



**UNIVERSAL  
TECHNICAL  
INSTITUTE**

# Universal Technical Institute Q3 FY20 Financial Supplement

August 6, 2020

# Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to the safe harbor created by such Act. These statements are based on our management's current beliefs, expectations and assumptions about future events, conditions and results and on information currently available to us. Discussions containing these forward-looking statements may be found, among other places, in the Sections entitled "Business Overview," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" incorporated by reference from our most recent Annual Report on Form 10-K, in our subsequent Quarterly Reports on Form 10-Q and certain of our current reports on Form 8-K,, as well as any amendments thereto, filed with the SEC. This presentation also contains estimates and other statistical data made by independent parties and by us relating to market size and growth and other data about our industry. This data involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. In addition, projections, assumptions and estimates of our future performance and the future performance of the markets in which we operate are necessarily subject to a high degree of uncertainty and risk.

In addition, statements that refer to projections of earnings, revenue, costs or other financial items in future periods; anticipated growth and trends in our business or key markets; cost synergies, growth opportunities and other potential financial and operating benefits; future growth and revenues; future economic conditions and performance; anticipated performance of curriculum; plans, objectives and strategies for future operations; and other characterizations of future events or circumstances, and all other statements that are not statements of historical fact are forward-looking statements within the meaning of the Securities Act and the Exchange Act. Such statements are based on currently available operating, financial and competitive information and are subject to various risks, uncertainties and assumptions that could cause actual results to differ materially from those anticipated or implied in our forward-looking statements due to a number of factors, including, but not limited to, those set forth under the section entitled "Risk Factors" in our filings with the SEC. Factors that might cause such a difference include, but are not limited to macro economic impacts related to the COVID-19 pandemic, changes to federal and state educational funding, changes to regulations or agency interpretation of such regulations affecting the for-profit education industry, possible failure or inability to obtain regulatory consents and certifications for new or modified campuses or instruction, potential increased competition, changes in demand for the programs offered by UTI, increased investment in management and capital resources, the effectiveness of the recruiting, advertising and promotional efforts, changes to interest rates and unemployment, general economic conditions of the company, the adoption of new accounting standards including the new lease accounting guidance. Given these risks, uncertainties and other factors, many of which are beyond our control, you should not place undue reliance on these forward-looking statements. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to revise any forward-looking statements, even if new information becomes available in the future.

# Q3 FY20 Results Show Timing Impacts of COVID-19

\$ Millions	3 Mos. 6/30/20	3 Mos. 6/30/19	YoY Change	6 Mos. 3/31/20	6 Mos. 3/31/19	YoY Change	9 Mos. 6/30/20	9 Mos. 6/30/19	YoY Change
Student start growth (excluding Norwood, MA)	1,824	1,682	8.4%	3,687	3,443	7.1%	5,511	5,125	7.5%
Average population	9,068	9,884	(8.3)%	10,923	10,898	0.2%	10,218	10,562	(3.3)%
Revenue	\$54.5	\$79.0	(31.1)%	\$170.0	\$164.8	3.1%	\$224.4	\$243.8	(8.0)%
Operating expense	\$68.3	\$79.5	(14.1)%	\$166.2	\$177.6	(6.4)%	\$234.5	\$257.1	(8.8)%
Operating (loss) income	\$(13.8)	\$(0.5)	\$(13.3)	\$3.8	\$(12.8)	\$16.6	\$(10.0)	\$(13.2)	\$3.2
Adjusted operating income (loss) <sup>(1)</sup>	\$(12.3)	\$(0.3)	\$(12.1)	\$7.0	\$(7.2)	\$14.2	\$(5.3)	\$(7.5)	\$2.2
Net income (loss)	\$(13.3)	\$(0.3)	\$(12.9)	\$14.8 <sup>(2)</sup>	\$(13.0)	\$27.8	\$1.6 <sup>(2)</sup>	\$(13.3)	\$14.9
Adjusted EBITDA <sup>(1)</sup>	\$(8.8)	\$4.5	\$(13.3)	\$13.1	\$2.1	\$11.0	\$4.3	\$6.6	\$(2.3)
Operating cash flow	\$(21.0)	\$(9.9)	\$(11.1)	\$10.9	\$2.8	\$8.1	\$(10.1)	\$(7.1)	\$(3.0)
Adjusted free cash flow <sup>(1)</sup>	\$(22.9)	\$(10.2)	\$(12.7)	\$6.7	\$3.0	\$3.7	\$(16.2)	\$(7.2)	\$(9.0)
Capital expenditures	\$2.0	\$0.5	\$1.5	\$5.2	\$4.8	\$0.4	\$7.2	\$5.3	\$1.9

Note: See Item 2. Management Discussion and Analysis within the Form 10-Q for the quarterly period ended June 30, 2020 for more information regarding fiscal 2020 third quarter results and impacts related to COVID-19.

