valuation hierarchy, valued on a recurring basis, for the year ended June 30, 2022.

Description	Year Ended June 30, 2022			
	Fair Value June 30, 2021	Purchases, Issuances, and Settlements	Unrealized Losses	Fair Value June 30, 2022
	(In thousands)			
Contingent consideration associated with acquisitions	\$ 11,082	\$ —	\$ 208	\$ 11,290
Convertible note received in acquisition	\$ 5,006	\$ —	\$ (4,117)	\$ 889

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

The following table presents activity related to the Company's fair value measurements categorized as Level 3 of the valuation hierarchy, valued on a recurring basis, for the year ended June 30, 2021.

Description	Year Ended June 30, 2021			
	Fair Value June 30, 2020	Purchases, Issuances, and Settlements	Unrealized Losses	Fair Value June 30, 2021
		(In thousands)		
Contingent consideration associated with acquisitions	\$ —	\$ 10,833	\$ 249	\$ 11,082
Convertible note received in acquisition	\$ 5,006	\$ —	\$ —	\$ 5,006

Net Income (Loss) Per Common Share

Basic net income (loss) per common share is calculated by dividing net income (loss) by the weighted-average number of common shares outstanding during the reporting period. The weighted average number of shares of common stock outstanding includes vested restricted stock awards. Diluted net income (loss) per share ("EPS") reflects the potential dilution that could occur assuming conversion or exercise of all dilutive unexercised stock options and vesting of all dilutive unvested restricted stock awards. The dilutive effect of stock options and restricted stock awards was determined using the treasury stock method. Under the treasury stock method, the proceeds received from the exercise of stock options and restricted stock awards, the amount of compensation cost for future service not yet recognized by the Company and the amount of tax benefits that would be recorded as income tax expense when the stock options become deductible for income tax purposes are all assumed to be used to repurchase shares of the Company's common stock. Stock options and restricted stock awards are not included in the computation of diluted net income (loss) per share when they are antidilutive. Common stock outstanding reflected in the Company's consolidated balance sheets includes restricted stock awards outstanding. The dilutive effect of the Company's convertible debt is determined using the if-converted method when the Company's stock is trading above the conversion price. However, based on the structure of the instrument and how it is settled upon conversion, it would produce a similar result as the previously applied treasury stock method.

The following schedule presents the calculation of basic and diluted net income (loss) per share:

	Year Ended June 30,		
	2023	2022	2021
	(In thousands except share and per share data)		
Basic net income per share computation:			
Net income attributable to common stockholders	\$ 126,867	\$ 107,130	\$ 71,451
Weighted average common shares — basic	42,286,392	41,451,101	40,211,016
Basic net income per share	\$ 3.00	\$ 2.58	\$ 1.78
Diluted net income per share computation:			
Net income attributable to common stockholders	\$ 126,867	\$ 107,130	\$ 71,451
Share computation:			
Weighted average common shares — basic	42,286,392	41,451,101	40,211,016
Effect of dilutive stock options and restricted stock awards	441,716	990,423	1,657,564
Weighted average common shares — diluted	42,728,108	42,441,524	41,868,580
Diluted net income per share	\$ 2.97	\$ 2.52	\$ 1.71

For the years ended June 30, 2023, 2022 and 2021, shares issuable in connection with stock options and restricted stock of 21,854, 4,939 and 296,577 respectively, were excluded from the diluted income per common share calculation because the effect would have been antidilutive.

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

4. Property and Equipment and Capitalized Software and Curriculum

Property and equipment consists of the following at:

	June 30,	
	2023	2022
	(In thousands)	
Student computers	\$ 114,064	\$ 106,688
Computer software	14,908	14,655
Computer hardware	8,867	5,386
Leasehold improvements	11,590	12,612
State testing computers	4,609	7,440
Furniture and fixtures	3,547	3,910
Office equipment	213	134
	157,798	150,825
Less accumulated depreciation and amortization	(105,466)	(89,288)
	<u>\$ 52,332</u>	<u>\$ 61,537</u>

The Company recorded depreciation expense related to property and equipment reflected in selling, general, and administrative expenses of \$3.6 million, \$3.9 million and \$6.3 million during the years ended June 30, 2023, 2022 and 2021, respectively. Depreciation expense of \$42.3 million, \$37.6 million and \$31.7 million related to computers provided to students is reflected in instructional costs and services during the years ended June 30, 2023, 2022 and 2021, respectively.

The Company incurs maintenance and repair expenses, which are expensed as incurred, and are generally recorded in selling, general, and administrative expenses.

Capitalized software costs consist of the following at:

	June 30,	
	2023	2022
	(In thousands)	
Capitalized software	\$ 318,965	\$ 274,401
Less accumulated depreciation and amortization	(235,500)	(202,601)
	<u>\$ 83,465</u>	<u>\$ 71,800</u>

The Company recorded amortization expense of \$27.0 million, \$22.9 million and \$19.7 million related to capitalized software reflected in instructional costs and services and \$5.6 million, \$5.4 million and \$4.2 million reflected in selling, general, and administrative expenses during the years ended June 30, 2023, 2022 and 2021, respectively.

Capitalized curriculum development costs consist of the following at:

	June 30,	
	2023	2022
	(In thousands)	
Capitalized curriculum development costs	\$ 183,597	\$ 189,246
Less accumulated depreciation and amortization	(132,810)	(138,666)
	<u>\$ 50,787</u>	<u>\$ 50,580</u>

The Company recorded amortization expense of \$16.7 million, \$15.1 million and \$16.4 million related to capitalized curriculum development cost reflected in instructional costs and services during the years ended June 30, 2023, 2022 and 2021, respectively.

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

5. Income Taxes

The provision for income taxes is based on earnings reported in the consolidated financial statements. A deferred income tax asset or liability is determined by applying currently enacted tax laws and rates to the expected reversal of the cumulative temporary differences between the carrying value of assets and liabilities for financial statement and income tax purposes. Deferred income tax expense or benefit is measured by the change in the deferred income tax asset or liability during the year.

Deferred tax assets and liabilities result primarily from temporary differences in book versus tax basis accounting. Deferred tax assets and liabilities consist of the following:

	June 30,	
	2023	2022
	(In thousands)	
Deferred tax assets		
Net operating loss carryforward	\$ 17,628	\$ 19,613
Reserves	7,850	8,306
Accrued expenses	10,868	11,524
Stock compensation expense	4,548	5,166
Other assets	3,212	5,218
Convertible debt	8,632	11,005
Deferred revenue	680	591
Lease liability	17,900	21,680
Total deferred tax assets	71,318	83,103
Deferred tax liabilities		
Capitalized curriculum development	(9,038)	(9,269)
Capitalized software and website development costs	(2,987)	(17,789)
Property and equipment	(8,438)	(10,547)
Right-of-use assets	(16,837)	(21,062)
Returned materials	(2,980)	(3,503)
Purchased intangibles	(15,471)	(17,461)
Total deferred tax liabilities	(55,751)	(79,631)
Net deferred tax asset (liability) before valuation allowance	15,567	3,472
Valuation allowance	(6,791)	(6,677)
Net deferred tax asset (liability)	\$ 8,776	\$ (3,205)
Reported as:		
Long-term deferred tax assets (liabilities)	\$ 8,776	\$ (3,205)

The Company maintained a valuation allowance on net noncurrent deferred tax assets of \$6.8 million and \$6.7 million as of June 30, 2023 and 2022, respectively, predominantly related to foreign income tax net operating losses ("NOL").

At June 30, 2023, the Company had approximately \$44.3 million of available federal NOL carryforwards solely related to the acquisition of Galvanize in January 2020. The available federal NOL carryforwards were generated after 2017 and have an indefinite carryforward period due to the Tax Cuts and Jobs Act (the "Tax Act"). Section 382 of the Internal Revenue Code limits the utilization of NOL carryforwards following a change of control. The Company has performed an analysis of the Section 382 ownership changes and have determined that it will be able to fully utilize its available NOLs subject to the Section 382 limitation.

At June 30, 2023, the Company had tax effected state NOL carryforwards of \$1.4 million, net of valuation allowances, and will expire on various dates.

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

The components of the income before income taxes for the years ended June 30, 2023, 2022 and 2021 were as follows:

	Year Ended June 30,		
	2023	2022	2021
	(In thousands)		
Domestic	\$ 161,270	\$ 131,967	\$ 81,068
Foreign	10,943	15,251	14,922
Total income before income taxes	<u>\$ 172,213</u>	<u>\$ 147,218</u>	<u>\$ 95,990</u>

The components of the income tax expense (benefit) for the years ended June 30, 2023, 2022 and 2021 were as follows:

	Year Ended June 30,		
	2023	2022	2021
	(In thousands)		
Current:			
Federal	\$ 41,360	\$ 27,969	\$ 12,290
State	12,032	7,550	6,643
Foreign	2,327	3,379	3,057
Total current	<u>55,719</u>	<u>38,898</u>	<u>21,990</u>
Deferred:			
Federal	(9,033)	1,743	2,287
State	(1,340)	(553)	262
Total deferred	<u>(10,373)</u>	<u>1,190</u>	<u>2,549</u>
Total income tax expense (benefit)	<u>\$ 45,346</u>	<u>\$ 40,088</u>	<u>\$ 24,539</u>

The provision for (benefit from) income taxes can be reconciled to the income tax that would result from applying the statutory rate to the net income before income taxes as follows:

	Year Ended June 30,		
	2023	2022	2021
U.S. federal tax at statutory rates	21.0 %	21.0 %	21.0 %
Permanent items	-	0.4	(0.4)
Lobbying	0.1	0.1	0.2
Non-deductible compensation	1.6	9.3	4.9
State taxes, net of federal benefit	4.4	3.5	5.8
Research and development tax credits	(1.4)	(0.8)	(0.9)
Change in valuation allowance	(0.4)	0.8	(0.1)
Effects of foreign operations	0.9	0.3	0.4
Reserve for unrecognized tax benefits	0.9	0.5	0.2
Other	(0.5)	(1.2)	(0.5)
Stock-based compensation	(0.3)	(6.7)	(5.0)
Provision for (benefit from) income taxes	<u>26.3 %</u>	<u>27.2 %</u>	<u>25.6 %</u>

The decrease in the effective income tax rate for the year ended June 30, 2023, as compared to the effective tax rate for the year ended June 30, 2022, was primarily due to the decrease in the amount of non-deductible compensation, which was partially offset by the decrease in excess tax benefit of stock-based compensation.

