AMERICAN PUBLIC EDUCATION, INC.

2020 Annual Report

Heroes Learn Here

American Public Education, Inc. (APEI) is the parent company of online learning provider American Public University System (APUS) and on-ground pre-licensure Hondros College of Nursing (Hondros or HCN).

The Rasmussen Acquisition

On October 28, 2020, we announced our intention to acquire 100% ownership of Rasmussen University. The transaction is expected to close in the third quarter of 2021, subject to certain closing conditions, including review by the Department of Education and approval by other regulatory and accrediting agencies. Rasmussen is the largest educator of Associates Degree in Nursing (ADN) nurses which leads to a Registered Nurse (RN) designation (after successfully completing the NCLEX exam), with over 8,200 nursing students and 18,000 students in total enrolled in its traditional and competency-based programs online and through 24 campuses in seven states and plans to add in-person classes at its Texas campus.

The Bureau of Labor Statistics places registered nursing among the top occupations for U.S. job growth, and projects approximately 175,900 job openings for RNs each year through 2029. According to a 2018 study published in the American Journal of Medical Quality, a significant shortage of nurses is also expected, with as many as 500,000 positions unfilled by the year 2030. We believe Rasmussen and Hondros can serve a meaningful role in addressing the nursing shortage.

When the acquisition is complete, Rasmussen University will join forces with a respected leader in the field whose values align with our own. APEI will be not only the #1 educator of the military and veterans, but also the #1 educator of pre-licensure nurses. From a strategic standpoint, we believe that the Rasmussen acquisition will enable us to capture synergies through shared capabilities and shared services, and it will dramatically increase our scale, nearly doubling APEI's revenues to almost $600 million in 2021.[1]

RASMUSSEN TRANSACTION HIGHLIGHTS

- Rasmussen University has a 120-year heritage of educating adult learners. Enrollment in Rasmussen's pre-licensure nursing programs has grown at a 16% five-year compound annual growth rate.
- Post-acquisition, APEI will become the #1 educator of pre–licensure nurses, with over 10,500 nursing students, adding another #1 market position to our current #1 market positions with APUS in serving military and veteran students.
- The purchase price is $329 million, consisting of $300 million in cash plus $29 million in preferred shares (or cash at APEI's option).
- The transaction will create scale and diversify APEI's revenue with a mix that will consist of approximately one-third military and veterans, one-third nursing and one-third online adult learners.
- From cultural alignment on affordable, inclusive and high-quality education to strong regulatory track records, we believe the combination will be unparalleled in the industry.
- This acquisition amplifies APEI's brand promise to provide learners with a Higher Education Return on Investment or HEROI™.

1. On an annual pro forma basis, assuming that the transaction had closed as of January 31, 2021.

FORWARD LOOKING STATEMENTS

Statements made in this report regarding APEI or its subsidiaries that are not historical facts are forward-looking statements based on current expectations, assumptions, estimates, and projections about APEI and the industry. Forward-looking statements can be identified by words such as "anticipate," "believe," "seek," "could," "estimate," "expect," "intend," "may," "plan," "should," "will" and "would." These forward-looking statements include, without limitation, statements regarding benefits of the acquisition of Rasmussen University (the "Acquisition"), the timing of the closing of the Acquisition, expected growth, expected registration and enrollments, expected revenues, expected earnings, income and EBITDA, expected financial results for Rasmussen University, expected capital structure, the ability to deliver a return on learners' educational investment, the ability to maintain an attractive risk profile, and plans with respect to recent, current and future initiatives.

Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. Such risks and uncertainties include, among others, risks related to: the effects of and APEI's response to the COVID-19 pandemic; risks related to the Acquisition, including the satisfaction of closing conditions related to the Acquisition; APEI's ability to obtain financing to fund the Acquisition; and other events that could impact the Acquisition and its closing; APEI's dependence on the effectiveness of its ability to attract students who persist in its institutions' programs; APEI's ability to effectively market its institutions' programs; adverse effects of changes APEI makes to improve the student experience and enhance the ability to identify and enroll students who are likely to succeed; APEI's ability to maintain strong relationships with the military and maintain course registrations and enrollments from military students; APEI's ability to comply with regulatory and accrediting agency requirements and to maintain institutional accreditation; APEI's reliance on Department of Defense tuition assistance, Title IV programs, and other sources of financial aid; APEI's dependence on its technology infrastructure; strong competition in the postsecondary education market and from non-traditional offerings; the performance of directors, executives and employees; and the various risks described in the "Risk Factors" section and elsewhere in APEI's Annual Report on Form 10-K for the year ended December 31, 2020 and other filings with the SEC. You should not place undue reliance on any forward-looking statements. APEI undertakes no obligation to update publicly any forward-looking statements for any reason, unless required by law, even if new information becomes available or other events occur in the future.

Letter to Shareholders: 2020 was a year of unprecedented events. The global pandemic sparked a healthcare crisis that touched every aspect of our lives. Higher education was no exception, experiencing significant disruption as many schools were forced to dramatically change daily operations. Many transitioned to virtual learning for the first time. As a pioneer of online, asynchronous higher education, APEI was able to continue serving learners without interruption at APUS and we used our expertise to quickly move students at Hondros to a virtual platform.

> "Inclusiveness is in our DNA. We believe that education should be accessible to all, not reserved for the few."
>
> — ANGELA SELDEN
> CHIEF EXECUTIVE OFFICER

Strong enrollment growth at APUS and record enrollment at Hondros highlighted our fundamental strengths. APEI was built to provide access to affordable, quality higher education, especially for those who find their options limited or challenging. Our programs were developed for working adults, people who have a unique set of challenges when it comes to obtaining a higher education. These include time and scheduling constraints in balancing their professional duties and family obligations, as well as financial obstacles. For some, the pandemic exacerbated those issues, and we realize some lives will never be the same.

We believe students eager to pursue their degrees were drawn to our programs because of their inclusiveness, affordability, accessibility, flexibility and relevance. These attributes continue to set us apart. The pandemic has forced fundamental changes in our society, in the economy and in higher education that are likely to persist. We believe our core strengths, including our financial stability, will enable APEI to continue to help more learners in these uncertain times.

HEROI™

APEI built its reputation on serving the military, veteran and public service communities. Today, we also serve nurses, healthcare professionals and everyday heroes in a variety of fields. Our mission is to drive down the cost of higher education and help students of all backgrounds maximize the return on their investment in education. HEROI™ — Higher Education Return on Investment — is a conceptual framework that highlights our mission.

Our success starts with an unwavering commitment to high-quality, relevant education at an affordable cost. APEI offers a strong value proposition, combining affordability with quality academic programs and first-rate student services. APUS students have access to more than 240 programs relevant to today's workplace, including highly-specialized degree programs, and 67% of our full-time faculty have a terminal degree in their field.

In a November 2019 Georgetown University study of 4,500 institutions, APUS ranked in the top 2% overall (#93 nationally) for 40-year return on educational investment or net present value.[3]

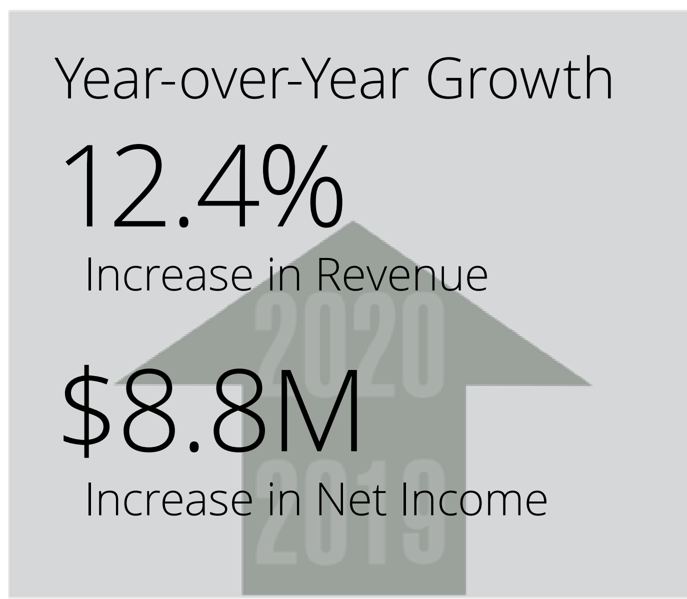
We also strive to keep expenses within reach. Our combined undergraduate tuition, fees and book costs have been approximately 30% less than the average in-state costs at public institutions offering Bachelor's degrees.[2] By providing textbooks and course materials at no cost to thousands of eligible students through our book grant program, we have delivered total savings of $144 million since 2001. We also make it easier for incoming students to transfer credits from other schools and universities. That helps shorten the time to degree completion, which represents a real cost savings for our students. For students who have graduated since 2001, we have accepted more than 3.7 million transfer credits.

