



unleash the xPotential

K12 Inc.
February 2011

Forward Looking Statements



The use of words such as “may”, “might”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “project”, “intend”, “future”, “potential” or “continue”, and other similar expressions are intended to identify forward-looking statements.

All of these forward-looking statements are based on estimates and assumptions by our management that, although we believe to be reasonable, are inherently uncertain. Forward-looking statements involve risks and uncertainties, including, but not limited to, economic, competitive, governmental and technological factors outside of our control, that may cause our business, industry, strategy or actual results to differ materially from the forward-looking statements.

These risks and uncertainties may include those discussed in the Company’s filings with the Securities and Exchange Commission, and other factors which may not be known to us. Any forward-looking statement speaks only as of its date. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

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K12 Opportunity



- ▶ A High Growth Company with Strong Organic Growth
 - Grew from \$0 to over \$500M in 10 years
 - Q2 FY11 (Dec 10) growth of 38% driven by 26% organic growth
- ▶ Scaling business drives high EBITDA growth
 - Grew by 72% over last 3 years (CAGR)
 - High growth for foreseeable future
- ▶ Strong core competencies and high investment create barrier to entry and opportunities to enter related businesses
 - Over \$200 million invested in curriculum and technology platform
- ▶ Institutional business and private school business are now significant and growing rapidly

Refer to appendix for EBITDA reconciliation.

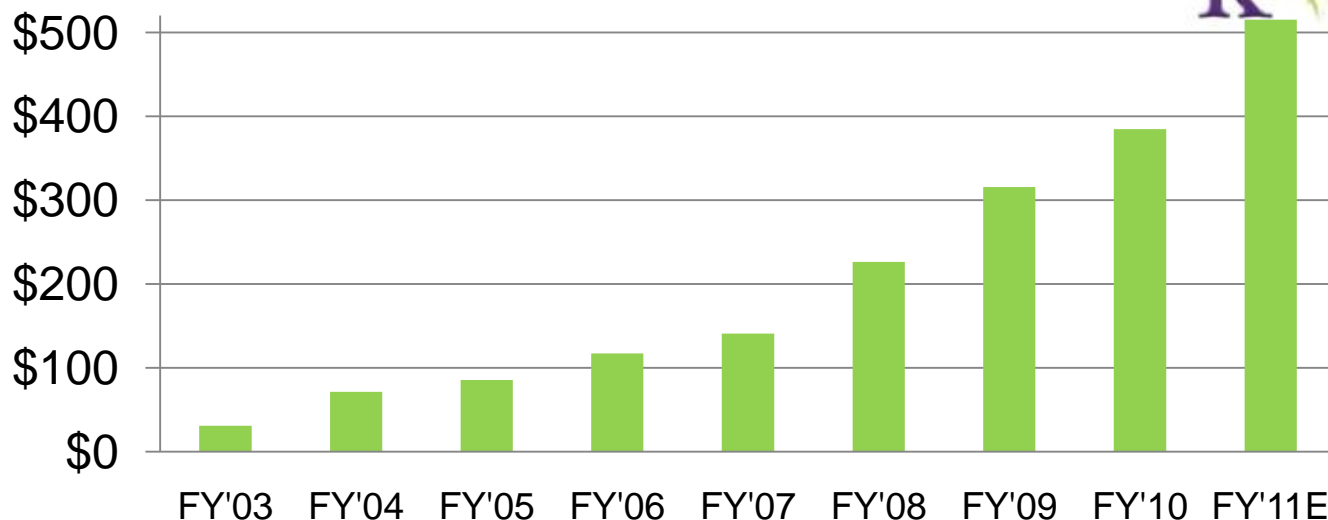
Outlook from February 9, 2011 Earnings Call / Press Release

Consistent Revenue and EBITDA Growth



(\$ in millions)