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

Tax Uncertainties

The Company follows the provisions of ASC 740, Income Taxes (“ASC 740”) which applies to all tax positions related to income taxes. ASC 740 provides a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the Company has taken or expects to take on a tax return. ASC 740 clarifies accounting for income taxes by prescribing a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. If the probability for sustaining a tax position is greater than 50%, then the tax position is warranted and recognition should be at the highest amount which would be expected to be realized upon ultimate settlement related to unrecognized tax benefits.

The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. As of June 30, 2023, 2022 and 2021, the Company had \$0.2 million, \$0.1 million and \$0.1 million in accrued interest and penalties, respectively.

The unrecognized tax benefits for the years ended June 30, 2023, 2022 and 2021 were as follows:

	Year Ended June 30,		
	2023	2022	2021
	(In thousands)		
Balance at beginning of the year	\$ 1,729	\$ 1,057	\$ 850
Additions for prior year tax positions	568	364	196
Additions for current year tax positions	1,106	482	261
Reductions for prior year tax positions	(247)	(173)	(250)
Balance at end of the year	<u>\$ 3,156</u>	<u>\$ 1,729</u>	<u>\$ 1,057</u>

If recognized, all of the \$3.2 million balance of unrecognized tax benefits as of June 30, 2023 would affect the effective tax rate. The Company does not anticipate a significant increase or decrease in unrecognized tax benefits in the next twelve months.

The Company remains subject to audit by the Internal Revenue Service for federal tax purposes for tax years after June 30, 2019. Certain state and foreign tax jurisdictions are also either currently under audit or remain open under the statute of limitations for the tax years after June 30, 2017.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (“CARES”) Act was enacted and signed into law. The Company has evaluated the business provisions in the CARES Act and adopted the deferral of the employer portion of the social security payroll tax (6.2%) outlined within. The deferral was effective from the enactment date through December 31, 2020. The deferred amount of \$14.1 million was paid in two installments, \$7.05 million of the deferred amount was paid in December 2021 and the remaining \$7.05 million was paid in December 2022.

6. Finance and Operating Leases

Finance Leases

The Company is a lessee under finance leases for student computers and peripherals under agreements with Banc of America Leasing & Capital, LLC (“BALC”) and CSI Leasing, Inc. (“CSI Leasing”). As of June 30, 2023 and 2022, the finance lease liability was \$56.9 million and \$66.3 million, respectively, with lease interest rates ranging from 2.10% to 6.57%. As of June 30, 2023 and 2022, the balance of the associated right-of-use assets was \$36.3 million and \$42.7 million, respectively. The right-of-use asset is recorded within property and equipment, net on the consolidated balance sheets. Lease amortization expense associated with the Company’s finance leases is recorded within instructional costs and services on the consolidated statements of operations.

The Company entered into an agreement with BALC in April 2020 for \$25.0 million (increased to \$41.0 million in July 2020) to provide financing for its leases through March 2021 at varying rates. The Company entered into additional

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

agreements during fiscal year 2021 to provide financing of \$54.0 million for its student computers and peripherals leases through October 2022 at varying rates. Individual leases with BALC include 36-month payment terms, fixed rates ranging from 2.10% to 6.57%, and a \$1 purchase option at the end of each lease term. The Company has pledged the assets financed to secure the outstanding leases.

The Company entered into an agreement with CSI Leasing in August 2022 to provide financing for its leases. Individual leases under the agreement with CSI Leasing include 36-month payments terms, but do not include a stated interest rate. The Company uses its incremental borrowing rate as the implied interest rate and the total lease payments to calculate its lease liability.

The following is a summary, as of June 30, 2023 and June 30, 2022, respectively, of the present value of the net minimum lease payments under the Company's finance leases:

	Year Ended June 30,	
	2023	2022
	(in thousands)	
2023	\$ —	\$ 38,600
2024	37,056	24,816
2025	16,691	4,468
2026	5,457	22
2027	60	—
Total minimum payments	59,264	67,906
Less: imputed interest	(2,365)	(1,629)
Finance lease liability	56,899	66,277
Less: current portion of finance lease liability	(35,621)	(37,389)
Long-term finance lease liability	<u>\$ 21,278</u>	<u>\$ 28,888</u>

Operating Leases

The Company is a lessee under operating leases for various facilities to support the Company's operations. As of June 30, 2023 and 2022, the operating lease liability was \$73.9 million and \$88.0 million, respectively. As of June 30, 2023 and 2022 the balance of the associated right-of-use assets was \$69.5 million and \$85.5 million, respectively. Lease expense associated with the Company's operating leases is recorded within both instructional costs and services and selling, general, and administrative expenses on the consolidated statements of operations.

Individual operating leases range in terms of 1 to 10 years and expire on various dates through fiscal year 2034 and the minimum lease payments are discounted using the Company's incremental borrowing rate.

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

The following is a summary as of June 30, 2023 and June 30, 2022, respectively, of the present value of the minimum lease payments under the Company's operating leases:

	Year Ended June 30,	
	2023	2022
	(in thousands)	
2023	\$ —	\$ 15,120
2024	16,341	16,638
2025	15,668	16,168
2026	12,290	12,900
2027	8,753	8,797
2028	7,727	—
Thereafter	19,975	27,447
Total minimum payments	80,754	97,070
Less: imputed interest	(6,880)	(9,113)
Operating lease liability	73,874	87,957
Less: current portion of operating lease liability	(14,449)	(12,830)
Long-term operating lease liability	<u>\$ 59,425</u>	<u>\$ 75,127</u>

The Company is subleasing one of its facilities through July 2023, one through September 2024, one through November 2024, and one through December 2025. Sublease income is recorded as an offset to the related lease expense within both instructional costs and services and selling, general, and administrative expenses on the consolidated statements of operations. The following is a summary as of June 30, 2023 and June 30, 2022, respectively, of the expected sublease income:

	Year Ended June 30,	
	2023	2022
	(in thousands)	
2023	\$ —	\$ 1,396
2024	836	665
2025	455	412
2026	139	140
2027	—	—
Total sublease income	<u>\$ 1,430</u>	<u>\$ 2,613</u>

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

The following is a summary of the Company's lease cost, weighted-average remaining lease term, weighted-average discount rate and certain other cash flows as it relates to its operating leases for the years ended June 30, 2023, 2022 and 2021:

	Year Ended June 30,		
	2023	2022	2021
	(in thousands)		
Lease cost			
Finance lease cost:			
Amortization of right-of-use assets	\$ 39,312	\$ 34,719	\$ 28,647
Interest on lease liabilities	2,080	1,769	1,111
Instructional costs and services:			
Operating lease cost	12,028	15,718	15,877
Short-term lease cost	103	67	181
Sublease income	(1,081)	(955)	(920)
Selling, general, and administrative expenses:			
Operating lease cost	4,616	6,253	6,681
Short-term lease cost	259	125	970
Sublease income	(406)	(367)	(984)
Total lease cost	<u>\$ 56,911</u>	<u>\$ 57,329</u>	<u>\$ 51,563</u>

Other information

Cash paid for amounts included in the measurement of lease liabilities			
Operating cash flows from operating leases	\$ (12,243)	\$ (20,742)	\$ (21,025)
Financing cash flows from finance leases	(42,956)	(33,011)	(24,315)
Right-of-use assets obtained in exchange for new finance lease liabilities	30,514	23,232	66,861
Right-of-use assets obtained in exchange for new operating lease liabilities	1,619	10,589	1,643
Weighted-average remaining lease term - finance leases	1.72 yrs.	1.85 yrs.	2.52 yrs.
Weighted-average remaining lease term - operating leases	6.10 yrs.	6.54 yrs.	6.58 yrs.
Weighted-average discount rate - finance leases	3.86 %	2.47 %	2.45 %
Weighted-average discount rate - operating leases	2.81 %	2.75 %	2.75 %

7. Debt

The following is a summary, as of June 30, 2023 and June 30, 2022, respectively, of the components of the Company's outstanding long-term debt:

	Year Ended June 30,	
	2023	2022
	(in thousands)	
Convertible Senior Notes due 2027	\$ 420,000	\$ 420,000
Less: unamortized debt issuance costs	(6,965)	(8,562)
Total debt	413,035	411,438
Less: current portion of debt	—	—
Long-term debt	<u>\$ 413,035</u>	<u>\$ 411,438</u>

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

Convertible Senior Notes due 2027

In August and September 2020, the Company issued \$420.0 million aggregate principal amount of 1.125% Convertible Senior Notes due 2027 (“Notes”). The Notes are governed by an indenture (the “Indenture”) between the Company and U.S. Bank National Association, as trustee. The net proceeds from the offering of the Notes were approximately \$408.6 million after deducting the underwriting fees and other expenses paid by the Company.

The Notes bear interest at a rate of 1.125% per annum, payable semi-annually in arrears on March 1st and September 1st of each year, beginning on March 1, 2021. The Notes will mature on September 1, 2027. The Company recorded coupon interest expense of \$4.7 million, \$4.7 million and \$3.9 million respectively, during the years ended June 30, 2023, 2022 and 2021.

The Company incurred debt issuance costs of \$11.4 million which are amortized over the contractual term of the Notes. The Company recorded interest expense related to the amortization of the debt issuance costs of \$1.6 million, \$1.6 million and \$0.6 million respectively, during the years ended June 30, 2023, 2022 and 2021.

Before June 1, 2027, noteholders will have the right to convert their Notes only upon the occurrence of certain events. After June 1, 2027, noteholders may convert their Notes at any time at their election until two days prior to the maturity date. The Company will settle conversions by paying cash up to the outstanding principal amount, and at the Company’s election, will settle the conversion spread by paying or delivering cash or shares of its common stock, or a combination of cash and shares of its common stock. The initial conversion rate is 18.9109 shares of common stock per \$1,000 principal amount of Notes, which represents an initial conversion price of approximately \$52.88 per share of common stock (lower strike price). The Notes will be redeemable at the Company’s option at any time after September 6, 2024 at a cash redemption price equal to the principal amount of the Notes, plus accrued and unpaid interest, subject to certain stock price hurdles as discussed in the Indenture.

In connection with the Notes, the Company entered into privately negotiated capped call transactions (the “Capped Call Transactions”) with certain counterparties. The Capped Call Transactions are expected to cover the aggregate number of shares of the Company’s common stock that initially underlie the Notes, and are expected to reduce potential dilution to the Company’s common stock upon any conversion of Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of converted Notes. The upper strike price of the Capped Call Transactions is \$86.174 per share. The cost of the Capped Call Transactions was \$60.4 million and was recorded within additional paid-in capital.