<sup>1</sup> For a detailed reconciliation of Non-GAAP measures, see the Appendix

<sup>2</sup> Includes \$10.8M Q2FY20 Income Tax Benefit due to CARES Act

# Statements of Operations Trend

(\$ in thousands, except per share amounts)

	9 Mos. 6/30/20	3 Mos. 6/30/20	3 Mos. 3/31/20	3 Mos. 12/31/19	12 Mos. 9/30/19	3 Mos. 9/30/19	9 Mos. 6/30/19	3 Mos. 6/30/19	3 Mos. 3/31/19	3 Mos. 12/31/18
Revenues	\$224,434	\$54,483	\$82,717	\$87,234	\$331,504	\$87,666	\$243,838	\$79,042	\$81,746	\$83,050
Operating expenses:										
Educational services	118,261	32,476	42,909	42,876	178,317	43,924	\$134,393	42,836	45,822	45,735
SG&A	116,197	35,786	40,307	40,104	160,989	38,304	122,685	36,661	41,504	44,520
Total operating expenses	234,458	68,262	83,216	82,980	339,306	82,228	257,078	79,497	87,326	90,255
Income (loss) from ops.	(10,024)	(13,779)	(499)	4,254	(7,802)	5,438	(13,240)	(455)	(5,580)	(7,205)
Total other income (expense), net	883	532	(163)	514	137	(11)	148	121	406	(379)
Income tax expense (benefit)	(10,699)	21	(10,804)	84	203	(50)	253	31	89	133
Net Income (loss)	\$1,558	\$(13,268)	\$10,142	\$4,684	\$(7,868)	\$5,477	\$(13,345)	\$(365)	\$(5,263)	\$(7,717)
Preferred stock dividends	3,941	1,309	1,309	1,323	5,250	1,323	3,927	1,309	1,295	1,323
Income (loss) available for distribution	\$(2,383)	\$(14,577)	8,833	\$3,361	\$(13,118)	\$4,154	\$(17,272)	\$(1,674)	\$(6,558)	\$(9,040)
Earnings (loss) per share, basic & diluted	\$(0.08)	\$(0.45)	\$0.18	\$0.07	\$(0.52)	\$0.09	\$(0.68)	\$(0.07)	\$(0.26)	\$(0.36)
EBITDA <sup>(1)</sup>	\$(206)	\$(10,204)	\$2,224	\$7,774	\$11,355	\$10,153	\$1,202	\$4,436	\$(319)	\$(2,915)

<sup>1</sup> A reconciling table for EBITDA is available in the Appendix of this presentation

Note: See Item 2. Management Discussion and Analysis within the Form 10-Q for the quarterly period ended June 30, 2020 for more information regarding fiscal 2020 third quarter results and impacts related to COVID-19.

# Results of Operations – Percent of Revenue Trend

	9 Mos. 6/30/20	3 Mos. 6/30/20	3 Mos. 3/31/20	3 Mos. 12/31/19	12Mos. 9/30/19	3 Mos. 9/30/19	9 Mos. 6/30/19	3 Mos. 6/30/19	3 Mos. 3/31/19	3 Mos. 12/31/18
Revenues	<b>100.0%</b>	100.0%	100.0%	100.0%	<b>100.0%</b>	100.0%	<b>100.0%</b>	100.0%	100.0%	100.0%
Operating Expenses:										
Educational services	<b>52.7%</b>	59.6%	51.9%	49.2%	<b>53.8%</b>	50.1%	<b>55.1%</b>	54.2%	56.1%	55.1%
SG&A	<b>51.8%</b>	65.7%	48.7%	46.0%	<b>48.6%</b>	43.7%	<b>50.3%</b>	46.4%	50.8%	53.6%
Total operating expenses	<b>104.5%</b>	125.3%	100.6%	95.1%	<b>102.4%</b>	93.8%	<b>105.4%</b>	100.6%	106.8%	108.7%
Income (loss) from ops	<b>(4.5)%</b>	(25.3)%	(0.6)%	4.9%	<b>(2.4)%</b>	6.2%	<b>(5.4)%</b>	(0.6)%	(6.8)%	(8.7)%
Total other income (expense), net	<b>0.4%</b>	1.0%	(0.2)%	0.6%	<b>0.0%</b>	0.0%	<b>0.1%</b>	0.2%	0.5%	(0.5)%
Income tax expense (benefit)	<b>4.8%</b>	0.0%	13.1%	(0.1)%	<b>(0.1)%</b>	0.1%	<b>(0.1)%</b>	0.0%	(0.1)%	0.2%
Net Income (loss)	<b>0.7%</b>	(24.4)%	12.3%	5.4%	<b>(2.4)%</b>	6.2%	<b>(5.5)%</b>	(0.5)%	(6.4)%	(9.3)%
Preferred stock dividends	<b>1.8%</b>	2.4%	1.6%	1.5%	<b>1.6%</b>	1.5%	<b>1.6%</b>	1.7%	1.6%	1.6%
(Loss) income available for distribution	<b>(1.1)%</b>	(26.8)%	10.7%	3.9%	<b>(4.0)%</b>	4.7%	<b>(7.1)%</b>	(2.1)%	(8.0)%	(10.9)%

Note: See Item 2. Management Discussion and Analysis within the Form 10-Q for the quarterly period ended June 30, 2020 for more information regarding fiscal 2020 third quarter results and impacts related to COVID-19.

