LAUREATE EDUCATION, INC.
Form 10-K
February 28, 2019

Use these links to rapidly review the document
TABLE OF CONTENTS

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ý **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2018

OR

o **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 001-38002

Laureate Education, Inc.

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE	**52-1492296**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

650 S. Exeter Street
Baltimore, Maryland 21202
(410) 843-6100
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

Title of each class registered	Name of each exchange on which registered
Class A common stock, par value $0.004 per share	The NASDAQ Stock Market LLC (Nasdaq Global Select Market)

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 ý No o

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

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 ý No o

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 ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to the Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 ý	Accelerated filer o	Non-accelerated filer o	Smaller Reporting Company o
			Emerging growth company o

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. o

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

As of June 29, 2018 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the Class A common stock held by non-affiliates of the registrant was $1.163 billion (based on the closing price of the registrant's Class A common stock on that date as reported on the Nasdaq Global Select Market).

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	**Outstanding at February 15, 2019**
Class A common stock, par value $0.004 per share	107,453,249 shares
Class B common stock, par value $0.004 per share	116,862,358 shares

DOCUMENTS INCORPORATED BY REFERENCE

The registrant incorporates by reference its definitive proxy statement with respect to its 2019 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days following the end of its fiscal year, into Part III of this Annual Report on Form 10-K.

INDEX

		PAGE NUMBER
PART I		4
Item 1.	Business	4
Item 1A.	Risk Factors	48
Item 1B.	Unresolved Staff Comments	86
Item 2.	Properties	86
Item 3.	Legal Proceedings	87
Item 4.	Mine Safety Disclosures	89
PART II		90
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	90
Item 6.	Selected Financial Data	92
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	96
Item 7A.	Quantitative and Qualitative Disclosures about Market Risk	145
Item 8.	Financial Statements	146
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	259
Item 9A.	Controls and Procedures	259
Item 9B.	Other Information	261
PART III		262
Item 10.	Directors, Executive Officers, and Corporate Governance	262
Item 11.	Executive Compensation	264
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	264
Item 13.	Certain Relationships and Related Transactions, and Director Independence	264
Item 14.	Principal Accountant Fees and Services	264
PART IV		265
Item 15.	Exhibits and Financial Statement Schedules	265
Item 16.	Form 10-K Summary	273
Signature		274

As used in this Annual Report on Form 10-K (this "Form 10-K"), unless otherwise stated or the context otherwise requires, references to "we," "us," "our," the "Company," "Laureate" and similar references refer collectively to Laureate Education, Inc. and its subsidiaries.

Trademarks and Tradenames

LAUREATE, LAUREATE INTERNATIONAL UNIVERSITIES and the leaf symbol are trademarks of Laureate Education, Inc. in the United States and other countries. This Form 10-K also includes other trademarks of Laureate and trademarks of other persons, which are properties of their respective owners.

Industry and Market Data

We obtained the industry, market and competitive position data used throughout this Form 10-K from our own internal estimates and research as well as from industry publications and research, surveys and studies conducted by third-party sources. This Form 10-K also contains the results from a study by Kantar Vermeer, a leading third-party market research organization. We commissioned the

Table of Contents

Kantar Vermeer study as part of our periodic evaluation of employment rates and starting salary information for our graduates.

Industry publications, studies and surveys generally state that they have been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. We have not independently verified industry, market and competitive position data from third-party sources. While we believe our internal business estimates and research are reliable and the market definitions are appropriate, neither such estimates, research nor these definitions have been verified by any independent source.

Forward-Looking Statements

This Form 10-K contains "forward-looking statements" within the meaning of the federal securities laws, which involve risks and uncertainties. You can identify forward-looking statements because they contain words such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates" or "anticipates" or similar expressions that concern our strategy, plans or intentions. All statements we make relating to estimated and projected earnings, costs, expenditures, cash flows, growth rates and financial results, and all statements we make relating to our planned divestitures, the expected proceeds generated therefrom and the expected reduction in revenue resulting therefrom, are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. All of these forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those we expected. We derive most of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results. Important factors that could cause actual results to differ materially from our expectations, including, without limitation, in conjunction with the forward-looking statements included in this Form 10-K, are disclosed under various sections throughout this Form 10-K, including, but not limited to, Item 1 Business, Item 1A Risk Factors, and Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the factors discussed in this Form 10-K. Some of the factors that we believe could affect our results include:

- the risks associated with conducting our global operations, including complex business, foreign currency, political, legal, regulatory, tax and economic risks;
- our ability to effectively manage the growth of our business, implement a common operating model and platform, and increase our operating leverage;
- the development and expansion of our global education network and programs and the effect of new technology applications in the educational services industry;
- our ability to successfully complete planned divestitures and make strategic acquisitions, and to successfully integrate and operate acquired businesses;
- the effect of existing international and U.S. laws and regulations governing our business or changes to those laws and regulations or in their application to our business;
- changes in the political, economic and business climate in the international or the U.S. markets where we operate;
- risks of downturns in general economic conditions and in the educational services and education technology industries, that could, among other things, impair our goodwill and intangible assets;

Table of Contents

- possible increased competition from other educational service providers;
- market acceptance of new service offerings by us or our competitors and our ability to predict and respond to changes in the markets for our educational services;
- the effect on our business and results of operations from fluctuations in the value of foreign currencies;
- our ability to attract and retain key personnel;
- the fluctuations in revenues due to seasonality;
- our ability to maintain proper and effective internal controls necessary to produce accurate financial statements on a timely basis;
- our focus on a specific public benefit purpose and producing a positive effect for society may negatively influence our financial performance;
- the future trading prices of our Class A common stock and the impact of any securities analysts' reports on these prices; and
- our ability to maintain and, subsequently, increase tuition rates and student enrollments in our institutions.

We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this Form 10-K may not in fact occur. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

Table of Contents

PART I

ITEM 1. BUSINESS

Basis of Presentation

As previously reported in our filings with the SEC, we have undertaken strategic reviews of our global portfolio and have announced plans to divest certain of our subsidiaries as part of a strategic shift. This strategic shift will have a significant effect on our operations and financial results. Accordingly, as a result of the strategic shift announced in August 2018, we account for all of the divestitures that are currently part of this strategic shift as discontinued operations for all periods presented. Unless otherwise indicated, the information in or incorporated by reference into this Form 10-K, including our segment information, relates only to our continuing operations.

Strategic Developments

As announced previously, we have reviewed our global portfolio of institutions with the goals of simplifying and focusing our operations, reducing complexity, mitigating risks (such as political, regulatory, economic and currency), exiting smaller markets where our operations have less scale and maximizing our exposure to what we believe are the most attractive and scalable markets for our network. We have undertaken a series of divestitures calculated to simplify and streamline our business. In 2017, we announced the divestiture of certain subsidiaries in our then-existing Europe, Middle East, Africa and Asia Pacific ("EMEAA") and Central America & U.S. Campuses segments. On August 9, 2018, we announced that we plan to divest additional subsidiaries located in Europe, Asia and Central America, which were included in the then-existing EMEAA, Andean & Iberian, and Central America & U.S. Campuses segments. As of September 30, 2018, we refer to the EMEAA segment as our "Rest of World" segment and to the Andean & Iberian segment as our "Andean" segment. We have decided to focus principally on the Latin American markets where we operate large-scale platforms, as well as on the online market in the United States.

General

We are the largest international network of degree-granting higher education institutions, primarily focused in Latin America, with approximately 875,000 students enrolled at over 25 institutions with more than 150 campuses, which we collectively refer to as the *Laureate International Universities* network. The institutions in the *Laureate International Universities* network are leading brands in their respective markets and offer a broad range of undergraduate and graduate degrees through campus-based, online and hybrid programs. As of December 31, 2018, approximately 93% of our students attend traditional, campus-based institutions offering multi-year degrees, similar to leading private and public higher education institutions in developed markets such as the United States and Europe. Nearly two thirds of our students are enrolled in programs of four or more years in duration.

Our programs are designed with a distinct emphasis on applied, professional-oriented content for growing career fields and are focused on academic disciplines that we believe offer strong employment opportunities and high earnings potential for our students. We continually and proactively adapt our curriculum to the needs of the market. In particular, we emphasize science, technology, engineering and math (STEM) and business disciplines, areas in which we believe that there is large and growing demand, especially in developing countries. Since 2009, we have more than doubled our enrollment of students pursuing degrees in Medicine & Health Sciences, Engineering & Information Technology and Business & Management, our three largest disciplines. We believe the work of our graduates in these disciplines creates a positive impact on the communities we serve and strengthens our institutions' reputations within their respective markets. Our focus on private-pay and our track record for delivering high-quality outcomes to our students, while stressing affordability and accessibility, has been a key reason for our long record of success.

Table of Contents

We believe the global higher education market presents an attractive long-term opportunity, primarily because of the large and growing imbalance between the supply and demand for affordable, quality higher education in many parts of the world. We believe the combination of the projected growth in the middle class, limited government resources dedicated to higher education, and a clear value proposition demonstrated by the higher earnings potential afforded by higher education, creates substantial opportunities for high-quality private institutions to meet this growing and unmet demand. By offering high-quality, outcome-focused education, we believe that we enable students to prosper and thrive in the dynamic and evolving knowledge economy.

We operate institutions that address regional, national and local supply and demand imbalances in higher education. As the international leader in higher education, we believe we are uniquely positioned to deliver high-quality education across different brands and tuition levels in the markets in which we operate. In many developing markets, traditional higher education students (defined as 18-24 year olds) have historically been served by public universities, which have limited capacity and are often underfunded, resulting in an inability to meet growing student demands and employer requirements. Our institutions in these markets offer traditional higher education students a private education alternative, often with multiple brands and price points in each market, with innovative programs and strong career-driven outcomes. In many of these same markets, non-traditional students such as working adults and distance learners have limited options for pursuing higher education. Through targeted programs and multiple teaching modalities, we are able to serve the differentiated needs of this unique demographic.

Our program and level of study mix for 2018 was as follows:

Program Mix

Based on 12/31/2018 total enrollments

Level of Study Mix

Based on 12/31/2018 total enrollments
High school students are primarily in Mexico

The *Laureate International Universities* network enables us to educate our students locally while connecting them to an international community and offering them the advantages of our shared infrastructure, technology, curricula and operational best practices. For example, our students can take advantage of shared curricula, optional international programs and services, including English language instruction, dual-degree programs and other benefits offered by other institutions in our network. We believe that the benefits of the network translate into better career opportunities and higher earnings potential for our graduates.

Our Segments

We have five reportable segments, which are summarized in the charts below. We group our institutions by geography in Brazil, Mexico, Andean and Rest of World for reporting purposes. Our

Table of Contents

Online & Partnerships segment principally consists of Walden University. The following information for our segments is presented as of December 31, 2018.

Our Industry

We operate in the international market for higher education, which is characterized by a significant imbalance between supply and demand, especially in developing economies. In many countries, demand for higher education is large and growing. GSV Advisors ("GSV") estimates that higher education institutions accounted for total revenues of approximately $1.5 trillion globally in 2015, with the higher education market expected to grow by approximately 5% per annum through 2020. Global growth in higher education is being fueled by several demographic and economic factors, including a growing middle class, global growth in services and technology-related industries and recognition of the significant personal and economic benefits gained by graduates of higher education institutions. At the same time, many governments have limited resources to devote to higher education, resulting in a diminished ability by the public sector to meet growing demand, and creating opportunities for private education providers to enter these markets and deliver high-quality education. As a result, the private sector plays a large and growing role in higher education globally. While the *Laureate International Universities* network is the largest international network of degree-granting higher education institutions in the world, our total enrollment at December 31, 2018 of approximately 875,000 students represents only 0.4% of worldwide higher education students.

Large, Growing and Underpenetrated Population of Qualified Higher Education Students. According to United Nations Educational, Scientific and Cultural Organization ("UNESCO"), 220 million students worldwide were enrolled in higher education institutions in 2016, more than double the 100.2 million students enrolled in 2000, and approximately 90% of those students were enrolled at institutions outside of the United States. In many countries, including throughout Latin America and other developing regions, there is growing demand for higher education based on favorable demographics, increasing secondary completion rates and increasing higher education participation rates, resulting in continued growth in higher education enrollments. While global participation rates have increased for traditional higher education students (defined as 18-24 year olds), the market for higher education is still significantly underpenetrated, particularly in developing countries. For example, participation rates in Brazil and Mexico in 2016 were approximately 36% and approximately 28%, respectively, as compared to approximately 63% in the United States for the same period.

Table of Contents

Strong Economic Incentives for Higher Education. According to the Brookings Institution, approximately 3.2 billion people in the world composed the middle class in 2016, a number that is expected to be over five billion people by 2028. We believe that members of this large and growing group seek advanced education opportunities for themselves and their children in recognition of the vast differential in earnings potential with and without higher education. According to 2015 data from the Organization for Economic Co-operation and Development ("OECD"), in the United States and European Union countries that are members of the OECD, the earnings from employment for an adult completing higher education were approximately 74% and approximately 53% higher, respectively, than those of an adult with only an upper secondary education. This income gap is even more pronounced in many developing countries around the world, including a differential of approximately 149% in Brazil, and approximately 102% in Mexico. We believe the cumulative impact of favorable demographic and socio-economic trends, coupled with the superior earnings potential of higher education graduates, will continue to expand the market for private higher education.

Increasing Role of the Private Sector in Higher Education. In many of our markets, the private sector plays a meaningful role in higher education, bridging supply and demand imbalances created by a lack of capacity at public universities. In addition to capacity limitations, we believe that limited public resources, and the corresponding policy reforms to make higher education systems less dependent on the financial and operational support of local governments, have resulted in increased enrollments in private institutions relative to public institutions. For example, Brazil relies heavily upon private institutions to deliver quality higher education to students, with approximately 74% (in 2015) of higher education students in Brazil enrolled in private institutions.

Favorable Industry Dynamics in Key Latin American Markets. In the large Latin American markets in which we operate, many of the industry trends described above are even more prevalent, with strong growth in higher education over the past 15 years.

	% Private Sector#	No. of Students ('000)		Participation Rate*		Wage Premium#
		2000	2016	2000	2016	
Brazil	74%	2,781	8,319	12%	36%	149%
Mexico	30%	1,963	4,244	15%	28%	102%
Peru	N/A	900	1,930	26%	47%	N/A
Chile	73%	452	1,237	27%	63%	137%

Based on 2015 OECD data.

Based on 2016 UNESCO data.

* Based on 2016 UNESCO data; defined as 18-24 year olds.

Increasing Demand for Online Offerings. The acceptance of online learning in higher education is well-established, as evidenced by a survey conducted by the Babson Survey Research Group that reported that approximately 71% of academic leaders rated online learning outcomes as the same or superior to classroom learning in 2014. We believe that increasing student demand (for example, students taking at least one distance education course made up approximately 30% of all higher education enrollments in the United States as of the second half of 2015 according to the Distance Education Enrollment Report 2017), new instruction methodologies designed for the online medium, and growing employer and regulatory acceptance of degrees obtained through online and hybrid modalities will continue to drive online learning growth globally. Moreover, increasing the percentage of courses taught online in a hybrid educational model has significant cost and capital efficiency benefits as a greater number of students can be accommodated in existing physical campus space.

Table of Contents

Growth in Outsourced Academic and Administrative Services. To adapt to changing student preferences and greater demand for online and distance learning solutions, university leaders are refocusing their strategies around core academic functions, while seeking to outsource specialized technology functions and other administrative services. Private sector partners offering operational expertise and economies of scale are increasingly assisting universities through long-term relationships in areas such as online program management, technology support, facilities management, student services and procurement. According to a survey conducted by Inside Higher Ed in 2017, approximately 27% of college business officers in the United States believe that outsourcing more administrative services is a strategy they will implement in 2017-2018. We believe that these trends will increase opportunities for private sector partners to deploy their capabilities to traditional educational providers.

Our Strengths and Competitive Advantages

We believe our key competitive strengths that will enable us to execute our strategy include the following:

Scaled Platform Institutions Across Our Network. Our scale facilitates distinct advantages for our students and allows us to leverage our operating model across our network more efficiently. It would take a competitor considerable time and expense to establish a network of international universities of similar scale with the high-quality brands, intellectual property and accreditations that we possess.

Our network facilitates competitive advantages related to:

Curricula and Programs. We are able to leverage our curricula and resources across our international network, allowing for the rapid deployment of new programs in our markets. Increasing amounts of our curricula are being standardized across our network, allowing us to lower the cost of program development by reusing and sharing content, while improving the quality of our programs. For example, the resources and support of our international network enabled the rapid expansion of our medicine and health sciences offerings, contributing to the opening of eight new medical schools since 2010 and increasing enrollment in the number of students pursuing degrees in the fields of medicine and health sciences from approximately 50,000 students in 2009 to more than 225,000 students as of December 31, 2018. We are also able to utilize our network to provide innovative offerings to our students, such as international joint and dual degree programs.

Best Practices. Through collaboration across our network, best practices for key operational processes, such as campus design, faculty training, student services and recruitment are identified and then rolled out to the institutions in our network.

Unified Systems. Our scale also permits increased investment in unified technology systems and an opportunity to leverage standardization of processes, centralization of common services (such as information technology, finance and procurement) and intellectual property, and implementing a common operating model and platform for content development, digital campus experiences, student services, recruitment and administrative services across our network. We believe this operating leverage positions us well for enhanced growth in profitability and cash flow relative to our enrollments and revenue.

In particular, the scale of our business in the markets in Latin America in which we operate confers a competitive advantage, in that we are well-positioned to leverage our scale across these large markets that are relatively homogeneous in many ways (e.g., language, geography and regulatory environments). We are creating a common operating model for our network institutions that integrates multiple software components, including SaaS-based information technology capabilities, student information system ("SIS"), enterprise resource planning ("ERP"), learning management system ("LMS"), and customer relationship management ("CRM"), into a single unified platform. We

Table of Contents

anticipate that implementation of the common operating model in these markets will create additional operational leverage that can be deployed not just at a brand or institution level, but more broadly across Brazil, Chile, Peru and Mexico.

Leading Intellectual Property and Technology. We have developed an extensive collection of intellectual property that has in part been enabled by investments in unified technology systems. We believe this collection of intellectual property, including online capabilities, campus management, faculty training, curriculum design and quality assurance, among other proprietary solutions, provides our students a truly differentiated learning experience and creates a significant competitive advantage for our institutions over competitors. We have made significant investments to create unified technology systems across our network. These systems will provide data and insights on a scale that we believe will allow us to improve student experience, retention rates and outcomes, while also enabling a more efficient and lower cost educational delivery model.

Long-Standing and Respected University Brands. We believe we have established a reputation for providing high-quality higher education in the countries in which we operate, and many of our institutions are among the most respected higher education brands in their local markets. Many of our institutions have over 50-year histories and are ranked among the best in their respective countries. For example, Universidade Anhembi Morumbi in Brazil is ranked by Guia do Estudante as one of São Paulo's top universities, UVM Mexico, the largest private university in Mexico, was ranked seventh among all public and private higher education institutions in that country by *Guía Universitaria*, an annual publication of *Reader's Digest,* Universidad Peruana de Ciencias Aplicadas ("UPC") recently attained a 4-Star Rating from QS Stars , making it the only 4-Star Rated university in that country, and Universidad Andrés Bello in Chile is ranked by SCImago among the five best universities in the country.

Many of our institutions and programs have earned the highest accreditation available, which provides us with a strong competitive advantage in local markets. For example, medical school licenses are often the most difficult to obtain and are only granted to institutions that meet rigorous standards. We serve more than 225,000 students in the fields of medicine and health sciences across more than 100 campuses throughout the *Laureate International Universities* network, including 20 medical schools and 15 dental schools. We believe the existence of medical schools at many of our institutions further validates the quality of our institutions and programs and increases brand awareness.

Commitment to Academic Quality. We offer high-quality undergraduate, graduate and specialized programs in a wide range of disciplines that generate strong interest from students and provide attractive employment prospects. Our commitment to quality is demonstrated by, for example, the fact that our Brazilian institutions' IGC scores (an indicator used by the Brazilian Ministry of Education ("MEC") to evaluate the quality of higher education institutions) have increased by more than 30% on average from 2010 to 2017, placing four of our institutions in the top quarter, and all of our students in Brazil enrolled in institutions ranked in the top third, of all private higher education institutions in the country. We focus on programs that prepare our students to become employed in high demand professions. Our curriculum development process includes employer surveys and ongoing research into business trends to determine the skills and knowledge base that will be required by those employers in the future. This information results in timely curriculum upgrades, which helps ensure that our graduates acquire the skills that will make them marketable to employers. We are also committed to continually evaluating our institutions to ensure we are providing the highest quality education to our students. Our proprietary management tool, the Laureate Education Assessment Framework ("LEAF"), is used to evaluate institutional performance based on 44 unique criteria across five different categories: Employability, Learning Experience, Personal Experience, Access & Outreach and Academic Excellence. LEAF, in conjunction with additional external assessment methodologies, such as

QS Stars , allows us to identify key areas for improvement in order to drive a culture of quality and continual innovation at our institutions.

Strong Student Outcomes. We track and measure our student outcomes to ensure we are delivering on our commitments to students and their families. In 2017, we commissioned a study by Kantar Vermeer, a leading third-party market research organization, of graduates at Laureate institutions representing over 65% of total Laureate enrollments. Graduates at 10 of our 12 surveyed international institutions achieved, on average, equal or higher employment rates within 12 months of graduation as compared to graduates of other institutions in the same markets. In addition, in 10 of the 12 institutions surveyed, graduates achieved equal or higher starting salaries as compared to graduates of other institutions in those same markets (salary premium to market benchmarks ranged from approximately 15% to approximately 47%). Furthermore, a joint study by Laureate and the IFC/World Bank Group in 2014 showed that graduates of Laureate institutions in Mexico experienced higher rates of social mobility, finding jobs, and moving up in socioeconomic status than their peers in non-Laureate institutions. In 2016, we conducted a similar study with the IFC in Peru for two of our network institutions, UPC and Cibertec, which showed that graduates from the larger programs of both institutions had higher salaries than their control group counterparts. Additionally, graduates from UPC were found to experience a larger positive change in their socioeconomic status than their peers who completed studies at non-Laureate institutions.

Attractive Financial Model.

Private Pay Model. Approximately 71% of our total revenues for the year ended December 31, 2018 were generated from private pay sources. We believe students' and families' willingness to allocate personal resources to fund higher education at our institutions validates our strong value proposition.