8. Credit Facility

On January 27, 2020, the Company entered into a \$100.0 million senior secured revolving credit facility (“Credit Facility”) to be used for general corporate operating purposes with PNC Capital Markets LLC. The Credit Facility has a five-year term and incorporates customary financial and other covenants, including but not limited to, a maximum leverage ratio and a minimum interest coverage ratio. The majority of the Company’s borrowings under the Credit Facility were at LIBOR plus an additional rate ranging from 0.875% - 1.50% based on the Company’s leverage ratio as defined in the agreement. The Credit Facility is secured by the Company’s assets. The Credit Facility agreement allows for an amendment to establish a new benchmark interest rate when LIBOR is discontinued during the five-year term. As of June 30, 2023, the Company was in compliance with the financial covenants. As part of the proceeds received from the Notes, the Company repaid its \$100.0 million outstanding balance and as of June 30, 2023, the Company had no amounts outstanding on the Credit Facility. The Credit Facility also includes a \$200.0 million accordion feature.

9. Equity Incentive Plan

On December 9, 2022, the Company’s stockholders approved an amendment and restatement of the 2016 Equity Incentive Award Plan (the “2016 Plan”). The amended and restated 2016 Plan reflects an increase in the number of shares of common stock available for issuance by 1,045,000 shares, the removal of certain provisions that were otherwise required

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

for awards to qualify as performance-based compensation under an exception to Section 162(m) of the Internal Revenue Code of 1986, as amended, prior to its repeal, an extension of the term of the amended and restated 2016 Plan to October 7, 2032, an increase to the limit on the number of shares that may be issued upon the exercise of incentive stock options, and a prohibition on the payment of dividends and dividend equivalents on unvested awards.

The amended and restated 2016 Plan is designed to attract, retain and motivate employees who make important contributions to the Company by providing such individuals with equity ownership opportunities. Awards granted under the Plan may include stock options, stock appreciation rights, restricted stock, restricted stock units, and other stock-based awards. Under the amended and restated 2016 Plan, unissued shares related to forfeited or cancelled awards granted under the amended and restated 2016 Plan or awards granted under the Company's 2007 Equity Incentive Award Plan (the "Prior Plan") (to the extent such awards granted under the Prior Plan were outstanding as of December 15, 2016 and were forfeited or cancelled prior to September 19, 2022), will again be available for issuance under the amended and restated 2016 Plan. Notwithstanding the foregoing, shares tendered to pay the exercise price or tax withholding with respect to a stock option, or shares that are not issued in connection with the settlement of a stock appreciation right on exercise thereof, or shares purchased on the open market with the cash proceeds from the exercise of options will not again be available for issuance under the amended and restated 2016 Plan.

At June 30, 2023, the remaining aggregate number of shares of the Company's common stock authorized for future issuance under the amended and restated 2016 Plan was 2,563,512. At June 30, 2023, there were 1,411,638 shares of the Company's common stock that remain outstanding or nonvested under the amended and restated 2016 Plan and Prior Plan.

Compensation expense for all equity-based compensation awards is based on the grant-date fair value. The Company recognizes these compensation costs on a straight-line basis over the requisite service period, which is generally the vesting period of the award. The vesting of performance-based awards is contingent on the achievement of certain performance metrics. Compensation expense is recognized retroactively, through a cumulative catch-up adjustment, when the performance conditions are satisfied or when the Company determines that it is probable that the performance conditions will be satisfied. The amount of compensation expense recognized for a performance-based award is affected by the level of achievement attained. Management has established three levels of attainment: threshold, target, and outperform. Stock-based compensation expense is recorded within selling, general, and administrative expenses on the consolidated statements of operations.

Stock Options

Each stock option is exercisable pursuant to the vesting schedule set forth in the stock option agreement granting such stock option, generally over four years. No stock option shall be exercisable after the expiration of its option term. The Company has granted stock options under the Prior Plan and the Company has also granted stock options to executive officers under stand-alone agreements outside the Prior Plan.

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

Stock option activity including stand-alone agreements during the years ended June 30, 2023, 2022 and 2021 was as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding, June 30, 2020	1,021,517	\$ 19.73	1.65	\$ 8,325,869
Granted	—	—		
Exercised	(990,067)	19.83		
Forfeited or canceled	—	—		
Outstanding, June 30, 2021	31,450	\$ 16.58	0.82	\$ 437,037
Granted	—	—		
Exercised	(29,100)	16.14		
Forfeited or canceled	(1,000)	31.73		
Outstanding, June 30, 2022	1,350	\$ 14.77	0.98	\$ 35,127
Granted	—	—		
Exercised	(1,350)	14.77		
Forfeited or canceled	—	—		
Outstanding and exercisable, June 30, 2023	—	\$ —	—	\$ —

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Company's closing stock price on the last day of the period and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options at the end of each fiscal year. The total intrinsic value of options exercised during the years ended June 30, 2023, 2022 and 2021 was \$0.0 million, \$0.5 million, and \$24.6 million, respectively.

As of June 30, 2023, there was no unrecognized compensation expense related to nonvested stock options granted. During each of the years ended June 30, 2023, 2022 and 2021, the Company recognized zero stock-based compensation expense related to stock options.

Restricted Stock Awards

The Company has approved grants of restricted stock awards ("RSA") pursuant to the Plan and Prior Plan. Under the Plan and Prior Plan, employees, outside directors and independent contractors are able to participate in the Company's future performance through the awards of restricted stock. Each RSA vests pursuant to the vesting schedule set forth in the restricted stock agreement granting such RSAs, generally over three years. Under the Plan and Prior Plan, there have been no awards of restricted stock to independent contractors.

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

Restricted stock award activity during the years ended June 30, 2023, 2022 and 2021 was as follows:

	Shares	Weighted Average Grant-Date Fair Value
Nonvested, June 30, 2020	1,618,604	\$ 23.73
Granted	578,070	37.87
Vested	(704,921)	21.78
Canceled	(82,419)	27.94
Nonvested, June 30, 2021	1,409,334	\$ 30.26
Granted	582,273	35.27
Vested	(699,346)	28.62
Canceled	(160,795)	34.33
Nonvested, June 30, 2022	1,131,466	\$ 33.27
Granted	595,818	37.90
Vested	(774,917)	32.50
Canceled	(137,134)	36.08
Nonvested, June 30, 2023	815,233	\$ 36.91

Performance-Based Restricted Stock Awards (included above)

During the year ended June 30, 2023, zero new performance-based restricted stock awards were granted and in total, 27,225 remain nonvested at June 30, 2023. During the year ended June 30, 2023, 343,698 performance-based restricted stock awards vested. Vesting of the performance-based restricted stock awards is contingent on the achievement of certain financial performance goals and service vesting conditions.

During fiscal year 2021, the Company granted 30,364 performance-based restricted stock awards to the Company's CEO with a weighted average grant-date fair value of \$24.70 per share. These awards were granted pursuant to the Plan and were subject to the achievement of Adjusted EBITDA metrics for the calendar year 2021. In January 2022, achievement was certified at 133% of target, which resulted in an additional 10,020 shares, and one-third of the award vested; the remaining two-thirds will vest annually over two years.

During fiscal year 2021, the Company granted 82,710 performance-based restricted stock awards to the Company's named executive officers ("NEOs") with a weighted average grant-date fair value of \$45.33 per share. These awards were granted pursuant to the Plan and were subject to the achievement of Adjusted EBITDA metrics in fiscal year 2021. In August 2021, achievement was certified at 133% of target, which resulted in an additional 27,293 shares, and one-third of the award vested; the remaining two-thirds will vest annually over two years.

During fiscal year 2020, the Company granted 358,294 performance-based restricted stock awards to the Company's then CEO with a weighted average grant-date fair value of \$27.91 per share. These awards were granted pursuant to the Plan and are subject to the achievement of target free cash flow metrics in each of the fiscal years 2020 through 2022. The metrics are measured at the end of each fiscal year; however if either of the first two tranches are not achieved, the awards may still vest if the free cash flow metric in aggregate is met over the three-year life of the award. In August 2021, the second tranche was achieved at target resulting in the vesting of 119,431 shares. In August 2022, the first and third tranches were achieved at target resulting in the vesting of 238,863 shares.

Service-Based Restricted Stock Awards (included above)

During the year ended June 30, 2023, 595,818 new service-based restricted stock awards were granted and in total, 788,009 remain nonvested at June 30, 2023. During the year ended June 30, 2023, 431,219 service-based restricted

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

stock awards vested.

Summary of All Restricted Stock Awards

As of June 30, 2023, there was \$20.6 million of total unrecognized compensation expense related to nonvested restricted stock awards. The cost is expected to be recognized over a weighted average period of 1.7 years. The fair value of restricted stock awards granted for the years ended June 30, 2023 and 2022 was \$22.6 million and \$20.5 million, respectively. The total fair value of shares vested for the years ended June 30, 2023 and 2022 was \$29.6 million and \$23.5 million, respectively. During the years ended June 30, 2023, 2022 and 2021, the Company recognized \$15.5 million, \$18.4 million and \$22.6 million, respectively, of stock-based compensation expense related to restricted stock awards.

Performance Share Units (“PSU”)

The Company has approved grants of performance share units (“PSU”) pursuant to the Plan. Each PSU is earned through the achievement of a performance-based metric, combined with the continuation of employee service over a defined period. The level of performance determines the number of PSUs earned, and is generally measured against threshold, target and outperform achievement levels of the award. Each PSU represents the right to receive one share of the Company’s common stock, or at the option of the Company, an equivalent amount of cash, and is classified as an equity or liability award. When the grant is a fixed monetary amount, and the number of shares is not determined until achievement and the value of the Company’s stock on that day, the PSU is a liability-classified award. Each PSU vests pursuant to the vesting schedule found in the respective PSU agreement.

In addition to the performance conditions of the PSUs, there is a service vesting condition which is dependent upon continuing service by the grantee as an employee of the Company, unless the grantee is eligible for earlier vesting upon a change in control and qualifying termination, as defined by the PSU agreement. PSUs are generally subject to graduated vesting schedules and stock-based compensation expense is computed by tranche and recognized on a straight-line basis over the tranches’ applicable vesting period based on the expected achievement level.