We enable our students to achieve their purpose on their own terms, at their own pace and in their own time frame. It's not surprising that, year after year, we achieve high levels of student and alumni satisfaction. In fact, 51% of new students at APUS are referred by others and 34% of our alumni return for a second degree.

2020 Results

We are exceedingly pleased to report solid financial growth in 2020. For the full year, APEI's consolidated revenues increased 12.4% to $321.8 million. Net income nearly doubled to $18.8 million or $1.25 per diluted share, compared to $0.62 per share in the prior year period. And EBITDA from continuing operations increased to $37.7 million, compared to $28.4 million for 2019.

These results demonstrate that our commitment to helping learners of all backgrounds maximize their HEROI™ resonates with today's students. In 2020, enrollment at APUS was up 12% year-over-year, and net course registrations increased 11% compared to prior year, driven by an 18% increase in net course registrations by new students. APUS maintained its leadership among active-duty military and veterans seeking online higher education.



2. Based on final 2018–19 institutional data reported to the U.S. Department of Education via IPEDs, retrieved from NCES (https://nces.ed.gov/ipeds/use-the-data), including APUS's 2018–19 data. Undergraduate full-time tuition, fees and average book costs based on course load of 24 credit hours per year. APUS's tuition changed effective January 1, 2020 (see URL).

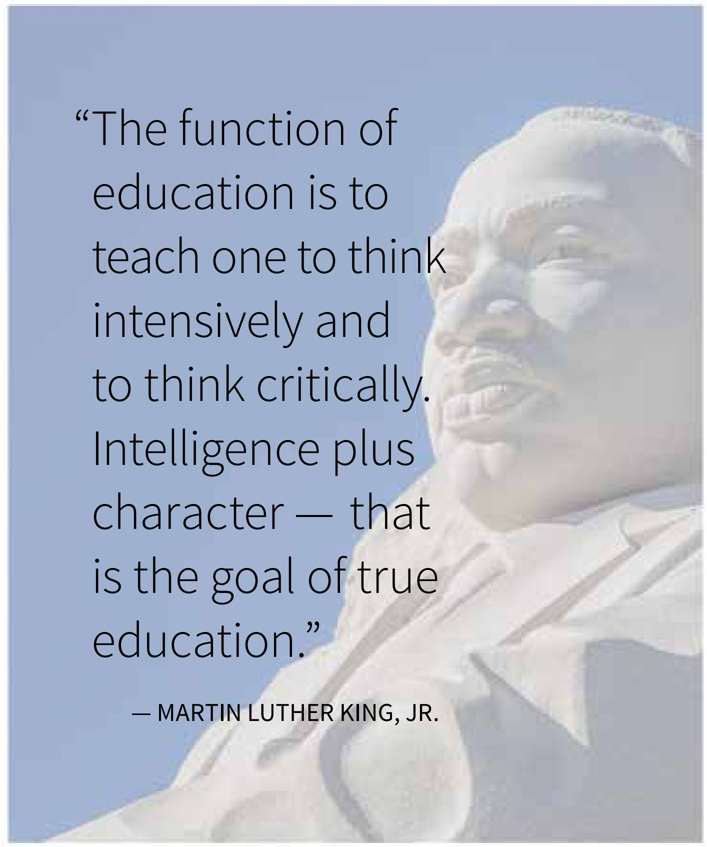
3. Georgetown University Center of Education and the Workforce. "Ranking ROI of 4,500 US Colleges and Universities." https://cew.georgetown.edu/cew-reports/collegeroi/. Accessed 14 November 2019.