Revenue Visibility Enhanced by Program Length and Strong Retention. The length of our programs provides us with a high degree of revenue visibility. The majority of the academic programs offered by our institutions last between three and five years, and nearly two thirds of our students were enrolled in programs of at least four years or more in duration as of December 31, 2018. Additionally, we actively monitor and manage student retention because of the impact it has on student outcomes and our financial results. The historical annual student retention rate, which we define as the proportion of prior year students returning in the current year (excluding graduating students), of over 80% has not varied by more than three percentage points in any one year over the last five years. Given our high degree of revenue visibility, we are able to make attractive capital investments and execute other strategic initiatives to help drive sustainable growth in our business.

Attractive Margin Profile with Significant Operating Leverage. Our international network of universities provides significant advantages of scale, enabling us to operate efficiently with attractive margin levels by leveraging the scale of our network. In 2014, we launched our first *Excellence in Process* ("EiP") enterprise-wide initiative to optimize and standardize our processes to enable sustained growth and margin expansion. Given the success of the first wave of EiP, we have expanded the initiative into other back- and mid-office areas, as well as certain student-facing activities, in order to generate additional efficiencies and create a more efficient organizational structure. Our EiP programs have implemented vertical integration of procurement, information technology, finance, accounting, and human resources, enabling us to fully leverage the growing size and scope of our local operations while also enhancing our internal controls and have expanded to leveraging additional opportunities for efficiencies and savings related to the mid-office functions (including, for example, student information systems and the enrollment-to-graduation cycle) as well as general and administrative structure and certain student-facing activities.

Table of Contents

Our Strategy

The execution of our strategy will be enabled by the following initiatives:

Integration of Latin American Campus-Based Operations Through Common Operating Model. We anticipate that our focus on our core, scaled markets will allow us to integrate our campus-based operations in those markets. Our institutions in Latin America serve approximately 800,000 students in a relatively homogenous operating environment, creating a unique opportunity to harvest the benefits of scale. We believe that by implementing and optimizing our common operating model, we will be able to transition our institutions from operating as decentralized, stand-alone units to operating as an integrated and scaled network.

Tighter integration of our Latin American campus-based operations will also enable us to significantly reduce our cost structure and allow us to leverage the benefits of our scale across our more than 20 brands in these markets. By continuing to build on our success with the implementation of EiP, we believe that we can increase consistency and achieve scale with respect to back and mid-office functions, as well as certain front-office functions which impact the student from enrollment through graduation.

We anticipate that the common operating model will enable closer collaboration across our network and will facilitate network-wide innovation and improved student experiences, such as joint program development initiatives, global classrooms, increased sharing of best practices and additional coordinated investments in unified technology systems and new capabilities such as artificial intelligence ("AI") and enhanced data analytics. We believe that this unification will enable us to be more nimble in our day-to-day operations and will allow us to extract valuable insights from more data across our network. We believe this will enable further innovation and efficiency in our academic model and operations. Further, we believe that this common operating system will enable us to lower the cost of delivery of education, which we believe should lead to improved margins and expanded market share. We plan to continue to centralize the development of certain curriculum, allowing us to build common teaching modules and courses at a lower cost and at higher quality, as compared to building modules and courses in each local market, as we can dedicate more resources to each course or module.

Leverage and Expand Existing Portfolio. We will continue to focus on opportunities to expand our programs and the type of students that we serve, as well as our capacity in our markets to meet local demand, leveraging our existing platform to execute on attractive organic growth opportunities. In particular, we intend to add new programs and course offerings, expand target student demographics and, where appropriate, increase capacity at existing campuses, open new campuses and enter new cities in existing markets. We believe these initiatives will drive growth and provide an attractive return on capital.

Add New Programs and Course Offerings. We will continue to develop new programs and course offerings to address the changing needs in the markets. New programs and course offerings enable us to provide a high-quality education that we believe is desired by students and prospective employers.

Expand Target Student Demographics. We use sophisticated analytical techniques to identify opportunities to provide quality education to new or underserved student populations where market demand is not being met, such as non-traditional students (e.g., working adults) who may value flexible scheduling options, as well as traditional students. Our ability to provide quality education to these underserved markets has provided additional growth opportunities to our network and we intend to leverage our management capabilities and local knowledge to further capitalize on these opportunities in new and existing markets.

Increase Capacity at Existing and New Campus Locations. We will continue to make demand-driven investments in additional capacity throughout our network by expanding existing

campuses and opening new campuses, including in new cities. We employ a highly analytical process based on economic and demographic trends, and demand data for the local market to determine when and where to expand capacity. When opening a new campus or expanding existing facilities, we use best practices that we have developed over more than the past decade to cost-effectively expedite the opening and development of that location.

Expand Online and Hybrid Education Programs. We intend to increase the number of our students that receive their education through fully online or hybrid programs to meet the growing demands of students. Our online initiative is designed to not only provide students with access to innovative programs and modern digital experiences, but also to diversify our offerings, increase our enrollments and expand our digital solutions in a capital efficient manner, leveraging current infrastructure and improving classroom utilization.

For 2018, the percentage of student credit hours taken online in our campus-based institutions was approximately 24%, an increase from approximately 11% in 2015. With a common LMS implemented throughout our network covering approximately 98% of our students as of December 31, 2018, scaling up to 100% during the first half of 2019, we believe we have the scale to execute on this market opportunity, allowing us to differentiate ourselves further from our competitors.

We continue to accelerate the advancement of online education programs and technology-enabled solutions that deliver high-quality differentiated student experiences for our institutions at scale, including leveraging our network-wide launch of *OneCampus®* by Laureate, our global online campus. *OneCampus®* brings global connections, opportunities, courses, and workplace experiences to our students, who become "members" in the broader Laureate network of institutions and gain access to unique global opportunities online. Furthermore, it creates a channel for Laureate to manage online initiatives across the network and continually expand our portfolio of online offerings reaching students, faculty, and alumni in the Laureate network and offering them a distinct market advantage.

Our strategy for the online opportunity includes the following components:

Hybrid Online Programs. Traditional 18-24 year old students attending campus-based institutions are increasingly seeking digital learning experiences that are blended with in-person learning. We provide those students with a hybrid learning experience, mixing face-to-face classroom experience with technology through our online platform, which we believe improves the student experience by providing them with a wide range of online courses, interactive discussions, virtual experiences, digital resources, and simulations that enhance their learning experiences both within and outside the classroom.

Fully Online Programs. Many students require flexible learning modules to accommodate work and personal responsibilities. Often, these students are working adults who are looking to either complete an undergraduate or post-graduate degree, or who want to gain a credential to accelerate or change careers. Our fully online programs provide students with a high-quality curriculum experience to achieve their goals.

Distance Learning in Brazil. The Brazil market offers a unique opportunity to provide a quality and at-scale distance learning offering. The distance learning format reduces the need for on-site support, providing students with flexibility to plan their studies. With an established presence of over 400 active learning centers and nearly 1,000 *polo* licenses as of December 31, 2018, we have continued to leverage our local brands in Brazil to capitalize on our investment in distance learning centers to support demand.

Table of Contents

Our Segments and Institutions

Effective August 9, 2018 (giving effect to discontinued operations and the renaming of our segments), Laureate offers its educational services through five reportable segments:

Brazil;

Mexico;

Andean;

Rest of World; and

Online & Partnerships.

We determine our segments based on information utilized by our chief operating decision maker to allocate resources and assess performance. See Note 8, Business and Geographic Segment Information, in our consolidated financial statements for financial information regarding our operating segments and financial information about geographic areas; see also "Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Segment Results and Overview Factors Affecting Comparability Seasonality" in this Form 10-K.

The following table presents information about the institutions as of December 31, 2018, and excludes institutions that are part of discontinued operations as of that date.

Operating Segment (Enrollment)	Country	Higher Education Institution	Year Joined Laureate Network	Year Founded
Brazil (280,000)	**Brazil**	Universidade Anhembi Morumbi (UAM Brazil)	2005	1970
		Universidade Potiguar (UnP)	2007	1981
		Centro Universitário dos Guararapes (CUG)	2007	2002
		Faculdade Internacional da Paraíba (FPB)	2007	2005
		Business School São Paulo (BSP)	2008	1994
		Centro Universitário do Norte (UniNorte)	2008	1994
		FADERGS Centro Universitário (FADERGS)	2008	2004
		Instituton Brasileiro de Medicina de Reabilitação (Uni IBMR)	2009	1974
		Universidade Salvador (UNIFACS)	2010	1972
		Centro Universitário Ritter dos Reis (UniRitter)	2010	1971
		Faculdade dos Guararapes de Recife (FGR)	2012	1990
		FMU Education Group (FMU)	2014	1968
		Faculdade Porto-Alegrense (FAPA)	2014	2008
Mexico (206,300)	**Mexico**	Universidad del Valle de México (UVM Mexico)	2000	1960
		Universidad Tecnológica de México (UNITEC Mexico)	2008	1966
Andean (309,200)	**Chile**	Universidad de Las Américas (UDLA Chile)	*2000	1988
		Instituto Profesional AIEP (AIEP)	2003	1960
		Universidad Andrés Bello (UNAB)	*2003	1989

Table of Contents

Operating Segment (Enrollment)	Country	Higher Education Institution	Year Joined Laureate Network	Year Founded
		Instituto Profesional Escuela Moderna de Música (EMM)	2008	1940
		Universidad Viña del Mar (UVM Chile)	*2009	1988
	Peru	Universidad Peruana de Ciencias Aplicadas (UPC)	2004	1994
		CIBERTEC	2004	1983
		Universidad Privada del Norte (UPN)	2007	1994
Rest of World (18,700)	**Australia**	THINK Education Group (THINK)	2013	2006
		Torrens University Australia (TUA)	2014	2014
	China	Blue Mountains International Hotel Management School Suzhou (Blue Mountains Suzhou)	2008	2004
	New Zealand	Media Design School (MDS)	2011	1998
	Saudi Arabia	International Tourism and Hospitality College at Riyadh (ITHCR)	#2013	2013
		International Technical College at Jeddah (ITCJ)	#2013	2013
		International Technical Female College at Makkah (ITCM)	#2013	2013
		International Technical Female College at Al-Kharj (ITCAK)	#2013	2013
		International Tourism and Hospitality College at Al-Madinah (ITHCAM)	#2014	2014
		International Technical Female College at Al-Nammas (ITCAN)	#2015	2015
		International Technical Female College at Buraydah (ITCB)	#2015	2015
		International Technical Female College at Wadi Al-Dawaser (ITCWAD)	#2014	2014
Online & Partnerships (60,600)	**United Kingdom**	Laureate Online Education B.V. (University of Liverpool)	2004	1881
		Laureate Online Education B.V. (University of Roehampton)	2012	2004
	United States	Walden University	2001	1970

* Not-for-profit institution consolidated by Laureate as a variable interest entity.

Managed by Laureate as part of a joint venture arrangement.

Managed by Laureate under a contract with the Kingdom of Saudi Arabia that expires in 2019.

In December 2017, we stopped accepting new enrollments at the University of Roehampton. In 2018, we stopped accepting new enrollments at the University of Liverpool.

Table of Contents

Competition

We face competition in each of our operating segments. We believe competition focuses on price, educational quality, reputation, location and facilities.

Brazil, Mexico, Andean and Rest of World

The market for higher education outside the United States is highly fragmented and marked by large numbers of local competitors. The target demographics are primarily 18- to 24-year-olds in the individual countries in which we compete. We generally compete with both public and private higher education institutions on the basis of price, educational quality, reputation and location. Public institutions tend to be less expensive, if not free, but more selective and less focused on practical programs aligned around career opportunities. We believe we compare favorably with competitors because of our focus on quality, professional-oriented curriculum and the competitive advantages provided by our network. At present, we believe no other company has a similar network of international institutions. There are a number of other private and public institutions in each of the countries in which we operate. Because the concept of private higher education institutions is fairly new in many countries, it is difficult to predict how the markets will evolve and how many competitors there will be in the future. We expect competition to increase as the markets mature.

United States

The postsecondary education market is highly competitive, with no private or public institution holding a significant market share. We compete primarily with public and private degree-granting regionally accredited colleges and universities. Our competitors include both traditional and proprietary colleges and universities offering online programs. Traditional colleges and universities increasingly offer a variety of distance education alternatives to professional adults. Competition from traditional colleges and universities is expected to increase as they expand their online offerings.

We believe that the competitive factors in the postsecondary education market primarily include the following:

- relevant, high-quality and accredited program offerings;
- reputation of the college or university and marketability of the degree;
- flexible, convenient, and dependable access to programs and courses;
- regulatory approvals;
- qualified and experienced faculty;
- level of learner support;
- affordability of the program;
- availability of Title IV funds;
- marketing and recruiting effectiveness; and
- the time necessary to earn a degree.

Online & Partnerships

The market for fully online higher education is highly fragmented and competitive, with no single institution having any significant market share. The target demographic for Walden University is adult working professionals who are over 25 years old. Walden University competes with traditional public and private nonprofit institutions and for-profit schools. In recent years, the competition for online

enrollments has increased as more traditional campus-based institutions are becoming online-enabled. Typically, public institutions charge lower tuitions than Walden University because they receive state subsidies, government and foundation grants, and tax-deductible contributions and have access to other financial sources not available to Walden University. However, tuition at private nonprofit institutions is typically higher than the average tuition rates charged by Walden University. Walden University competes with other educational institutions principally based upon price, educational quality, reputation, location, educational programs and student services.

See "Item 1A Risk Factors Risks Relating to Our Business The higher education market is very competitive, and we may not be able to compete effectively."

Recent Developments

Sale of Spanish and Portuguese Institutions

On December 12, 2018, Iniciativas Culturales de España S.L., a Spanish private limited liability company ("ICE"), and Laureate I B.V., a Netherlands private limited liability company ("Laureate I"), both of which are indirect wholly owned subsidiaries of the Company, entered into a Sale and Purchase Agreement (the "Agreement") with Samarinda Investments, S.L., a Spanish limited liability company (the "Purchaser"). Pursuant to the Agreement, the Purchaser will purchase from ICE all of the issued and outstanding shares in the capital of each of Universidad Europea de Madrid, S.L.U., Iniciativas Educativas de Mallorca, S.L.U., Iniciativa Educativa UEA, S.L.U., Universidad Europea de Canarias, S.L.U., and Universidad Europea de Valencia, S.L.U. (together, the "Spain Companies"), and the Purchaser will purchase from Laureate I all of the issued and outstanding shares in the capital of Ensilis Educação e Formação, Unipessoal, Lda. (the "Portugal Company"). Three of the Spain Companies are the entities that operate Universidad Europea de Madrid, Universidad Europea de Canarias, and Universidad Europea de Valencia. The Portugal Company is the entity that operates Universidade Europeia, a comprehensive university in Portugal, and Instituto Português de Administração de Marketing (IPAM Lisbon and IPAM Porto), post-secondary schools of marketing in Portugal.

The transaction value under the Agreement is €770 million (or approximately $878 million at the December 31, 2018 rate of exchange), subject to customary closing adjustments, and the parties expect that the transaction will close within the first half of 2019, subject to customary closing conditions, including approvals by applicable competition and education regulatory authorities. For the 12-month period ended September 30, 2018, the Spain Companies and the Portugal Company, both of which are accounted for by the Company as discontinued operations, collectively had approximately $251.5 million in revenue, $46.2 million in operating income and $12.0 million in depreciation and amortization and, as of September 30, 2018, collectively had approximately 23,000 students.

Closing of Sale of University of St. Augustine for Health Sciences

As previously reported, on April 24, 2018, the Company, and Exeter Street Holdings, LLC (the "Seller") and University of St. Augustine for Health Sciences, LLC ("USAHS"), both of which are wholly owned subsidiaries of the Company, entered into a Membership Interest Purchase Agreement (the "Agreement") with University of St. Augustine Acquisition Corp. (the "Purchaser"), an affiliate of Altas Partners LP, to purchase from the Seller all of the issued and outstanding membership interests of USAHS. On February 1, 2019, the transaction contemplated by the Agreement was completed following the required regulatory approvals. Upon completion of the sale, the Seller received net proceeds of $346.4 million, which includes $11.7 million of closing adjustments, net of $58.1 million debt assumed by the Purchaser and fees of $7.2 million. The Company used $340 million of the net proceeds to repay a portion of its U.S. term loan, with the remaining $6.4 million in proceeds utilized to repay borrowings outstanding under its revolving line of credit.

Table of Contents

Amendment of Agreement to Sell Institution in Malaysia

As previously reported, on December 11, 2017, Exeter Street Holdings Sdn. Bhd., a Malaysia corporation (the "Seller"), and Laureate Education Asia Limited, a Hong Kong corporation (the "Guarantor"), both of which are indirect wholly owned subsidiaries of the Company, entered into a Share Sale & Purchase Agreement (the "Agreement") with Comprehensive Education Pte. Ltd., a Singapore corporation (the "Purchaser") that is an affiliate of Affinity Equity Partners, a private equity firm based in Hong Kong. Pursuant to the Agreement, the Purchaser agreed to purchase from the Seller all of the issued and outstanding shares in the capital of Inti Education Holdings Sdn. Bhd., a Malaysia corporation ("Inti Holdings"), and the Guarantor agreed to guarantee certain obligations of the Seller. Inti Holdings is the indirect owner of INTI University and Colleges, higher education institutions with five campuses in Malaysia ("INTI"). In connection with the Agreement, the Seller entered into a separate agreement with the current minority owner of the equity of Inti Holdings relating to the purchase by the Seller of the minority owner's 10.10% interest in Inti Holdings, the closing of which is a precondition to the closing of the transactions under the Agreement. The total purchase price, including the payment to the current minority owner, would have been US$180.0 million. The net transaction value to the Company under the Agreement would have been US$161.8 million, subject to customary closing adjustments.

The closing of the transaction under the Agreement was subject to certain conditions, including approval by regulators in Malaysia within a prescribed period, which approval has not been obtained. On January 17, 2019, the parties agreed to amend the Agreement to provide additional time for the Purchaser to obtain all required regulatory approvals. As part of that amendment, the parties agreed to reduce the total purchase price to US$140.0 million, which would result in a net transaction value to the Company of US$125.86 million, subject to customary closing adjustments. The parties now expect the transaction to close in the first half of 2019.

Sale of Institution in Thailand

On February 12, 2019, LEI Singapore Holdings Pte. Ltd., a Singapore corporation (the "Seller"), an indirect wholly owned subsidiary of the Company, and Laureate I B.V., a Netherlands corporation (the "Seller Guarantor"), an indirect wholly owned subsidiary of the Company, entered into a Share Sale & Purchase Agreement (the "Agreement") with China YuHua Education Investment Limited, a British Virgin Islands corporation (the "Purchaser"), and China YuHua Education Corporation Limited, a Cayman Islands corporation (the "Purchaser Guarantor"). Pursuant to the Agreement, the Purchaser purchased from the Seller all of Seller's interests in the issued share capital of Thai Education Holdings Company Limited, a Thailand corporation ("TEDCO"), and in Far East Stamford International Co Ltd ("FES"), a Thailand corporation, and to arrange the assignment of certain amounts receivable from the Thai group, the Seller Guarantor agreed to guarantee certain obligations of the Seller under the Agreement, and the Purchaser Guarantor agreed to guarantee certain obligation of the Purchaser under the Agreement. TEDCO is the owner of a controlling interest in FES, which is the license holder for Stamford International University, a member of the *Laureate International Universities* network with three campuses in Thailand. The total purchase price to the Seller under the Agreement was approximately $35.3 million, and net proceeds to the Seller were approximately $27.9 million, net of $7.1 million of net debt assumed by the Purchaser and $0.3 million of other customary closing adjustments. The transaction closed on the same date. Of the $27.9 million in net proceeds, the Seller received $23.7 million at closing. The balance of $4.2 million will be payable on the satisfaction of certain post-closing requirements. For the 12-month period ended December 31, 2018, TEDCO, FES and Stamford International University, which are accounted for by the Company as discontinued operations, collectively had approximately $20.0 million in revenue, an operating loss of $0.4 million, and $1.4 million in depreciation and amortization and, as of December 31, 2018, had approximately 4,400 students.

Table of Contents

Intellectual Property

We currently own, or have filed applications for, trademark registrations for the word "Laureate," for "Laureate International Universities" and for the Laureate leaf logo in the trademark offices of all jurisdictions around the world where we operate institutions of higher learning. We have also registered or filed applications in the applicable jurisdictions where we operate for the marks "Laureate Online International" and "Laureate Online Education." In addition, we have the rights to trade names, logos, and other intellectual property specific to most of our higher education institutions, in the countries in which those institutions operate.

Employees

As of December 31, 2018, including discontinued operations, we had approximately 60,000 employees, of which approximately 6,000 were full-time academic teaching staff and 21,000 were part-time academic teaching staff. In addition, we have approximately 200 part-time academic teaching staff who are classified as contractors, principally in Chile and Brazil. Our employees at many of our institutions outside the United States are represented by labor unions under collective bargaining agreements, as is customary or required under local law in those jurisdictions. At various points throughout the year, we negotiate to renew collective bargaining agreements that have expired or that will expire in the near term. We consider ourselves to be in good standing with all of the labor unions of which our employees are members and believe we have good relations with all of our employees.

Effect of Environmental Laws

We believe we are in compliance with all applicable environmental laws, in all material respects. We do not expect future compliance with environmental laws to have a material adverse effect on our business.

Our History

We were founded in 1989 as Sylvan Learning Systems, Inc., a provider of a broad array of supplemental and remedial educational services. In 1999, we made our first investment in global higher education with our acquisition of Universidad Europea de Madrid, and in 2001 we entered the market for online delivery of higher education services in the United States with our acquisition of Walden University. In 2003, we sold the principal operations that made up our then K-12 educational services business and certain venture investments deemed not strategic to our higher education business, and in 2004 we changed our name to Laureate Education, Inc. In August 2007, we were acquired in a leveraged buyout by a consortium of investment funds and other investors. On February 6, 2017, we consummated our initial public offering ("IPO") and shares of our Class A Common Stock began trading on the Nasdaq under the symbol "LAUR".