Performance share unit activity (excluding liability-classified awards) during the years ended June 30, 2023, 2022 and 2021 was as follows:

	Shares	Weighted Average Grant-Date Fair Value
Nonvested, June 30, 2020	2,464,853	\$ 10.78
Granted	477,700	40.17
Vested	—	—
Canceled	(64,509)	28.33
Nonvested, June 30, 2021	2,878,044	\$ 15.26
Granted	346,880	34.90
Vested	(1,810,752)	9.95
Canceled	(1,058,870)	24.95
Nonvested, June 30, 2022	355,302	\$ 32.62
Granted	366,507	33.87
Vested	(119,467)	30.48
Canceled	(105,473)	28.22
Nonvested, June 30, 2023	496,869	\$ 34.99

Fiscal Year 2023 LTIP

During the year ended June 30, 2023, the Company granted 289,640 PSUs at target under a Long Term Incentive

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

Plan (“LTIP”) which are tied to operating income targets and stock price performance. These PSUs had a grant date fair value of \$10.0 million, or a weighted average grant-date fair value of \$34.41 per share. Fifty percent of the earned award is based on operating income performance (“Tranche #1”) and fifty percent is based on the performance of the Company’s stock price (“Tranche #2”), both of which will vest after achievement is certified during the first quarter of fiscal year 2026. The grant date fair value of Tranche #1 was remeasured in October 2022 as a result of a modification of the terms of the award. Originally, performance was tied to gross margin. The metric was changed to operating income to better align with shareholder feedback and technology industry and peer group common practice. The modification of the performance criteria from gross margin to operating income resulted in a new fair market value as of the modification date of \$4.8 million, a decrease of \$0.8 million. For Tranche #1, the level of performance will determine the number of PSUs earned as measured against threshold, target and outperform achievement levels. For Tranche #2, the number of PSUs will be earned based on the Company’s compounded annual stock price growth over a completed three-year performance period. In all cases, vesting is dependent upon continuing service by the grantee as an employee of the Company. The fair value of Tranche #2 was determined using a Monte Carlo simulation model and is amortized on a straight-line basis over the vesting period. Tranche #2 is a market-based award, and therefore is not subject to any probability assessment by the Company. The Company is currently amortizing Tranche #1 over the vesting period because it believes that it is probable that the metric will be achieved at target.

Fiscal Year 2022 LTIP

During fiscal year 2022, the Company granted 250,250 PSUs at target under a Long Term Incentive Plan (“LTIP”) which are tied to gross margin targets and stock price performance. These PSUs had a grant date fair value of \$9.1 million, or a weighted average grant-date fair value of \$36.30 per share. Fifty percent of the earned award is based on gross margin performance (“Tranche #1”) and fifty percent is based on the performance of the Company’s stock price (“Tranche #2”), both of which will vest after achievement is certified during the first quarter of fiscal year 2025. For Tranche #1, the level of performance will determine the number of PSUs earned as measured against threshold, target and outperform achievement levels. For Tranche #2, the number of PSUs will be earned based on the Company’s compounded annual stock price growth over a completed three-year performance period. In all cases, vesting is dependent upon continuing service by the grantee as an employee of the Company. The fair value of Tranche #2 was determined using a Monte Carlo simulation model and is amortized on a straight-line basis over the vesting period. Tranche #2 is a market-based award, and therefore is not subject to any probability assessment by the Company. The Company determined the likelihood of achievement of the performance condition for Tranche #1 is not able to be determined at this time.

Fiscal Year 2021 Tech Elevator MIP

During fiscal year 2021, the Company granted to the executive team of Tech Elevator a time-based award with a value of \$4.0 million and a performance-based award with a target value of \$4.0 million under a Management Incentive Plan (“MIP”). The time-based award vests equally over three years on the anniversary of the closing date of the acquisition of Tech Elevator which was November 30, 2020. During the second quarter of fiscal year 2022, one-third vested and was settled with the issuance of 38,575 PSUs. During the second quarter of fiscal year 2023, an additional one-third vested and was settled with the issuance of 37,886 PSUs. The performance-based award is tied to the achievement of certain revenue and EBITDA targets of Tech Elevator. Seventy percent of the award is based on Tech Elevator’s revenues for the calendar year 2023 (“Tranche #1”) and thirty percent of the earned award is based on Tech Elevator’s EBITDA for the calendar year 2023 (“Tranche #2”), both of which are expected to vest after achievement is certified in January 2024. The level of performance will determine the number of PSUs earned as measured against threshold and target achievement levels. In all cases, vesting is dependent upon continuing service by the grantee as an employee of the Company. The MIP is a liability-classified award. The Company has assessed achievement of the performance conditions as not probable.

Fiscal Year 2021 LTIP

During fiscal year 2021, the Company granted 111,450 PSUs at target under a LTIP which are tied to the achievement of certain individualized financial and non-financial performance targets. These PSUs had a grant date fair value of \$2.7 million, or a weighted average grant-date fair value of \$24.15 per share. In December 2022, achievement was certified related to two metrics – one at threshold and one at 123% of target. Forty percent, or 4,533 shares vested

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

immediately and the additional sixty percent, or 6,797 shares will vest in December 2023, subject to continuing service by the grantee as an employee of the Company. The remaining shares tied to metrics that were not achieved were forfeited. The fiscal year 2021 LTIP is an equity-classified award.

Fiscal Year 2021 Career Learning PSUs

During fiscal year 2021, the Company granted 366,250 PSUs at target which were tied to the achievement of Career Learning revenue targets for fiscal years 2021 – 2023. These PSUs had a grant date fair value of \$16.5 million, or a weighted average grant-date fair value of \$45.05 per share. The vesting is as follows:

- 77,690 PSUs relate to fiscal year 2021 revenues and if achieved, one-third of the award will vest immediately, and the remaining two-thirds will vest annually over two years;
- 122,080 PSUs relate to fiscal year 2022 revenues and if achieved, two-thirds of the award will vest immediately, and the remaining one-third will vest the following year; and
- 166,480 PSUs relate to fiscal year 2023 revenues and if achieved, the award will vest immediately.

The level of performance will determine the number of PSUs earned as measured against threshold, target and outperform achievement levels. In all cases, vesting is dependent upon continuing service by the grantee as an employee of the Company. The fiscal year 2021 Career Learning PSUs are equity-classified awards. In August 2021, the Company determined the performance condition of fiscal year 2021 revenues were not achieved resulting in a forfeiture of those shares. Additionally, in October 2021, the two remaining tranches were forfeited as the grantee of the PSUs separated from the Company.

Fiscal Year 2020 Galvanize TRIP

During fiscal year 2020, the Company granted to the executive team of Galvanize a target level of \$12.3 million under a Transaction Related Incentive Plan (“TRIP”) which is tied to the achievement of certain revenue and EBITDA targets of Galvanize. Seventy percent of the earned award is based on the performance of Galvanize for the calendar year 2021 (“Tranche #1”) and thirty percent of the earned award is based on the performance of Galvanize for the calendar year 2022 (“Tranche #2”), both of which are expected to vest after achievement is certified in January following each of the calendar year ends. The revenue and EBITDA targets are split sixty percent and forty percent, respectively, for both tranches. In all cases, vesting is dependent upon continuing service by the grantee as an employee of the Company. The level of performance will determine the number of PSUs earned as measured against threshold, target and outperform achievement levels. In January 2022, the Company determined that the metrics for calendar year 2021 were not met and Tranche #1 was forfeited. In January 2023, the Company determined that the metrics for calendar year 2022 were not met and Tranche #2 was also forfeited. The TRIP is a liability-classified award.

Fiscal Year 2019 LTIP

During fiscal year 2019, the Company granted 263,936 PSUs at target under a LTIP which are tied to certain career learning revenue targets and enrollment levels, as well as students’ academic progress. These PSUs had a grant date fair value of \$7.9 million, or a weighted average grant-date fair value of \$30.05 per share. During fiscal year 2020, the Company granted an additional 34,030 PSUs at target with a grant date fair value of \$0.8 million, or \$23.51 per share. Forty-five percent of the earned award is based on students’ academic progress (“Tranche #1”) and twenty-five percent of the earned award is based on certain enrollment levels (“Tranche #2”). In October 2021, Tranche #2 achievement was certified at approximately 193% of target resulting in the vesting of 115,223 shares, while Tranche #1 was not achieved resulting in 107,397 forfeited shares. The remaining thirty percent of the earned award is based on certain revenue targets (“Tranche #3”). In August 2022, Tranche #3 achievement was certified at 200% of target resulting in the vesting of 77,048 shares.

Fiscal Year 2019 SPP

During fiscal year 2019, the Company adopted a new long-term shareholder performance plan (“2019 SPP”) that

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

provides for incentive award opportunities to its key senior executives. The awards were granted in the form of PSUs and will be earned based on the Company's market capitalization growth over a completed three-year performance period. The 2019 SPP was designed to provide the executives with a percentage of shareholder value growth. No amounts will be earned if total stock price growth over the three-year period is below 25% (7.6% annualized). An amount of 6% of total value growth will be earned based on achieving total stock price growth of 33% (10% annualized) and a maximum of 7.5% of total value growth will be earned if total stock price growth equals or exceeds 95% (25% annualized).

During fiscal year 2019, the Company granted 2,108,305 PSUs at a weighted average grant-date fair value of \$8.18 per share, based on the highest level of performance. During fiscal year 2020, the Company granted an additional 66,934 PSUs at a weighted average grant-date fair value of \$12.56 per share, based on the highest level of performance. The final amount of PSUs was determined (and vesting occurred) based on the 30-day average price of the Company's stock subsequent to seven days after the release of fiscal year 2021 results. The fair value was determined using a Monte Carlo simulation model and is amortized on a straight-line basis over the vesting period. The SPP is a market-based award, and therefore is not subject to any probability assessment by the Company.

In October 2021, the Company certified achievement of the 2019 SPP based upon the 30-day average price of the Company's stock during the period of August 18, 2021 – September 17, 2021 of \$34.13. The 112% market capitalization growth over the three-year performance period resulted in the vesting 1,656,594 shares to the Company's six named executive officers.

Summary of All Performance Share Units

As of June 30, 2023, there was \$9.0 million of total unrecognized compensation expense related to nonvested PSUs that are expected to vest based on the Company's probability assumptions discussed above. The cost is expected to be recognized over a weighted average period of 1.8 years. During the years ended June 30, 2023, 2022 and 2021 the Company recognized \$4.9 million, \$0.1 million and \$16.7 million, respectively, of stock-based compensation expense related to PSUs. Included in the stock-based compensation expense above, for the years ended June 30, 2023, 2022 and 2021 is \$1.0 million, \$1.3 million, and \$0.8 million, respectively, related to the Tech Elevator time-based portion of the MIP. This amount was recorded in accrued liabilities on the consolidated balance sheets because it is a liability-classified award.

Deferred Stock Units ("DSU")

The DSUs vest on the grant-date anniversary and are settled in the form of shares of common stock issued to the holder upon separation from the Company. DSUs are specific only to board members.

