



Stride Inc. Ticker: LRN	Industry: EDTech	Market Cap: 2.4B Dividend Yield: 0% 52 Week Range: 30.66-55.74	Intrinsic Value: 71.43 Current Price:54.98	TTM P/E: 15.42 Forward P/E: 16.97	Beta: 0.43
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Business Summary: Stride Inc. is an education services company providing virtual and blended learning solutions. Stride's technology-based products and services are designed to help learners of all ages to reach their full potential through expert teaching and personalized learning. Stride's clients are private and public schools, school districts, charter boards, employers, government agencies, and consumers. Stride's products and services are divided into General Education and Career Learning. General Education is focused on teaching core subjects like math, English, science, and history to students K-12. Career Learning helps students enter and succeed in industries like IT, healthcare, and business.

Industry Trends: The educational services industry is a smaller, but strong industry. With an aggregate market cap of 166.53 billion and a 1-year growth rate of 5.63%. Stride Inc. is ranked with a top 20 market cap and a top ten highest full year 2023 revenue.

Investment Thesis: Stride Inc is poised for growth in a growing market with few direct competitors and strong product quality. We believe this stock, trading at market close as of 10/31 at \$54.98, we will see a 29.92% growth.

Competitive Analysis: Stride Inc. strong product and service quality attract a large base of customers ranging from public and private schools to adult customers who want to change careers. With strong support from Stride, graduates go on to working in jobs at top firms like JP Morgan Chase, CVS, Tesla, IBM, and Adobe to list a few. Stride's General Education market allows every student to reach their full educational potential despite their geographical location and socioeconomic background. Stride's solutions also meet students' needs by adding flexibility into learning and addressing safety concerns as well as physical health limitations.

Risk Factors:

- The General Education market may decrease as more students go back to in person schooling in the post pandemic world
- Increasing competition in the EDEdTech industry
- Access to high quality educators

ESG:

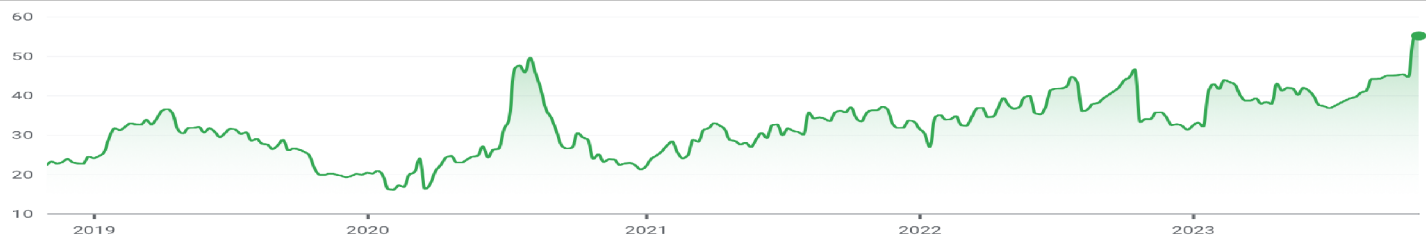
- **Environmental:**
- Materials free, completely online learning options
- Computer and school supply reuse and recycling program
- **Social:**
- Stride aims to closing the skills gap through career learning platforms
 - Going to cost US 2.8 trillion by 2028
- "We Stand Together" platform
 - Initiatives to support racial and socioeconomic equality and inclusion through education

- Over 10M in scholarship commitments

- **Governance:**

- 90% Board independence
- 60% of leadership is women and people of color
- ESG oversight by the BOD
- Increased investments in cybersecurity, enterprise systems, and infrastructure

5-year Stock Performance:





Competitor Analysis:

Ticker	Company Name	Market Data			Financial Data (LTM)			Valuation Metrics			
		Price (\$/Share)	Market Cap (\$B)	EV (\$B)	Sales (\$B)	EBITDA (\$B)	EPS (\$)	EV/Sales x	EV/EBITDA x	P/E x	P/BV x
LRN	Stride Inc.	94.98	2.32	2.49	1.89	0.26	3.59	1.32	9.77	15.23	2.10
BFAM	Bright Horizons Family	74.06	4.27	6.08	2.23	0.35	1.12	2.73	17.37	48.92	3.96
CHGG	Chegg Inc.	7.40	0.86	1.22	0.73	0.11	-0.21	1.66	11.51	4.26	0.93
LAUR	Laureate Education Inc	14.19	2.22	2.73	1.36	0.37	0.61	2.01	7.40	22.21	2.30
STRA	Strategic Education Inc	83.04	2.03	2.07	1.08	0.12	1.53	1.92	17.69	35.86	1.21
PRDO	Perdoceo Education Co	18.08	1.19	0.65	0.73	0.17	1.86	0.89	3.89	8.41	1.47
	Average	48.63	2.15	2.54	1.34	0.23	1.42	1.76	11.27	22.48	2.00
	Median	46.07	2.13	2.28	1.22	0.21	1.33	1.79	10.64	18.72	1.79