Public Benefit Corporation Status

In October 2015, we redomiciled in Delaware as a public benefit corporation as a demonstration of our long-term commitment to our mission to benefit our students and society. Public benefit corporations are a relatively new class of corporations that are intended to produce a public benefit and to operate in a responsible and sustainable manner. Under Delaware law, public benefit corporations are required to identify in their certificate of incorporation the public benefit or benefits they will promote and their directors have a duty to manage the affairs of the corporation in a manner that balances the pecuniary interests of the stockholders, the best interests of those materially affected by the corporation's conduct, and the specific public benefit or public benefits identified in the public benefit corporation's certificate of incorporation. Public benefit corporations organized in Delaware are

also required to assess their benefit performance internally and to disclose publicly at least biennially a report detailing their success in meeting their benefit objectives.

Our public benefit, as provided in our certificate of incorporation, is: to produce a positive effect (or a reduction of negative effects) for society and persons by offering diverse education programs delivered online and on premises operated in the communities that we serve. By doing so, we believe that we provide greater access to cost-effective, high-quality higher education that enables more students to achieve their academic and career aspirations. Most of our operations are outside the United States, where there is a large and growing imbalance between the supply and demand for quality higher education. Our stated public benefit is firmly rooted in our company mission and our belief that when our students succeed, countries prosper and societies benefit. Becoming a public benefit corporation underscores our commitment to our purpose and our stakeholders, including students, regulators, employers, local communities and stockholders.

Certified B Corporation

While not required by Delaware law or the terms of our certificate of incorporation, we have elected to have our social and environmental performance, accountability and transparency assessed against the proprietary criteria established by an independent non-profit organization. As a result of this assessment, we have been designated as a "Certified B Corporation™" under the standards set by an independent organization, which refers to companies that are certified as meeting certain levels of social and environmental performance, accountability and transparency.

The following description of the certification processes and standards was provided to us by the independent organization that designated us as a Certified B Corporation. The first step in becoming a Certified B Corporation is taking and passing a comprehensive and objective assessment of a business's positive impact on society and the environment. The assessment varies depending on the company's size (number of employees), sector and location. The standards in the assessment are created and revised by an independent governing body that determines eligibility to be a Certified B Corporation.

By completing a set of over 200 questions, which are customized for the company being assessed, that reflect impact indicators, best practices and outcomes, a company receives a composite score on a 200-point scale representative of its overall impact on its employees, customers, communities and the environment. Representative indicators in the assessment range from payment above a living wage, employee benefits, charitable giving/community service, use of renewable energy and, in the case of educational institutions like Laureate, student outcomes such as retention, graduation and employment rates.

Certification as a Certified B Corporation requires that a company achieve a reviewed assessment score of at least an 80. The review process includes a phone review, a random selection of indicators for verifying documentation and a random selection of company locations for onsite reviews, including employee interviews and facility tours. In the case of Laureate's assessment, each subsidiary, as well as the corporate office in Baltimore, was required to complete an individual assessment for review that would be aggregated based on size to calculate an overall score. The assessment also includes a disclosure questionnaire, including any sensitive practices, fines and sanctions related to the company or its partners.

For Laureate, certification also required us to adopt the public benefit corporation structure, a step we have already completed. Once certified, every Certified B Corporation must make its assessment score transparent on the independent non-profit organization's website. Acceptance as a Certified B Corporation and continued certification is at the sole discretion of the independent organization.

On January 22, 2018, Laureate was recertified as a Certified B Corporation by the independent third party.

Table of Contents

Available Information

Our principal executive offices are located at 650 S. Exeter Street, Baltimore, Maryland 21202, telephone (410) 843-6100. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are available free of charge to shareholders and other interested parties through the "Investor Relations" portion of our website at http://investors.laureate.net as soon as reasonably practical after they are filed with the SEC. Various corporate governance documents, including our Audit Committee Charter, Compensation Committee Charter, Nominations and Corporate Governance Committee Charter, and Code of Conduct and Ethics are available without charge through the "Investor Relations," "Corporate Governance" portion of our investor relations website, listed above.

Industry Regulation

Australian Regulation

We operate two post-secondary educational institutions in Australia Torrens University Australia Ltd ("Torrens") and Think: Colleges Pty Ltd ("Think").

In Australia a distinction is made between higher education organizations and vocational education.

Higher education providers consist of public and private universities, Australian branches of overseas universities and other higher education providers. Higher education qualifications consist of undergraduate awards (bachelor degrees, associate degrees and diplomas) and postgraduate awards (graduate certificates and diplomas, master's degrees and doctoral degrees). The regulation of higher education providers is undertaken at a national level by the Tertiary Education Quality and Standards Agency ("TEQSA"). All organizations that offer higher education qualifications in or from Australia must be registered by TEQSA. Higher education providers that have not been granted self-accrediting status must also have their courses of study accredited by TEQSA. Registration as a higher education provider is for a fixed period of up to seven years. TEQSA regularly reviews the conduct and operation of accredited higher education providers.

The vocational education and training ("VET") sector consists of technical and further education institutes, agricultural colleges, adult and community education providers, community organizations, industry skill centers and private providers. VET qualifications include certificates, diplomas and advanced diplomas. The regulation of VET providers is undertaken at a national level by the Australian Skills Quality Authority ("ASQA"). Organizations providing VET in Australia must be registered by ASQA as a Registered Training Organisation. Courses offered by Registered Training Organisations need to be accredited by ASQA. Registration as a registered training organization is for a fixed period of up to seven years. ASQA regularly reviews the conduct and operations of registered training organizations.

Torrens is one of 43 universities in Australia. It is a for-profit entity and registered as a university by TEQSA and has applied to renew its registration. As a self-accrediting university it is not required to have its courses of study accredited by TEQSA. Torrens is also registered by ASQA as a Registered Training Organisation and is thus entitled to offer vocational and training courses.

Think is one of approximately 5,000 Registered Training Organisations in Australia and in that capacity is regulated by ASQA. It is also registered as a higher education provider by TEQSA. Its higher education courses require, and have received, accreditation by TEQSA.

Australia also maintains a Commonwealth Register of Institutions and Courses for Overseas Students ("CRICOS") for Australian educational providers that recruit, enroll and teach overseas

students. Registration in CRICOS allows providers to offer courses to overseas students studying on Australian student visas. Both Torrens and Think are so registered.

The Commonwealth government has established income-contingent loan schemes that assist eligible fee-paying students to pay all or part of their tuition fees (separate schemes exist for higher education and vocational courses). Under the schemes the relevant fees are paid directly to the institutions. A corresponding obligation then exists from the participating student to the Commonwealth government. Neither Torrens nor Think have any responsibility in connection with the repayment of these loans by students and, generally, this assistance is not available to international students. Both Torrens and Think are registered for the purposes of these plans (a precondition to their students being eligible to receive these loans).

Brazilian Regulation

The Brazilian educational system is organized according to a system of cooperation among federal, state and local governments. Higher education (i.e., undergraduate and graduate level education provided by public and private higher education institutions ("HEI")) is regulated primarily at the federal level, particularly in terms of public policy goals, accreditation and academic oversight. The legislative influence of state and municipal governments is generally restricted to taxation, real estate and operational permitting issues.

With respect to the federal role, The National Educational Basis and Guidelines Law ("LDB"), provides the general framework for the provision of educational services in Brazil and establishes the duty of the federal government to:

- coordinate the national educational policy;
- ensure national process of evaluation of higher education institutions, with the cooperation of evaluation agencies that have responsibility for this level of education; and to create an evaluation process for the academic performance of elementary, secondary and higher education in collaboration with educational institutions in order to improve the quality of education; and
- issue rules and regulations regarding higher education.

The responsibility of the federal government in regulating, monitoring and evaluating higher education institutions and undergraduate programs is exercised by the Ministry of Education ("MEC"), along with a number of other federal agencies and related offices.

MEC

MEC is the highest authority of the higher education system in Brazil and has the power to issue implementing rules (regulations, notices, and technical advisories governing the conduct of higher education), as well as to regulate and monitor the higher education segment.

By exercising its duties, MEC has the power to confirm decisions from the National Board of Education ("CNE") regarding the accreditation and reaccreditation of institutions of higher education, as well as legal opinions and regulatory proposals coming from the Board. MEC is also responsible for validating the criteria and methodology employed by the National Institute of Educational Studies Anísio Teixeira ("INEP").

CNE National Board of Education

CNE is a consultative advisory and deliberative body of MEC. It consists of the Board of Basic Education and the Board of Higher Education, each composed of 12 members appointed by the President of Brazil. The Board of Higher Education has the power to (i) analyze and issue opinions on the results of higher education quality assessment; (ii) deliberate on the reports submitted by MEC on

programmatic accreditation and qualifications offered by higher education institutions, as well as on prior authorization from those offered by non-university institutions; and (iii) approve the accreditation and periodic reaccreditation of higher education institutions, based on official reports and quality assessments.

The CNE is also responsible for matters relating to the implementation of higher education norms and advising MEC on related matters.

INEP National Institute of Educational Studies Anísio Teixeira

INEP is a federal agency linked to MEC that is the primary statistical and information-gathering body for the entire Brazilian education system. The performance data it collects and publishes is used by MEC, the legislature and the rest of the executive branch, as well as the public, to debate and make policy and programmatic decisions about education. INEP is responsible for the National Higher Education Evaluation System ("SINAES"), and will coordinate and execute on-site visits to Higher Education institutions in the process of accreditation/reaccreditation of institutions and undergraduate programs.

CONAES National Commission on Higher Education Evaluation

CONAES is a committee under MEC supervision composed of 13 members, created to coordinate and monitor SINAES. To fulfill that duty, CONAES can establish guidelines to be followed by INEP in the development of evaluation tools, as well as submit the list of programs to be evaluated by the National Examination of Student Performance ("ENADE").

SERES Higher Education Regulation and Supervision Secretariat

In 2011, SERES which operates as a MEC branch became the specific agency directly responsible for regulation and supervision of public and private HEIs, as well as undergraduate courses and *lato sensu* graduate programs, for both face-to-face and distance learning modalities. Its mission is to elevate the quality level of all higher education through the establishment of guidelines for the expansion of HEIs and their courses, in accordance with national curriculum guidelines and proprietary quality parameters.

SERES plans and coordinates the policy-making process for higher education and has been granted the power to (i) accredit HEIs and their undergraduate courses; (ii) oversee HEIs and courses, in order to fulfill the educational legislation and to induce improvements in quality standards; and (iii) design actions and update curriculum guidelines for undergraduate programs, as well as benchmarks for quality distance education, considering curricular guidelines and various forms of technology. SERES can also establish guidelines for the preparation of assessment instruments for higher education courses and ultimately manages the public system of registration and database of HEIs and higher education programs. Finally, SERES can apply the penalties provided for in regulation, following due process.

According to the LDB, higher education can be offered by public or private higher education institutions. A private institution of higher education shall be controlled, managed and maintained by an individual person(s) or legal entity, in either case referred to as the "*mantenedora*." The mantenedora is responsible for obtaining resources to meet the needs of the duly authorized HEI, which in regulatory terms is referred to as the "*mantida*." A mantenedora may be authorized to operate more than one mantida. In any case, the mantenedora is legally and financially responsible for all of its mantidas. Each of our HEIs in Brazil is maintained by a Laureate-controlled mantenedora.

Table of Contents

Regarding their organizational and academic prerogatives, institutions of undergraduate learning can be:

Colleges (*faculdades)*: Colleges are institutions of public or private education offering degree programs in more than one area of knowledge and that are supported by a single supporting entity and have specific administration and management. Colleges may offer programs at the following levels: traditional undergraduate programs, technological undergraduate programs, specialization and graduate programs (master's and Ph.D. degrees). Colleges do not have minimum requirements for the qualifications of professors and their labor practices, and cannot establish new campuses or create programs and new locations without the prior permission of MEC.

University Centers (*centro universitários*): University centers are public or private educational institutions that offer a variety of programs in higher education, including undergraduate programs, extension courses and *lato sensu* graduate programs master's and Ph.D. degrees; they must also provide learning opportunities and career development for their professors. At least one third of the faculty of a university center must be composed of persons with masters or doctorate degrees. In addition, at least one fifth of its professors must be composed of professors who work full time. University centers have the autonomy to create, organize and extinguish individual courses and degree programs, as well as relocate or expand locations in their existing programs in the municipality where the university center's headquarters is located, without prior permission of MEC. A university center cannot open campuses outside the municipality where its seat is located.

Universities (*universidades*): Universities are public or private institutions of higher education that offer several degree programs, extension activities and development of institutional research. Like the university centers, at least one third of the faculty of a university must be composed of persons with masters or doctorate degrees. In addition, at least one third of a university's faculty must be composed of professors who work full time. Similar to university centers, universities have autonomy to create, organize and extinguish individual courses and degree programs, as well as to relocate or expand locations in their existing programs in the municipality where the university's headquarters is located, without prior permission of MEC. Additionally, universities have the ability, upon prior authorization by MEC, to apply for accreditation of new campuses and courses outside the municipality where the university's seat is located, provided that they are within the same state as the seat.

Among the HEIs in the *Laureate International Universities* network, there are three *faculdades* (Faculdade Internacional da Paraíba, located in João Pessoa, PB; Faculdades Porto-Alegrense, located in Porto Alegre, RS; and Faculdade dos Guararapes de Recife, located in Recife, PE), six university centers (FADERGS Centro Universitário, located in Porto Alegre, RS; Centro Universitário dos Guararapes, located in Jaboatão dos Guararapes, PE; FMU Education Group, located in São Paulo, SP; Centro Universitário Ritter dos Reis, located in Porto Alegre, RS; Centro Universitário do Norte, located in Manaus, AM; and Instituto Brasileiro de Medicina de Reabilitação IBMR, located in Rio de Janeiro, RJ), as well as three universities (Universidade Potiguar, located in Natal, RN; UNIFACS Universidade Salvador, located in Salvador, BA; and Universidade Anhembi Morumbi, located in São Paulo, SP). In addition, Business School São Paulo, which is a professional degree-granting institution, is owned and operated by Universidade Anhembi Morumbi, and CEDEPE Business School, which is a professional degree-granting institution, is operated as a division of the Guararapes operation. As noted below, each form of HEI is entitled to a different level of autonomy within the regulatory framework. In turn, we factor the respective levels of autonomy into the operational strategy for each HEI, as the requirement of prior or post-facto MEC approval can delay or nullify specific new campus expansion projects, new course offerings, and increases in the number of authorized seats per course.

Table of Contents

Legislation provides for specific levels of didactic, scientific and administrative autonomy to universities, university centers and colleges in differing degrees with the aim of limiting outside influence by other institutions or persons outside of the HEI's internal governance structure.

The LDB provides that the following powers are guaranteed to universities and university centers in the exercise of their autonomy: (i) to create, organize and terminate undergraduate programs in their facilities, subject to applicable regulations; (ii) to establish the curriculum, subject to applicable general guidelines; (iii) to plan and execute scientific research, artistic production and extracurricular activities; (iv) to quantify the available seats for each program, except in specific undergraduate programs where the total number of available seats in the entire system is controlled by MEC in conjunction with the input of the relevant professional associations; (v) to prepare and amend their bylaws in accordance with the general applicable standards; and (vi) to grant degrees, diplomas and other qualifications.

Although colleges have administrative autonomy, they do not enjoy academic autonomy and, therefore, are subject to MEC's prior authorization to create new programs and degree programs.

Distance education. Distance Education, or Educação a Distância ("EaD"), in Brazil is primarily regulated by the LDB. The law defines EaD as an educational modality in which the didactic and pedagogical measurement in teaching and learning processes occur with the use of media, information and communication technologies, with students and teachers developing educational activities at a different place and/or time.

EaD programs can be offered at different levels and types of higher education, covering continuing education programs, undergraduate, specialization, master's and Ph.D., as well as professional education (including technical, medium and technological level of higher education). Universities and university centers accredited to offer EaD programs may create, organize and terminate programs, upon notice to MEC. Colleges ('*faculdades*') must seek prior MEC authorization.

The new regulatory framework for distance education (Decree # 9.057/2017) significantly reduced the regulatory and operational hindrances to the expansion of undergraduate and postgraduate, allowing a specific accreditation to offer EaD programs exclusively, without the need of a prior face-to-face HEI accreditation, making it possible to create a HEI dedicated to EaD programs, with lower operational costs and reduced regulatory complexity. Further, another characteristic of EaD programs in Brazil the mandatory presence of brick-and-mortar support facilities, or '*polos*', for in-person activities such as professional practice labs and exams has been relaxed, thus making full online programs possible.

Under the new regulation, the need for classroom activities to be developed at the *polos* will be determined by the pedagogical projects of the respective programs, according to an HEI's own discretion. However, curriculum guidelines published by the National Board of Education may require activities to be developed in laboratory or professional settings, which may compromise some of this prerogative.

The decree also eliminated the need for prior *polo* accreditation, which becomes another prerogative of the accredited HEIs. However, a maximum number of new *polos* to be created annually by HEIs was stipulated, based on their institutional evaluation, or CI score (resulting from official onsite evaluations). HEIs with a CI score equal to 3 can create up to 50 new *polos* per year, whereas those with CI score of 4 can create 150 new *polos*. HEIs with a maximum CI score equal to 5 can create up to 250 new *polos* per year.

HEIs offering EaD programs, including their *polos*, are subject to inspection by the MEC at any time, as to determine compliance with legal and regulatory requirements. EaD certificates or diplomas issued by accredited HEIs have national validity, with the same force and effect as those issued for face-to-face programs.

Table of Contents

Accreditation. The first accreditation of an institution of higher education is necessarily as a college. The accreditation as a university or university center is only granted after the institution has operated as a college for at least six years and has demonstrated that it has met satisfactory quality standards, including positive evaluation by the SINAES, as well as met legal requirements applicable to each type of institution of undergraduate learning, including minimum degree attainment and terms of faculty employment.

Following accreditation, colleges must obtain MEC permission to offer new undergraduate degree programs. As consequence of their autonomy, universities and university centers do not require MEC authorization to create programs in the city where the university's or university center's headquarters are located. They need only inform MEC about the programs they offer for registration, evaluation and subsequent recognition. However, the creation of graduate programs in law, medicine, dentistry, nursing and psychology, whether by colleges, universities or university centers, are subject to the opinion of the proper professional associations.

Once a non-autonomous institution gets authorization to offer a particular program, it has to seek accreditation in the period between 50% and 75% of the program's completion. Institutional and programmatic accreditation has to be renewed periodically in accordance with the regularly applicable MEC evaluation process.

Decree n. 9.235, published in December 2017, condensed various directives present in several normative instruments, aiming setting procedural standards and decision models for accreditation. The new regulation eliminated the need for a previous mandatory decision of the MEC, which effectively granted wider autonomy to HEIs. Such autonomy, however, is tied to a performance score beyond the merely satisfactory grade in the official evaluation integrated with the accreditation process.

This increased autonomy primarily benefits university-like structures (i.e., universidades and *centros universitarios*). *Universidades* are now allowed to have the same autonomy prerogatives at their satellite campuses that they already enjoy at their headquarters, such as program creation, seat openings, etc. They must, however, sustain above average performance scores, and the same minimum proportion of faculty (one-third) working full time and/or with a master's/Ph.D. at each campus receiving autonomy. *Centros universitarios*, once geographically limited to the headquarters municipality, are now allowed to expand statewide, although there will be no autonomy prerogatives for such units; their new programs and seat expansion initiatives will have to be authorized by the MEC.

Evaluation. SINAES was established to evaluate HEI as institutions of higher education, traditional degree and technology degree programs and student academic performance, so as to improve the quality of higher education in Brazil. In practice, the CONAES conducts the monitoring and coordination efforts of SINAES. The results of the institutional and course evaluations are represented on a scale of five levels, and when facing unsatisfactory results, the HEI will be required to enter into an agreement with MEC to establish a remediation initiative. Failure to comply, in whole or in part, with the conditions provided in the term of commitment may result in one or more penalties imposed by MEC, including temporary suspension of the opening of the selective process for undergraduate programs and cancellation of accreditation or reaccreditation of the institution and the authorization for operation of its programs.

External evaluations of institutions of higher education are carried out by INEP in two instances, first, when an institution applies for its first accreditation and second, by the end of each of SINAES's evaluation; primarily based on the following criteria: (i) institutional development plan; (ii) social and institutional responsibility; (iii) infrastructure and financial condition; and (iv) pedagogical monitoring of student academic performance.

Table of Contents

The evaluation of graduate programs is made by the Coordination of Superior Level Staff Improvement ("CAPES"), which is responsible for establishing the quality standard required of masters and doctoral programs, along with the identification and evaluation of the courses that meet this standard.

The evaluation of student academic performance is conducted by INEP, which requires each student to sit for the ENADE in order to verify the knowledge and technical skill of the student body. Each ENADE test is developed in accordance with the content and specific curriculum of each educational program. Students enrolled in undergraduate programs take the ENADE every three years. In this system, students are evaluated at the end of the last year of each program.

Transfer of control. Although changes of control exercised by Laureate do not ordinarily need MEC prior approval or review, due to the level of Laureate's consolidated gross revenues throughout Brazil, current Brazilian law requires that every control transaction, with limited exceptions, that Laureate enters into must be submitted to the Brazilian anti-trust authority, the Conselho Administrativo de Defesa Economico (the "CADE"), for approval. Such request for approval must be granted prior to the definitive closing of such transaction. CADE has the power to reject and/or alter any transaction or any part of a transaction that it deems to unduly restrict competition.

Incentive programs. Programa Universidade Para Todos ("PROUNI") is a federal program of tax benefits designed to increase higher education participation rates by making college more affordable. PROUNI provides private HEIs with an exemption from certain federal taxes in exchange for granting partial and full scholarships to low-income students enrolled in traditional and technology undergraduate programs. All of our HEIs adhere to PROUNI.

HEIs may join PROUNI by signing a term of membership valid for ten years and renewable for the same period. This term of membership shall include the number of scholarships to be offered in each program, unit and class, and a percentage of scholarships for degree programs to be given to indigenous and Afro-Brazilians. To join PROUNI, an educational institution must maintain a certain relationship between the number of scholarships granted and the number of regular paying students. The relationship between the number of scholarships and regular paying students is tested annually. If this relationship is not observed during a given academic year due to the departure of students, the institution must adjust the number of scholarships in a proportional manner the following academic year.

An HEI that has joined PROUNI and remains in good standing is exempted, in whole or in part, from the following taxes during the period in which the term of membership is in effect:

- IRPJ (income tax) and CSLL (social contribution), with respect to the portion of net income in proportion to revenues from traditional and technology undergraduate programs; and

- Cofins (Contribution for the Financing of Social Security) and PIS (Program of Social Integration), concerning revenues from traditional and technology undergraduate programs.