Deferred stock unit activity during the years ended June 30, 2023, 2022 and 2021 was as follows:

	Shares	Weighted Average Grant-Date Fair Value
Nonvested, June 30, 2020	42,102	\$ 22.42
Granted	17,252	21.01
Vested	—	—
Canceled	—	—
Nonvested, June 30, 2021	59,354	\$ 22.01
Granted	14,769	33.24
Vested	(5,006)	23.97
Canceled	—	—
Nonvested, June 30, 2022	69,117	\$ 24.27
Granted	30,418	34.43
Vested	—	—
Canceled	—	—
Nonvested, June 30, 2023	99,535	\$ 27.38

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

Summary of All Deferred Stock Units

As of June 30, 2023, there was \$0.4 million of total unrecognized compensation expense related to nonvested DSUs. The cost is expected to be recognized over a weighted average period of 0.4 years. During the years ended June 30, 2023, 2022 and 2021, the Company recognized \$0.7 million, \$0.5 million and \$0.4 million, respectively, of stock-based compensation expense related to DSUs.

10. Commitments and Contingencies

Litigation

In the ordinary conduct of the Company's business, the Company is subject to lawsuits, arbitrations and administrative proceedings from time to time. The Company vigorously defends these claims; however, no assurances can be given as to the outcome of any pending legal proceedings. The Company believes, based on currently available information, that the outcome of any existing or known threatened proceedings, even if determined adversely, should not have a material adverse effect on its business, financial condition, liquidity or results of operations.

Securities Litigation

On November 19 and December 11, 2020, respectively, two putative securities class action lawsuits captioned Yun Chau Lee v. K12 Inc., et al, Case No. 1:20-cv-01419 (the "Lee Case"), and Jennifer Baig v. K12 Inc., et al, Case No. 1:20-cv-01528 (the "Baig Case") were filed against the Company and two of its former officers in the United States District Court for the Eastern District of Virginia, purportedly on behalf of a class of persons who purchased or otherwise acquired the Company's common stock between April 27, 2020 and September 18, 2020. On February 17, 2021, the District Court consolidated the Lee Case and the Baig Case under the caption In re K12 Inc. Securities Litigation, Case No. 1:20-cv-01419 (the "Consolidated Securities Class Action"), and appointed a lead plaintiff. The lead plaintiff filed a consolidated amended complaint on April 5, 2021, alleging violations by the Company and the individual defendants of Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated under the Exchange Act, and violations by the individual defendants of Section 20(a) of the Exchange Act. The complaint alleged, among other things, that the Company and the individual defendants made false or misleading statements and/or omitted to disclose material facts concerning the Company's technological capabilities and expertise to support increased demand for virtual and blended education related to the global emergence of COVID-19, its cybersecurity protocols and protections, and its administrative support and training to teachers, students, and parents. The complaint sought unspecified monetary damages and other relief. The Company filed a motion to dismiss the complaint in its entirety on May 20, 2021, which the District Court granted, without prejudice, on September 16, 2021. The plaintiffs did not file a second amended complaint, but appealed the District Court's dismissal decision to the United States Court of Appeals for the Fourth Circuit on December 1, 2021. On November 22, 2022, the Fourth Circuit issued a published opinion affirming the District Court's decision and upholding the dismissal of the case.

On December 21, 2020 and April 30, 2021, respectively, related derivative lawsuits captioned Larry Shemen, et al v. Aida M. Alvarez, et al, Case No. 1:20-cv-01731 (the "Shemen Case"), and Wajid Ahmed v. Aida M. Alvarez, et al, Case No. 1:21-cv-00618 (the "Ahmed Case") were filed by three of the Company's shareholders in the United States District Court for the District of Delaware. The plaintiffs purported to assert claims on the Company's behalf against certain of its officers and directors for breach of fiduciary duty, unjust enrichment, and waste of corporate assets, and for violation of Sections 14(a) and 20(a) of the Exchange Act, based on substantially the same facts alleged in the Consolidated Securities Class Action. By stipulation of the parties on May 14, 2021, the Court consolidated the Shemen Case and the Ahmed Case under the caption In re Stride Inc. Derivative Litigation, Case No. 20-01731 (the "Consolidated Derivative Action"), designated as operative the complaint filed in the Ahmed Case, and stayed all proceedings pending final resolution of the Consolidated Securities Class Action. On December 29, 2022, upon stipulation of the parties, the Court approved the voluntary dismissal of the plaintiffs' claims, without prejudice, in light of the dismissal of the Consolidated Securities Class Action.

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

Employment Agreements

The Company has entered into employment agreements with certain executive officers that provide for severance payments and, in some cases other benefits, upon certain terminations of employment. All agreements provide for employment on an “at-will” basis. If the employee resigns for “good reason” or is terminated without cause, the employee is entitled to salary continuation, and in some cases benefit continuation, for varying periods depending on the agreement.

Off-Balance Sheet Arrangements

As of June 30, 2023, the Company provided guarantees of approximately \$0.2 million related to lease commitments on the buildings for certain of the Company’s schools.

In addition, the Company contractually guarantees that certain schools under the Company’s management will not have annual operating deficits and the Company’s management fees from these schools may be reduced accordingly to cover any school operating deficits.

Other than these lease and operating deficit guarantees, the Company did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company’s financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

11. Severance

During the years ended June 30, 2023, 2022 and 2021, the Company reduced its workforce, resulting in severance of \$3.4 million, \$3.7 million and \$2.4 million, respectively. Included in severance expense for the years ended June 30, 2023, 2022 and 2021 is \$0.5 million, \$0.1 million and \$0.5 million, respectively, associated with accelerated vesting of equity awards to former executives and other employees.

12. Acquisitions and Investments

Acquisition of MedCerts, LLC

On November 30, 2020, the Company acquired 100% of MedCerts in exchange for \$70.0 million and estimated contingent consideration of \$10.8 million. The purchase price was payable in two tranches; \$55.0 million was paid at closing, and \$15.0 million plus the final contingent consideration was paid on the 18-month anniversary of the closing. In addition, during the fourth quarter of fiscal year 2021, the Company paid an additional \$0.3 million related to the finalization of working capital. MedCerts students participate in online, hands-on career training courses in the healthcare and medical fields as they prepare for more than a dozen national healthcare certifications. The acquisition of MedCerts further expands the Company’s post-secondary skills training in the healthcare and medical fields. The Company also plans to use MedCerts’ curriculum to create appropriate content to offer high school students.

The acquisition has been accounted for as a business combination under the acquisition method of accounting, which results in acquired assets and assumed liabilities being measured at their fair values as of November 30, 2020, the acquisition date. As of the acquisition date, goodwill was measured as the excess of consideration transferred over the fair values of the assets acquired and liabilities assumed.

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

Based on management's valuation of the fair value of tangible and intangible assets acquired and liabilities assumed, the purchase price was allocated as follows (in thousands):

Allocation of Purchase Price

Cash	\$	205
Current assets, excluding cash		5,074
Property and equipment, net		1,896
Intangible assets, net		26,607
Goodwill		51,033
Current liabilities		(2,201)
Deferred revenue		(1,562)
Deferred tax asset (liability)		16
Total consideration	\$	81,068

The fair value of the identified intangible assets was determined primarily using an income-based approach of either the multi-period excess earnings method or relief from royalty method, as appropriate. Intangible assets are amortized on a straight-line basis over the amortization periods noted below.

Intangible Assets

Intangible Assets	Amount	Estimated Useful Life
	(In thousands)	(In years)
Customer relationships	\$ 12,072	5.84
Developed technology	11,970	7.00
Trade names	2,565	5.00
	\$ 26,607	

The contingent consideration represents the fair value of additional consideration payable to the seller, estimated using a Monte Carlo simulation model. The amount of consideration to be distributed on the 18-month anniversary of the closing is based on a multiplier calculated using the annualized earnings before interest, taxes, depreciation and amortization ("EBITDA") for the period December 2021 – May 2022. This multiplier is applied to the annualized trailing EBITDA for the period March 2022 – May 2022 to calculate an enterprise value of MedCerts as of May 2022. The payment, if any, will equal 49% of the enterprise value less 49% of the original purchase price of \$70.0 million (\$34.3 million). The Company and the MedCerts sellers executed an agreement to extend the review period related to the earnout to mid-August 2022.

Subsequent to the acquisition date, the Company is required to reassess its estimate of the fair value of contingent consideration and record any changes in earnings when the estimate is based on information not known as of the acquisition date. During fiscal year 2021 and 2022, the Company recorded an aggregate expense of \$0.5 million to adjust its estimate of the fair value of the contingent consideration to \$11.3 million. Those adjustments are recorded within selling, general, and administrative expenses on the consolidated statements of operations. During the three months ended September 30, 2022, the Company paid \$7.0 million to settle the contingent consideration and recorded a gain of \$4.3 million. The gain is recorded within selling, general, and administrative expenses on the consolidated statements of operations.

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the tangible and intangible assets acquired and liabilities assumed. Goodwill will not be amortized but instead will be tested for impairment at least annually (or more frequently if indicators of impairment arise). In the event that management determines that the goodwill has become impaired, the Company will incur an accounting charge for the amount of the impairment during the fiscal quarter in which the determination is made. Goodwill is deductible for tax purposes.

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

Included in the Company's consolidated results of operations for the year ended June 30, 2021 are revenues and a loss from operations of \$14.6 million and \$3.5 million, respectively, related to MedCerts.

Acquisition of Tech Elevator, Inc.

On November 30, 2020, the Company acquired 100% of Tech Elevator in exchange for \$23.5 million, plus working capital of \$2.2 million. Tech Elevator provides talent development for individuals and enterprises in information technology fields. The acquisition of Tech Elevator expands Galvanize's student demographic profile, geographic footprint, and hiring partner portfolio; as well as provides additional curriculum to create appropriate content to offer high school students.

The acquisition has been accounted for as a business combination under the acquisition method of accounting, which results in acquired assets and assumed liabilities being measured at their fair values as of November 30, 2020, the acquisition date. As of the acquisition date, goodwill was measured as the excess of consideration transferred over the fair values of the assets acquired and liabilities assumed.

Based on management's valuation of the fair value of tangible and intangible assets acquired and liabilities assumed, the purchase price was allocated as follows (in thousands):

Allocation of Purchase Price

Cash	\$	1,736
Current assets, excluding cash		518
Property and equipment, net		513
Operating lease right-of-use assets, net		724
Intangible assets, net		7,105
Goodwill		17,897
Other assets		377
Current liabilities		(267)
Deferred revenue		(534)
Deferred tax liability		(1,650)
Current operating lease liability		(420)
Long-term operating lease liability		(304)
Total consideration	\$	<u>25,695</u>

The fair value of the identified intangible assets was determined primarily using an income-based approach of either the multi-period excess earnings method or relief from royalty method, as appropriate. Intangible assets are amortized on a straight-line basis over the amortization periods noted below.