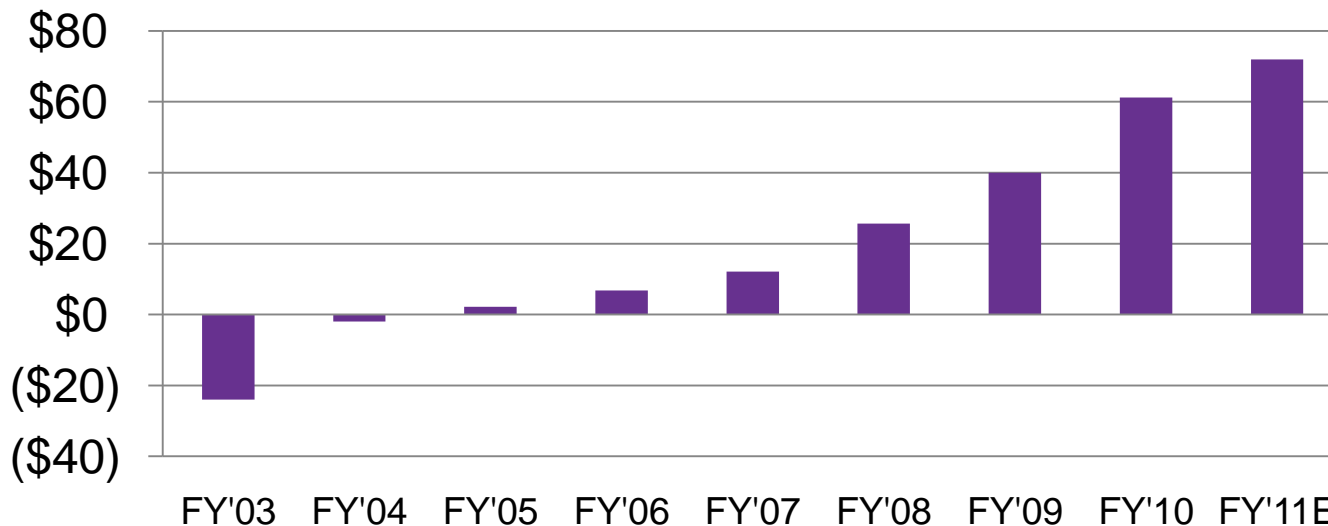
Revenue



EBITDA

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Refer to appendix for EBITDA reconciliation.