Hondros had an excellent year, achieving record enrollments. New and total student enrollment increased approximately 34% year-over-year. We recently opened new campuses in Indianapolis and Akron, bringing the total to seven campuses in two states, Indiana and Ohio.

Significantly, in response to the pandemic, Hondros was able to pivot to a virtual model within five weeks, allowing academic progression to proceed with minimal disruption. We take particular pride in the fact that we were able to provide 100 percent of the funds received through The CARES Act directly to Hondros students, giving them the additional support at a critical time.

Our Social Mission

APEI was built on the belief that quality education should be accessible to all, not reserved for the few. We also believe in making a difference in the communities in which we live and work. Our many volunteer and community service projects emerge organically from the ideas and passions of our students. In 2020, through our network of 70-plus student organizations with more than 74,000 members, APUS students, graduates, faculty and staff took part in more than 1,300 activities supporting environmental and social causes.



Equity, Diversity and Inclusion

Inclusiveness is in our DNA. In 2020, we established an Equity, Diversity and Inclusion Committee at APUS. Approximately half of our executive leadership is female, and six of our current nine board members are women or minorities. We have strong diversity at the staff level throughout our organization and among our students, including our military and nursing communities. We believe the workplace and the university experience is greatly enhanced by diversity and we remain committed to attracting underrepresented minorities.

At APEI, we take great pride in our health and safety record — zero injuries, arrests, fatalities or known occupational diseases[4] at our academic and administrative headquarters — and our environmental record. Our organization and institutions are not a source of known hazardous waste. And, as a result of our environmentally friendly buildings and solar array in Charles Town, the online education platform at APUS and convenient campus locations at Hondros, our carbon footprint is extremely low. Overall, we estimate that our greenhouse gas emissions were 0.15 metric tons of CO_2 equivalent per full-time enrollment (FTE) in 2019. That puts APUS emissions well below 4.9 metric tons, which is the average among institutions that are members of Second Nature, an organization of universities committed to climate neutrality.

4. APUS reported one domestic violence event at a non-campus property in El Paso in 2020.

Commitment to Communities We Serve

DIVERSITY & GOVERNANCE

- Executive Leadership: 50% Female
- Board of Directors: 56% Female, 8 of 9 currently serving Board members are independent

INCLUSIVE & SAFE WORKPLACE

- Zero workplace injuries, arrests, fatalities or known occupational diseases in 2020[4]
- Policies and procedures dedicated to creating an inclusive, diverse workplace with ample opportunity for employee growth, education and recognition

SUSTAINABILITY COMMITMENT

- Climate neutrality by 2050
- Reduce non-hazardous waste[5] by 20% (over 2010 levels) by 2030
- Not a major source of known hazardous waste or EPA criteria air pollutants[6]

We also take pride in our strong record of environmental stewardship, and are well on our way to meeting our commitment to climate neutrality by 2050. In fact, we expect to achieve climate neutrality well before 2050 and have a goal to further reduce our non-hazardous waste by 20% before 2030.

New Appointments

In 2020, we welcomed Dr. Wade Dyke as President of APUS. A former President of Kaplan University, he served as CEO of Great Hearts Academies prior to taking on his new role.

We also added significant strength to APEI's executive team this year. In June, Steve Somers, formerly VP of Corporate Development at Kaplan, joined APEI as SVP, Chief Strategy and Corporate Development Officer, and Amy Manning, former VP of Human Resources at Cisco Systems, was named SVP, Chief Human Resource Officer.

I am also pleased to welcome two members to the APEI board: Granetta Blevins, who has an impressive record in senior management at education and education technology companies, and Daniel Pianko, co-founder and managing director of Achieve Partners. We expect each of these 2020 appointees to play vital roles in driving our long-term strategic initiatives. In addition, Lieutenant General (Retired) Vincent Stewart, who is currently the chief innovation and business intelligence officer for consulting firm Ankura, has been nominated for election to our Board of Directors at our upcoming annual meeting.