Intangible Assets

Intangible Assets	Amount	Estimated Useful Life
	(In thousands)	(In years)
Customer relationships	\$ 311	3.92
Developed technology	2,796	5.00
Trade names	3,998	15.00
	<u>\$ 7,105</u>	

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the tangible and intangible assets acquired and liabilities assumed. Goodwill will not be amortized but instead will be tested for impairment at least annually (or more frequently if indicators of impairment arise). In the event that management determines that the goodwill has become impaired, the Company will incur an accounting charge for the amount of the impairment during the fiscal quarter in which the determination is made. Goodwill is not deductible for tax purposes.

Included in the Company's consolidated results of operations for the year ended June 30, 2021 are revenues and income from operations of \$7.2 million and \$0.4 million, respectively, related to Tech Elevator.

Pro Forma Combined Results of Operations

The following unaudited pro forma combined results of operations give effect to the acquisition of MedCerts and Tech Elevator as if they had occurred on July 1, 2019. The unaudited pro forma combined results of operations are provided for informational purposes only and do not purport to represent the Company's actual consolidated results of operations had the acquisitions occurred on the dates assumed, nor are these financial statements necessarily indicative of the Company's future consolidated results of operations. The unaudited pro forma combined results of operations do not reflect the costs of any integration activities or any benefits that may result from operating efficiencies or revenue synergies.

		Year Ended June 30, 2021
	(In thousands)	
Revenues	\$	1,552,173
Income from operations		111,287
Net income		72,443

Investments in Limited Partnerships

The Company invested in three early-stage funds focused on career education with a total commitment of \$15.0 million. The Company invested in Rethink Education III, LP ("Rethink") and New Markets Education Partners II, L.P. and New Markets Education Partners III, L.P. (collectively, "New Markets") to support the development of new technologies that will advance online learning, to find early opportunities to adopt those new technologies at Stride, and to simultaneously achieve a reasonable return on investment. As of June 30, 2023, the Company has contributed an aggregate \$11.3 million to these funds: \$3.3 million is an investment in New Markets and is recorded at cost and will be adjusted, as necessary, for impairment; and \$8.0 million is an investment in Rethink and is recorded under the equity method of accounting. The Company's investments in these funds are included in deposits and other assets on the consolidated balance sheets.

Investment in Tallo, Inc. and Acquisition of Assets

In August 2018, the Company made an initial investment of \$6.7 million for a 39.5% minority interest in Tallo, Inc. ("Tallo"). In August 2020, the Company invested an additional \$2.3 million which increased its minority interest to 46.1%. These investments in preferred stock, which contain additional rights over common stock and have no readily determinable fair value, were recorded at cost and will be adjusted, as necessary, for impairment. In the event Tallo issues equity at a materially different price than what the Company paid, the Company would also assess changing the carrying value. In conjunction with the Company's initial investment in August 2018, Tallo also issued a convertible note to the Company for \$5.0 million that is being accounted for as an available-for-sale debt security and adjusted to fair value quarterly. The note bears interest at the mid-term Applicable Federal Rate plus 25 bps per annum with a maturity of 48 months. The note is convertible at the Company's option into 3.67 million Series D Preferred Shares that, combined with the shares resulting from the conversion of the accrued interest, would give the Company an effective ownership of 55% if exercised. In October 2021, the Company agreed to loan Tallo up to \$3.0 million. This promissory note bears interest at 5% and has a maturity date of five years. The promissory note does not contain any means of conversion into additional ownership by the Company. During the second and third quarters of fiscal year 2022, the Company funded \$3.0 million

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

under the promissory note.

During fiscal year 2022, the Company adjusted its investment in Tallo preferred stock to fair value and recorded an impairment charge of \$4.5 million to other income (expense), net on the consolidated statements of operations. Also, during fiscal year 2022, the Company recorded a credit loss expense of \$4.1 million to reduce the carrying amount of the convertible note and \$3.0 million to reduce the carrying amount of the promissory note. The credit loss expenses were recorded within selling, general, and administrative expenses on the consolidated statements of operations. Additionally, the Company reversed an aggregate \$0.4 million of accrued interest on both instruments and made an accounting policy election to record this within interest income (expense), net on the consolidated statements of operations. During the year ended June 30, 2022, the Company's investment in Tallo, the convertible note, and promissory note were included in deposits and other assets on the consolidated balance sheets.

On July 8, 2022, the Company purchased the assets of Tallo in exchange for \$1.0 million, plus \$0.4 million in working capital. As part of the closing of the transaction, the promissory note was cancelled and the convertible note was converted into additional equity. That additional equity and previously held equity interests were cancelled, and combined with the cash, resulted in a purchase price of \$7.3 million. The acquisition of Tallo further expands the Company's ability to match students to internships, jobs, and scholarships with colleges and companies looking for talent. The acquisition has been accounted for as a business combination under the acquisition method of accounting, which results in acquired assets and assumed liabilities being measured at their fair values as of July 8, 2022, the acquisition date. The allocation of the purchase price resulted in goodwill of \$5.7 million and intangible assets of \$1.3 million, both of which are deductible for income tax purposes. The recognized goodwill is primarily associated with future customer relationships and an acquired assembled work force. The intangible assets primarily consist of customer relationships which will be amortized over 10 years.

13. Related Party Transactions

The Company contributed to Future of School, a charity focused on access to quality education. Future of School is a related party because a former executive officer of the Company formerly served on its Board of Directors. During the years ended June 30, 2023, 2022 and 2021, contributions made by the Company to Future of School were zero, \$1.2 million, and \$1.3 million, respectively. In fiscal year 2019 and 2021, the Company accrued \$2.5 million and \$3.5 million, respectively, for contributions to be made in subsequent years. The amounts contributed for the years ended June 30, 2023, 2022 and 2021 reduced those obligations and as of June 30, 2023, \$2.5 million remains outstanding as related to the fiscal year 2021 accrual.

14. Employee Benefits

The Company maintains a 401(k) salary deferral plan (the "401(k) Plan") for its employees. Employees who have been employed for at least 30 days may voluntarily contribute to the 401(k) Plan on a pretax basis, up to the maximum allowed by the Internal Revenue Service. The 401(k) Plan provides for a matching Company contribution of 50%, up to first 5% of each participant's contribution. The Company expensed \$7.7 million, \$6.1 million and \$3.8 million during the years ended June 30, 2023, 2022 and 2021, respectively, under the 401(k) Plan.

STRIDE, INC.

Notes to Consolidated Financial Statements (Continued)

15. Supplemental Disclosure of Cash Flow Information

	Year Ended June 30,		
	2023	2022	2021
Cash paid for interest	\$ 6,946	\$ 6,641	\$ 4,504
Cash paid for taxes	\$ 37,131	35,972	\$ 18,717
Supplemental disclosure of non-cash financing activities:			
Right-of-use assets obtained from acquisitions	\$ 385	\$ —	\$ 1,280
Right-of-use assets obtained in exchange for new finance lease liabilities	30,514	23,232	66,861
Supplemental disclosure of non-cash investing activities:			
Stock-based compensation expense capitalized on software development	\$ 700	\$ 374	\$ 255
Stock-based compensation expense capitalized on curriculum development	84	88	116
Non-cash purchase price related to business combinations	5,861	1,145	—
Business combinations:			
Acquired assets	\$ 1,132	\$ 394	\$ 11,043
Intangible assets	1,309	2,157	33,712
Goodwill	5,655	600	68,930
Assumed liabilities	(385)	(58)	(4,826)
Deferred revenue	(441)	(1,030)	(2,096)

SCHEDULE II

STRIDE, INC. VALUATION AND QUALIFYING ACCOUNTS Years Ending June 30, 2023, 2022 and 2021

1. ALLOWANCE FOR CREDIT LOSSES

	Balance at Beginning of Period	Additions Charged to Cost and Expenses	Deductions from (Net Increases to) Allowance	Balance at End of Period
June 30, 2023	\$ 26,993,037	8,047,729	5,009,493	\$ 30,031,273
June 30, 2022	\$ 21,383,543	8,555,918	2,946,424	\$ 26,993,037
June 30, 2021	\$ 6,807,674	6,561,243	(8,014,626)	\$ 21,383,543

2. INVENTORY RESERVES

	Balance at Beginning of Period	Charged to Cost and Expenses	Deductions, Shrinkage and Obsolescence	Balance at End of Period
June 30, 2023	\$ 6,457,046	2,392,785	4,704,551	\$ 4,145,280
June 30, 2022	\$ 5,647,283	880,809	71,046	\$ 6,457,046
June 30, 2021	\$ 4,817,300	1,038,019	208,036	\$ 5,647,283

3. COMPUTER RESERVE (1)

	Balance at Beginning of Period	Additions Charged to Cost and Expenses	Deductions, Shrinkage and Obsolescence	Balance at End of Period
June 30, 2023	\$ 2,039,771	332,197	\$ 1,026,136	\$ 1,345,832
June 30, 2022	\$ 2,273,372	135,948	369,549	\$ 2,039,771
June 30, 2021	\$ 811,682	2,007,076	545,386	\$ 2,273,372

- (1) A reserve account is maintained against potential obsolescence of, and damage beyond economic repair to, computers provided to the Company's students. The reserve is calculated based upon several factors including historical percentages, the net book value and the remaining useful life. During fiscal years 2023, 2022 and 2021, certain computers were written off against the reserve.

4. INCOME TAX VALUATION ALLOWANCE

	Balance at Beginning of Period	Additions to Net Deferred Tax Asset Allowance	Deductions in Net Deferred Tax Asset Allowance	Balance at End of Period
June 30, 2023	\$ 6,677,352	113,372	—	\$ 6,790,724
June 30, 2022	\$ 5,047,078	1,630,274	—	\$ 6,677,352
June 30, 2021	\$ 4,990,768	123,249	66,939	\$ 5,047,078

ITEM 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE*

None.

ITEM 9A. *CONTROLS AND PROCEDURES*

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(d) under the Exchange Act management has evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the Securities and Exchange Commission. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding our required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily applies its judgment in evaluating and implementing possible controls and procedures. Based on management's evaluation of our disclosure controls and procedures, our Chief Executive Officer and Chief Financial Officer concluded that, our disclosure controls and procedures were not effective as of June 30, 2023, because of the material weakness described below. No material misstatements were detected during the financial statement audit for the period ended June 30, 2023.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting.

Internal control over financial reporting refers to a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and members of our board of directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process, and it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management evaluated the effectiveness of our internal control over financial reporting as of June 30, 2023, using the framework set forth in the report of the Treadway Commission's Committee of Sponsoring Organizations (COSO), "Internal Control—Integrated Framework (2013)." This evaluation identified a material weakness in our internal control

over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

Management has determined that the Company had the following material weakness in its internal control over financial reporting:

- Management did not have effective information technology general controls related to user access, program change, and data processing over IT systems used by the Company for financial reporting. More specifically, user access to certain IT systems was granted to Company personnel resulting in segregation of duties conflicts and management did not monitor data processing between applications in a timely manner. Additionally, management did not perform periodic user access reviews in a timely manner or maintain adequate documentation of review and approvals for configuration changes to certain IT systems. This material weakness impacted multiple financial statement areas, primarily revenue, expenses, and related accounts, because certain manual controls across these business cycles are dependent upon information derived from these IT systems.