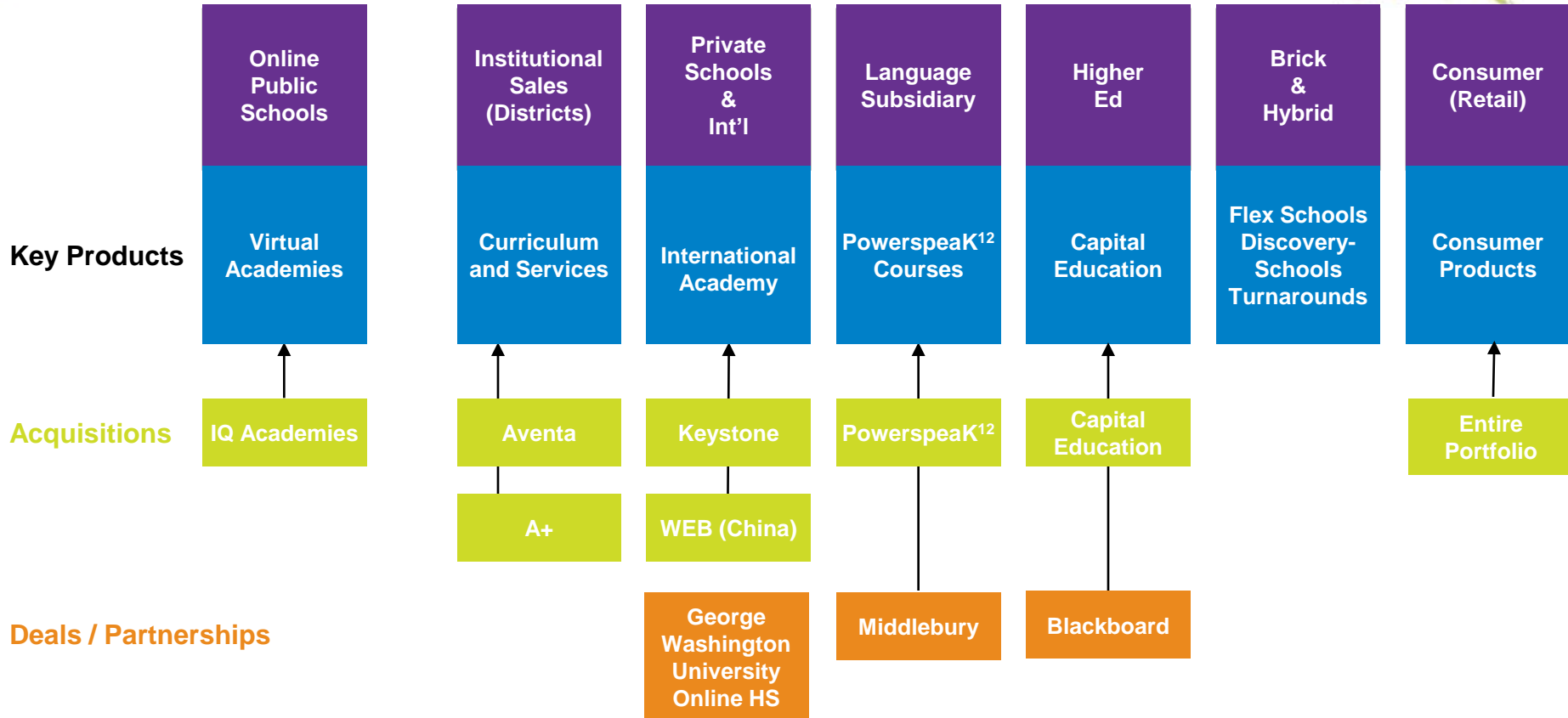


K¹² Lines of Business



Core Business

Adjacent Businesses



Core Business - Virtual Public Schools Continue to Grow



- Pioneer and leader in Virtual Public Schools, providing curriculum, technology and management services
- Virtual Public Schools in 27 States
- Over \$200 million invested in technology and platform
- Over 81,000 students enrolled in Q2 FY 2011

Q2 FY 2011 Enrollment up approximately 20% over prior year

Compelling Value Proposition for Students and States



Students

- ▶ Outstanding curriculum provides individualized education
- ▶ Materials, learning kits, books
- ▶ Certified teachers
- ▶ Computer and ISP
- ▶ Accreditation
- ▶ Credibility
- ▶ Field trips, clubs and extracurricular events
- ▶ No cost

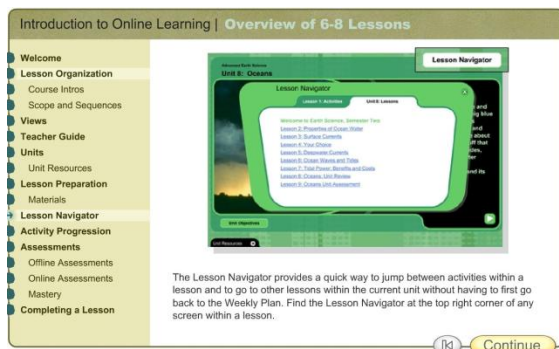
States

- ▶ Significant savings to taxpayer
- ▶ Proven academic results
- ▶ Most public school in state

Over \$200 Million Invested in Curriculum & Platform



- ▶ Curriculum is specifically designed for technology-based learning by group of national experts
- ▶ Individualized learning approach, students can learn at their own pace
- ▶ Innovative technologies to improve learning by flash animation, online interactivity and real time individualized feedback
- ▶ Integrated offline learning kits including text books, art supplies, laboratory supplies and other reference materials
- ▶ Leverages flexible online platform to continually refine and update curriculum on a real time basis