A number of municipal and state governments have sought to replicate PROUNI by creating their own programs that, for example, offer tax incentives through a reduction in, or credits against, the ISS (Municipal Services Tax) in exchange for scholarships to targeted social groups or professions. Laureate owns and operates HEIs in several jurisdictions where such local incentive programs are in force.

Student financing program. Fundo de Financiamento Estudantil ("FIES") is a federal program established to provide financing to students enrolled in courses in private institutions of higher education that have maintained a minimum satisfactory evaluation according to SINAES and receive a grade of 3 or higher out of 5 on the ENADE. The primary factor in determining whether a student is eligible to receive full or partial financing is how he or she scores on the program's means testing of household income relative to the cost of tuition.

Table of Contents

Under this basic structure, FIES targets both of the government's education policy goals: increased access and improved academic quality outcomes. The HEI receives the benefit of the FIES program through its participation in the intermediation of CFT-E (Certificado Financeiro do Tesouro) bonds, which are public bonds issued to the HEI by the federal government that the HEI may use to pay the national social security tax imposed by the INSS (National Social Security Institute) and certain other federal tax obligations. If the HEI is current with its taxes (i.e., it possesses a tax clearance certificate and is not otherwise involved in any tax-related disputes with the federal government that are not being defended in compliance with applicable security/bond requirements), then the HEI also has the option to sell the bonds for cash in a public auction conducted by one of the government-sponsored banks.

Following changes initiated in 2014, a new FIES reform was implemented by the Provisional Presidential Decree (*Medida Provisória*) n. 785/2017, which amended the FIES legal statute (Law n. 10.260/2001). The current FIES offer conditions were consolidated for the selection rules for the 2018.1 semester.

The traditional FIES financing program continues to be offered to about one third of vacancies announced for the program in 2018. For the traditional offering, the candidate should have family income of up to three times the minimum wage, and while the previous 18-month grace period was eliminated, financing will have a zero interest rate. The risk is borne by a new guarantee fund called *FG-FIES* which may have initial public contributions of up to R$ 3 billion, and contributions from HEIs ranging from 13% for the first year, between 10% and 25% for the second to fifth year (according to delinquency-related variances), and at least 10% from the sixth year on.

The second financing offer called *P-FIES* has two variables, according to the funding sources (a. Constitutional/Regional Development Funds or b. the BNDES). The distribution of vacancies for this modality favors programs offered in corresponding regional limits. This FIES offer will be operated strictly by financial agents, who will also bear the risks of the operation.

As of December 31, 2018, approximately 11% of our students in Brazil participated in FIES, representing approximately 20% of our Brazil 2018 net revenues.

Chilean Regulation

The Political Constitution of the Republic of Chile guarantees every individual's right to education and sets forth the state's obligation to promote the development of education at all levels. It also provides for liberty in teaching, which includes the right to open, organize and maintain educational institutions, providing that a Constitutional Organic Law, which requires a super-majority vote in the Chilean Congress, must establish the requirements for the official recognition of educational institutions.

The General Law on Education sets forth the requirements and the procedure for the official recognition of educational institutions, providing for an educational system that is mixed in nature, including a form of education owned and managed by the state and its bodies and another one that is privately provided. The principles that inspire the Chilean educational system include those of universality, by virtue of which education should be affordable to all individuals, quality of education, and respect for and promotion of the autonomy of the educational institutions, within the framework of the laws governing them.

In the case of higher education, the law provides a licensing system for new institutions that, once completed, makes it possible for these institutions to achieve full autonomy. This autonomy consists of every higher education institution's right to govern itself, as provided in its bylaws, in all matters regarding the fulfillment of its purpose, and encompasses academic, economic and administrative autonomy. Academic autonomy includes the higher education entities' power to decide by themselves the manner in which their teaching, research and extension functions will be fulfilled and the

Table of Contents

establishment of their curricula and programs. Economic autonomy makes it possible for those establishments to manage their resources to fulfill their goals pursuant to their bylaws and the laws, while administrative autonomy empowers each higher education establishment to organize its operation in the form deemed most appropriate in accordance with its bylaws and the relevant laws.

The Ministry of Education ("MINEDUC") is the department of state in charge of promoting the development of education at all levels. Its functions include those of proposing and assessing the policies and plans for educational and cultural development, assigning the necessary resources for the conduct of educational and cultural extension activities, evaluating the development of education, discussing and proposing general norms applicable to the sector and overseeing their enforcement, granting official recognition to educational institutions, supervising the activities of its dependent units and fulfilling the other functions assigned by the law.

The MINEDUC's Higher Education Division is the unit in charge of overseeing compliance with the legal and regulatory norms that govern higher education, of providing advice on the proposal of policies at this level of education and of establishing institutional relations with the officially recognized higher education institutions.

The New Higher Education Law (the "New Law"), enacted on May 29, 2018, introduced major changes in the higher education sector. It created the Superintendency of Higher Education, whose purpose is to supervise and oversee compliance with the legal and regulatory provisions that regulate the higher education institutions in its field of competence as well as to supervise the allocation of resources by higher education institutions to ensure their allocation to appropriate purposes in accordance with the law and each institution's bylaws. The Superintendency of Higher Education is empowered to enter the premises of the universities it supervises when necessary, in order to request documents for inspection processes, and carry out on-site audits. In the case of related parties, the Superintendency may request any information it deems appropriate for its audit processes, may supervise "by the means it deems appropriate" all operations, assets, files, etc. of the individuals or institutions supervised, as well as of the related third entities, and will be able to summon for deposition *any* person related to the institution who has had transactions with the institution. The Superintendency is empowered to issue regulations to effectuate its responsibilities under the New Law. See " Recent Developments."

The Undersecretary of Higher Education, which will replace the MINEDUC's Higher Education Division, will serve as a direct collaborator with the Minister of Education in the preparation, coordination, execution and evaluation of policies and programs for higher education, especially in matters relating to its development, promotion, internationalization and ongoing improvement, both in the university and in the technical-professional subsystems.

The National Education Council (*Consejo Nacional de Educación*) is an autonomous entity composed of ten members who must be academicians, professors or professionals with an outstanding career in teaching and educational management and whose functions, regarding higher education, consist of:

- managing the license-granting system for new institutions;
- deciding on institutional projects submitted by institutions for the purpose of their official recognition;
- verifying the development of institutional projects of the institutions that have been approved;
- establishing selective examination systems for the subjects or courses of study delivered by the higher education institutions subject to license-granting processes in order to evaluate compliance with the curricula and programs and the performance of students;

- requesting from the MINEDUC, on a supported basis, the revocation of official recognition of the universities, professional institutes and technical training centers under the license-granting process;

- managing the revocation process of higher education institutions;

- assisting the MINEDUC in the management of the shutdown processes of autonomous higher education institutions, especially as to the process of awarding diplomas and degrees to students who are in the course of their education at the time of shutdown; and

- serving as an appeals body for decisions of the National Accreditation Commission.

The National Accreditation Commission (*Comisión Nacional de Acreditación*) is an autonomous entity, the function of which is to verify and promote the quality of the autonomous universities, professional institutes and technical training centers and of the courses of study and programs offered by them. In particular, the National Accreditation Commission is required to deliver an opinion on the institutional accreditation of higher education institutions, authorize the private agencies in charge of accreditation of courses of study and undergraduate programs and bachelor programs and specialty programs in the area of health, and supervise their operation.

The Managing Commission of the Credit System for Higher Education Studies (*Comisión Administradora del Sistema de Créditos para Estudios Superiores*) is an entity whose functions include defining and assessing policies for the development and implementation of financing arrangements for higher education studies, entering into and proposing modifications to any necessary agreements with both domestic and foreign public and private financing entities and implementing those arrangements, and defining and evaluating the policies for higher education loans guaranteed by the state.

Organization and recognition of higher education institutions. The law recognizes state-owned higher education institutions, which may only be created by a law, and private institutions that must be organized in accordance with provisions contained in the law. The Chilean legislation provides that the state will officially recognize the following higher education institutions:

- *Universities:* Universities may grant professional certificates and all kinds of academic degrees, including graduate certificates, bachelor's degrees and Ph.Ds. Universities are the only institutions entitled to grant professional certificates with respect to which the law requires having previously obtained a bachelor's degree.

- *Professional Institutes:* Professional institutes may only confer professional certificates of the type that do not require a bachelor's degree, and technical certificates of a superior level to those students who have completed programs of at least 1,600 class hours without receiving a bachelor's degree.

- *Technical Training Centers:* Technical training centers may only confer a technical certificate of a superior level to those students who have completed programs of at least 1,600 class hours.

- Educational institutions of the armed forces and police.

Private universities must be created in accordance with the procedures set forth by law, and must always be not-for-profit entities in order to be officially recognized.

Private professional institutes and technical training centers may be created by any individual or legal entity, they may be organized as for-profit or not-for-profit entities, and their sole purpose must be the creation, organization and maintenance of a professional institute or technical training center.

In order to be officially recognized, universities, professional institutes and technical training centers must have the necessary teaching, didactic, economic, financial and physical resources to offer the academic degrees, professional certificates or technical certificates, as

appropriate, which must be

Table of Contents

certified by the National Education Council. Additionally, these institutions must have a certification granted by the National Education Council evidencing that the entity has had both its institutional project and its academic programs approved and that it will have the progressive verification of its institutional development performed. Higher education institutions may only start their teaching activities once the official recognition has been granted. In Chile, the *Laureate International Universities* network comprises three universities and two professional institutes.

The official recognition of a higher education institution may be revoked and, in the case of universities, their legal existence may be revoked through a supported Statutory Decree of the MINEDUC, after a decision of the National Education Council adopted by the majority of its members in a meeting called for that sole purpose and after hearing the affected party, if that party (i) fails to comply with the objectives set forth in its bylaws, (ii) conducts activities contrary to morals, public order, good customs or national security, (iii) commits gross violations of its bylaws, or (iv) ceases to confer professional certificates to its graduates.

The law provides for a system of license grants to higher education institutions, which includes the approval of institutional project and the evaluation, progress and materialization of its educational project for a period of no less than six years, at the end of which they may become fully autonomous.

National system of quality assurance in higher education. The law provides for a system of quality assurance in higher education that includes a system of institutional accreditation that consists of a process of analysis of existing mechanisms within the autonomous higher education institutions to guarantee their quality, bearing in mind both the existence of those mechanisms and their application and results, and a process of accreditation of courses of study or programs, consisting of a process of verification of the quality of the courses of study or programs offered by the autonomous higher education institutions, on the basis of their declared purposes and the criteria set forth by the respective academic and professional communities.

Both the institutional accreditation and the accreditation of courses of study and undergraduate programs are voluntary, except that the courses of study and academic programs leading to the professional degrees of Surgeon, Elementary Education Teacher, Secondary Education Teacher, Differential Education Teacher and Nursery School Teacher are subject to mandatory accreditation.

The institutional accreditation is filed with the National Accreditation Commission, whereas the accreditation of courses of study and undergraduate programs can be performed by domestic, foreign or international accreditation entities authorized by the National Accreditation Commission.

Tax benefits. Chilean universities recognized by the state, and the associations, corporations, partnerships and foundations that are created, organized or maintained by those universities, are exempted from paying tax on the income arising exclusively from their educational activities. Likewise, educational institutions are exempted from paying value-added tax, an exemption that is limited to the revenues arising from their teaching activities. Additionally, universities are exempted from paying withholding taxes for payments made abroad. There are also specific tax benefits for donations made to universities.

Financing. The Chilean state contributes to the direct financing of universities existing as of December 31, 1980 by means of contributions from the state. In addition, all universities, professional institutes and technical training centers recognized as higher education institutions receive an indirect contribution from the state, which is distributed on the basis of the scores obtained in the university admission test by the students enrolled in each higher education institution.

Under the Crédito con Aval del Estado (the "CAE Program"), the state guarantees up to 90% of the principal plus interest on loans granted by financial institutions to students of higher education at autonomous, accredited institutions officially recognized by the state that select their first-year students

on the basis of the score obtained in the university admission test and that use the aforesaid indirect contribution by the state exclusively for institutional development purposes.

The *Nuevo Milenio* Scholarship ("NMS") program supports access to vocational and technical education for students in the lowest 70% who met or exceeded certain academic standards by providing annual scholarships (i) under NMS I in amounts up to CLP 600,000; (ii) under NMS II in amounts up to CLP 850,000 per year for students who come from the first five income deciles if the tech/voc institution in which they are enrolled is organized as a not-for-profit legal entity or, if the tech/voc institution is not so organized, the institution has stated in writing its intention to become a not-for-profit entity and to be accredited; and (iii) under NMS III in amounts up to CLP 900,000 per year, provided that such students and the institution in which they enroll meet the requirements for NMS II and the tech/voc institution was, on December 31, 2015, accredited for four years or more.

Provisional administrator. In December 2014, the Chilean Congress adopted the Provisional Administrator Law (the "Provisional Administrator Law"), which provides for the appointment of a provisional administrator or closing administrator to handle the affairs of failing universities or universities found to have breached their bylaws.

Recent developments. On May 29, 2018 the New Law was enacted. Among other things, the New Law created the Undersecretary of Higher Education and the Superintendency of Higher Education, provided that for profit entities may control not-for-profit institutions, but prohibited conflicts of interests and related party transactions with notable exceptions, including the provision of services that are educational in nature or essential for the university's purposes, and introduced changes to the national system of quality assurance in higher education. The New Law provides for a transition period between one and two years.

The Company is currently reviewing the impact the New Law could have on its Chilean operations, including the extent to which the New Law will affect existing contractual relationships that the Company maintains with its Chilean non-profit universities. The Superintendent is required to issue regulations by May 29, 2019. Once the Superintendent issues the regulations, the Company and the Chilean universities may need to evaluate additional modifications to the existing contractual relationships.

On February 18, 2014, the MINEDUC disclosed that on November 15, 2013 and February 11, 2014, it had initiated internal investigations into UDLA Chile and UNAB, respectively. The investigations were initiated upon referrals from the National Education Council and the National Accreditation Commission, which had conveyed to the MINEDUC their concerns regarding certain agreements entered into by UDLA Chile and UNAB with their controlling entities, including concerns about the amount and real use made by the universities of the services provided under those agreements. The investigations were intended by the MINEDUC to determine whether it should begin formal sanction proceedings against the universities. The MINEDUC also disclosed that it had delivered relevant documentation on the matter to the Public Prosecutor. In January 2016, the MINEDUC announced that it had closed the investigation into UNAB.

In June 2016, the MINEDUC notified UNAB that it was opening an investigation into possible violations of the not-for-profit nature of UNAB. In September 2016, the MINEDUC notified UVM Chile that it was opening a similar investigation of UVM Chile.

Table of Contents

On October 11, 2018, the MINEDUC announced that it had closed the investigations into UNAB, UDLA and UVM. In its final resolution the MINEDUC found no specific, sanctionable conduct on the part of any of the not-for-profit universities while reaffirming the obligation to ensure that their conduct comply with the New Law when implemented.

In December 2016, Servicios de Impuestos Internos Chile ("SII") notified separately UDLA Chile and UNAB that as part of the general audit program called "*Auditoría Integral a Universidades,*" it was requesting supporting documentation from them for the tax periods between November 2013 and October 2016. On March 21, 2017, SII sent a similar notification to UVM Chile regarding the tax periods from May 2014 to October 2016. Each institution has submitted responsive documents that support taxes paid related to its revenues and expenses, including to the extent such revenues and expenses involve financial arrangements with Laureate for-profit entities. On November 29, 2017, the SII notified UVM Chile that its audit detected "no differences" between the taxes paid and the taxes owed and provided UVM Chile with a written closure letter. In June 19, 2018, the SII notified UNAB and in June 29, 2018 the SII notified UDLA, that its audits detected "no differences" between the taxes paid and the taxes owed and provided UNAB and UDLA with a written closure letter.

Mexican Regulation

Mexican law provides that private entities are entitled to render education services in accordance with applicable legal provisions. These provisions regulate the education services rendered by the federal government, the states and private entities and contain guidelines for the allocation of the higher education role among the federal government, the states and the municipalities, including their respective economic contributions, in order to jointly participate in the development and coordination of higher education.

There are three levels of regulation in Mexico: federal, state and municipal. The federal authority is the Federal Ministry of Public Education (*Secretaría de Educación Pública*). Each of the 31 states and Mexico City has the right to establish a local Ministry of Education, and each municipality of each state may establish a municipal education authority that only has authority to advertise and promote educational services and/or activities.

Some functions are exclusive to the Federal Ministry of Education, such as the establishment of study plans and programs for Basic and Mid-Superior education services. There are also concurrent functions, such as the granting and withdrawal of governmental recognition of validity of studies (*Reconocimiento de Validez Oficial de Estudios*) ("REVOEs," for its acronym in Spanish).

The General Law on Education (*Ley General de Educación*) in Mexico classifies studies in the following three categories: (i) Basic Education, which includes pre-school (kindergarten), elementary school and junior high school (*secundaria*); (ii) Mid-Superior Education, which includes high school (*preparatoria*) and equivalent studies, as well as professional education that does not consider *preparatoria* as a prerequisite; and (iii) Superior Education, which includes the studies taught after *preparatoria,* including undergraduate school (*licenciatura*), specialties (*especialidades*), masters studies, doctorate studies and studies for teachers (*educación normal*).

The REVOEs are issued either by the Federal Ministry of Education under the General Law on Education or by any of the state Ministries of Education under the applicable state law. REVOEs are granted for each program taught at each campus. If there is a change in the program or in the campus at which it is taught, the entity will need to get a new REVOE.

The Federal Ministry of Education has issued a set of general resolutions (*Acuerdos*) that regulate the general requirements for obtaining REVOEs. The main *Acuerdos* are (i) *Acuerdo* 243, issued on May 27, 1998, which sets the general guidelines for obtaining an Authorization or REVOE; (ii) *Acuerdo* 17/11/17, issued on November 10, 2017, which sets the procedures related to REVOEs for

Superior Education studies; and (iii) *Acuerdo* 18/11/18, issued on November 27, 2018, which defines the different levels, models and educational options at Superior Education. The Federal Ministry of Education recommends to the local Ministries of Education the adoption and inclusion of the provisions contained in *Acuerdo* 243 and *Acuerdo* 17/11/17 in the local Law on Education and other applicable local laws and regulations.

Depending on each state, other requirements may apply, for example, that private institutions that provide educational services with REVOEs need to be registered with the corresponding local authorities.

Acuerdo 17/11/17 regulates in detail the provisions contained under the General Law on Education to grant REVOEs for Superior Education studies, regarding faculty, plans and programs of studies, inspection visits, procedures, etc. *Acuerdo* 17/11/17 also provides that private institutions that provide Superior Education services in accordance with presidential decrees or secretarial resolutions (*acuerdos secretariales*) issued specifically to them may maintain the obligations provided to them thereunder and may function under the simplified provisions of *Acuerdo* 17/11/17. Currently, Universidad Tecnológica de México, S.C. and Universidad del Valle de México, S.C. have secretarial resolutions that were issued in their favor before the issuance of *Acuerdo* 17/11/17. The obligations contained in these secretarial resolutions generally conform to the obligations provided under *Acuerdo* 17/11/17.

The regulatory authorities are entitled to conduct inspection visits to the facilities of educational institutions to verify compliance with applicable legal provisions. Failure to comply with applicable legal provisions may result in the imposition of fines, the cancellation of the applicable REVOE and the closure of the education facilities.

Private institutions with REVOEs are required to grant a minimum percentage of scholarships to students. *Acuerdo* 17/11/17 requires private institutions to grant scholarships to at least five percent of the total students registered during each academic term. Scholarships consist, in whole or in part, of payment of the registration and tuition fees established by the educational institution.

Private entities may also obtain the recognition of validity of their programs from the National Autonomous University of Mexico (*Universidad Nacional Autónoma de México* or "UNAM"). The General Regulations of Incorporation and Validation of Studies issued by UNAM provide that programs followed in private entities may be "incorporated" to UNAM in order for UNAM to recognize their validity.

The UNAM regulations also require private entities incorporated to UNAM to grant scholarships to at least five percent of the total students registered at such entity. The students entitled to have this benefit will be selected by UNAM. Some of our high school programs and one of our medical programs are incorporated to UNAM.

Peruvian Regulation

We operate three post-secondary education institutions in Peru, two of which are universities and one of which is a technical-vocational institute. Peruvian law provides that universities and technical-vocational institutes can be operated as public or private entities, and that the private entities may be organized for profit. The Ministry of Education has overall responsibility for the national education system.

In 2014, the Peruvian Congress enacted a new University Law to regulate the establishment, operation, monitoring and closure of universities. The law also promotes continuous improvement of quality at Peruvian universities. The law created a new agency, the Superintendencia de Educación Superior Universitaria ("SUNEDU"), which is responsible for carrying out the governmental role in university regulation, including ensuring quality. While institutional autonomy is still recognized, and universities are permitted to create their own internal governance rules and determine their own

Table of Contents

academic, management and economic systems, including curriculum design and entrance and graduation requirements, all of these matters are now subject to review and evaluation by SUNEDU through its periodic review of universities as part of a license renewal process.

Under the new law, university licenses are temporary but renewable, and are granted by SUNEDU for a maximum of eight years. On November 24, 2015 the Board of SUNEDU promulgated regulations for the university licensing process. For licenses to be renewed, universities have to demonstrate to SUNEDU that they comply with, at a minimum, certain Basic Quality Conditions ("BQCs") (i.e., that they have specified academic goals and that the degrees granted and plans of study are aligned with those goals, that their academic offerings are compatible with their planning goals, (e.g., there is sufficient labor demand for careers offered) that there are only two regular semesters of studies per year, that they have appropriate infrastructure and equipment, that they engage in research, that they have a sufficient supply of qualified teachers, at least 25% of whom will need to be full-time, that they supply adequate basic complementary educational services (e.g., medical and psychological services and sports activities), that they provide appropriate placement office services, and that they have transparency of institutional information). Both UPC and UPN had their licenses renewed in 2017, in each case for a period of six years.