# Results of Operations – Education Services and SG&A

	3 Mos. 6/30/20	% of Revenue	3 Mos. 6/30/19	% of Revenue	9 Mos. 6/30/20	% of Revenue	9 Mos. 6/30/19	% of Revenue
<b>EDUCATIONAL SERVICES AND FACILITIES EXPENSES:</b>								
Compensation and related costs	\$ 19,037	34.9%	\$ 22,903	29.0%	63,903	28.5%	\$ 71,982	29.5%
Depreciation and amortization expense	3,082	5.7%	3,869	4.9%	9,087	4.0%	11,613	4.8%
Occupancy Costs	9,323	17.1%	8,661	11.0%	28,674	12.8%	26,510	10.9%
Other educational services and facilities expense	(2,237)	-4.1%	2,834	3.6%	4,033	1.8%	9,351	3.8%
Contract service expense	523	1.0%	725	0.9%	2,123	0.9%	2,779	1.1%
Student expense	478	0.9%	532	0.7%	1,979	0.9%	1,792	0.7%
Taxes and licensing expense	647	1.2%	904	1.1%	1,952	0.9%	2,766	1.1%
Supplies and maintenance expense	1,623	3.0%	2,408	3.0%	6,510	2.9%	7,600	3.1%
<b>Total</b>	<b>\$ 32,476</b>	<b>59.6%</b>	<b>\$ 42,836</b>	<b>54.2%</b>	<b>\$ 118,261</b>	<b>52.7%</b>	<b>\$ 134,393</b>	<b>55.1%</b>
<b>SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES:</b>								
Compensation and related costs	21,352	39.2%	19,940	25.2%	64,901	28.9%	63,218	25.9%
Advertising costs	9,045	16.6%	9,484	12.0%	30,062	13.4%	31,415	12.9%
Contract service expense	868	1.6%	878	1.1%	3,170	1.4%	7,362	3.0%
Depreciation and amortization expense	177	0.3%	362	0.5%	744	0.3%	1,111	0.5%
Professional services expense	942	1.7%	1,194	1.5%	2,965	1.3%	3,839	1.6%
Other selling general and administrative expense	3,402	6.2%	4,803	6.1%	14,355	6.4%	15,740	6.5%
<b>Total</b>	<b>35,786</b>	<b>65.7%</b>	<b>36,661</b>	<b>46.4%</b>	<b>116,197</b>	<b>51.8%</b>	<b>122,685</b>	<b>50.3%</b>
<b>COMPENSATION AND RELATED COST SUMMARY:</b>								
Salaries expense	29,577	54.3%	32,705	41.4%	96,785	43.1%	103,145	42.3%
Employee benefit and tax	5,482	10.1%	7,735	9.8%	18,161	8.1%	23,213	9.5%
Bonus expense	4,777	8.8%	2,234	2.8%	12,298	5.5%	7,311	3.0%
Stock based compensation	553	1.0%	169	0.2%	1,560	0.7%	1,531	0.6%
<b>Total Compensation and related costs:</b>	<b>40,389</b>	<b>74.1%</b>	<b>42,843</b>	<b>54.2%</b>	<b>128,804</b>	<b>57.4%</b>	<b>135,200</b>	<b>55.4%</b>

Note: See the "Educational services and facilities expenses" and "Selling, general and administrative expenses" sections of Item 2. Management Discussion and Analysis within the Form 10-Q for the quarterly period ended June 30, 2020 for information regarding credits recorded for eligible expenses related to changes to the delivery of instruction due to the coronavirus.

# Results of Operations - Education Services and SG&A

## Trend

	3 Mos. 6/30/20	3 Mos. 6/30/19	6 Mos. 3/31/20	6 Mos. 3/31/19	9 Mos. 6/30/20	9 Mos. 6/30/19
<b>EDUCATIONAL SERVICES AND FACILITIES EXPENSES:</b>						
Compensation and related costs	\$ 19,037	\$ 22,903	\$ 44,866	\$ 49,079	63,903	\$ 71,982
Depreciation and amortization expense	3,082	3,869	6,005	7,744	9,087	11,613
Occupancy Costs	9,323	8,661	19,351	17,849	28,674	26,510
Other educational services and facilities expense	(2,237)	2,834	6,270	6,517	4,033	9,351
Contract service expense	523	725	1,600	2,054	2,123	2,779
Student expense	478	532	1,501	1,260	1,979	1,792
Taxes and licensing expense	647	904	1,305	1,862	1,952	2,766
Supplies and maintenance expense	1,623	2,408	4,887	5,192	6,510	7,600
<b>Total</b>	<b>\$ 32,476</b>	<b>\$ 42,836</b>	<b>\$ 85,785</b>	<b>\$ 91,557</b>	<b>\$ 118,261</b>	<b>\$ 134,393</b>
<b>SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES:</b>						
Compensation and related costs	21,352	19,940	43,549	43,278	64,901	63,218
Advertising costs	9,045	9,484	21,017	21,931	30,062	31,415
Contract service expense	868	878	2,302	6,484	3,170	7,362
Depreciation and amortization expense	177	362	567	749	744	1,111
Professional services expense	942	1,194	2,023	2,645	2,965	3,839
Other selling general and administrative expense	3,402	4,803	10,953	10,937	14,355	15,740
<b>Total</b>	<b>35,786</b>	<b>36,661</b>	<b>80,411</b>	<b>86,024</b>	<b>116,197</b>	<b>122,685</b>
<b>COMPENSATION AND RELATED COST SUMMARY:</b>						
Salaries expense	29,577	32,705	67,208	70,440	96,785	103,145
Employee benefit and tax	5,482	7,735	12,679	15,478	18,161	23,213
Bonus expense	4,777	2,234	7,521	5,077	12,298	7,311
Stock based compensation	553	169	1,007	1,362	1,560	1,531
<b>Total Compensation and related costs:</b>	<b>40,389</b>	<b>42,843</b>	<b>88,415</b>	<b>92,357</b>	<b>128,804</b>	<b>135,200</b>