A Transformative Acquisition and Clear Strategy for the Future

In October, we announced an agreement to acquire Rasmussen University, the largest educator of ADN (Associate Degree in Nursing) students. The acquisition, which is subject to certain closing conditions and approvals, is expected to make our company a nursing education powerhouse. Rasmussen and Hondros will contribute approximately $165 million in nursing revenue and serve over 10,000 nurses through 31 campuses across nine states and online following closing of the acquisition. We are very enthusiastic about the acquisition of Rasmussen, as it will

4. APUS reported one domestic violence event at a non-campus property in El Paso in 2020.
5. Universal waste as defined by Resource Conservation and Recovery Act (RCRA).
6. Backup electric generators and maintenance vehicles which may emit trace amounts of EPA criteria air pollutants (NOx, Sox, PM, VOCs, CO, Ozone, Lead) when utilized.

add another #1 market position — pre-licensure nursing (ADN/RN and PN/LPN) — to our current #1 market positions with APUS in serving active-duty military and veteran students.

This larger nursing education footprint will be a formidable force operating across markets to address substantial projected nursing shortages and the high demand for nursing education. The acquisition will dramatically increase our scale and is expected to nearly double APEI's revenue to approximately $600 million in 2021 on a pro forma basis.[7]

Finally, we will continue to focus on enterprise transformation and technology modernization, improvements well under way across our platforms, with the goal of driving operational effectiveness and efficiency. In 2020, we migrated our learning management system at APUS to a new, more robust cloud solution. We are already seeing the results of this conversion in improved student retention and higher levels of student and faculty satisfaction.

In closing, we look forward to an exciting future dedicated to creating HEROI™ for our students, our employees and our other key stakeholders.

Angela Selden
Chief Executive Officer

Angela Selden

Our agreement to acquire Rasmussen University has the potential to transform APEI into a nursing education powerhouse.

AN EDUCATION PLATFORM FOR THE FUTURE

(Post-Rasmussen Acquisition)

- Committed to help learners maximize their Higher Education Return on Investment or HEROI™
- APEI's revenue mix would consist of approximately 1/3 Nursing, 1/3 Military and 1/3 Online Adult Learners – each a growing market
- #1 in serving active duty military
- #1 in veteran communities
- #1 in pre-licensure nursing
- Significant online capabilities and 31 campuses across 9 states
- ~110,000 students through three separately accredited and branded institutions

7. On an annual pro forma basis, assuming that the transaction had closed as of January 1, 2021.

Heroes Learn Here

our stories

OUR HERO

“I’m doing this for my family.”

YESLI VEGA, BS in Criminal Justice | AMU

When Yesli Vega enrolled in AMU, she became the first member of her family of origin to get an education beyond the high school level. Going back to school presented its own challenges while working as a police officer and raising a family of her own. AMU offered her the benefits associated with her status as the spouse of an army veteran as well as highly-specialized courses to help her move forward in her career. But, perhaps more importantly, it offered her the flexibility she needed to balance home, work and her studies. That’s a tall order and in the end, it made all the difference.

“I was totally able to be a mom. I was totally able to be a wife,” she says. “And now I can incorporate another title — student.” Yesli felt compelled to pursue a degree for a lot of reasons. She believes education is vital to every aspect of one’s life, and that it provides her with a clearer understanding of the world and of better ways to engage. But, above all else, she was motivated to do it for her family.

OUR HERO

"Getting my degree taught me that I can excel in my profession."

JASON McCLAREN, BS in Fire Science Management, MS in Emergency and Disaster Management | AMU

A veteran of the U.S. Air Force, Jason McClaren earned his first degree from AMU in 2011 and his master's degree in 2014. Flexibility, quality and affordability — those were all big advantages. "The cost-to-value ratio going with AMU, I think, is excellent," he says. "Compared to brick-and-mortar schools that have a lot of other charges in there, it helps people that are working while going to school." According to Jason, without the high level of flexibility AMU offers, he would not have been able to reach his goals. "In addition to juggling two jobs and several volunteer positions, the APUS online system allowed me to complete my coursework on my schedule." He also liked the monthly course-starts.