Technical-vocational institutes are regulated by the Ministry of Education, which grants operating licenses for not less than three nor more than six years, after which the Ministry conducts a revalidation process. The approval of new institute licenses is based on the evaluation by the Ministry of the institute's institutional goals, the curricula of its education programs and their link with careers needed in the Peruvian economy, the availability of adequate qualified teachers, the institute's infrastructure, the institute's financial resources, and the favorable opinion of the National System of Assessment, Accreditation and Certification of Education Quality ("SINEACES") regarding the appropriateness of the programs the institute is offering. SINEACES is also responsible for the accreditation of programs and careers at all higher education institutions. On November 2, 2016 a new law regarding technical-vocational institutes (the "Institutes Law") was enacted. Under the Institutes Law, technical-vocational institutes are regulated by the Ministry of Education, which grants operating licenses. The Institutes Law has created two types of institutes, Higher Education Institutes ("Institutes") and Higher Education Colleges ("Colleges"). Institutes are dedicated to technical careers and Colleges are devoted to technical careers related to education as well as science and information Technology. Colleges grant Technical Bachelor Degrees and Professional Technical Degrees. Institutes and Colleges are subject to a mandatory license granted by the Ministry of Education, based on an evaluation to determine compliance with BQCs. BQCs include: an appropriate institutional management guaranteeing a proper relation with the educational model of the institution; appropriate academic management and proper program studies aligned with the Ministry of Education norms; appropriate infrastructure and equipment to develop educational activities; adequate teachers and staff which, at a minimum, should consist of 20% full-time staff; and appropriate financial and economic provisions. The Law provides that the process will last no more than 90 days and will grant a license for a five-year period to be renewed once expired. Unlike licenses, quality accreditation is voluntary except for certain careers for which it might be mandatory as determined by law. Such accreditation will be taken into consideration for access to public grants for scholarships and research among other things. Private Institutes and Colleges may be organized as for-profit or not-for-profit entities under Peruvian law. Not-for-profit Colleges' and Institutes' income is exempt from taxes on their educational activities. For-profit Colleges and Institutes are subject to income taxes, but may qualify for a tax credit on 30% of their reinvested income, subject to a reinvestment program to be filed with the Ministry of Education for a maximum term of five years. The specific requirements of such programs were determined by regulations in August 2017. According to the schedule determined by the regulations, in May 2018 Cibertec was granted a license by the Ministry of Education for a five-year period.

Table of Contents

In November 2018, Laureate Education Peru SRL, acquired Instituto de Educación Superior Tecnológico Privado Red Avansys S.A.C. ("Avansys"). Avansys is an Institute that offers 25 careers to close to 3,000 students in a single campus located in downtown Lima in an educational cluster for Institutes. Avansys obtained its license from the Ministry of Education in April 2018, for a five-year period. Cibertec and Avansys merged from a corporate and tax perspective as of February 1, 2019. Following the recording of the merger in the Public Registry, the merged entity ("Cibertec-Avansys") will ask for a new educational license which, according to law, should be granted not later than 90 days after the petition is filed.

U.S. Regulation

Our institutions in the United States are subject to extensive regulation by the U.S. Department of Education (the "DOE"), accrediting agencies and state educational agencies. The regulations, standards and policies of these agencies cover substantially all of the operations of our higher education institutions in the United States ("U.S. Institutions"), including their educational programs, facilities, instructional and administrative staff, administrative procedures, marketing, recruiting, finances, results of operations and financial condition.

As institutions of higher education that grant degrees and diplomas, our U.S. Institutions are required to be authorized by appropriate state educational agencies. In addition, the DOE regulates our U.S. Institutions due to their participation in federal student financial aid programs under Title IV of the U.S. Higher Education Act (the "HEA"), or Title IV programs. Title IV programs currently include grants and educational loans provided directly by the federal government, including loans to students and parents through the William D. Ford Federal Direct Loan Program (the "Direct Loan Program"). The Direct Loan Program offers Federal Stafford Loans, Federal Parent PLUS Loans, Federal Grad PLUS Loans and Federal Consolidation Loans. Prior to July 1, 2010, Title IV programs also included educational loans issued by private banks with below-market interest rates that are guaranteed by the federal government in the event of a student's default on repaying the loan. A significant percentage of students at our U.S. Institutions rely on the availability of Title IV programs to finance their cost of attendance.

In addition to complying with specific requirements contained in the HEA and regulations issued thereunder by the DOE, in order to participate in Title IV programs, our U.S. Institutions also are required to maintain authorization by the appropriate state educational agency or agencies and be accredited by an accrediting agency recognized by the DOE.

We plan and implement our business activities to comply with the standards of these regulatory agencies. To monitor compliance with this regulatory environment, institutions participating in Title IV programs undergo periodic reviews to demonstrate, among other things, that they maintain proper accreditation, state authorization, and adequate financial resources. Historically, our U.S. Institutions have maintained eligibility to access Title IV funding.

State Education Authorization and Regulation

Our U.S. Institutions are required by the HEA to be authorized by applicable state educational agencies in the states where we are located to participate in Title IV programs. To maintain requisite state authorizations, our U.S. Institutions are required to continuously meet standards relating to, among other things, educational programs, facilities, instructional and administrative staff, marketing and recruitment, financial operations, addition of new locations and educational programs and various operational and administrative procedures. These standards can be different from and conflict with the requirements of the DOE and other applicable regulatory bodies. State laws and regulations are subject to change and may limit our ability to offer educational programs and offer certain degrees. Some states may also prescribe financial regulations that are different from those of the DOE and may

require the posting of surety bonds. Failure to comply with the requirements of applicable state educational agencies could result in us losing our authorization to offer educational programs in those states. If that were to occur, the applicable state educational agency could force us to cease enrolling students in their state. Alternatively, the state educational licensing agencies could restrict the institution's ability to offer certain degree or diploma programs. The loss of an authorization by the state in which the institution is based could also impact the ability of such institution to participate in Title IV programs.

Each of our U.S. Institutions maintains an authorization from the pertinent state regulatory authority in which such institutions are physically located, or is exempt under current state law from a requirement to be specifically authorized. If any of the authorizations provided to one or more of our U.S. Institutions are determined not to comply with the DOE regulations, or one or more of our U.S. Institutions is unable to obtain or maintain an authorization that satisfies the DOE requirements, students at the pertinent institution may be unable to access Title IV funds, which could force the institution to cease operations in the state.

Additionally, the DOE is currently reviewing its state authorization requirements pertaining to distance education. On December 19, 2016, the DOE published final regulations regarding state authorization for programs offered through distance education and state authorization for foreign locations of institutions. Among other provisions, these final regulations require that an institution participating in the Title IV federal student aid programs and offering post-secondary education through distance education be authorized by each state in which the institution enrolls students, if such authorization is required by the state, as well as required each institution to document and make certain disclosures regarding the state process for resolving complaints for programs offered through distance education or correspondence. The DOE would recognize, although not specifically require, authorization through participation in a state authorization reciprocity agreement, if the agreement does not prevent a state from enforcing its own laws. These regulations were meant to take effect on July 1, 2018, but the DOE announced a delay and has since begun a new rulemaking process in January of 2019 that includes a review of these regulations. We cannot predict with certainty when these new regulations would be finalized or effective.

Several states have asserted jurisdiction over educational institutions offering online degree programs that have no physical location or other presence in the state, but that have some activity in the state, such as enrolling or offering educational services to students who reside in the state, conducting practica or sponsoring internships in the state, employing faculty who reside in the state or advertising to or recruiting prospective students in the state. Thus, our activities in certain states constitute a presence requiring licensure or authorization under requirements of state law, regulation or policy of the state educational agency, even though we do not have a physical facility in such states. Therefore, in addition to the states where we maintain physical facilities, we have obtained, or are in the process of obtaining, approvals or exemptions that we believe are necessary in connection with our activities that may constitute a presence in such states requiring licensure or authorization by the state educational agency based on the laws, rules or regulations of that state. Some of our approvals are pending or are in the renewal process. Some of our U.S. Institutions do not have current approvals or exemptions from all of the state educational agencies that may require such an approval or exemption due to the U.S. Institution enrolling students via distance education in the state.

Notwithstanding our efforts to obtain approvals or exemptions, state regulatory requirements for online education vary among the states, are not well developed in many states, are imprecise or unclear in some states and can change frequently. Because our U.S. Institutions enroll students in online degree programs, we expect that regulatory authorities in other states where we are not currently licensed or authorized may request that we seek additional licenses or authorizations for these institutions in their states in the future. In recent years, regional state compacts have created the National Council for State Authorization Reciprocity Agreements ("NC-SARA"), which is a voluntary

agreement among member states and U.S. territories that establishes comparable national standards for interstate offering of postsecondary distance-education courses and programs. As of the date of this filing, all states except California participate in NC-SARA. NC-SARA requires each participating institution to have a federal composite score as measured by the DOE at the parent level of a 1.5 (or a 1.0 with justification acceptable to the state). Neither of our U.S. Institutions participates in NC-SARA because Laureate has a composite score of below 1.0. Accordingly, our U.S. Institutions must apply for and comply with each state's authorization requirements. Many states have established or are proposing legislation to create new or different criteria for authorization of "non-SARA" institutions, including requiring them to post bonds and/or meet composite score requirements. If our U.S. Institutions do not meet these requirements, they may not enroll students in that state. If any of our U.S. Institutions fails to comply with state licensing or authorization requirements for a state that institution could lose its state licensure or authorization by that state, which could prohibit it from recruiting students, providing educational programs and other activities in that state, and fines and penalties. We review the licensure or authorization requirements of other states to determine whether our activities in those states may constitute a presence or otherwise may require licensure or authorization by the respective state education agencies. New laws, regulations or interpretations related to offering educational programs online could increase our cost of doing business and affect our ability to recruit students in particular states, which could, in turn, adversely affect our U.S. Institutions' enrollments and revenues.

In recent years, the proprietary education industry has experienced broad-based, intensifying scrutiny in the form of increased investigations and enforcement actions. Attorneys general and educational authorizing agencies in several states, as well as the U.S. Federal Trade Commission (the "FTC") and Consumer Financial Protection Bureau have become more active in enforcing consumer protection laws, especially related to recruiting practices and the financing of education at proprietary educational institutions.

State Professional Licensure

Many states have specific licensure requirements that an individual must satisfy to be licensed as a professional in specified fields, including fields such as education and healthcare. These requirements vary by state and by field. A student's success in obtaining licensure following graduation typically depends on several factors, which may include, but are not limited to: the background and qualifications of the individual graduate; whether the institution or the program were approved by the applicable state agencies in the state in which the graduate seeks licensure; whether the program from which the student graduated meets all requirements for professional licensure in that state; whether the institution or the program are accredited and, if so, by what accrediting agencies; and whether the institution's degrees are recognized by other states in which a student may seek to work. Several states also require that graduates pass a state test or examination as a prerequisite to becoming certified in certain fields, such as teaching and nursing. In several states, an educational program must be accredited by an accrediting agency affiliated with a professional association in order for graduates to be licensed in that professional field. In the field of psychology, an increasing number of states require approval by either the American Psychological Association ("APA") or the Association of State and Provincial Psychology Boards ("ASPPB"). To date, Walden University has been unable to obtain approval of its Ph.D. program in Counseling Psychology from the ASPPB or APA.

Additionally, under the HEA, proprietary schools generally are eligible to participate in Title IV programs in respect of educational programs that lead to "gainful employment in a recognized occupation." As part of regulations promulgated by the DOE to more specifically define "gainful employment," which became effective on July 1, 2015 and are described in more detail below, the DOE requires each of our U.S. Institutions to certify that its educational programs meet the applicable requirements for graduates to be professionally or occupationally certified in the state in which the institution is located. Failure to provide such certification may result in such programs being ineligible for Title IV program funds. Due to GE certification requirements, it is possible that several programs offered by our schools may be adversely affected by this requirement due to lack of specialized program accreditation, licensure, or certification in the states in which such institutions are based.

Table of Contents

Accreditation

Accreditation is a private, non-governmental process for evaluating the quality of educational institutions and their programs in areas, including student performance, governance, integrity, educational quality, faculty, physical resources, administrative capability and resources and financial stability. To be recognized by the DOE, accrediting agencies must comply with DOE regulations, which require, among other things, that accrediting agencies adopt specific standards for their review of educational institutions, conduct peer review evaluations of institutions and publicly designate those institutions that meet their criteria. An accredited institution is subject to periodic review or review when necessary by its accrediting agencies to determine whether it continues to meet the performance, integrity and quality required for accreditation. Walden University is institutionally accredited by the Higher Learning Commission, a regional accrediting agency recognized by the DOE. NewSchool of Architecture and Design is institutionally accredited by the WASC Senior College and University Commission ("WSCUC"). Accreditation by these accrediting agencies is important to us for several reasons, one being that it enables eligible students at our U.S. Institutions to receive Title IV financial aid. In addition, other colleges and universities depend, in part, on an institution's accreditation in evaluating transfers of credit and applications to graduate schools. Employers also rely on the accredited status of institutions when evaluating candidates' credentials, and students and corporate and government sponsors under tuition reimbursement programs consider accreditation as assurance that an institution maintains quality educational standards. If any of our U.S. Institutions fails to satisfy the standards of its respective accrediting agency, that institution could lose its accreditation by that accrediting agency, which would cause it to lose its eligibility to participate in Title IV programs.

The HEA and regulations issued by the DOE require accrediting agencies to monitor the growth of institutions that they accredit. Our U.S. Institutions' respective accrediting agencies require all affiliated institutions, including us, to complete an annual data report. If the non-financial data, particularly enrollment information, and any other information submitted by the institution indicate problems, rapid change or significant growth, the staff of the respective accrediting agency may require that the institution address any concerns arising from the data report in the next self-study and visit process or may recommend additional monitoring. In addition, DOE regulations require the Higher Learning Commission to notify the DOE if an institution it accredits that offers distance learning programs, such as Walden University, experiences an increase in its headcount enrollment of 50% or more in any fiscal year. The DOE may consider that information in connection with its own regulatory oversight activities.

In addition to institution-wide accreditation, there are numerous specialized accrediting agencies that accredit specific programs or schools within their jurisdiction, many of which are in healthcare and professional fields. Accreditation of specific programs by one of these specialized accrediting agencies signifies that those programs have met the additional standards of those agencies. In addition to being accredited by regional and/or national accrediting agencies, Walden University also has the following specialized accreditations:

- the Council for Accreditation of Counseling and Related Educational Programs accredits the M.S. in Clinical Mental Health Counseling, M.S. in Marriage, Couple and Family Counseling, M.S. in Addictions Counseling, M.S. in School Counseling and Ph.D. in Counselor Education and Supervision programs;

- the Commission on Collegiate Nursing Education accredits the Bachelor of Science in Nursing, Master of Science in Nursing and Doctor of Nursing Practice programs;

- the Accreditation Council for Business Schools and Programs accredits the B.S. in Business Administration, Master of Business Administration, Doctor of Business Administration and Ph.D. in Management programs and granted Specialized Accounting Accreditation to the B.S. in Accounting and M.S. in Accounting programs;

Table of Contents

- the Council for the Accreditation of Educator Preparation (formerly the National Council for Accreditation of Teacher Education) accredits the Richard W. Riley College of Education and Leadership;

- the Project Management Institute Global Accreditation Center for Project Management Education Program accredits the M.S. in Project Management program;

- the ABET accredits the B.S. in Information Technology online program;

- the Council on Social Work Education accredits the master's in social work program, and the bachelor's in social work program holds candidacy status; and

- The Master's in Public Health program is an applicant for accreditation by the Council on Education for Public Health.

In addition, the National Architecture Accrediting Board accredits NewSchool of Architecture and Design's professional architecture programs.

If we fail to satisfy the standards of any of these specialized accrediting agencies, we could lose the specialized accreditation for the affected programs, which could result in materially reduced student enrollments in those programs.

Congressional Hearings and Related Actions

The U.S. Congress must authorize and appropriate funding for Title IV programs under the HEA and can change the laws governing Title IV programs at any time. Congress reauthorizes the Higher Education Act, which governs federal financial assistance for higher education, approximately every five to eight years. However, the HEA was most recently reauthorized in August 2008. Congress is considering the reauthorization of HEA and is expected to conduct hearings examining various issues relating to the HEA, such as accreditation reform, Title IV disbursement and institutional accountability. It is possible there will be new HEA reauthorization bills and oversight hearings in this Congress. We cannot predict the timing and terms of any eventual HEA reauthorization, including any potential changes to institutional participation or student eligibility requirements or funding levels for particular Title IV programs.

In addition to comprehensive reauthorizations of the HEA, Congress may periodically revise the law and other statutory requirements governing Title IV programs. In addition to Title IV programs, eligible veterans and military personnel may receive educational benefits under other federal programs. Congress has the authority to determine the funding levels for Title IV programs, and programs benefiting eligible veterans and military personnel.

Regulation of Federal Student Financial Aid Programs

To be eligible to participate in Title IV programs, an institution must comply with specific requirements contained in the HEA and the regulations issued thereunder by the DOE. An institution must, among other things, be licensed or authorized to offer its educational programs by the state or states in which it is located and maintain institutional accreditation by an accrediting agency recognized by the DOE. The substantial amount of federal funds disbursed to schools through Title IV programs, the large number of students and institutions participating in these programs and allegations of fraud and abuse by certain for-profit educational institutions have caused Congress to require the DOE to exercise considerable regulatory oversight over for-profit educational institutions. As a result, for-profit educational institutions, including ours, are subject to extensive oversight and review. Because the DOE periodically revises its regulations and changes its interpretations of existing laws and regulations, we cannot predict with certainty how the Title IV program requirements will be applied in all circumstances.

Table of Contents

Significant aspects of Title IV programs include the following:

Eligibility and certification procedures. Each of our U.S. Institutions must apply periodically to the DOE for continued certification to participate in Title IV programs. Such recertification generally is required every six years, but may be required earlier, including when an institution undergoes a change in control. An institution may also come under the DOE's review when it expands its activities in certain ways, such as opening an additional location, adding a new educational program or modifying the academic credentials it offers. The DOE may place an institution on provisional certification status if it finds that the institution does not fully satisfy all of the eligibility and certification standards and in certain other circumstances, such as when an institution is certified for the first time or undergoes a change in control. During the period of provisional certification, the institution must comply with any additional conditions included in the institution's program participation agreement with the DOE. In addition, the DOE may more closely review an institution that is provisionally certified if it applies for recertification or approval to open a new location, add an educational program, acquire another institution or make any other significant change. If the DOE determines that a provisionally certified institution is unable to meet its responsibilities under its program participation agreement, it may seek to revoke the institution's certification to participate in Title IV programs without advance notice or opportunity for the institution to challenge the action. Students attending provisionally certified institutions remain eligible to receive Title IV program funds. Each of our U.S. Institutions currently is provisionally certified to participate in Title IV programs. They are also subject to a letter of credit for not satisfying the DOE's standards of financial responsibility, as described below. In addition, they are subject to additional cash management requirements with respect to their disbursements of Title IV funds, as well as certain additional reporting and disclosure requirements.

Gainful employment. Under the HEA, proprietary schools generally are eligible to participate in Title IV programs for educational programs that lead to "gainful employment in a recognized occupation." On October 30, 2014, the DOE published regulations to define "gainful employment," which become effective on July 1, 2015. Historically, the concept of "gainful employment" has not been defined in detail. The regulations require each educational program offered by a proprietary institution to achieve threshold rates in two debt measure categories: an annual debt-to-annual earnings ("DTE") ratio and an annual debt-to-discretionary income ("DTI") ratio.

An educational program must achieve a DTE ratio at or below 8% or a DTI ratio at or below 20% to be considered "passing." An educational program with a DTE ratio greater than 8% but less than or equal to 12% or a DTI ratio greater than 20% but less than or equal to 30% is considered to be "in the zone." An educational program with a DTE ratio greater than 12% and a DTI ratio greater than 30% is considered "failing." An educational program will cease to be eligible for students to receive Title IV program funds if its DTE and DTI ratios are failing in two out of any three consecutive award years or if both of those rates are failing or in the zone for four consecutive award years.

The regulations also require an institution to provide warnings to current and prospective students in programs which may lose Title IV eligibility at the end of an award or fiscal year. If an educational program could become ineligible based on its ratios for the next award year, the institution must (1) deliver a warning to current and prospective students in the program and (2) not enroll, register or enter into a financial commitment with a prospective student until three business days after the warning is provided or a subsequent warning is provided, if more than thirty days have passed since the first warning. If a program becomes ineligible for students to receive Title IV program funds, the institution cannot seek to reestablish eligibility of that program, or establish the eligibility of a similar program having the same classification of instructional program ("CIP") code with the same first four digits of the CIP code of the ineligible program for three years. In January 2017, the DOE issued the first-year final DTE rates to institutions. Of the programs currently offered by NewSchool of Architecture and Design and Walden University, only three programs were in the zone.

Table of Contents

Additionally, the regulations require an institution to certify to the DOE that its educational programs subject to the gainful employment requirements, which include all programs offered by our U.S. Institutions, meet the applicable requirements for graduates to be professionally or occupationally licensed or certified in the state in which the institution is located. If we are unable to certify that our programs meet the applicable state requirements for graduates to be professionally or occupationally certified in that state, then we may need to cease offering certain programs in certain states or to students who are residents in certain states.

The regulations also include requirements for the reporting of student and program data by institutions to the DOE and expand the disclosure requirements that have been in effect since July 1, 2011. The failure of any program or programs offered by any of our U.S. Institutions to satisfy any gainful employment regulations could render that program or programs ineligible for Title IV program funds and we may choose to cease offering the program or programs. Due to GE certification requirements, it is possible that several programs offered by our schools may be adversely affected by the regulations due to lack of specialized program accreditation, licensure, or certification in the states in which such institutions are based. We also could be required to make changes to certain programs at our U.S. Institutions or to increase student loan repayment efforts in order to comply with the rule or to avoid the uncertainty associated with such compliance.

The DOE decided to review its gainful employment regulations by negotiated rulemaking in early 2018, but failed to meet consensus on the DOE's proposed regulatory changes. On August 14, 2018, the DOE released a Notice of Proposed Rulemaking which would rescind its gainful employment regulations and related requirements. Comments were due September 13, 2018. The DOE did not meet the master calendar deadline of November 1 to issue a new regulation to rescind the gainful employment requirements, and therefore it is not clear when any new such regulation to repeal these regulations will become effective. While the DOE has required institutions to continue to report data to the DOE, it has not issued new GE metrics for institutions and has delayed certain disclosure requirements. We cannot predict with any certainty the outcome of the DOE's proposal to rescind the gainful employment regulations or the extent to which it ultimately proposes gainful employment regulations that differ from the current regulations.