Note: See the "Educational services and facilities expenses" and "Selling, general and administrative expenses" sections of Item 2. Management Discussion and Analysis within the Form 10-Q for the quarterly period ended June 30, 2020 for information regarding credits recorded for eligible expenses related to changes to the delivery of instruction due to the coronavirus.

# Quarterly Trend – Key Metrics

Reflects COVID-19  
timing/other impacts

(\$ in millions, except for student data)	3 Mos. 6/30/20	3 Mos. 3/31/20	3 Mos. 12/31/19	3 Mos. 9/30/19	3 Mos. 6/30/19	3 Mos. 3/31/19	3 Mos. 12/31/18	3 Mos. 9/30/18	3 Mos. 6/30/18
Adjusted new student starts <sup>1</sup>	1,824	2,093	1,594	6,437	1,682	1,963	1,480	5,829	1,503
Y/Y growth/(decline)	8.4%	6.6%	7.7%	10.4%	11.9%	11.0%	16.9%	9.0%	(13.0)%
Average enrollment	9,068	10,246	11,600	10,933	9,884	10,576	11,225	10,496	9,484
Y/Y growth/(decline)	(8.3)%	(3.10)%	3.30%	4.20%	4.20%	1.80%	(0.30)%	(-2.10)%	(5.10)%
Revenues	\$54.5	\$82.7	\$87.2	\$87.7	\$79.0	\$81.7	\$83.1	\$80.3	\$74.9
Y/Y growth/(decline)	(31.1)%	1.2%	5.0%	9.2%	5.5%	1.3%	2.3%	(1.2)%	(1.8)%
Income (loss) from operations	(\$13.8)	(\$0.5)	\$4.30	\$5.40	(\$0.5)	(\$5.6)	(\$7.2)	(\$11.1)	(\$11.8)
Margin	(25.3)%	(0.1)%	4.9%	6.2%	(0.6)%	(6.9)%	(8.7)%	(13.8)%	(15.7)%
Revenue per student	\$6,000	\$8,100	\$7,500	\$8,000	\$8,000	\$7,700	\$7,400	\$7,600	\$7,900
Adjusted EBITDA <sup>2</sup>	(\$8.8)	\$3.1	\$10.10	\$10.4	\$4.5	\$0.8	\$1.4	(\$4.1)	(\$4.0)
Margin	(16.2)%	3.8%	11.6%	11.9%	5.7%	1.0%	1.7%	(5.1)%	(5.3)%
Net income (loss)	(\$13.3)	\$10.1 <sup>(3)</sup>	\$4.70	\$5.5	(\$0.4)	(\$5.3)	(\$7.7)	(\$11.0)	(\$11.7)
Cash & Investments <sup>3</sup>	\$91.5	\$118.1 <sup>(4)</sup>	\$70.5	\$65.4	\$42.7	\$52.9	\$58.6	\$58.1	\$56.0

Seasonal cash consumption  
in Q2 and Q3

<sup>1</sup> New student starts exclude Norwood, MA campus which closed in July 2020.

<sup>2</sup> A reconciling table for Adjusted EBITDA is available in the Appendix of this presentation

<sup>3</sup> Reflects \$10.8M Income Tax Benefit related to CARES Act

<sup>4</sup> Includes \$49.5M of net proceeds from primary equity offering in February 2020

# Quarterly Trend - New Student Starts By Channel

	3 Mos. 6/30/20	3 Mos. 3/31/20	3 Mos. 12/31/19	3 Mos. 9/30/19	3 Mos. 6/30/19	3 Mos. 3/31/19	3 Mos. 12/31/18	3 Mos. 9/30/18	3 Mos. 6/30/18
<b>Total</b> New Student Starts <sup>1</sup>	1,824	2,093	1,594	6,437	1,682	1,963	1,480	5,829	1,503
Y/Y growth/(decline)	8.4%	6.6%	7.7%	10.4%	11.9%	11.0%	16.9%	9.0%	(13.0)%
<b>High School</b> New Student Starts <sup>1</sup>	637	614	456	4,629	482	563	387	4,137	401
Y/Y growth/(decline)	32.2%	9.1%	17.8%	11.9%	20.2%	36.0%	33.0%	14.0%	(10.1)%
<b>Adult</b> New Student Starts <sup>1</sup>	837	1,192	917	1,500	996	1,163	861	1,436	879
Y/Y growth/(decline)	(16.0)%	2.5%	6.5%	4.5%	13.3%	4.7%	9.5%	0.6%	(17.6)%
<b>Military</b> New Student Starts <sup>1</sup>	350	287	221	308	204	237	232	256	223
Y/Y growth/(decline)	71.6%	21.1%	(4.7)%	20.3%	(8.5)%	(2.5)%	22.8%	(12.3)%	3.7%

<sup>1</sup>New student starts exclude Norwood, MA campus which closed in July 2020.