As a result of this material weakness, management has concluded that our internal control over financial reporting was not effective as of June 30, 2023. In light of the material weakness, management performed additional analyses and procedures and has concluded that the audited consolidated financial statements contained in this Annual Report fairly present, in all material respects, our financial condition, results of operations and cash flows for the fiscal years presented in conformity with generally accepted accounting principles in the United States.

The effectiveness of our internal control over financial reporting as of June 30, 2023, has been audited by BDO USA, P.A. an independent registered public accounting firm, as stated in its attestation report, which appears on page 107 of this Annual Report. In the opinion of BDO USA, P.A. which appears on page 60, the Company's consolidated financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2023, in conformity with accounting principles generally accepted in the United States of America.

Remediation of Material Weakness:

Management is committed to maintaining a strong internal control environment and will continue to take comprehensive actions to remediate the material weakness described above. Following the identification of the material weakness, management took the following remedial actions:

- conducted a review of user access privileges across certain systems and removed permissions to help support appropriate segregation of duties;
- implemented a control related to monitoring activities performed by personnel with access to primary IT systems supporting financial reporting processes; and
- provided targeted training to personnel that administer the IT systems, to promote security best practices and reinforce the importance of internal controls.

Management also plans to implement measures designed to ensure that control deficiencies contributing to the material weakness are remediated. Planned remediation actions include:

- Improving policies and procedures and designing and implementing controls over the granting and review of access to IT systems impacting financial reporting to ensure access is limited to functions required for the performance of an employee's role and responsibilities to support segregation of duties.

The actions that we have taken, and will continue to take, are subject to ongoing management review and oversight by the Audit Committee of our Board of Directors. We will not be able to conclude whether the steps we are taking will fully remediate the material weakness in our internal control over financial reporting until we have completed our remediation efforts and subsequently evaluated their effectiveness for a sufficient period of time.

Changes in Internal Control over Financial Reporting:

Except for the material weakness described above, there was no change in our internal control over financial reporting that occurred during the fourth fiscal quarter ended June 30, 2023, that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Stride, Inc.
Reston, Virginia

Opinion on Internal Control over Financial Reporting

We have audited Stride, Inc. (the “Company’s”) internal control over financial reporting as of June 30, 2023, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the “COSO criteria”). In our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of June 30, 2023, based on the COSO criteria.

We do not express an opinion or any other form of assurance on management’s statements referring to any corrective actions taken by the Company after the date of management’s assessment.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated balance sheets of the Company as of June 30, 2023 and 2022, the related consolidated statements of operations and comprehensive income, stockholders’ equity, and cash flows for each of the three years in the period ended June 30, 2023, and the related notes and schedule (collectively referred to as “the financial statements”) and our report dated August 15, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying “Item 9A, Management’s Report on Internal Control over Financial Reporting”. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis. Management did not design and maintain effective information technology general controls related to user access, program change, and data processing, for IT systems used in the financial reporting process. More specifically, logical access to certain IT systems was granted to Company personnel, resulting in segregation of duties conflicts. Additionally, management did not perform periodic user access reviews in a timely manner or maintain adequate documentation of review and approvals for configuration changes to IT systems. Also, management did not monitor data processing between applications in a timely manner. This material weakness impacts multiple financial statement areas, primarily including revenue, expenses, and related accounts, as certain manual controls across these business cycles are dependent upon information derived from these IT systems. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2023 financial statements, and this report does not affect our report dated August 15, 2023 on those financial statements.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes

those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, P.A.

Potomac, Maryland
August 15, 2023

ITEM 9B. OTHER INFORMATION

During the three months ended June 30, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K. James J. Rhyu, the Company's Chief Executive Officer, adopted a Rule 10b5-1 trading plan on February 22, 2023.

ITEM 9C. *DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS*

Not Applicable.

PART III

We will file a definitive Proxy Statement for our 2023 Annual Meeting of Stockholders (the 2023 Proxy Statement”) with the SEC, pursuant to Regulation 14A of the Exchange Act, not later than 120 days after the end of our fiscal year. Accordingly, certain information required by Part III has been omitted under General Instruction G(3) to Form 10-K. Only those sections of the 2023 Proxy Statement that specifically address the items set forth herein are incorporated by reference.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 is hereby incorporated by reference to our 2023 Proxy Statement under the captions “Election of Directors (Proposal 1),” “Corporate Governance and Board Matters” and, if applicable, “Delinquent Section 16(a) Reports.”

We have adopted a Code of Business Conduct and Ethics that applies to all directors, officers and employees. The Code of Business Conduct and Ethics is available on our website at www.stridelearning.com under the Investor Relations – Governance section. We intend to satisfy the disclosure requirements under the Exchange Act regarding any amendment to, or waiver from a material provision of our Code of Business Conduct and Ethics involving our principal executive, financial or accounting officer or controller by posting such information on our website.

The Company has adopted a Policy Statement for the Prevention of Insider Trading that governs the purchase, sale, and/or other dispositions of the Company’s securities by directors, officers and employees that is reasonably designed to promote compliance with insider trading laws, rules and regulations, and any listing standards applicable to the Company. A copy of the Company’s Policy Statement for the Prevention of Insider Trading is filed as Exhibit 19.1 to this Annual Report.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is hereby incorporated by reference to our 2023 Proxy Statement under the captions “Compensation Discussion and Analysis,” “Compensation Tables,” “Compensation Committee Report,” “Compensation Committee Interlocks and Insider Participation” and “Fiscal 2023 Director Compensation Table.”

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND, MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 is hereby incorporated by reference to our 2023 Proxy Statement under the caption “Security Ownership by Certain Beneficial Owners and Management.”

Stock-based Incentive Plan Information

The following table provides certain information as of June 30, 2023, with respect to our equity compensation plans under which common stock is authorized for issuance:

Equity Compensation Plan Information As of June 30, 2023

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in First Column)
Equity compensation plans approved by security holders	— (1)	\$ —	2,563,512 (2)

- (1) Includes shares under the 2016 Incentive Award Plan as amended and restated (“2016 Plan”) and the 2007 Equity Incentive Award Plan (“2007 Plan”).

- (2) The 2016 Plan, which was amended and restated upon its approval by the stockholders on December 9, 2022, authorizes the issuance of up to 10,813,550 shares as of the effective date.

ITEM 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE*

The information required by Item 13 is hereby incorporated by reference to our 2023 Proxy Statement under the captions “Related Party Transactions” and Independence of Directors.”

ITEM 14. *PRINCIPAL ACCOUNTANT FEES AND SERVICES*

The information required by Item 14 is hereby incorporated by reference to our 2023 Proxy Statement under the caption “Independent Registered Public Accounting Firm Fees and Services.”

PART IV

ITEM 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements.

The information required by this item is incorporated herein by reference to the financial statements and notes thereto listed in Item 8 of Part II and included in this Annual Report.

(a)(2) Financial Statement Schedules.

Except for Schedule II, which was presented separately, all financial statement schedules are omitted because the required information is included in the financial statements and notes thereto listed in Item 8 of Part II and included in this Annual Report.

(c) Exhibits.

The following exhibits are incorporated by reference or filed herewith.

See Exhibit Index

ITEM 16. FORM 10-K SUMMARY

None.

Exhibit Index

Exhibit No.	Description of Exhibit
2.1	Agreement and Plan of Merger, dated January 21, 2020, by and among K12 Management Inc. and KAcquisitionCo Inc., on the one hand, and Galvanize Inc. and Fortis Advisors LLC, as Securityholders' Representative (solely with respect to Article XIII), on the other hand (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the SEC on January 27, 2020, File No. 001-33883).
3.1	Fifth Restated Certificate of Incorporation of Stride, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K, filed on December 16, 2020, File No. 001-33883).
3.2	Fifth Amended and Restated Bylaws of Stride, Inc (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed on August 9, 2023, File No. 001-33883).
4.1	Form of stock certificate of common stock (incorporated by reference to Exhibit 4.1 to the Registrant's Amendment No. 4 to Registration Statement on Form S-1, filed with the SEC on November 8, 2007, File No. 333-144894).
4.2*	Form of Stock Option Agreement under the 2016 Incentive Award Plan (incorporated by reference to Exhibit 4.2 to the Registrant's Annual Report on Form 10-K for the year ended June 30, 2017, filed with the SEC on August 9, 2017, File No. 001-33883).
4.3*	Form of Restricted Stock Award Agreement under the 2016 Incentive Award Plan (incorporated by reference to Exhibit 4.3 to the Registrant's Annual Report on Form 10-K for the year ended June 30, 2017, filed with the SEC on August 9, 2017, File No. 001-33883).
4.4*	K12 Inc. 2016 Incentive Award Plan (incorporated by reference to Exhibit 4.2 to the Registrant's Post-Effective Amendment to Form S-8, filed on March 22, 2017, File No. 333-213033).
4.5*	K12 Inc. 2007 Equity Incentive Award Plan, as amended (incorporated by reference to Appendix A to the Registrant's Definitive Proxy Statement on Schedule 14A, filed on October 28, 2015, File No. 001-33883).
4.6*	Form of Indemnification Agreement for Non-Management Directors and for Officers of K12 Inc. (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, filed with the SEC on November 14, 2008, File No. 001-33883).
4.7*	Form of Director's Indemnification Agreement (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on October 22, 2008, File No. 001-33883).
4.8	Form of Second Amended and Restated Stockholders Agreement (incorporated by reference to Exhibit 4.5 to the Registrant's Registration Statement on Form S-1, filed with the SEC on July 27, 2007, File No. 333-144894).
4.9	Description of Common Stock (incorporated by reference to Exhibit 4.9 to the Registrant's Annual Report on Form 10-K for the year ended June 30, 2019, filed with the SEC on August 7, 2019, File No. 001-33883).
4.10	Indenture, 1.125% Convertible Senior Notes Due 2027, dated as of August 31, 2020, between K12 Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K, filed with the SEC on September 1, 2020, File No. 001-33883).
4.11	Form of Global Note representing the 1.125% Convertible Senior Notes due 2027 (incorporated by reference to Exhibit A to Exhibit 4.1 to the Registrant's Current Report on Form 8-K, filed with the SEC on September 1, 2020, File No. 001-33883).
10.1*	Amendment to Amended and Restated Stock Option Agreement, dated December 23, 2010 (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 2010, filed with the SEC on February 9, 2011, File No. 001-33883).
10.2*	Form of Performance Share Unit Agreement under the 2016 Incentive Award Plan (incorporated by reference to Exhibit 10.8 to the Registrant's Annual Report on Form 10-K for the year ended June 30, 2017, filed with the SEC on August 9, 2017, File No. 001-33883).
10.3*	Form of Performance Share Unit Agreement under the 2007 Equity Incentive Award Plan, as amended (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, filed with the SEC on October 27, 2015, File No. 001-33883).
10.4*	Form of Executive Change in Control Severance Agreement (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed with the SEC on June 11, 2020, File No. 001-33883).
10.5*	Form of Stock Option Agreement under the 2007 Equity Incentive Award Plan, as amended (incorporated by reference to Exhibit 10.18 to the Registrant's Annual Report on Form 10-K for the year ended June 30, 2015, filed with the SEC on August 4, 2015, File No. 001-33883).