Administrative capability. DOE regulations specify extensive criteria by which an institution must establish that it has the requisite "administrative capability" to participate in Title IV programs. To meet the administrative capability standards, an institution must, among other things: comply with all applicable Title IV program requirements; have an adequate number of qualified personnel to administer Title IV programs; have acceptable standards for measuring the satisfactory academic progress of its students; not have student loan cohort default rates above specified levels; have various procedures in place for awarding, disbursing and safeguarding Title IV program funds and for maintaining required records; administer Title IV programs with adequate checks and balances in its system of internal controls; not be, and not have any principal or affiliate who is, debarred or suspended from federal contracting or engaging in activity that is cause for debarment or suspension; provide financial aid counseling to its students; refer to the DOE's Office of Inspector General any credible information indicating that any student, parent, employee, third-party servicer or other agent of the institution has engaged in any fraud or other illegal conduct involving Title IV programs; submit all required reports and financial statements in a timely manner; and not otherwise appear to lack administrative capability. If an institution fails to satisfy any of these criteria, the DOE may require the institution to repay Title IV funds its students previously received, change the institution's method of receiving Title IV program funds, which in some cases may result in a significant delay in the institution's receipt of those funds, place the institution on provisional certification status or commence a proceeding to impose a fine or to limit, suspend or terminate the institution's participation in Title IV programs. If the DOE determines that any of our U.S. Institutions failed to satisfy its

Table of Contents

administrative capability requirements, then the institution's students could lose, or be limited in their access to, Title IV program funding.

Financial responsibility. The HEA and DOE regulations establish extensive standards of financial responsibility that institutions such as ours must satisfy to participate in Title IV programs. The DOE evaluates institutions for compliance with these standards on an annual basis based on the institution's annual audited financial statements as well as when the institution applies to the DOE to have its eligibility to participate in Title IV programs recertified. The most significant financial responsibility standard is the institution's composite score, which is derived from a formula established by the DOE based on three financial ratios: (1) equity ratio, which measures the institution's capital resources, financial viability and ability to borrow; (2) primary reserve ratio, which measures the institution's ability to support current operations from expendable resources; and (3) net income ratio, which measures the institution's ability to operate at a profit or within its means. The DOE assigns a strength factor to the results of each of these ratios on a scale from negative 1.0 to positive 3.0, with negative 1.0 reflecting financial weakness and positive 3.0 reflecting financial strength. The DOE then assigns a weighting percentage to each ratio and adds the weighted scores for the three ratios together to produce a composite score for the institution. The composite score must be at least 1.5 for the institution to be deemed financially responsible without the need for further DOE oversight. In addition to having an acceptable composite score, an institution must, among other things, provide the administrative resources necessary to comply with Title IV program requirements, meet all of its financial obligations including required refunds to students and any Title IV liabilities and debts, be current in its debt payments and not receive an adverse, qualified or disclaimed opinion by its accountants in its audited financial statements.

If the DOE determines that an institution does not meet the financial responsibility standards due to a failure to meet the composite score or other factors, the institution is able to establish financial responsibility on an alternative basis permitted by the DOE. This alternative basis could include, in the Department's discretion, posting a letter of credit, accepting provisional certification, complying with additional DOE monitoring requirements, agreeing to receive Title IV program funds under an arrangement other than the DOE's standard advance funding arrangement, such as the reimbursement method of payment or heightened cash monitoring, or complying with or accepting other limitations on the institution's ability to increase the number of programs it offers or the number of students it enrolls.

The DOE measures the financial responsibility of our U.S. Institutions on the basis of the Laureate consolidated audited financial statements and not at the individual institution level. Based on Laureate's composite score for its fiscal year ended December 31, 2017, the DOE determined that it, and consequently, Walden University and NewSchool of Architecture and Design failed to meet the standards of financial responsibility. As a result, in a letter sent to Laureate on November 20, 2018, the DOE required Laureate to increase its existing letter of credit to $139,002,398 (15% of Title IV program funds that the schools received during the most recently completed fiscal year), continued the institutions on Heightened Cash Monitoring 1 and required Laureate to continue to comply with additional notification and reporting requirements, including submitting bi-weekly cash flow statements for Laureate and monthly student rosters of the institutions, which has been a requirement since April 2018. The DOE has calculated a composite score for Walden unofficially for state authorization purposes, and the score is 2.9 out of a possible 3.0.

Any requirement to provide, maintain or increase a letter of credit or other sanctions that may be imposed by the DOE could increase our cost of regulatory compliance and could affect our cash flows. The DOE has the discretion to increase our letter of credit requirements at any time. If our U.S. Institutions are unable to meet the minimum composite score requirement or comply with the other standards of financial responsibility, and could not post a required letter of credit or comply with the

alternative bases for establishing financial responsibility, then students at our U.S. Institutions could lose their access to Title IV program funding.

On November 1, 2016, as part of its defense to repayment rulemaking, the DOE issued a rule to revise its general standards of financial responsibility to include various actions and events that would require institutions to provide the DOE with irrevocable letters of credit upon the occurrence of certain triggering events. Due to litigation, these regulations are reinstated as of October, 2018. For additional information regarding this rule and the current rulemaking, see " DOE rulemaking activities."

When a student who has received Title IV funds withdraws from school, the institution must determine the amount of Title IV program funds the student has "earned." The institution must return any unearned Title IV program funds to the appropriate lender or the DOE in a timely manner, which is generally no later than 45 days after the date the institution determined that the student withdrew. If such payments are not timely made, the institution will be required to submit a letter of credit to the DOE equal to 25% of the Title IV funds that the institution should have returned for withdrawn students in its most recently completed fiscal year. Under DOE regulations, late returns of Title IV program funds for 5% or more of the withdrawn students in the audit sample in the institution's annual Title IV compliance audit for either of the institution's two most recent fiscal years or in a DOE program review triggers this letter of credit requirement.

The "90/10 Rule." A requirement of the HEA commonly referred to as the "90/10 Rule" provides that an institution loses its eligibility to participate in Title IV programs, if, under a complex regulatory formula that requires cash basis accounting and other adjustments to the calculation of revenue, the institution derives more than 90% of its revenues for any fiscal year from Title IV program funds. This rule applies only to for-profit post-secondary educational institutions, including our U.S. Institutions. An institution is subject to loss of eligibility to participate in Title IV programs if it exceeds the 90% threshold for two consecutive fiscal years, and an institution whose rate exceeds 90% for any single fiscal year will be placed on provisional certification and may be subject to addition conditions or sanctions imposed by the DOE.

Using the DOE's formula under the "90/10 Rule," NewSchool of Architecture and Design derived approximately 36%, 35% and 37% of its revenues (calculated on a cash basis) from Title IV program funds in fiscal years 2018, 2017 and 2016, respectively. Walden University derived approximately 76%, 73% and 73% of its revenues (calculated on a cash basis) from Title IV program funds in fiscal years 2018, 2017 and 2016, respectively.

The ability of our U.S. Institutions to maintain 90/10 rates below 90% will depend on our enrollments, any increases in students Title IV funding eligibility in the future, and other factors outside of our control, including any reduction in government assistance for military personnel, including veterans, or changes in the treatment of such funding for the purposes of the 90/10 calculation. In recent years, several members of Congress have introduced proposals and legislation that would modify the 90/10 Rule. One such proposal would revise the 90/10 Rule to an 85/15 rule and would count DoD tuition assistance and GI Bill education benefits toward that limit. We cannot predict whether, or the extent to which, these actions could result in legislation or further rulemaking affecting the 90/10 Rule.

Student loan defaults. Under the HEA, an educational institution may lose its eligibility to participate in some or all Title IV programs if defaults by its students on the repayment of federal student loans received under Title IV programs exceed certain levels. For each federal fiscal year, the DOE calculates a rate of student defaults on such loans for each institution, known as a "cohort default rate." Under current regulations, an institution will lose its eligibility to participate in Title IV programs if its three-year cohort default rate equals or exceeds 30% for three consecutive cohort years or 40% for any given year.

Table of Contents

The DOE generally publishes official cohort default rates annually in September for the repayment period that ended the prior September 30. NewSchool of Architecture and Design's official cohort default rates for the 2015, 2014 and 2013 federal fiscal years were 7.4%, 5.2% and 5.1%, respectively. Walden University's official cohort default rates for the 2015, 2014 and 2013 federal fiscal years were 7.3%, 7.5% and 6.7%, respectively. The average national student loan default rates published by the DOE for all institutions that participated in the federal student aid programs for 2015, 2014 and 2013 were 10.8%, 11.5% and 11.3%, respectively, and for all proprietary institutions that participated in the federal student aid programs for 2015, 2014 and 2013 were 15.6%, 15.5% and 15.0%, respectively.

Incentive compensation rule. Under the HEA an institution participating in Title IV programs may not pay any commission, bonus or other incentive payments to any person involved in student recruitment or admissions or awarding of Title IV program funds, if such payments are based in any part, directly or indirectly, on success in enrolling students or obtaining student financial aid. Failure to comply could result in monetary penalties and/or sanctions imposed by the DOE, which could result in lower enrollments, revenue, and net operating income. The law and regulations governing this requirement do not establish clear criteria for compliance in all circumstances, creating uncertainty about what constitutes incentive compensation and which employees are covered by the regulation, rendering development of effective and compliant performance metrics more difficult to establish.

In addition, in recent years, other post-secondary educational institutions have been named as defendants to whistleblower lawsuits, known as "*qui tam*" cases, brought by current or former employees pursuant to the Federal False Claims Act, alleging that their institutions' compensation practices did not comply with the incentive compensation rule. A *qui tam* case is a civil lawsuit brought by one or more individuals (a "relator") on behalf of the federal government for an alleged submission to the government of a false claim for payment. The relator, often a current or former employee, is entitled to a share of the government's recovery in the case, including the possibility of treble damages.

Substantial misrepresentation. The DOE has specific rules prohibiting substantial misrepresentations to students, members of the public, accrediting agencies and state licensing agencies, as well as the DOE. In the event that the DOE determines that an institution engaged in a substantial misrepresentation, it can revoke the institution's program participation agreement, impose limitations on the institution's participation in Title IV programs, deny participation applications on behalf of the institution, or seek to fine, suspend or terminate the institution's participation in Title IV programs. These regulations provide grounds for private litigants to seek to enforce the expanded regulations through False Claims Act litigation.

Compliance reviews. Our U.S. Institutions are subject to announced and unannounced compliance reviews and audits by various external agencies, including the DOE, its Office of Inspector General, state licensing agencies, various state approving agencies for financial assistance to veterans and accrediting agencies. In general, after the DOE conducts a site visit and reviews data supplied by an institution, the DOE sends the institution a program review report and affords the institution with an opportunity to respond to any findings. The DOE then issues a final program review determination letter, which identifies any liabilities.

The Higher Learning Commission conducted an on-site mid-cycle review of Walden University on May 1, 2017. The Higher Learning Commission determined that Walden University met the accreditation criteria, with the exception of two, for which it is requiring the school to submit follow-up reports. Specifically, Walden University was required to submit an interim report by May 2018 regarding its progress in addressing the "material weakness" (pertaining to Laureate's control over information technology systems) as identified by its auditors in its December 31, 2016 financial statements, and must submit a second interim report by May 2019 regarding retention and graduation rate improvements to doctoral programs.

Table of Contents

On September 8, 2016, MOHE sent to Walden University an information request regarding its doctoral programs and complaints filed by doctoral students as part of a program review MOHE is conducting and we have responded to this request. We cannot predict the timing or outcome of this matter.

As part of the DOE's ongoing monitoring of institutions' administration of Title IV programs, the HEA also requires institutions to annually submit to the DOE a Title IV compliance audit conducted by an independent certified public accountant in accordance with applicable federal and DOE audit standards. In addition, to enable the DOE to make a determination of an institution's financial responsibility, each institution must annually submit audited financial statements prepared in accordance with DOE regulations.

Borrower Defense-to-Repayment. On November 1, 2016, the DOE published a rule that, among other provisions, established new standards and processes for determining whether a Direct Loan Program borrower has a defense to repayment ("DTR") on a loan due to acts or omissions by the institution at which the loan was used by the borrower for educational expenses (the "2016 DTR regulations"). The 2016 DTR regulations were to take effect on July 1, 2017. On June 15, 2017, the DOE announced an indefinite delay to its implementation of the 2016 DTR regulations, and on June 16, 2017 published a notice of intent to establish a negotiated rulemaking committee to develop proposed revisions to the rule.

Among other topics, the 2016 DTR regulations established permissible borrower defense claims for discharge, procedural rules under which claims would be adjudicated, time limits for borrowers' claims, and guidelines for recoupment by the DOE of discharged loan amounts from institutions of higher education. They also prohibited schools from using any pre-dispute arbitration agreements, prohibited schools from prohibiting relief in the form of class actions by student borrowers, and invalidated clauses imposing requirements that students pursue an internal dispute resolution process before contacting authorities regarding concerns about an institution. For proprietary institutions, the 2016 DTR regulations described the threshold for loan repayment rates that would require specific disclosures to current and prospective students and the applicable loan repayment rate methodology. The 2016 DTR regulations also established new financial responsibility and administrative capacity requirements for both not-for-profit and for-profit institutions participating in the Title IV programs. Under the 2016 DTR regulations, certain events would automatically trigger a letter of credit, and the DOE retained discretion to impose a letter of credit upon the occurrence of other events.

The DOE held negotiated rulemaking sessions in early 2018 regarding the DTR regulations. The DOE and negotiators failed to reach consensus on revised DTR regulations. On July 31, 2018, the DOE published in the Federal Register a proposed rule which would replace most substantive provisions of the 2016 DTR regulations, with a 30-day public comment period. The DOE did not issue a final rule by November 1, 2018, however it is possible the DOE may implement these revised rules or seek to further revise these rules prior to implementation.

On July 6, 2017, the attorneys general of 18 states and the District of Columbia filed suit against the DOE claiming that its delay of the 2016 DTR regulations violated applicable law, including the Administrative Procedure Act. Through a series of orders dated September 12 and 17, and October 12, 2018, the U.S. District Court for the District of Columbia held that procedural delays by the DOE in implementing the 2016 DTR regulations were improper and required that the 2016 DTR regulations be reinstated as of October 16, 2018.

DOE Rulemaking Activities. On July 31, 2018, the DOE published a notice in the Federal Register announcing its intention to establish a negotiated rulemaking committee to draft proposed regulations regarding topics such as distance education, accreditation, innovation, competency-based programs, faith-based institutions and TEACH grants. The first two of the three scheduled negotiated rulemaking

committee meetings took place in January and February 2019 and the last one is scheduled to take place in March 2019.

Privacy of student records. The Family Educational Rights and Privacy Act of 1974 ("FERPA"), and the DOE's FERPA regulations require educational institutions to protect the privacy of students' educational records by limiting an institution's disclosure of a student's personally identifiable information without the student's prior written consent. FERPA also requires institutions to allow students to review and request changes to their educational records maintained by the institution, to notify students at least annually of this inspection right and to maintain records in each student's file listing requests for access to and disclosures of personally identifiable information and the interest of such party in that information. If an institution fails to comply with FERPA, the DOE may require corrective actions by the institution or may terminate an institution's receipt of further federal funds. In addition, our U.S. Institutions are obligated to safeguard student information pursuant to the Gramm-Leach-Bliley Act (the "GLBA"), a federal law designed to protect consumers' personal financial information held by financial institutions and other entities that provide financial services to consumers. The GLBA and the applicable GLBA regulations require an institution to, among other things, develop and maintain a comprehensive, written information security program designed to protect against the unauthorized disclosure of personally identifiable financial information of students, parents or other individuals with whom such institution has a customer relationship. If an institution fails to comply with the applicable GLBA requirements, it may be required to take corrective actions, be subject to monitoring and oversight by the U.S. Federal Trade Commission ("FTC"), and be subject to fines or penalties imposed by the FTC. For-profit educational institutions are also subject to the general deceptive practices jurisdiction of the FTC with respect to their collection, use and disclosure of student information. The institution must also comply with the FTC Red Flags Rule, a section of the federal Fair Credit Reporting Act, that requires the establishment of guidelines and policies regarding identity theft related to student credit accounts.

Potential effect of regulatory violations. If any of our U.S. Institutions fails to comply with the regulatory standards governing Title IV programs, the DOE could impose one or more sanctions, including requiring us to repay Title IV program funds, requiring us to post a letter of credit in favor of the DOE as a condition for continued Title IV certification, taking emergency action against us, initiating proceedings to impose a fine or to limit, suspend or terminate our participation in Title IV programs or referring the matter for civil or criminal prosecution. Because our U.S. Institutions are provisionally certified to participate in Title IV programs, the DOE may revoke the certification of these institutions without advance notice or advance opportunity for us to challenge that action.

In addition to the actions that may be brought against us as a result of our participation in Title IV programs, we are also subject to complaints and lawsuits relating to regulatory compliance brought not only by regulatory agencies, but also by other government agencies and third parties, such as current or former students or employees and other members of the public.

Regulatory Standards that May Restrict Institutional Expansion or Other Changes in the United States

Many actions that we may wish to take in connection with expanding our operations or other changes in the United States are subject to review or approval by the applicable regulatory agencies.

Implementing new educational programs and increasing enrollment. The requirements and standards of state education agencies, accrediting agencies and the DOE limit our ability in certain instances to implement new educational programs or increase enrollment in certain programs. Many states require review and approval before institutions can add new programs. Our U.S. Institutions' state educational agencies and institutional and specialized accrediting agencies that authorize or accredit our U.S. Institutions and their programs generally require institutions to notify them in advance of implementing

Table of Contents

new programs, and upon notification may undertake a review of the quality of the facility or the program and the financial, academic and other qualifications of the institution.

With respect to the DOE, if an institution participating in Title IV programs plans to add a new educational program, the institution must generally apply to the DOE to have the additional educational program designated as within the scope of the institution's Title IV eligibility. As a condition for an institution to participate in Title IV programs on a provisional basis, as in our case, the DOE can require prior approval of such programs or otherwise restrict the number of programs an institution may add or the extent to which an institution can modify existing educational programs. If an institution that is required to obtain the DOE's advance approval for the addition of a new program fails to do so, the institution may be liable for repayment of the Title IV program funds received by the institution or students in connection with that program.

Provisional certification. Each institution must apply to the DOE for continued certification to participate in Title IV programs at least every six years and when it undergoes a change in control. An institution may also come under the DOE's review when it expands its activities in certain ways, such as opening an additional location, adding an educational program or modifying the academic credentials that it offers.

The DOE may place an institution on provisional certification status if it finds that the institution does not fully satisfy all of the eligibility and certification standards. In addition, if a company acquires an institution from another entity, the acquired institution will automatically be placed on provisional certification when the DOE approves the transaction. During the period of provisional certification, the institution must comply with any additional conditions or restrictions included in its program participation agreement with the DOE. Students attending provisionally certified institutions remain eligible to receive Title IV program funds, but if the DOE finds that a provisionally certified institution is unable to meet its responsibilities under its program participation agreement, it may seek to revoke the institution's certification to participate in Title IV programs without advance notice or advance opportunity for the institution to challenge that action. In addition, the DOE may more closely review an institution that is provisionally certified if it applies for recertification or approval to open a new location, add an educational program, acquire another institution or make any other significant change. All of our U.S. Institutions currently participate in Title IV programs pursuant to provisional participation agreements due to our conversion to a public benefit corporation and our initial public offering, as well as because we do not meet the DOE's standards of financial responsibility.

Acquiring other institutions. We have acquired other institutions in the past, and we may seek to do so in the future. The DOE and virtually all state education agencies and accrediting agencies require a company to obtain their approval if it wishes to acquire another institution. The level of review varies by individual state and accrediting agency, with some requiring approval of such an acquisition before it occurs while others only consider approval after the acquisition has occurred. The approval of the applicable state education agencies and accrediting agencies is a necessary prerequisite to the DOE certifying the acquired institution to participate in Title IV programs. The restrictions imposed by any of the applicable regulatory agencies could delay or prevent our acquisition of other institutions in some circumstances or could delay the ability of an acquired institution to participate in Title IV programs.

Change in ownership resulting in a change in control. The DOE and many states and accrediting agencies require institutions of higher education to report or obtain approval of certain changes in control and changes in other aspects of institutional organization or control. Under DOE's regulations, an institution that undergoes a change in control loses its eligibility to participate in Title IV programs and must apply to the DOE to reestablish such eligibility. If an institution files the required application and follows other procedures, the DOE may temporarily certify the institution on a provisional basis following the change in control, so that the institution's students retain continued access to Title IV

program funds. In addition, the DOE may extend such temporary provisional certification if the institution timely files certain required materials, including the approval of the change in control by its state authorizing agency and accrediting agency and certain financial information pertaining to the financial condition of the institution or its parent corporation.

The types of and thresholds for such reporting and approval vary among the states and accrediting agencies. Certain accrediting agencies may require that an institution must obtain its approval in advance of a change in control, structure or organization for the institution to retain its accredited status. In addition, in the event of a change in control, structure or organization, certain accrediting agencies may require a post-transaction focused visit or other evaluation to review the appropriateness of its approval of the change and whether the institution has met the commitment it made to the accrediting agency prior to the approval. Other specialized accrediting agencies also require an institution to obtain similar approval before or after the event that constitutes a change in control under their standards. Many states include the transfer of a controlling interest of common stock in the definition of a change in control requiring approval. Some state educational agencies that regulate us may require us to obtain approval of the change in control to maintain authorization to operate in that state, and in some cases such states could require us to obtain advance approval of a change in control.

ITEM 1A. RISK FACTORS

The following are certain risks that could affect our business and our results of operations. The risks identified below are not all encompassing but should be considered in establishing an opinion of our future operations.

Risks Relating to Our Continuing Business

We are a multinational business with continuing operations in ten countries around the world, predominantly in Latin America, and are subject to complex business, economic, legal, political, tax and foreign currency risks, which risks may be difficult to adequately address.

In each of 2018, 2017 and 2016, over 80% of our revenues from continuing operations were generated from operations outside of the United States. Our continuing operations in four Latin American countries provided 73% of our revenues in 2018. We own or control 29 institutions and manage or have relationships with nine other licensed institutions in ten countries, each of which is subject to complex business, economic, legal, political, tax and foreign currency risks. We may have difficulty managing and administering an internationally dispersed business and we may need to expend additional funds to, among other things, staff key management positions, obtain additional information technology infrastructure and successfully implement relevant course and program offerings for a significant number of international markets, which may materially adversely affect our business, financial condition and results of operations.