# Balance Sheet and Cash Flow Summary

(\$ in thousands)

At:	6/30/20	9/30/19		3 Mos. 6/30/20	9 Mos. 6/30/20	3 Mos. 6/30/19	9 Mos. 6/30/19
Cash & cash equivalents	\$ 59,956	\$ 65,442	Net cash provided by (used in) operating activities	(21,014)	(10,117)	(9,932)	(7,124)
Restricted cash*	19,205	15,113	Purchase of property and equipment	(2,026)	(7,190)	(519)	(5,301)
Held-to-maturity investments	31,578	-	Purchase of held-to-maturity securities	-	(41,562)	-	-
Current assets**	170,200	118,104	Net cash used in investing activities	9,365	(37,187)	(452)	(5,093)
PP&E (net)**	72,592	104,126	Proceeds from equity offering	-	49,137	-	-
Right of Use assets for operating leases**	133,539	-	Net cash provided by/(used in) financing activities	(31)	45,910	(337)	(3,719)
<b>Total assets</b>	<b>\$421,583</b>	<b>\$ 270,526</b>	Change in cash and restricted cash	(11,680)	(1,394)	(10,721)	(15,936)
Operating lease liability – current**	24,930	-	Ending balance of cash and restricted cash	79,161	79,161	56,223	56,223
Current liabilities**	120,807	96,844					
Operating lease liability – LT**	121,944	-					
Total liabilities**	250,601	156,238					
Stockholders' equity**	170,982	114,288					
<b>Total liabilities &amp; equity</b>	<b>\$ 421,583</b>	<b>\$ 270,526</b>					

• *Restricted cash includes the funds transferred in advance of loan purchases under UTI's proprietary loan program, certain funds held for students from Title IV financial aid programs and funds held as collateral for certain of the surety bonds. Also includes undistributed portion of student emergency financial aid grant funds associated with CARES Act Higher Education Emergency Relief Funds.*

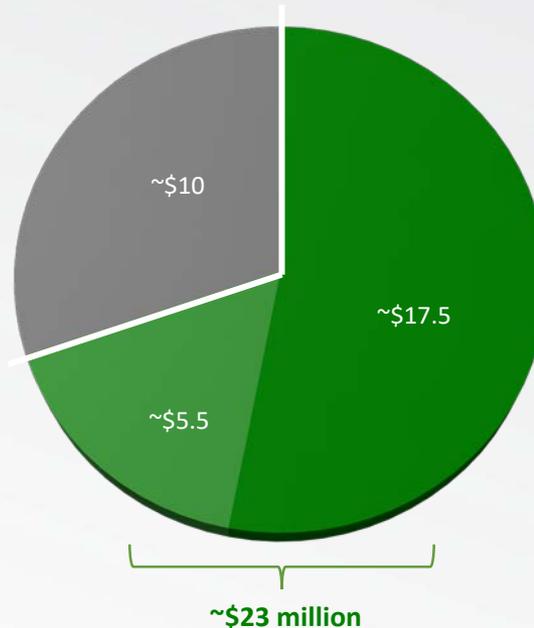
\*\* *Impacted by implementation of ASC 842; see slide 31 for details*

# UTI CARES Funds Uses

UTI is using its Higher Education Emergency Relief Fund (HEERF) allocation to support students and provide them a safe, quality education.

CARES Act HEERF funding is helping our students stay in school, continue their educations and move toward graduation and career success in transportation and the skilled trades. An estimated **70 percent** of UTI’s HEERF allocation will go directly to students in the form of cash grants and technology.

UTI CARES Act HEERF Funding Allocation  
*In millions*



**Safe, quality education for our students (~30%)**

**Transition to a blended learning model**

Investments in IT, online courses, and facilities to train students in a CDC-compliant environment and ensure the online education experience meets our high standards.

**Upgrading the online experience**

Enhancements and adjustments to ensure our curriculum effectively serves students in a digital environment.

**Direct support to our students (~70%)**

**Emergency student grants – 53%**

Direct grants used to cover eligible expenses and help students facing financial difficulties make ends meet and stay in school.

**Student laptops – 17%**

Technology to enable students to more effectively access online education. Graduates keep their laptops and can use them in their careers.