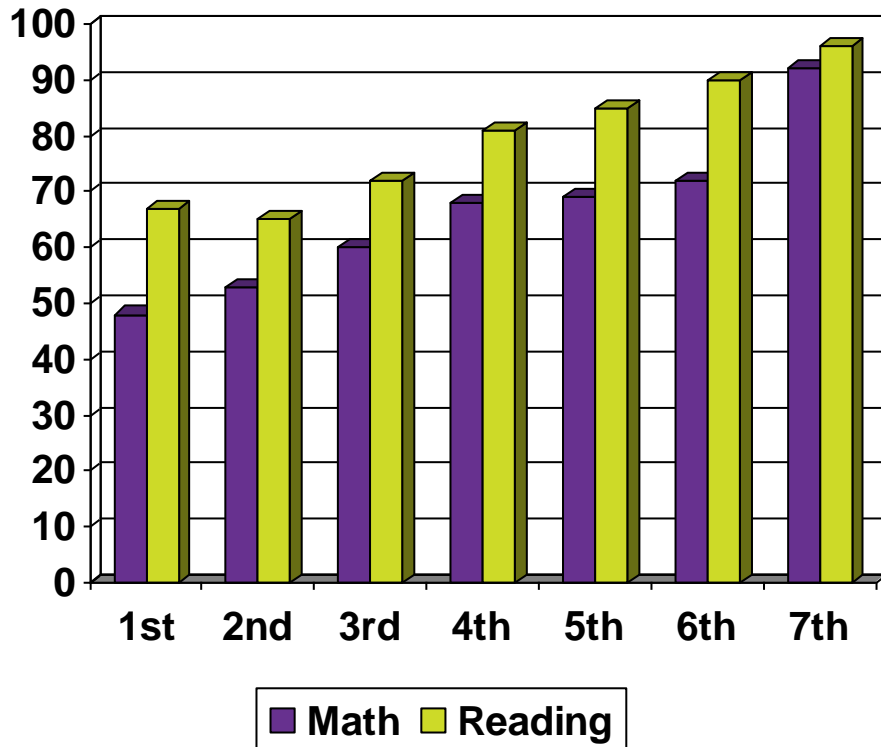


K12 Delivers for its Customers

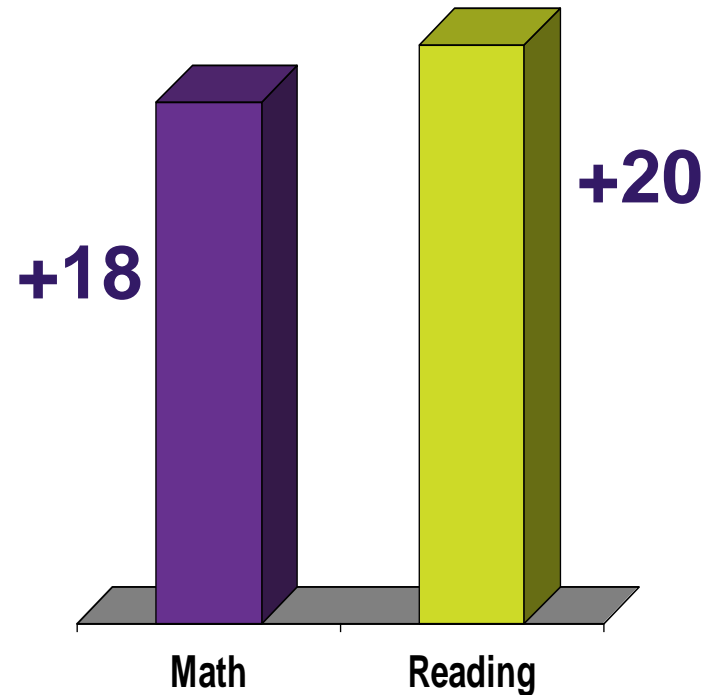


Academic Performance Improves With Tenure

% Proficiency Versus # of Years In K12 School



Academic Performance Relative to State Average Across Six States



Students with K12
Schools for Grades K - 4

Students Are Being Accepted to Selective Universities and Colleges



Middlebury

Carnegie Mellon



Cornell University



BAYLOR



STANFORD
UNIVERSITY

BYU
BRIGHAM YOUNG
UNIVERSITY