Additional challenges associated with the conduct of our business overseas that may materially adversely affect our operating results include:

- the large size of our network and diverse range of institutions present numerous challenges, including difficulty in staffing and managing foreign operations as a result of distance, language, legal and other differences;
- our concentration in Latin America presents risks relating to regional economic pressures;
- each of our institutions is subject to unique business risks and challenges including competitive pressures and diverse pricing environments at the local level;
- difficulty maintaining quality standards consistent with our brands and with local accreditation requirements;

- potential economic and political instability in the countries in which we operate, including student unrest;
- fluctuations in exchange rates, possible currency devaluations, inflation and hyperinflation;
- difficulty selecting, monitoring and controlling partners outside of the United States;
- compliance with a wide variety of domestic and foreign laws and regulations;
- expropriation of assets by governments;
- political elections and changes in government policies;
- difficulty protecting our intellectual property rights overseas due to, among other reasons, the uncertainty of laws and enforcement in certain countries relating to the protection of intellectual property rights;
- lower levels of availability or use of the Internet, through which our online programs are delivered;
- limitations on the repatriation and investment of funds and foreign currency exchange restrictions;
- limitations on our ability to realize economic benefits from certain institutions that are organized as not-for-profit or non-stock entities and that we account for as variable interest entities; and
- acts of terrorism, public health risks, crime and natural disasters, particularly in areas in which we have significant operations.

Our success in growing our business will depend, in part, on the ability to anticipate and effectively manage these and other risks related to operating in various countries. Any failure by us to effectively manage the challenges associated with the international expansion of our operations could materially adversely affect our business, financial condition and results of operations.

If we cannot maintain student enrollments in our institutions and maintain tuition levels, our results of operations may be materially adversely affected.

Our strategy for growth and profitability depends, in part, upon maintaining and, subsequently, increasing student enrollments in our institutions and maintaining tuition levels. Attrition rates are often due to factors outside our control. Students sometimes face financial, personal or family constraints that require them to drop out of school. They also are affected by economic and social factors prevalent in their countries. In some markets in which we operate, transfers between universities are not common and, as a result, we are less likely to fill spaces of students who drop out. In addition, our ability to attract and retain students may require us to discount tuition from published levels, and may prevent us from increasing tuition levels at a rate consistent with inflation and increases in our costs. If we are unable to control the rate of student attrition, our overall enrollment levels are likely to decline or if we are unable to charge tuition rates that are both competitive and cover our rising expenses, our business, financial condition, cash flows and results of operations may be materially adversely affected. In addition, student enrollment may be negatively affected by our reputation and any negative publicity related to us.

Our divestiture activities and the ongoing strategic shift in our business may disrupt our ongoing business, involve increased expenses and present risks not contemplated at the time of the transactions.

We are continuing to pursue our previously announced strategy of simplifying and focusing our business, including our announced plan to divest assets in Europe, Africa, Asia and Central America and create two scaled enterprises one campus-based business primarily focused on emerging markets

in Latin America, and one fully online platform in the U.S. These currently contemplated divestitures, along with past and any future divestitures, and the ongoing strategic shift in our business involve significant financial, operational and managerial risks and uncertainties, including:

- inability to find potential buyers or otherwise complete transactions on favorable terms;
- failure to effectively transfer liabilities, contracts, facilities and employees to buyers;
- requirements that we indemnify buyers against certain liabilities and obligations;
- the possibility that we will become subject to third-party claims arising out of a divestiture;
- challenges in identifying and separating the intellectual property and data to be divested from the intellectual property and data that we wish to retain;
- challenges in collecting the proceeds from any divestiture;
- the possible need to restructure our capital and debt structure;
- realization of our intended tax treatment of a divestiture;
- inability to eliminate or reduce overhead and fixed costs associated with the divested assets or business and operate the retained business on a cost-effective and efficient basis;
- disruption of our retained ongoing business and distraction of management; and
- loss of key employees as a result of a contemplated or completed divestiture

We may not be successful in overcoming the above risks and uncertainties or any other problems encountered in connection with a divestiture, which may adversely affect our operations and financial results. In addition, there is no assurance that our currently contemplated divestitures or future divestitures will be completed at all or within our contemplated timeframe, or will be completed on terms sufficient to allow us to achieve the anticipated benefits from the divestitures.

Our success depends substantially on the value of the local brands of each of our institutions as well as the Laureate International Universities network brand, which may be materially adversely affected by changes in current and prospective students' perception of our reputation and the use of social media.

Each of our institutions has worked hard to establish the value of its individual brand. Brand value may be severely damaged, even by isolated incidents, particularly if the incidents receive considerable negative publicity. There has been a marked increase in use of social media platforms, including weblogs (blogs), social media websites, and other forms of Internet-based communications that allow individuals access to a broad audience of interested persons. We believe students and prospective employers value readily available information about our institutions and often act on such information without further investigation or authentication, and without regard to its accuracy. In addition, many of our institutions use the Laureate name in promoting their institutions and our success is dependent in large part upon our ability to maintain and enhance the value of the Laureate and *Laureate International Universities* brands. Social media platforms and devices immediately publish the content their subscribers and participants post, often without filters or checks on the accuracy of the content posted. Information concerning our company and our institutions may be posted on such platforms and devices at any time. Information posted may be materially adverse to our

interests, it may be inaccurate, and it may harm our performance, prospects and business.

Our reputation may be negatively influenced by the actions of other for-profit and private institutions.

In recent years, there have been a number of regulatory investigations and civil litigation matters targeting post-secondary for-profit education institutions in the United States and private higher education institutions in other countries, such as Chile. These investigations and lawsuits have alleged,

among other things, deceptive trade practices, false claims against the United States and noncompliance with state and DOE regulations, and breach of the requirement that universities in Chile be operated as not-for-profit institutions. These allegations have attracted adverse media coverage and have been the subject of federal and state legislative hearings and investigations in the United States and in other countries. Allegations against the post-secondary for-profit and private education sectors may affect general public perceptions of for-profit and private educational institutions, including institutions in the *Laureate International Universities* network and us, in a negative manner. Adverse media coverage regarding other for-profit or private educational institutions or regarding us directly or indirectly could damage our reputation, reduce student demand for our programs, materially adversely affect our revenues and operating profit or result in increased regulatory scrutiny.

Growing our online academic programs could be difficult for us.

The expansion of our existing online programs and the creation of new online academic programs may not be accepted by students or employers, or by government regulators or accreditation agencies. In addition, our efforts may be materially adversely affected by increased competition in the online education market or because of problems with the performance or reliability of our online program infrastructure. There is also increasing development of online programs by traditional universities, both in the public and private sectors, which may have more consumer acceptance than programs we develop, because of lower pricing or perception of greater value of their degrees in the marketplace, which may materially adversely affect our business, financial condition and results of operations.

Our success depends, in part, on the effectiveness of our marketing and advertising programs in recruiting new students.

In order to maintain and increase our revenues and margins, we must continue to develop our admissions programs and attract new students in a cost-effective manner. The level of marketing and advertising and types of strategies used are affected by the specific geographic markets, regulatory compliance requirements and the specific individual nature of each institution and its students. The complexity of these marketing efforts contributes to their cost. If we are unable to advertise and market our institutions and programs successfully, our ability to attract and enroll new students could be materially adversely affected and, consequently, our financial performance could suffer. We use marketing tools such as the Internet, radio, television and print media advertising to promote our institutions and programs. Our representatives also make presentations at upper secondary schools. Additionally, we rely on the general reputation of our institutions and referrals from current students, alumni and employers as a source of new enrollment. As part of our marketing and advertising, we also subscribe to lead-generating databases in certain markets, the cost of which may increase. Among the factors that could prevent us from marketing and advertising our institutions and programs successfully are the failure of our marketing tools and strategies to appeal to prospective students, regulatory constraints on marketing, current student and/or employer dissatisfaction with our program offerings or results and diminished access to upper secondary campuses. In some of the countries in which we operate, enrollment growth in degree-granting, higher education institutions is slowing or is expected to slow. In order to maintain our growth, we will need to attract a larger percentage of students in existing markets and increase our addressable market by adding locations in new markets and rolling out new academic programs. Any failure to accomplish this may have a material adverse effect on our future growth.

If we do not effectively manage our growth and business, our results of operations may be materially adversely affected.

We have expanded our business through the expansion of existing institutions and the acquisition of higher education institutions, and we may to do so in the future. Planned growth may require us to

add management personnel and upgrade our financial and management systems and controls and information technology infrastructure. There is no assurance that we will be able to maintain or accelerate the current growth rate, effectively manage expanding operations, build expansion capacity, integrate new institutions or achieve planned growth on a timely or profitable basis. If our revenue growth is less than projected, the costs incurred for these additions and upgrades could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to identify, acquire or establish control of, and integrate additional higher education institutions, or effectively integrate previously acquired institutions, which could materially adversely affect our growth.

We have previously relied on, and may in the future rely on, acquisitions as an element of our growth in targeted markets. However, there is no assurance that we will be able to continue to identify suitable acquisition candidates or that we will be able to acquire or establish control of any acquisition candidate on favorable terms, or at all. In addition, in many countries, the approval of a regulatory agency is needed to acquire or operate a higher education institution, which we may not be able to obtain. Furthermore, there is no assurance that any acquired institution can be integrated into our operations successfully or be operated profitably. Acquisitions involve a number of risks. If we do not make acquisitions or make fewer acquisitions than we have historically, or if our acquisitions are not managed successfully, our growth and results of operations may be materially adversely affected.

Our institutions are subject to uncertain and varying laws and regulations, and any changes to these laws or regulations or their application to us may materially adversely affect our business, financial condition and results of operations.

Higher education is regulated to varying degrees and in different ways in each of the countries in which we operate an institution. In general, our institutions must have licenses, approvals, authorizations, or accreditations from various governmental authorities and accrediting bodies. These licenses, approvals, authorizations, and accreditations must be renewed periodically, usually after an evaluation of the institution by the relevant governmental authorities or accrediting bodies. These periodic evaluations could result in limitations, restrictions, conditions, or withdrawal of such licenses, approvals, authorizations or accreditations, which could have a material adverse effect on our business, financial condition and results of operations. In some countries in which we operate, there is a trend toward making continued licensure or accreditation based on successful student outcomes, such as employment, which may be affected by many factors outside of our control. Once licensed, approved, authorized or accredited, some of our institutions may need approvals for new campuses or to add new degree programs.

All of these regulations and their applicable interpretations are subject to change. Moreover, regulatory agencies may scrutinize our institutions because they are owned or controlled by a U.S.-based for-profit corporation. Outside the United States, we may be particularly susceptible to such treatment because, in several of the countries in which we operate, our institutions are among the largest private institutions. Changes in applicable regulations may cause a material adverse effect on our business, financial condition and results of operations. For a full description of the material laws and regulations affecting our higher education institutions in the United States, and the impact of these laws and regulations on the operations of those institutions, including the ability of those institutions to continue to access U.S. federal student aid funding sources, see " Risks relating to our highly regulated industry in the United States" and "Item 1 Business Industry Regulation U.S. Regulation."

Changes in laws governing student financing could affect the availability of government-sponsored financing programs for our non-U.S. students, such as the Crédito con Aval del Estado (the "CAE Program"), a government-sponsored student loan program in Chile, the Fundo de Financiamento

Estudantil ("FIES"), a government-sponsored loan program in Brazil, and the Programa Universidade Para Todos ("PROUNI") in Brazil, all of which are offered by governments as a means of increasing student access to post-secondary education programs. If those programs are changed, or if our institutions or our students are no longer permitted to participate in those programs, or, in certain countries, if students who avail themselves of such programs do not graduate or subsequently default on their loans and we as a result become responsible for paying a significant portion of those loans, it could cause a material adverse effect on our business, financial condition and results of operations. For more information on the CAE Program, FIES and PROUNI, see "Item 1 Business Industry Regulation Brazilian Regulation" and "Item 1 Business Industry Regulation Chilean Regulation."

The laws of the countries where we own or control institutions or may acquire ownership or control of institutions in the future must permit both private higher education institutions and foreign ownership or control of them. For political, economic or other reasons, a country could decide to change its laws or regulations to prohibit or limit private higher education institutions or foreign ownership or control or prohibit or limit our ability to enter into contracts or agreements with these institutions. If this change occurred, it could have a material adverse effect on our business, financial condition and results of operations and we could be forced to sell an institution at a price that could be lower than its fair market value or relinquish control of an institution. A forced sale or relinquishment of control could materially adversely affect our business, financial condition and results of operations.

Political and regulatory developments in Chile may materially adversely affect us.

On January 24, 2018, a new Higher Education Law (the "New Law") was passed by the Chilean Congress. Among other things, the New Law prohibits conflicts of interests and related party transactions involving universities and their controlling parties, with certain exceptions, including the provision of services that are educational in nature or essential for the university's purposes. While we have modified some of our relationships with the Chilean universities in our network, and may need to make further modifications, we do not believe the New Law will change our relationship with our two tech/voc institutions in Chile that are for-profit entities. However, it is possible that the Chilean government will adopt additional laws that affect for-profit tech/voc institutions and their relationships with their owners.

The New Law established a Superintendency of Higher Education, with authority to regulate institutions of higher education and promulgate regulations and procedures implementing the New Law. While we await the promulgation of additional regulations by the Superintendent of Higher Education prior to the May 2019 implementation date stipulated under the New Law, we are continuing to evaluate the impact the New Law will have on our Chilean operations, including the extent to which it will affect existing contractual relationships that we maintain with the Chilean non-profit universities. Once the Superintendent issues the regulations, the Company and the Chilean universities may need to evaluate additional modifications to the existing contractual relationships. We also will review our accounting treatment of the Chilean non-profit universities to determine whether we can continue to consolidate them. Our continuing evaluation of the impact of the New Law may result in changes to our expectations due to changes in our interpretations of the law, assumptions used, and additional guidance that may be issued. There is no assurance that the New Law will not have additional material adverse effects on our financial condition or results of operations.

While we believe that all of our institutions in Chile are operating in full compliance with Chilean law, we cannot predict the extent or outcome of any additional educational reforms that may be implemented in Chile. Depending upon how these reforms are defined and implemented, there could be a material adverse effect on our financial condition and results of operations. Any additional significant disruption to our operations in Chile would have a material adverse effect on our financial condition and results of operations. Similar reforms in other countries in which we operate could also have a material adverse effect on our financial condition and results of operations.

Regulatory changes in Chile may reduce access to student financing for some of our students in Chile, which could reduce enrollments at our Chilean institutions.

The Chilean government and Congress, as well as participants in the Chilean higher education sector, are engaged in a policy debate about how to reform the student financing system including, but not limited to, discussion of reform to the CAE system, modifications to the availability of means-tested free tuition for various classes of students and other initiatives. This policy debate may or may not result in actual legislative action. We cannot predict the extent or outcome of any reforms or changes to the student financing system in Chile. Depending on how these reforms, if any, are defined and implemented, there could be an adverse effect on the ability of students in Chile to access government-sponsored higher education funding and on the ability of our institutions in Chile to attract and retain students, which could result in a material adverse effect on our financial condition and results of operations.

We have been subject in the recent past to investigations by Chilean regulators and could become subject to other investigations in the future.

In recent years, the not-for-profit universities in our network in Chile have been the subject of multiple investigations by various parts of the Chilean government, including the Chilean Congress, the Ministry of Education, the tax authorities and the public prosecutor, alleging various violations of Chilean law governing the non-profit status of universities. None of those investigations is currently active or has resulted in any material penalty to our institutions. While we believe that all of our institutions in Chile are operating in full compliance with Chilean law, we cannot predict what outcome may result from any future administrative processes or other investigations undertaken by the Chilean government, including by the newly appointed Superintendent of Higher Education under the New Law. Depending upon the outcome of any such processes or investigations, if any are instituted, there could be a material adverse effect on our financial condition and results of operations. Any disruption to our operations in Chile would have a material adverse effect on our financial condition and results of operations.

Our right to receive economic benefits from certain of the institutions that are organized as not-for-profit or non-stock entities, and that we account for as variable interest entities, may be limited.

We have obtained board and operating control and controlling financial interests in entities outside the United States that are educational institutions similar to U.S. not-for-profit, non-stock universities. Under applicable law, these institutions do not have recognized "owners" or shareholders, and generally cannot declare dividends or distribute their net assets to us. For accounting purposes, we have determined that these institutions are variable interest entities under GAAP and that we are the primary beneficiary of these variable interest entities. Maintenance of our interest in the variable interest entity institutions, and our ability to receive economic benefits from these entities, is based on a combination of (1) service agreements that other Laureate entities have with the VIE institutions, allowing the institutions to access the benefits of the *Laureate International Universities* network and allowing us to recognize economies of scale throughout the network, and (2) our ability to transfer our rights to govern the VIE institutions, or the entities that possess those rights, to other parties, which would yield a return if and when these rights are transferred. In limited circumstances, we may have rights to the residual assets in liquidation. Under the mutually agreed service agreements, we are paid at market rates for providing services to institutions such as access to content, support with curriculum design, professional development, student exchange, access to dual degree programs, affiliation and access to the *Laureate International Universities* network, and management, legal, tax, finance, accounting, treasury, use of real estate and other services. While we believe these arrangements conform to applicable law, the VIE institutions are subject to regulation by various agencies based on the requirements of local jurisdictions. These agencies, as well as local legislative bodies, review and

Table of Contents

update laws and regulations as they deem necessary or appropriate. We cannot predict the form of any laws that may be enacted, or regulations that ultimately may be adopted in the future, or what effects they might have on our results of operations, financial condition and cash flows. If local laws or regulations were to change, the VIE institutions were found to be in violation of existing local laws or regulations, or regulators were to question the financial sustainability of the VIE institutions and/or whether the contractual arrangements were at fair value, local government agencies could, among other actions:

- revoke the business licenses and/or accreditations of the VIE institutions;
- void or restrict related party transactions, such as the contractual arrangements between us and the VIE institutions;
- impose fines that significantly impact business performance or other requirements with which the VIE institutions may not be able to comply;
- require us to change the governance structures of the VIE institutions, such that we would no longer maintain control of the VIE institutions; or
- disallow a transfer of our rights to govern the VIE institutions, or the entities that possess those rights, to a third party for consideration.

If we are unable to receive economic benefits from these institutions, it could have a material adverse effect on our results of operations and financial condition. In addition, if we are unable or limited in our ability to receive economic benefits from these institutions, we may be unable to consolidate the VIE institutions into our consolidated financial statements, which could have a material adverse effect on our business, financial condition and results of operations, including possible write-offs of all or a portion of our investment in the affected VIEs and a reduction in operating income, or we may be limited in our ability to recognize all of the institutions' earnings in our consolidated statements of operations. See " Political and regulatory developments in Chile have materially adversely affected us and may continue to affect us."

The higher education market is very competitive, and we may not be able to compete effectively.

Higher education markets around the world are highly fragmented and are very competitive and dynamic. Our institutions compete with traditional public and private colleges and universities and other proprietary institutions, including those that offer online professional-oriented programs. In each of the countries where we operate a private institution, our primary competitors are public and other private universities, some of which are larger, more widely known and have more established reputations than our institutions. Some of our competitors in both the public and private sectors may have greater financial and other resources than we have and have operated in their markets for many years. We also face potential competition from alternative education providers that prioritize open access education to students. A number of these providers have been formed recently to provide online curriculum from leading academics at little or no cost to the student. If this new modality is successful, it could disrupt the economics of the current education model (both for-profit and not-for-profit institutions). Other competitors may include large, well-capitalized companies that may pursue a strategy similar to ours of acquiring or establishing for-profit institutions. Public institutions receive substantial government subsidies, and public and private not-for-profit institutions have access to government and foundation grants, tax-deductible contributions and other financial resources generally not available to for-profit institutions. Accordingly, public and private not-for-profit institutions may have instructional and support resources superior to those in the for-profit sector, and public institutions can offer substantially lower tuition prices or other advantages that we cannot match.

Table of Contents

Any of these large, well-capitalized competitors may make it more difficult for us to acquire institutions as part of our strategy. They may also be able to charge lower tuitions or attract more students, which would adversely affect our growth and the profitability of our competing institutions. There is also an increased ability of traditional universities to offer online programs and we expect competition to increase as the online market matures. This may create greater pricing or operating pressure on us, which could have a material adverse effect on our institutions' enrollments, revenues and profit margins. We may not be able to compete successfully against current or future competitors and may face competitive pressures that could have a material adverse effect on our business, financial condition and results of operations.

If our graduates are unable to obtain professional licenses or certifications required for employment in their chosen fields of study, our reputation may suffer and we may face declining enrollments and revenues or be subject to student litigation.

Certain of our students require or desire professional licenses or certifications after graduation to obtain employment in their chosen fields. Their success in obtaining such licensure depends on several factors, including the individual merits of the student, whether the institution and the program were approved by the relevant government or by a professional association, whether the program from which the student graduated meets all governmental requirements and whether the institution is accredited. If one or more governmental authorities refuses to recognize our graduates for professional licensure in the future based on factors relating to us or our programs, the potential growth of our programs would be negatively affected, which could have a material adverse effect on our business, financial condition and results of operations. In addition, we could be exposed to litigation that would force us to incur legal and other expenses that could have a material adverse effect on our business, financial condition and results of operations. See " Risks Relating to Our Highly Regulated Industry in the United States The inability of our graduates to obtain licensure or other specialized outcomes in their chosen professional fields of study could reduce our enrollments and revenues, and potentially lead to litigation that could be costly to us."

Our business may be materially adversely affected if we are not able to maintain or improve the content of our existing academic programs or to develop new programs on a timely basis and in a cost-effective manner.

We continually seek to maintain and improve the content of our existing academic programs and develop new programs in order to meet changing market needs. Revisions to our existing academic programs and the development of new programs may not be accepted by existing or prospective students or employers in all instances. If we cannot respond effectively to market changes, our business may be materially adversely affected. Even if we are able to develop acceptable new programs, we may not be able to introduce these new programs as quickly as students or employers require or as quickly as our competitors are able to introduce competing programs. Our efforts to introduce a new academic program may be conditioned or delayed by requirements to obtain foreign, federal, state and accrediting agency approvals. The development of new programs and courses, both conventional and online, is subject to requirements and limitations imposed by the governmental regulatory bodies of the various countries in which our institutions are located, including the U.S. Department of Education ("DOE"), state licensing agencies and the relevant accrediting bodies. The imposition of restrictions on the initiation of new educational programs by regulatory agencies may delay such expansion plans. If we do not respond adequately to changes in market requirements, our ability to attract and retain students could be impaired and our financial results could suffer.