# Use of Non-GAAP Financial Information

This presentation contains non-GAAP (Generally Accepted Accounting Principles) financial measures, which are intended to supplement, but not substitute for, the most directly comparable GAAP measures. Management chooses to disclose to investors these non-GAAP financial measures because they provide an additional analytical tool to clarify the results from operations and help to identify underlying trends. Additionally, such measures help compare the company's performance on a consistent basis across time periods. Management defines EBITDA as net income (loss) before interest expense, interest income, income taxes, depreciation, amortization. Management defines adjusted EBITDA as net income (loss) before interest expense, interest income, income taxes, depreciation, amortization and adjusted for items not considered as part of the company's normal recurring operations. Management defines adjusted operating income (loss) as income (loss) from operations, adjusted for items that affect trends in underlying performance from year to year and are not considered normal recurring cash operating expenses. Management defines adjusted free cash flow as net cash provided by (used in) operating activities less capital expenditures, adjusted for items not considered as part of the company's normal recurring operations. Management chooses to disclose any campus adjustments as direct costs (net of any corporate allocations). Management utilizes adjusted figures as performance measures internally for operating decisions, strategic planning, annual budgeting and forecasting. For the periods presented, this includes consulting fees incurred as part of the company's transformation initiative, severance costs related to our CEO transition, start up costs related to the Bloomfield, NJ campus, and the teachout and closure of the Norwood, MA campus.. To obtain a complete understanding of the company's performance, these measures should be examined in connection with net income (loss), operating income (loss) and net cash provided by (used in) operating activities, determined in accordance with GAAP, as presented in the financial statements and notes thereto included in the annual and quarterly filings with the Securities and Exchange Commission. Since the items excluded from these measures are significant components in understanding and assessing financial performance under GAAP, these measures should not be considered to be an alternative to net income (loss), operating income (loss) or net cash provided by (used in) operating activities as a measure of the company's operating performance or liquidity. Exclusion of items in the non-GAAP presentation should not be construed as an inference that these items are unusual, infrequent or non-recurring. Other companies, including other companies in the education industry, may calculate non-GAAP financial measures differently than UTI does, limiting their usefulness as a comparative measure across companies. A reconciliation of the historical non-GAAP financial measures to the most directly comparable GAAP measures is included in the following slides.

Information reconciling forward-looking adjusted EBITDA, adjusted operating income and adjusted free cash flow to the most directly comparable GAAP financial measure is unavailable to the company without unreasonable effort. The company is not able to provide a quantitative reconciliation of adjusted EBITDA, adjusted operating income or adjusted free cash flow to the most directly comparable GAAP financial measure because certain items required for such reconciliation are uncertain, outside of the company's control and/or cannot be reasonably predicted, including but not limited to the provision for (benefit from) income taxes. Preparation of such reconciliation would require a forward-looking statement of income and statement of cash flows prepared in accordance with GAAP, and such forward-looking financial statements are unavailable to the company without unreasonable effort.

# Adjusted Operating Income (Loss) Trend

(\$ in thousands)

	9 Mos. 6/30/20	3 Mos. 6/30/20	3 Mos. 3/31/20	3 Mos. 12/31/19	12 Mos. 9/30/19	3 Mos. 9/30/19	9 Mos. 6/30/19	3 Mos. 6/30/19	3 Mos. 3/31/19	3 Mos. 12/31/18
Income (loss) from operations, as reported	\$(10,024)	\$(13,779)	\$(499)	\$4,254	\$(7,802)	\$5,438	\$(13,240)	\$(455)	\$(5,580)	\$7,205
Non-recurring consulting fees for transformation initiative <sup>(1)</sup>	–	–	–	–	4,224	–	4,224	–	–	4,224
Severance expense due to CEO transition <sup>(2)</sup>	1,531	–	–	1,531	–	–	–	–	–	–
Start-up costs associated with Bloomfield, NJ campus opening <sup>(3)</sup>	–	–	–	–	–	–	–	–	–	–
Net restructuring charge for Norwood, MA campus exit <sup>(4)</sup>	–	–	–	–	1,433	48	1,385	136	1,250	–
Norwood, MA campus operating loss <sup>(4)</sup>	<u>3,169</u>	<u>1,430</u>	<u>983</u>	<u>756</u>	<u>419</u>	<u>266</u>	<u>153</u>	<u>27</u>	<u>81</u>	<u>45</u>
<b>Adjusted income (loss) from operations, non-GAAP</b>	<b><u>\$(5,324)</u></b>	<b><u>\$(12,349)</u></b>	<b><u>\$484</u></b>	<b><u>\$6,541</u></b>	<b><u>\$(1,726)</u></b>	<b><u>\$5,752</u></b>	<b><u>\$(7,478)</u></b>	<b><u>\$(292)</u></b>	<b><u>\$(4,249)</u></b>	<b><u>\$(2,936)</u></b>

(1) In October 2018, we terminated our agreement with the consultant and paid a termination fee of \$3.95 million related to our transformation plan. The consulting services covered marketing, admissions, future student processing, retention and cost savings initiatives.