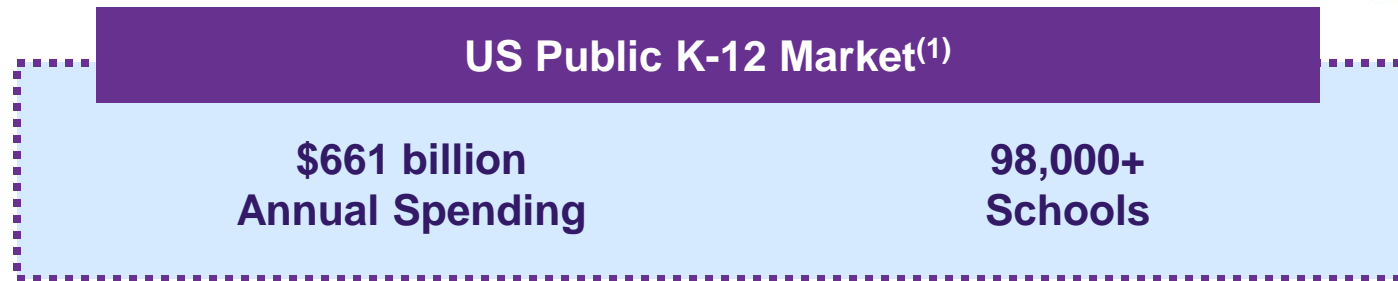
Drexel University



BOISE STATE
UNIVERSITY

PURDUE
UNIVERSITY

Why Growth Should Continue for a Long Period of Time



Total U.S. Enrollments



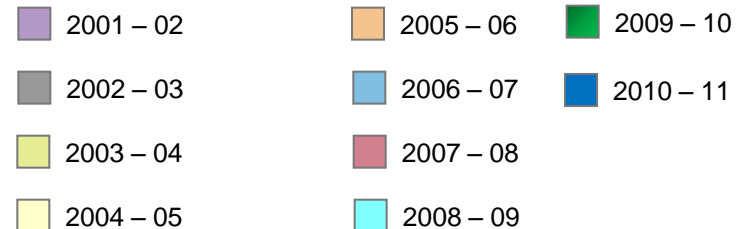
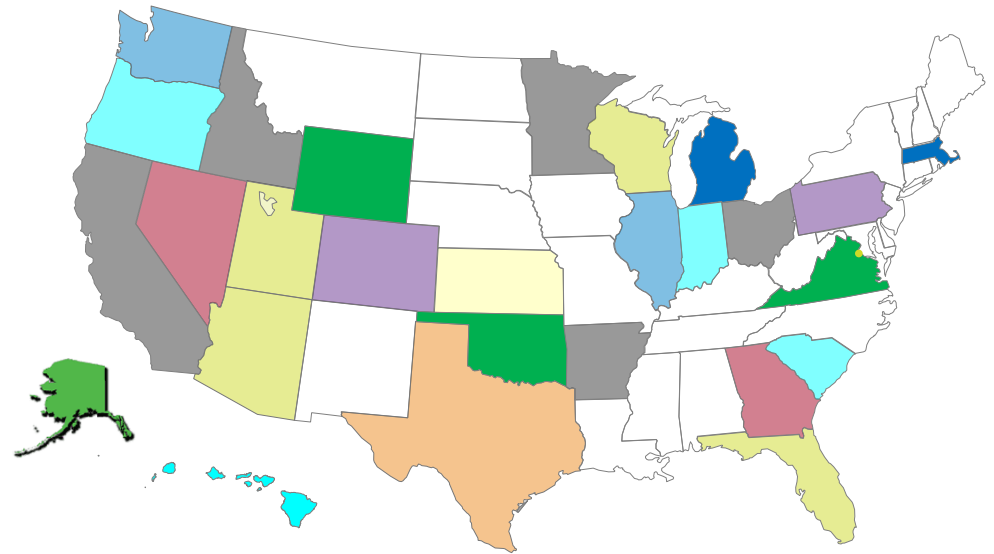
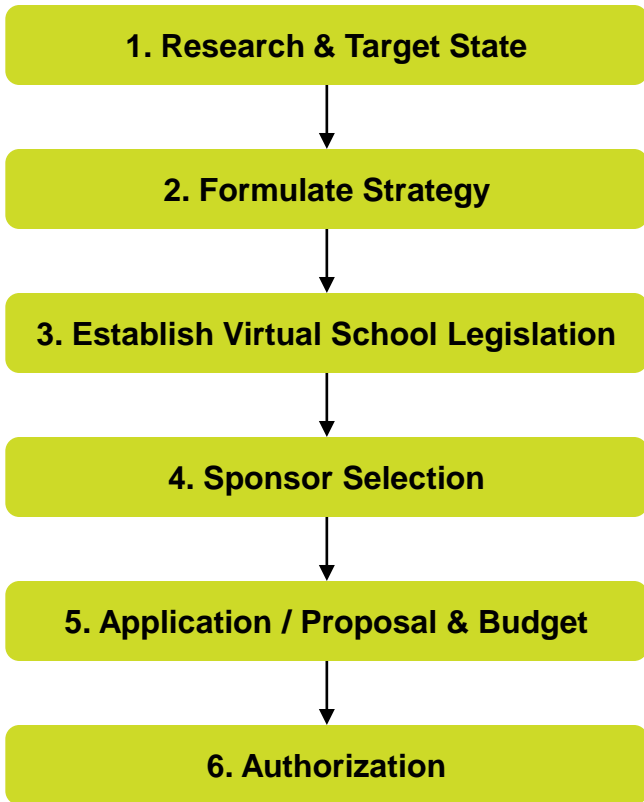
- ***175,000 full-time students in full-time online schools*** ⁽³⁾
- ***Online education initiatives currently in 46 states*** ⁽³⁾
- ***Race to the Top encouraging school innovation***