An AMU education enabled Jason to stay informed in fields that are always changing. "One thing that really stood out to me with the professors at AMU," he says, "was that they were active in their career fields and able to bring that frontline knowledge to the classroom." Ultimately, getting his master's helped set him apart in a highly competitive market, so he was able to pursue his career goals and take care of another priority: his family. All of which adds up to a win-win.

OUR HERO

"I'm getting the knowledge I need to help my community."

KEHONSHA YOUNG, Practical Nursing (PN) Student | Hondros

When Kehonsha Young's daughter was born prematurely at 27 weeks, she weighed 2 pounds, 3 ounces. Her lungs were not fully developed and, unable to take a bottle, she was moved to neonatal intensive care. According to Kehonsha, before she knew it, her daughter was well enough to be discharged. "The nurses at the hospital in Gary, Indiana, took great care of her," says Kehonsha. In fact, she was so grateful for the care her daughter received that she decided to become a nurse. "I felt that it was my duty to return the favor and help others in need," she says.

Now a student at the Indianapolis campus of Hondros College of Nursing (HCN), Kehonsha chose to pursue her degree in Practical Nursing at HCN in part because the enrollment process was so straightforward, and because she liked the pace of the program. As a parent, staying organized — and accepting the fact that getting a degree requires sacrifices — has helped her along the way. Her advice to students starting down the same path? "Stay focused. It may not be an easy journey, but it can be done as long as you are determined to do well."

Executive Leadership

AMERICAN PUBLIC EDUCATION, INC. & SUBSIDIARIES

Angela Selden *
Chief Executive Officer
American Public Education, Inc.

Richard W. Sunderland Jr., CPA *
Executive Vice President and
Chief Financial Officer

Patrik Dyberg *
Executive Vice President and
Chief Technology Officer

Melissa Frey, CPA
Senior Vice President and
Controller

Thomas Beckett *
Senior Vice President and
General Counsel

Elizabeth Laguardia Cooper *
Senior Vice President and
Chief Marketing Officer

Amy Manning *
Senior Vice President and
Chief Human Resource Officer

Steve Somers
Senior Vice President, Chief
Strategy Officer and Corporate
Development Officer

AMERICAN PUBLIC UNIVERSITY SYSTEM (APUS)

Dr. Wade Dyke *
President

Robert Gay *
Senior Vice President and
Chief Operations Officer

Dr. Vernon Smith *
Senior Vice President
and Provost

HONDROS COLLEGE OF NURSING (HCN)

Harry Wilkins
Chief Executive Officer

*Denotes executive officer for the purposes of Rule 3b-7 under the Securities Exchange Act of 1934, as amended.

Corporate Information

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www.apei.com

Stock Exchange Listing
The Nasdaq Global Select
Market under the symbol "APEI".

Annual Stockholder Meeting
The 2021 Annual Meeting of Stockholders of American Public Education, Inc. will be held virtually on May 21, 2021 at 8:00 a.m. Eastern time.
virtualshareholdermeeting.com/APEI2021

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APEI Board of Directors and Nominee

Eric C. "Ric" Andersen, Chairperson
Partner, Peak Equity

Granetta B. Blevins, Director
Independent Consultant

Major General (Retired) Barbara G. Fast, Director
President and CEO, BGF Enterprises LLC

Jean C. Halle, Director
President, Kairos Value, LLC

Dr. Barbara L. Kurshan, Director
Innovation Advisor
University of Pennsylvania Graduate School of Education

Timothy J. Landon, Director
Managing Partner, Ergo Ventures & Advisers, LLC.

Daniel S. Pianko, Director
Co-founder and Managing Director, Achieve Partners

William G. Robinson, Jr., Director
President, Broadgate Human Capital LLC

Angela K. Selden, Director
Chief Executive Officer
American Public Education, Inc.

Lieutenant General (Retired) Vincent R. Stewart,
Director Nominee
Chief Innovation and Business Intelligence Officer
Ankura Consulting Group, LLC.

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