(2) On October 21, 2019, we announced the retirement of our President and Chief Executive Officer, Kimberly J. McWaters, effective October 31, 2019. During the three and six months ended March 31, 2020, we paid cash of \$0.1 million and \$1.1 million, respectively, and incurred a total charge of \$1.5 million during the 3 months ended 12/31/19, in accordance with Ms. McWaters' Retirement Agreement and Release of Claims, dated October 31, 2019.

(3) The Bloomfield, NJ campus opened in August 2018. The results for the quarter and the year ended 9/30/18 reflect preopening costs through the end of July 2018.

(4) Norwood, MA teach-out was completed July 31, 2020

# EBITDA Reconciliation Trend

(\$ in thousands)

	9 Mos. 6/30/20	3 Mos. 6/30/20	3 Mos. 3/31/20	3 Mos. 12/31/19	12 Mos. 9/30/19	3 Mos. 9/30/19	9 Mos. 6/30/19	3 Mos. 6/30/19	3 Mos. 3/31/19	3 Mos. 12/31/18
Net income (loss), as reported	\$1,558	\$(13,268)	\$10,142	\$4,684	\$(7,868)	\$5,477	\$(13,345)	\$(365)	\$(5,263)	\$(7,717)
Interest expense, net	(896)	(216)	(344)	(336)	1,729	458	1,271	444	416	411
Income tax expense (benefit)	(10,699)	21	(10,804)	84	203	(50)	253	31	89	133
Depreciation and amortization	<u>9,831</u>	<u>3,259</u>	<u>3,230</u>	<u>3,342</u>	<u>17,291</u>	<u>4,268</u>	<u>13,023</u>	<u>4,326</u>	<u>4,439</u>	<u>4,258</u>
<b>EBITDA</b>	<b><u>\$ (206)</u></b>	<b><u>\$(10,204)</u></b>	<b><u>\$2,224</u></b>	<b><u>\$7,774</u></b>	<b><u>\$11,355</u></b>	<b><u>\$10,153</u></b>	<b><u>\$1,202</u></b>	<b><u>\$4,436</u></b>	<b><u>\$(319)</u></b>	<b><u>\$(2,915)</u></b>

# Adjusted EBITDA Reconciliation Trend

(\$ in thousands)

	9 Mos. 6/30/20	3 Mos. 6/30/20	3 Mos. 3/31/20	3 Mos. 12/31/19	12 Mos. 9/30/19	3 Mos. 9/30/19	9 Mos. 6/30/19	3 Mos. 6/30/19	3 Mos. 3/31/19	3 Mos. 12/31/18
EBITDA	\$(206)	\$(10,204)	\$2,224	\$7,774	\$11,355	\$10,153	\$1,202	\$4,436	\$(319)	\$(2,915)
Non-recurring consulting fees for transformation initiative <sup>(1)</sup>	-	-	-	-	4,224	-	4,224	-	-	4,224
Severance Expense on Executives transition <sup>(2)</sup>	1,531	-	-	1,531	-	-	-	-	-	-
Start-up costs associated with Bloomfield, NJ campus opening <sup>(3)</sup>	-	-	-	-	-	-	-	-	-	-
Net restructuring charge for Norwood, MA campus exit <sup>(4)</sup>	-	-	-	-	1,433	48	1,385	136	1,250	-
Norwood, MA Campus EBITDA <sup>(4)</sup>	<u>2,939</u>	<u>1,356</u>	<u>906</u>	<u>756</u>	<u>(51)</u>	<u>154</u>	<u>(205)</u>	<u>(83)</u>	<u>(112)</u>	<u>(9)</u>
<b>Adjusted EBITDA, non-GAAP</b>	<b>\$4,264</b>	<b>\$(8,848)</b>	<b>\$3,130</b>	<b>\$10,061</b>	<b>\$16,961</b>	<b>\$10,355</b>	<b>\$6,606</b>	<b>\$4,489</b>	<b>\$819</b>	<b>\$1,300</b>

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(2) On October 21, 2019, we announced the retirement of our President and Chief Executive Officer, Kimberly J. McWaters, effective October 31, 2019. During the three and six months ended March 31, 2020, we paid cash of \$0.1 million and \$1.1 million, respectively, and incurred a total charge of \$1.5 million during the 3 months ended 12/31/19, in accordance with Ms. McWaters' Retirement Agreement and Release of Claims, dated October 31, 2019.

(3) The Bloomfield, NJ campus opened in August 2018. The results for the quarter and the year ended 9/30/18 reflect preopening costs through the end of July 2018.

(4) Norwood, MA teach-out was completed July 31, 2020.