(1) National Center for Education Statistics (NCES) for 2008, 2009, 2010
(2) National Home Education Research for 2009
(3) Keeping Pace with K-12 Online Learning 2010, Evergreen Consulting

K12 Has Added Virtual Public Schools or Hybrid Schools in One to Five States Per Year



Structured and Replicable Process



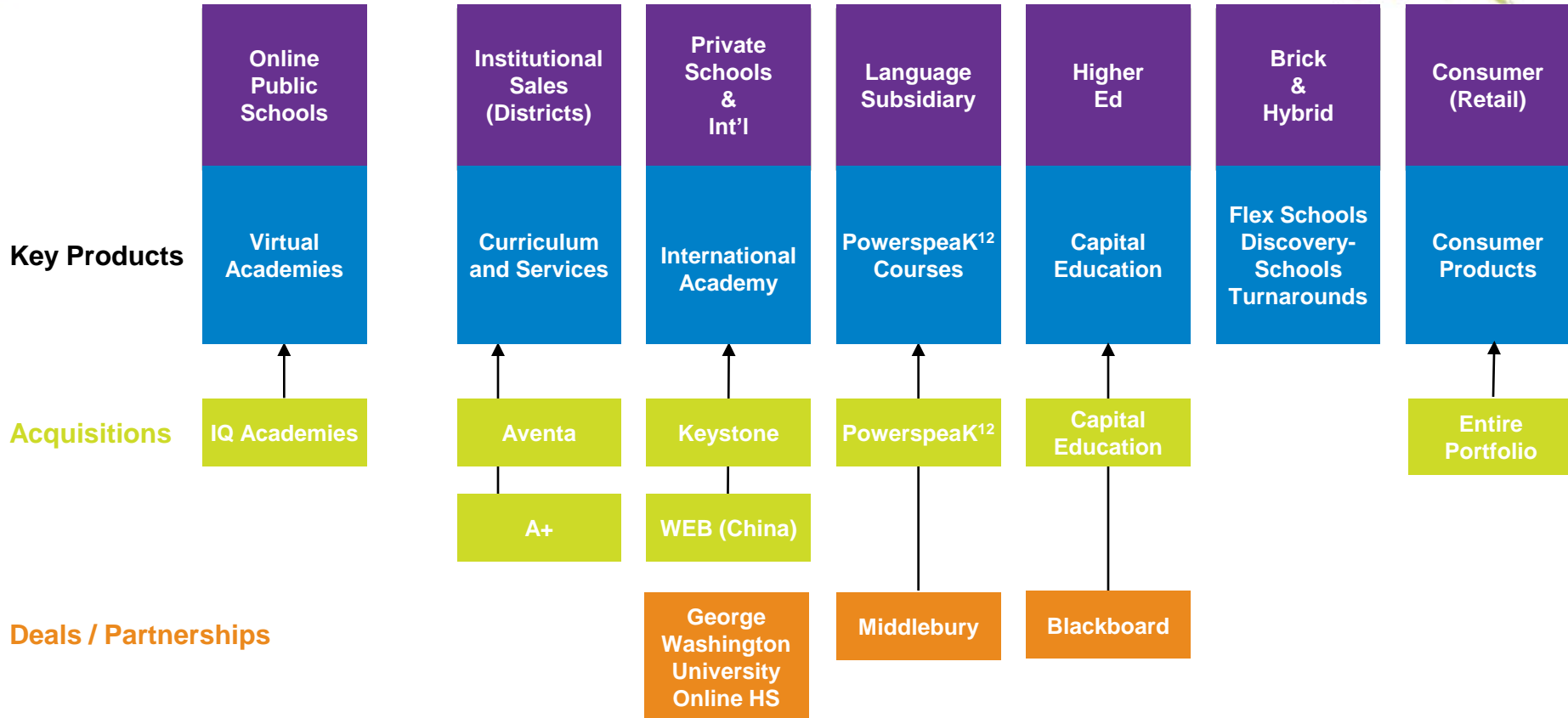
Hybrids located in California, Hawaii, Indiana and Illinois