DCF:

	\$ in Millions	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total Revenues	\$	1,016.00	1,041.00	1,537.00	1,687.00	1,837.00	2,031.87	2,247.84	2,524.35	2,781.87	2,998.93	3,198.77	3,412.61
% growth		10.7%	2.5%	47.6%	9.8%	8.9%	10.6%	10.6%	12.3%	10.2%	7.8%	6.7%	6.7%
Cost of Revenue	\$	663.00	693.00	1,001.00	1,090.00	1,190.00	1,310.56	1,449.85	1,628.21	1,794.30	1,934.31	2,063.21	2,201.13
% margin		65.3%	66.6%	65.1%	64.6%	64.8%	64.5%	64.5%	64.5%	64.5%	64.5%	64.5%	64.5%
Gross Margin	\$	353.00	348.00	536.00	597.00	647.00	721.32	797.98	896.14	987.56	1,064.62	1,135.56	1,211.48
gross margin %		34.7%	33.4%	34.9%	35.4%	35.2%	35.5%	35.5%	35.5%	35.5%	35.5%	35.5%	35.5%
Operating Expenses	\$	308.00	316.00	426.00	440.00	459.25	528.29	584.44	656.33	723.29	779.72	831.68	887.28
% margin		30.3%	30.4%	27.7%	26.1%	25.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%
EBIT	\$	45.00	32.00	110.00	157.00	165.00	193.03	213.54	239.81	264.28	284.90	303.88	324.20
% margin		4.4%	3.1%	7.2%	9.3%	9.0%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%
Taxes	\$	11.00	9.00	25.00	40.00	45.00	48.26	53.39	59.95	66.07	71.22	75.97	81.05
Tax rate		24.4%	28.1%	22.7%	25.5%	27.3%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Net Income	\$	34.00	23.00	85.00	117.00	120.00	144.77	160.16	179.86	198.21	213.67	227.91	243.15
D&A	\$	71.40	72.09	71.45	97.91	110.54	132.07	146.11	164.08	180.82	194.93	207.92	221.82
% margin		7.0%	6.9%	4.6%	5.8%	6.0%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Repayments on Finance Lease Obligations	\$	(21.03)	(27.68)	(24.32)	(33.01)	(42.96)							
CapEx	\$	(69.44)	(76.09)	(72.73)	(81.42)	(91.37)	(121.91)	(134.87)	(151.46)	(166.91)	(179.94)	(191.93)	(204.76)
% margin		-8.9%	-10.0%	-6.3%	-6.8%	-7.3%	-6.0%	-6.0%	-6.0%	-6.0%	-6.0%	-6.0%	-6.0%
Change in NWC	\$	(15.73)	(75.34)	149.65	93.86	86.20	40.88	40.72	52.19	60.97	42.29	38.90	41.63
% margin		-1.5%	-7.2%	9.7%	5.6%	5%	10.6%	10.6%	12.3%	10.2%	7.8%	6.7%	6.7%
Free Cash Flow	\$	51.69	94.35	(65.92)	39.63	52.97	114.05	130.68	140.29	151.15	186.38	205.01	218.58
FCF Yield		5%	9%	-4%	2%	3%	6%	6%	6%	5%	6%	6%	6%



Key Valuation Assumptions:	
Terminal Year FCF	\$ 218.58
WACC	9.00%
Terminal Value	\$ 3,752.31
PGR	3.00%
PV of Cash Flows	\$ 792.97
PV Terminal Value	\$ 2,237.38
Enterprise Value	\$ 3,030.35
Cash	\$ 453.00
Debt	\$ 412.60
Equity Value	\$ 3,070.75
Shares outstanding	43
Current share price	\$ 54.98
Implied Share Price	\$ 71.43
Margin of Safety	29.92%

Sensitivity Analysis:

		Sensitivity Analysis					
		WACC					
		8.00%	8.50%	9.00%	9.50%	10.00%	
PGR	\$ 71.43						
	2.00%	\$ 74.57	\$ 68.64	\$ 63.56	\$ 59.16	\$ 55.30	
	2.50%	\$ 79.81	\$ 72.98	\$ 67.19	\$ 62.23	\$ 57.93	
	3.00%	\$ 86.10	\$ 78.10	\$ 71.43	\$ 65.78	\$ 60.94	
	3.50%	\$ 93.79	\$ 84.25	\$ 76.44	\$ 69.92	\$ 64.41	
	4.00%	\$ 103.41	\$ 91.76	\$ 82.44	\$ 74.82	\$ 68.46	