# Adjusted Free Cash Flow Trend

(\$ in thousands)

	3 Mos. 6/30/20	3 Mos. 6/30/19	9 Mos. 6/30/20	9 Mos. 6/30/19	12 Mos. 9/30/19	12 Mos. 9/30/18	3 Mos. 12/31/18
Cash flow provided by (used in) operating activities, as reported	\$ (21,014)	\$(9,932)	\$ (10,117)	\$ (7,124)	\$ 21,746	\$ (13,353)	\$ 4,410
Purchase of property and equipment	(2,026)	(519)	(7,190)	(5,301)	(6,453)	(20,606)	(2,779)
Severance payment due to CEO transition <sup>(1)</sup>	-	-	1,078	-	-	-	-
Non-recurring consulting fees for transformation initiative <sup>(2)</sup>	-	-	-	3,950	3,950	6,050	3,950
Cash outflow/(inflow) associated with Bloomfield, NJ campus opening <sup>(3)</sup>	-	-	-	-	-	14,761	-
Cash outflow associated with Norwood, MA restructuring <sup>(4)</sup>	-	304	-	1,308	1,362	-	-
Free cash flow used in (provided by) Norwood, MA campus operations <sup>(4)</sup>	<u>138</u>	<u>(89)</u>	<u>31</u>	<u>(47)</u>	<u>104</u>	<u>(149)</u>	<u>11</u>
<b>Adjusted free cash flow, non-GAAP</b>	<b>\$ (22,902)</b>	<b>\$ (10,236)</b>	<b>\$ (16,198)</b>	<b>\$ (7,214)</b>	<b>\$ 20,709</b>	<b>\$ (13,297)</b>	<b>\$ 5,592</b>

- (1) On October 21, 2019, we announced the retirement of our President and Chief Executive Officer, Kimberly J. McWaters, effective October 31, 2019. During the three and six months ended March 31, 2020, we paid cash of \$0.1 million and \$1.1 million, respectively, in accordance with Ms. McWaters' Retirement Agreement and Release of Claims, dated October 31, 2019.
- (2) In October 2018, we terminated our agreement with the consultant and paid a termination fee of \$3.95 million related to our transformation plan. The consulting services covered marketing, admissions, future student processing, retention and cost savings initiatives. We determined that the Company has developed sufficient expertise to execute transformation plan efforts internally.
- (3) The Bloomfield, NJ campus opened in August 2018. The results for the quarter and the year ended 9/30/18 reflect preopening costs through the end of July 2018.
- (4) Norwood, MA teach-out was completed July 31, 2020.



# APPENDIX

# COVID 19 Aid, Relief, and Economic Security (CARES) Act

## HIGHER EDUCATION EMERGENCY RELIEF FUNDS (HEERF)

- The HEERF funding allocation by the Department of Education (ED) is as follows:

School	Total Allocation	Minimum Allocation to be Awarded for Emergency Financial Aid to Students	Remaining Funds
Universal Technical Institute - Avondale	\$14,950,305	\$7,475,153	\$7,475,152
Universal Technical Institute – MMI Phoenix	\$9,330,780	\$4,665,390	\$4,665,390
Universal Technical Institute - Houston	\$8,848,799	\$4,424,400	\$4,424,399
Total	\$33,129,884	\$16,564,943	\$16,564,941

- The link to the ED CARES Act and HEERF website is as follows:
  - <https://www2.ed.gov/about/offices/list/ope/caresact.html>
- At least **50%** of these funds must be used for **emergency financial aid grants for students**
  - Grant amounts are being determined using a need based methodology driven by campus proximity and expected family financial contribution (EFC)
  - Active and LOA students that complete an attestation and meet ED eligibility requirements will receive funds via check
- The remaining **50%** can be used by institutions to cover any **costs associated with significant changes to the delivery of instruction due to COVID-19** (excluding expenses associated with marketing, admissions, pre-enrollment or capital outlay for facilities)
  - Eligible costs could include the cost to develop and implement our online learning curriculum and platform, as well as costs to re-introduce students into the modified lab format
  - No quantification available currently as we are awaiting further guidance from ED



# COVID 19 Aid, Relief, and Economic Security (CARES) Act

## Tax Provisions and Impacts

### **NOL Utilization Rules Impact to UTI**

- For the 9 months ended June 30, 2020, we have recorded an income tax benefit of \$11.3M related to NOL
  - \$4.2M related to 2018 fiscal year losses that were carried back to 2017
  - \$7.1M related to 2019 fiscal year losses that will be carried back to 2015 and 2014
  - Applications for \$4.2M in tax refunds have been filed and refunds are pending
  - Applications for the remaining \$7.1M in tax refunds will be submitted over the next several months

### **Payroll Tax Deferral Impact to UTI**

- The provision allows employers to defer payment of the employer share of the Social Security tax. The provision requires that the deferred employment tax be paid over the following two years, with half of the amount required to be paid by December 31, 2021 and the other half by December 31, 2022.
- UTI is utilizing this provision which will increase cash by ~\$1.5-\$2M/quarter from Q3 FY20 through Q1 FY21

### **Employee Retention Credit (ERC) Impact to UTI**

- The ERC is a fully refundable tax credit for employers equal to 50 percent of qualified wages (including allocable qualified health plan expenses) that Eligible Employers pay their employees. The ERC applies to qualified wages paid after March 12, 2020, and before January 1, 2021.
- The maximum amount of qualified wages taken into account with respect to each employee for all calendar quarters is \$10,000, so that the maximum credit for qualified wages paid to any employee is \$5,000.
- IRS issued significantly enhanced guidelines on April 29, 2020 and June 19, 2020
- Primarily recognizing credits for benefit costs associated with furloughed employees and other qualifying wages
  - ~\$300k benefit recorded in Q3 FY20



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