K¹² Lines of Business



Core Business

Adjacent Businesses







Institutional Business

\$55 Million in Annualized Revenue

Product Portfolio



Brands	Full-Time Schooling Programs			Online Courses			Online Content
	Fully-Managed Program (VA)	Partner	K-5 Catalog				
		Aventa Partner 6 – 12 only	6-12 Catalog	Credit Recovery	AP	World Language	
			K-12 Catalog	Credit Recovery			Classroom Response Virtual Labs RTI GED Prep College Readiness Assessment Tool
						World Language	

Investing in Businesses with High Growth Potential – Private Schools



- ▶ Private schools
 - Accredited
 - Serve students worldwide
- ▶ K¹² International Academy
 - Launched in 2008
 - Students in 59 countries
 - Facility in Dubai
- ▶ The Keystone School
 - Acquired with KCDL
 - Operating for 33 years
 - Students in 80+ countries
- ▶ The George Washington University Online High School



Middlebury Interactive Languages



- ▶ Joint venture with Middlebury College
- ▶ 60% / 40% Ownership Consolidated in financial results of K12 Inc.
- ▶ Developing innovative online language program
- ▶ Powerspeak¹² languages
- ▶ Middlebury-Monterey Language Program



Recent Highlights



- ▶ Acquisition of AEC
- ▶ WEB International English
- ▶ Blackboard Partnership

American Education Corporation



- ▶ American Education Corporation (AEC) has a series of technology-based products for school systems

- Assessment
- Remedial
- Post-secondary readiness



- ▶ Installed in 6,400 sites
- ▶ AEC provides the A+ brand of online K-12 courseware to schools and districts, selling primarily through a network of distributors covering all 50 states
- ▶ Revenue of \$16.1M for nine months ended September 30, 2010, 18.7% increase over same period prior year. Revenues grew in calendar year 2009 grew 36% over prior year. Company is profitable

Web International English



- ▶ Web is a leader in English language training for thousands of learners of all ages throughout China, including university students, government workers, and employees of international companies.
- ▶ Web has a network of 69 learning centers in 45 cities covering most of the country. It currently serves more than 45,000 students.
- ▶ Core training business has increased by more than 50% through the 9 months ended Sept. 30, 2010.



Blackboard Partnership



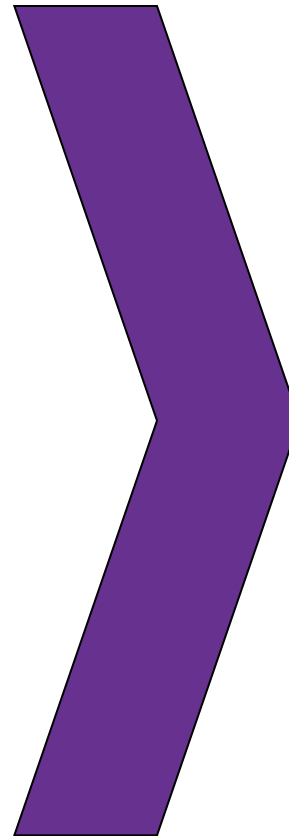
- ▶ Partnership uses technology to create a more engaging and effective experience for remediation courses that can be used at any institution
- ▶ 70% of college students need remediation
- ▶ Blackboard brings relationships and distribution with colleges
- ▶ K12 has great curriculum and course content for this purpose

A great new business created without significant capital investment from either company.

Our Core Competencies = Strategic Advantage



- ▶ Build Curriculum (electronic & textbooks)
- ▶ Develop Learning Systems
- ▶ Run a large service organization
- ▶ Manage Schools
- ▶ Government Affairs
- ▶ Work in regulated environment
- ▶ Deliver educational results
- ▶ Market to Consumer
- ▶ Relationship with School Districts
- ▶ New Product Innovation
- ▶ Great Teachers



K¹² looks to apply these core competencies to enhance our growth



Financial Update

Second Quarter FY 2011 Highlights



(\$millions, except EPS)

	<u>FY '11</u>	<u>FY '10</u>	<u>Growth</u>
Revenues	\$129.0	\$93.2	38.4%
Operating income	\$14.2	\$14.3	-0.7%
EBITDA	\$24.3	\$20.4	19.3%
Diluted EPS	\$0.23	\$0.32	-28.1%
	<u>FY '11</u>	<u>FY '10</u>	<u>Change</u>
Operating margin	11.0%	15.3%	(430 bp)
EBITDA margin	18.8%	21.9%	(310 bp)

Second Quarter 2011 operating income and EBITDA results reflect transaction, other one-time expenses, and startup losses of \$3.9M and \$3.6M, respectively.