Exhibit No.	Description of Exhibit
10.6*	Form of Restricted Stock Award Agreement under the 2007 Equity Incentive Award Plan, as amended (incorporated by reference to Exhibit 10.19 to the Registrant's Annual Report on Form 10-K for the year ended June 30, 2015, filed with the SEC on August 4, 2015, File No. 001-33883).
10.7	Credit Agreement, dated January 27, 2020, by and among K12 Inc., the guarantors party thereto, the lenders party thereto, PNC Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed with the SEC on January 27, 2020, File No. 001-33883).
10.8*	Employment Agreement of Timothy J. Medina, dated April 6, 2020 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed with the SEC on April 8, 2020, File No. 001-33883).
10.9	Form of Capped Call Transaction Confirmation (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed with the SEC on September 1, 2020, File No. 001-33883).
10.10	First Amendment to Credit Agreement, dated August 25, 2020, by and among K12 Inc., the guarantors party thereto, the lenders party thereto, and PNC Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed with the SEC on August 26, 2020, File No. 001-33883).
10.11*	Employment Agreement of James J. Rhyu, dated February 25, 2022 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed with the SEC on February 28, 2022, File No. 001-33883).
10.12*	Employment Transition Agreement between Stride, Inc. and Timothy Medina, dated August 5, 2022 (incorporated by reference to Exhibit 10.20 to the Registrant's Annual Report on Form 10-K for the year ended June 30, 2022, filed with the SEC on August 10, 2022, File No. 001-33883).
10.13*	Stride, Inc. Amended and Restated 2016 Equity Incentive Award Plan (incorporated by reference to Appendix B to the Company's Definitive Proxy Statement on Schedule 14A, filed with the Securities and Exchange Commission on October 26, 2022, File No. 001-33883).
10.14*	Form of Performance Share Unit Agreement under the 2016 Equity Incentive Award Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 2022, filed with the SEC on January 25, 2023, File No. 001-33883).
10.15*	Deferred Compensation Plan for Non-Employee Directors, as amended December 10, 2021
10.16*	Form of 2023 Equity Incentive Plan for each of Stride Enrichment Programs, Inc., Stride eSports, Inc., Stride Learning Hub, Inc., Stride Learning Intelligence, Inc., Stride Online Tutoring, Inc., Stride Professional Development Platform, Inc. and Road2Teach, Inc. (the "Form of Subsidiary Equity Incentive Plan").
10.17*	Form of Restricted Stock Unit Agreement under the Form of Subsidiary Equity Incentive Plan.
19.1	Policy Statement for the Prevention of Insider Trading of Stride, Inc.
21.1	Subsidiaries of K12 Inc.
23.1	Consent of BDO USA, P.A.
24.1	Power of Attorney (included in signature pages).
31.1**	Certification of Principal Executive Officer Required Under Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
31.2**	Certification of Principal Financial Officer Required Under Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
32.1**	Certification of Principal Executive Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350.
32.2**	Certification of Principal Financial Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350.
99.1†	Third Amended and Restated Educational Products and Administrative, and Technology Services Agreement between the Ohio Virtual Academy and K12 Virtual Schools L.L.C., dated July 1, 2017 (incorporated by reference to Exhibit 99.1 to the Registrant's Annual Report on Form 10-K for the year ended June 30, 2017, filed with the SEC on August 9, 2017, File No. 001-33883).
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation
101.LAB	Inline XBRL Taxonomy Extension Labels
101.PRE	Inline XBRL Taxonomy Extension Presentation
101.DEF	Inline XBRL Taxonomy Extension Definition

Exhibit No.	Description of Exhibit
104	The cover page from this Annual Report on Form 10-K, formatted in Inline XBRL (contained in Exhibit 101)

* Denotes management contract or compensation plan, contract or arrangement.

** Furnished herewith.

† Confidential treatment requested with the Securities and Exchange Commission as to certain portions. Confidential materials omitted and filed separately with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934 the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

August 16, 2023

STRIDE, INC.

By: /s/ JAMES J. RHYU

Name: James J. Rhyu

Title: *Chief Executive Officer*

POWER OF ATTORNEY

Know all persons by these presents, that each person whose signature appears below constitutes and appoints James J. Rhyu, Donna M. Blackman and Vincent W. Mathis, and each of them severally, his or her true and lawful attorney-in-fact with power of substitution and resubstitution to sign in his or her name, place and stead, in any and all capacities, to do any and all things and execute any and all instruments that such attorney may deem necessary or advisable under the Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the U.S. Securities and Exchange Commission in connection with the Annual Report on Form 10-K and any and all amendments hereto, as fully for all intents and purposes as he or she might or could do in person, and hereby ratifies and confirms all said

attorneys-in-fact and agents, each acting alone, and his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934 this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ JAMES J. RHYU</u> James J. Rhyu	Chief Executive Officer (Principal Executive Officer) and Director	August 16, 2023
<u>/s/ DONNA M. BLACKMAN</u> Donna M. Blackman	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	August 16, 2023
<u>/s/ CRAIG R. BARRETT</u> Craig R. Barrett	Chair of the Board	August 16, 2023
<u>/s/ AIDA M. ALVAREZ</u> Aida M. Alvarez	Director	August 16, 2023
<u>/s/ ROBERT L. COHEN</u> Robert L. Cohen	Director	August 16, 2023
<u>/s/ STEVEN B. FINK</u> Steven B. Fink	Director	August 16, 2023
<u>/s/ ROBERT E. KNOWLING, JR.</u> Robert E. Knowling, Jr.	Director	August 16, 2023
<u>/s/ ALLISON LAWRENCE</u> Allison Lawrence	Director	August 16, 2023
<u>/s/ LIZA McFADDEN</u> Liza McFadden	Director	August 16, 2023
<u>/s/ RALPH SMITH</u> Ralph Smith	Director	August 16, 2023
<u>/s/ JOSEPH A. VERBRUGGE</u> Joseph A. Verbrugge	Director	August 16, 2023

ADJUSTED OPERATING INCOME, ADJUSTED EBITDA, AND FREE CASH FLOW

Adjusted Operating Income and Adjusted EBITDA for fiscal 2021–2023 are shown excluding these charges, where applicable, to the calculation. A reconciliation of GAAP Net Income to the Adjusted Operating Income, and Adjusted EBITDA presented on page XIII inclusive of the aforementioned charges, is as follows:

(\$ million)	2021	2022	2023
Net Income	71.5	107.1	126.9
Loss (income) from equity method investments	(0.7)	(0.1)	0.3
Tax expense / (benefit)	24.5	40.1	45.4
Net interest expense / (income)	18.0	8.3	8.4
Other (income) / expense, net	(2.8)	1.2	(15.5)
Income from operations	110.5	156.6	165.5
Stock-based compensation expense	39.3	18.6	20.3
Amortization of intangible assets	11.6	13.0	15.2
Adjusted operating income	161.4	188.2	201.0
Depreciation and amortization	78.5	84.9	95.2
Adjusted EBITDA	239.9	273.1	296.2

A reconciliation of GAAP Net Cash Provided by Operating Activities to Free Cash Flow presented on page XIII is as follows:

(\$ million)	2021	2022	2023
Net Cash Provided by Operating Activities	134.2	206.9	203.1
Purchases of property and equipment	(3.6)	(9.7)	(4.3)
Capitalized software development costs	(31.3)	(42.2)	(45.0)
Capitalized curriculum development costs	(17.4)	(15.7)	(17.2)
Free Cash Flow	81.9	139.3	136.6

EXECUTIVE MANAGEMENT

James J. Rhyu
Chief Executive Officer

Donna Blackman
Chief Financial Officer

Dr. Charles “Tony” Bennett
President, Schools

Vincent W. Mathis
Executive Vice President,
General Counsel
and Secretary

Les Ottolenghi
Executive Vice President,
Chief Information and
Technology Officer

Valerie A. Maddy
Senior Vice President,
Chief Human Resources Officer

BOARD OF DIRECTORS

Dr. Craig R. Barrett – Chair
Retired Chairman and CEO,
Intel Corporation

Honorable Aida M. Alvarez
Former Clinton Cabinet Member,
Small Business Administration

Robert L. Cohen
Founding Chief Financial Officer,
2U, Inc.

Steven B. Fink
Co-Chairman,
Heron International

Robert E. Knowling, Jr.
Chairman,
Eagles Landing Partners

Allison Lawrence
President, eCommerce
Stanley Black & Decker

Liza McFadden
President,
Liza & Partners

James J. Rhyu
Chief Executive Officer,
Stride, Inc.

Ralph Smith
Founding Managing Director,
Campaign for Grade-Level Reading

Joseph A. Verbrugge
Chief Commercial Officer,
Sirius XM Holdings Inc.

COMPANY DIRECTORY

TRANSFER AGENT

Computershare
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Canton, MA 02021

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1.781.575.3100 (non-U.S.)

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computershare.com/investor

Email
web.queries@computershare.com

INDEPENDENT AUDITOR

BDO USA, LLP
Bethesda, MD

LEGAL COUNSEL

Latham & Watkins LLP
Washington, DC

STOCK EXCHANGE LISTING

Listed on the New York
Stock Exchange under the
symbol **LRN**

ANNUAL MEETING

**2023 Annual Meeting of Stockholders
of Stride, Inc.** to be held at the law firm
of Latham & Watkins LLP, 555 Eleventh
Street, NW, Suite 1000, Washington, DC
20004-1304, on Thursday, December 7,
2023, at 11:00 a.m., Eastern Time.

INVESTOR INQUIRIES

Timothy Casey
Vice President,
Investor Relations
571.392.2606
tcasey@K12.com

ONLINE INFORMATION

For corporate reports
and company news, visit
stridelearning.com.

Stride

StrideLearning.com

866.968.7512