Refer to appendix for EBITDA reconciliation.

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Diluted EPS Reflects Series A Shares - participating shares (thousands, except per share data)



	Three Months Ended			
	December 31,			
	2010		2009	
Net Income - K12 Inc.	\$7,839		\$9,638	
Series A Shares	2,750	8.3%	-	0%
Common Shares	30,566	91.7%	29,649	100%
Total	33,316	100%	29,649	100%
Income allocated to Series A	\$ 647		\$ -	
Income available to common	\$ 7,192		\$ 9,638	
Diluted shares outstanding	31,128		29,975	
Diluted EPS	\$ 0.23		\$ 0.32	

Full Year FY 2011 Outlook



- ▶ Revenues forecast at \$515 million - \$520 million
 - Includes AEC Acquisition
- ▶ EBITDA in excess of \$72 million after one-time items and new initiatives
 - EBITDA = Operating income plus depreciation and amortization
 - EBITDA would be \$85 million without one-time items/startup losses
- ▶ Operating income in excess of \$31 million

- ▶ Outlook includes
 - Estimated charges of approximately \$10 million due to transaction and integration expenses, purchase accounting adjustments and one-time expenses
 - Approximately \$5 million in operating losses related to the launch of new initiatives
 - Depreciation and amortization of \$41 million to \$42 million

Refer to appendix for EBITDA reconciliation.

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Investment Highlights



- ▶ Track record of revenue and earnings growth
- ▶ Recent acquisitions create critical mass for Institutional and private school business lines
- ▶ New initiatives and leverage core assets and create new revenue streams
- ▶ Excellent liquidity and financial flexibility to take advantage of leadership position and explore strategic opportunities



k¹²



k¹²

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EBITDA Reconciliation – Annual



	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
<i>(\$ in Thousands)</i>								
Net Income	(\$28,357)	(\$7,431)	(\$3,540)	\$1,358	\$3,865	\$33,773	\$12,315	\$21,525
Interest Expense, net	388	516	279	488	639	295	982	1,331
Income Tax Expense (Benefit)	–	–	–	–	218	(21,058)	9,628	13,249
Noncontrolling interest	–	–	–	–	–	–	(568)	(638)
Depreciation & Amortization	4,005	4,922	5,509	4,986	7,404	12,568	20,835	25,761
EBITDA	(\$23,964)	(\$1,993)	\$2,248	\$6,832	\$12,126	\$25,578	\$43,174	\$61,228

Summary of One-time charges (\$millions)



EBITDA	Q1	Q2	YTD
One-time charges	\$ 5.4	\$ 2.1	\$ 7.4
Start up losses	1.3	1.5	2.8
Total EBITDA Impact	6.7	3.6	10.2
D&A in start ups	0.5	0.4	0.9
Total operating income impact	\$ 7.2	\$ 3.9	\$ 11.1

EBITDA Reconciliation – Second Quarter FY2011 (\$thousands)



	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2010	2009	2010	2009
Net Income - K12 Inc.	\$7,839	\$9,638	\$10,037	\$16,721
Interest expense, net	366	324	663	681
Income tax expense, net	6,119	4,381	9,050	9,749
Noncontrolling interest	(129)	(49)	(175)	(190)
Depreciation and amortization	<u>10,120</u>	<u>6,080</u>	<u>19,512</u>	<u>12,313</u>
EBITDA	<u>\$24,315</u>	<u>\$20,374</u>	<u>\$39,087</u>	<u>\$39,274</u>

EBITDA Reconciliation – FY 2011 Outlook (\$millions)



	Full Year 2011 Outlook
Net Income - K12 Inc.	\$15.6
Interest expense, net	1.5
Income tax expense, net	14.1
Noncontrolling interest	(0.2)
Depreciation and amortization	41.0
EBITDA	\$72.0

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