Establishing new academic programs or modifying existing academic programs also may require us to make investments in specialized personnel and capital expenditures, increase marketing efforts and reallocate resources away from other uses. We may have limited experience with the subject matter of new programs and may need to modify our systems and strategy. If we are unable to increase the

number of students, offer new programs in a cost-effective manner or otherwise manage effectively the operations of newly established academic programs, our business, financial condition and results of operations could be materially adversely affected.

Failure to keep pace with changing market needs and technology could harm our ability to attract students.

The success of our institutions depends to a significant extent on the willingness of prospective employers to hire our students upon graduation. Increasingly, employers demand that their employees possess appropriate technological skills and also appropriate "soft" skills, such as communication, critical thinking and teamwork skills. These skills can evolve rapidly in a changing economic and technological environment. Accordingly, it is important that our educational programs evolve in response to those economic and technological changes. The expansion of existing academic programs and the development of new programs may not be accepted by current or prospective students or by the employers of our graduates. Students and faculty increasingly rely on personal communication devices and expect that we will be able to adapt our information technology platforms and our educational delivery methods to support these devices and any new technologies that may develop. Even if our institutions are able to develop acceptable new programs and adapt to new technologies, our institutions may not be able to begin offering those new programs and technologies as quickly as required by prospective students and employers or as quickly as our competitors begin offering similar programs. If we are unable to adequately respond to changes in market requirements due to regulatory or financial constraints, unusually rapid technological changes or other factors, our ability to attract and retain students could be impaired, the rates at which our graduates obtain jobs involving their fields of study could suffer and our results of operations and cash flows could be materially adversely affected.

We may have exposure to greater-than-anticipated tax liabilities.

As a multinational corporation, we are subject to income taxes as well as non-income based taxes in the United States and various foreign jurisdictions.

Our future income taxes could be materially adversely affected by earnings being lower than anticipated in jurisdictions where we have lower statutory tax rates and higher than anticipated in jurisdictions where we have higher statutory tax rates. In addition, changes in the valuation of our deferred tax assets and liabilities, or changes in tax laws, regulations and accounting principles, could have a material adverse effect on our future income taxes.

The determination of our worldwide provision for income taxes and other tax liabilities requires significant judgment, and there are many transactions and calculations where the ultimate tax determination is uncertain. We have not recorded any deferred tax liabilities for undistributed foreign earnings either because of legal restrictions on distributions or because our historical strategy was to reinvest these earnings outside the United States. As circumstances change and if some or all of these undistributed foreign earnings are remitted to the United States, we may be required to recognize deferred tax liabilities on those amounts.

Additionally, in certain countries in which we operate, higher education institutions are either exempt from paying certain taxes, including income taxes, or pay taxes at significantly reduced rates. This includes certain of our higher education institutions that are organized as VIEs, similar to not-for-profit institutions in the United States. If we were to lose this favorable tax treatment, either because a VIE institution is converted into a for-profit shareholder-owned entity, or because of a change in local tax laws, our tax liabilities could increase materially.

We are subject to regular review and audit by both domestic and foreign tax authorities. Any adverse outcome of such a review or audit could have a negative effect on our operating results and financial condition. We are also subject to non-income based taxes, such as payroll, sales, use, value-added, net worth, property and goods and services taxes, in both the United States and various foreign

jurisdictions. We are under regular audit by tax authorities with respect to these non-income based taxes and may have exposure to additional non-income based tax liabilities. Our acquisition activities have increased the volume and complexity of laws and regulations that we are subject to and with which we must comply.

We have identified certain contingencies, primarily tax-related, that we have assessed as being reasonably possible of loss, but not probable of loss, and could have an adverse effect on our results of operations if the outcomes are unfavorable. In most cases, we have received indemnifications from the former owners and/or noncontrolling interest holders of the acquired businesses for contingencies. In cases where we are not indemnified, the unrecorded contingencies are primarily in Brazil and, in the aggregate, we estimate that the reasonably possible loss for these unrecorded contingencies in Brazil could be up to approximately $45 million if the outcomes were unfavorable in all cases. If we are not able to recover amounts that are subject to indemnification, the loss for these contingencies could be greater.

During 2010, we were notified by the Spanish Taxing Authorities ("STA") (in this case, by the Regional Inspection Office of the Special Madrid Tax Unit) that an audit of some of our Spanish subsidiaries was being initiated for 2006 and 2007. On June 29, 2012, the STA issued a final assessment to Iniciativas Culturales de España, S.L. ("ICE"), our Spanish holding company, for approximately EUR 11.1 million ($12.6 million at December 31, 2018), including interest, for those two years based on its rejection of the tax deductibility of financial expenses related to certain intercompany acquisitions and the application of the Spanish ETVE regime. On July 25, 2012, we filed a claim with the Regional Economic-Administrative Court challenging this assessment and, in the same month, we issued a cash-collateralized letter of credit for the assessment amount, in order to suspend the payment of the tax due. Further, in July 2013, we were notified by the STA (in this case, by the Central Inspection Office for Large Taxpayers) that an audit of ICE was also being initiated for 2008 through 2010. On October 19, 2015, the STA issued a final assessment to ICE for approximately EUR 17.2 million ($19.6 million at December 31, 2018), including interest, for those three years. We have appealed this assessment and, in order to suspend the payment of the tax assessment until the court decision, we issued a cash-collateralized letter of credit for the assessment amount plus interest and surcharges. We believe the assessments in this case are without merit and intend to defend vigorously against them. During the second quarter of 2016, we were notified by the STA that tax audits of the Spanish subsidiaries were also being initiated for 2011 and 2012, and in July 2017 the tax audit was extended to include 2013. Also during the second quarter of 2016, the Regional Administrative Court issued a decision against the Company on its appeal. The Company has further appealed at the Highest Administrative Court level, which appeal has been rejected. The Company has appealed both decisions to the National Court. In the first quarter of 2018, the Company made payments to the STA totaling EUR 29.6 million (approximately US $33.8 million at December 31, 2018) in order to reduce the amount of future interest that could be incurred as the appeals process continues. The payments were made using cash that collateralized the letters of credit discussed above.

In October of 2018, the STA issued a final assessment to ICE for the 2011 through 2013 period totaling approximately EUR 4.1 million (approximately US $4.7 million at December 31, 2018), including interest. As of December 31, 2018, the Company has posted a cash-collateralized letter of credit of approximately $5.7 million for the assessment, plus a surcharge.

Although we believe our estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in our financial statements and may materially adversely affect our financial results in the period or periods for which such determination is made.

Table of Contents

Our reported revenues and earnings may be negatively affected by the strengthening of the U.S. dollar and currency exchange rates.

We report revenues, costs and earnings in U.S. dollars, while our institutions generally collect tuition in the local currency. Exchange rates between the U.S. dollar and the local currency in the countries where we operate institutions are likely to fluctuate from period to period. In 2018, approximately 81% of our revenues originated outside the United States. We translate revenues and other results denominated in foreign currencies into U.S. dollars for our consolidated financial statements. This translation is based on average exchange rates during a reporting period. In recent years, the U.S. dollar has strengthened against many international currencies, including the Brazilian real, euro and Mexican peso. As the exchange rate of the U.S. dollar strengthens, our reported international revenues and earnings are reduced because foreign currencies translate into fewer U.S. dollars. For the year ended December 31, 2018, a hypothetical 10% adverse change in average annual foreign currency exchange rates, excluding the impacts of our derivatives, would have decreased our operating income and our Adjusted EBITDA by $25.0 million and $65.0 million, respectively. For more information, see "Item 7A Quantitative and Qualitative Disclosures About Market Risk Foreign Currency Exchange Risk."

To the extent that foreign revenues and expense transactions are not denominated in the local currency and/or to the extent foreign earnings are reinvested in a currency other than their functional currency, we are also subject to the risk of transaction losses. We occasionally enter into foreign exchange forward contracts or other hedging arrangements to reduce the earnings impact of non-functional currency denominated non-trade receivables and debt and to protect the U.S. dollar value of our assets and future cash flows with respect to exchange rate fluctuations. Given the volatility of exchange rates, there is no assurance that we will be able to effectively manage currency transaction and/or translation risks. Therefore, volatility in currency exchange rates may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Currency exchange rates and our reported revenues and earnings may also be negatively affected by inflation or hyperinflation. If a country in which we operate is designated as a highly inflationary economy in the future under GAAP, the U.S. dollar would become the functional currency for our operations in that country. As a result, all gains and losses resulting from the remeasurement of the financial results of operations in such country and other transactional foreign exchange gains and losses would be reflected in our earnings, which could result in volatility within our earnings, rather than as a component of our comprehensive income within stockholders' equity. Hyperinflation in any of the countries in which we operate may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Goodwill and indefinite-lived intangibles make up a significant portion of our total assets, and if we determine that goodwill or indefinite-lived intangibles become impaired in the future, net income and operating income in such years may be materially and adversely affected.

As of December 31, 2018, the net carrying value of our goodwill and other intangible assets totaled approximately $2,858.8 million. Goodwill represents the excess of cost over the fair market value of net assets acquired in business combinations. Due to the revaluation of our assets at the time of the LBO and acquisitions we have completed historically, goodwill makes up a significant portion of our total assets. In accordance with generally accepted accounting principles, we periodically review goodwill and indefinite-lived intangibles for impairment and any excess in carrying value over the estimated fair value is charged to the results of operations. Our review of goodwill and indefinite-lived intangibles at December 31, 2018 resulted in an aggregate reduction of $3.1 million in the value of such assets in our financial statements. Future reviews of goodwill and indefinite-lived intangibles could result in reductions. Any reduction in net income and operating income resulting from the write down or impairment of goodwill and indefinite-lived intangibles could adversely affect our financial results. If

Table of Contents

economic or industry conditions deteriorate or if market valuations decline, including with respect to our Class A common stock, we may be required to impair goodwill and indefinite-lived intangibles in future periods.

We experience seasonal fluctuations in our results of operations.

Most of the institutions in our network have a summer break, during which classes are generally not in session and minimal revenues are recognized. In addition to the timing of summer breaks, holidays such as Easter also have an impact on our academic calendar. Operating expenses, however, do not fully correlate to the enrollment and revenue cycles, as the institutions continue to incur expenses during summer breaks. Given the geographic diversity of our institutions and differences in timing of summer breaks, our second and fourth quarters are stronger revenue quarters as the majority of our institutions are in session for most of these respective quarters. Our first and third fiscal quarters are weaker revenue quarters because the majority of our institutions have summer breaks for some portion of one of these two quarters. Because a significant portion of our expenses do not vary proportionately with the fluctuations in our revenues, our results in a particular fiscal quarter may not indicate accurately the results we will achieve in a subsequent quarter or for the full fiscal year.

Connectivity constraints or technology system disruptions to our computer networks could have a material adverse effect on our ability to attract and retain students.

We run the online operations of our institutions on different platforms, which are in various stages of development. The performance and reliability of these online operations are critical to the reputation of our institutions and our ability to attract and retain students. Any computer system error or failure, or a sudden and significant increase in traffic on our institutions' computer networks may result in the unavailability of these computer networks. In addition, any significant failure of our computer networks could disrupt our on-campus operations. Individual, sustained or repeated occurrences could significantly damage the reputation of our institutions' operations and result in a loss of potential or existing students. Additionally, the computer systems and operations of our institutions are vulnerable to interruption or malfunction due to events beyond our control, including natural disasters and other catastrophic events and network and telecommunications failures. The disaster recovery plans and backup systems that we have in place may not be effective in addressing a natural disaster or catastrophic event that results in the destruction or disruption of any of our critical business or information technology and infrastructure systems. As a result of any of these events, we may not be able to conduct normal business operations and may be required to incur significant expenses in order to resume normal business operations. As a result, our revenues and results of operations may be materially adversely affected.

We rely on computer systems for financial reporting and other operations and any disruptions in our systems would materially adversely affect us.

We rely on computer systems to support our financial reporting capabilities, including our SSOs, and other operations. As with any computer systems, unforeseen issues may arise that could affect our ability to receive adequate, accurate and timely financial information, which in turn could inhibit effective and timely decisions. Furthermore, it is possible that our information systems could experience a complete or partial shutdown. If such a shutdown occurred, it could materially adversely affect our ability to report our financial results in a timely manner or to otherwise operate our business.

Table of Contents

We are subject to privacy and information security laws and regulations due to our collection and use of personal information, and any violations of those laws or regulations, or any breach, theft or loss of that information, could materially adversely affect our reputation and operations.

Possession and use of personal information in our operations subjects us to risks and costs that could harm our business. Our institutions collect, use and retain large amounts of personal information regarding our students and their families, including social security numbers, tax return information, personal and family financial data and credit card numbers. We also collect and maintain personal information of our employees in the ordinary course of our business. In addition, we collect and maintain other types of information, such as leads, that may include personal information of our business contacts in the ordinary course of our business. Our computer networks and the networks of certain of our vendors that hold and manage confidential information on our behalf may be vulnerable to unauthorized access, computer hackers, computer viruses, cyber-attacks and other security threats. Confidential information also may become available to third parties inadvertently when we integrate or convert computer networks into our network following an acquisition of an institution or in connection with upgrades from time to time.

Due to the sensitive nature of the information contained on our networks, such as students' grades, our networks may be targeted by hackers. A user who circumvents security measures could misappropriate proprietary information or cause interruptions or malfunctions in our operations. Although we use security and business controls to limit access and use of personal information, a third party may be able to circumvent those security and business controls, which could result in a breach of student or employee privacy. In addition, errors in the storage, use or transmission of personal information could result in a breach of student or employee privacy. As a result, we may be required to expend significant resources to protect against the threat of these security breaches or to alleviate problems caused by these breaches.

Furthermore, we are subject to a variety of laws and regulations globally regarding privacy, data protection, and data security, including those related to the collection, storage, handling, use, disclosure, transfer, and security of personal data. For example, the European Union's newly adopted privacy and data security regulation, the General Data Protection Regulation (the "GDPR"), that went into effect in May 2018, imposes more stringent requirements in how we collect and process personal data and provides for significantly greater penalties for noncompliance (including possible fines of up to 4% of total company revenue). Countries in other regions, including Latin America, have passed or are considering similar privacy regulations, resulting in additional compliance burdens and uncertainty as to how some of these laws will be interpreted. We have invested, and expect to continue to invest, significant resources to comply with the GDPR and other privacy laws and regulations.

A breach, theft or loss of personal information regarding our students and their families, our employees, or other persons that is held by us or our vendors, or a violation of the laws and regulations governing privacy in one or more of the countries in which we operate, could result in significant penalties or legal liability, reputational damage, and/or remediation and compliance costs, which could be substantial and materially adversely affect our business, financial condition and results of operations.

We may lose the right to license certain intellectual property which is integral to our online course offerings.

With our mandate that all of our institutions offer a certain percentage of online course offerings, we rely heavily upon the licensing of third-party materials, including e-textbooks and graphic, video and audio media, which are incorporated into our globally offered course content. Our institutions contract with large vendors which offer volumes of such course content. We could lose the right to license some percentage or all of those third-party materials for several reasons, including our licensors' infringement of third-party materials, going out of business, or terminating our content licenses for one or more business reasons. We rely on the negotiation of extensive licensing rights to mitigate this eventuality

and contract with known, reliable vendors. If we lose the right to a significant percentage of such content, our course offerings and programs could be negatively affected because those materials must be removed from our course offerings, resulting in significant cost to us to revise the affected courses and a poor educational experience for our students, which could negatively affect our reputation, and our financial condition and results of operations may be materially adversely affected.

We may infringe the intellectual property rights of one or more of our third-party licensors.

All of our institutions offer a certain percentage of online course offerings. The educational content contained in such online course offerings is inherently more susceptible to infringement than campus-based learning materials because it is easier to make many digital copies of an online text, picture, video or audio file than it is to reproduce hard-copy materials. Also, intellectual property laws can vary from country to country, resulting in additional risk of infringement when licensing the same materials in multiple countries. Our institutions take reasonable precautions to ensure that all course content offerings used by them are properly licensed and distributed; however, there is no guarantee that all of our course content offerings are properly licensed. Additionally, we create universally applicable course and program offerings that are licensed throughout our institutions, meaning that a single act of infringement could adversely affect multiple institutions around the world. Intellectual property infringement by us and our institutions can result in damaged vendor relationships, legal proceedings, loss of course content, and reputational loss, which could negatively affect our reputation, and our financial condition and results of operations may be materially adversely affected.

Student protests and strikes may disrupt our ability to hold classes as well as our ability to attract and retain students, which could materially adversely affect our operations.

Political, social and economic developments in the countries in which we operate may cause protests and disturbances against conditions in those countries, including policies relating to the operation and funding of higher education institutions. These disturbances may involve protests on university campuses, including the occupation of university buildings and the disruption of classes. We are unable to predict whether students at institutions in the *Laureate International Universities* network will engage in various forms of protest in the future. Should we sustain student strikes, protests or occupations in the future, it could have a material adverse effect on our results of operations and on our overall financial condition. Further, we may need to make additional investments in security infrastructure and personnel on our campuses in order to prevent future student protests from disrupting the ability of our institutions to hold classes. If we are required to make substantial additional investments in security, or if we are unable to identify security enhancements that would prevent future disruptions of classes, that could cause an adverse effect on our results of operations and financial condition. In addition, we may need to pay overtime compensation to certain of our faculty and staff, which may increase our overall costs.

We may be unable to operate one or more of our institutions or suffer liability or loss due to a natural or other disaster.

Our institutions are vulnerable to natural or other disasters, including fires, floods, earthquakes, hurricanes and other events beyond our control. A number of our institutions are located in areas such as Mexico and Peru that are prone to damage from major weather events, which may be substantial. For example, in 2017, Peru's normally arid regions experienced historic, torrential rainfall and subsequent flooding. At least one of our campuses located there suffered flood-related damage. There, as elsewhere in the country, flood-related damage caused a range of disruptions, including in our case a delay in the regularly scheduled start of classes for the semester, which caused revenue disruptions. A number of our institutions are also located in areas, such as Chile, Mexico and Peru, that are prone to earthquake damage. Also in 2017, a magnitude 7.1 earthquake struck Mexico causing a temporary

Table of Contents

suspension of activities at several UVM and UNITEC campuses located in the affected states of Mexico City, Puebla, Veracruz, Morelos, Chiapas and Estado de México. UVM and UNITEC temporarily suspended all activities on 21 campuses at the request of the Ministry of Education. The temporary suspension lasted 12 days on average and we incurred significant direct costs for repairs due to the earthquake. It is possible that one or more of our institutions would be unable to operate for an extended period of time in the event of a hurricane, earthquake or other disaster which does substantial damage to the area in which an institution is located. The failure of one or more of our institutions to operate for a substantial period of time could have a material adverse effect on our results of operations. In the event of a major natural or other disaster, we could also experience loss of life of students, faculty members and administrative staff, or liability for damages or injuries.

We may be unable to recruit, train and retain qualified and experienced faculty and administrative staff at our institutions.

Our success and ability to grow depend on the ability to hire and retain large numbers of talented people. The process of hiring employees with the combination of skills and attributes required to implement our business strategy can be difficult and time-consuming. Our faculty members in particular are key to the success of our institutions. Our rapid global expansion has presented challenges for recruiting talented people with the right experience and skills for our needs. We face competition in attracting and retaining faculty members who possess the necessary experience and accreditation to teach at our institutions. As we expand and add personnel, it may be difficult to maintain consistency in the quality of our faculty and administrative staff. If we are unable to, or are perceived to be unable to, attract and retain experienced and qualified faculty, our business, financial condition and results of operations may be materially adversely affected.

High crime levels in certain countries and regions in which we operate institutions may have an impact on our ability to attract and retain students and may increase our operating expenses.

Many of our institutions are located in countries and regions that have high rates of violent crime, drug trafficking and vandalism. If we are unable to maintain adequate security levels on our campuses, and to work with local authorities to maintain adequate security in the areas adjacent to our campuses, we may not be able to continue to attract and retain students, or we may have to close a campus either temporarily or permanently. For example, in 2014 we closed a small campus of one of our universities in Mexico because of threats from a local drug cartel. In addition, high crime rates may require us to make additional investments in security infrastructure and personnel, which may cause us to increase our tuition rates in order to maintain operating margins. Certain security measures may materially adversely affect the campus experience by making access by students more cumbersome, which may be viewed negatively by some of our existing or prospective students. If we are not able to attract and retain students because of our inability to provide them with a safe environment, or if we are required to make substantial additional investments in security, that could cause a material adverse effect on our business, financial condition and results of operations.

If we are unable to upgrade our campuses, they may become less attractive to parents and students and we may fail to grow our business.

All of our institutions require periodic upgrades to remain attractive to parents and students. Upgrading the facilities at our institutions could be difficult for a number of reasons, including the following:

- our properties may not have the capacity or configuration to accommodate proposed renovations;
- construction and other costs may be prohibitive;

- we may fail to obtain regulatory approvals;
- it may be difficult and expensive to comply with local building and fire codes, especially as to properties that we acquired as part of past acquisitions;
- we may be unable to finance construction and other costs; and
- we may not be able to negotiate reasonable terms with our landlords or developers or complete the work within acceptable timeframes.

Our failure to upgrade the facilities of our institutions could lead to lower enrollment and could cause a material adverse effect on our business, financial condition and results of operations.

If we fail to attract and retain the key talent needed for us to timely achieve our business objectives, our business and results of operations could be harmed.

The marketplace for senior executive management candidates is very competitive. Our growth may be adversely affected if we are unable to attract and retain such key employees. Turnover of senior management can adversely affect our stock price, our results of operations and our client relationships, and can make recruiting for future management positions more difficult. Competition for senior leadership may increase our compensation expenses, which may negatively affect our profitability.

Litigation may materially adversely affect our business, financial condition and results of operations.

Our business is subject to the risk of litigation by employees, students, suppliers, competitors, minority partners, counterparties in transactions in which we purchase or sell assets, stockholders, government agencies or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation, some of which may take place in jurisdictions where local parties may have certain advantages over foreign parties. The outcome of litigation, particularly class action lawsuits, regulatory actions and intellectual property claims, is difficult to assess or quantify. Plaintiffs in these types of lawsuits may seek recovery of very large or indeterminate amounts, or may assert criminal charges, and the magnitude of the potential loss relating to these lawsuits may remain unknown for substantial periods of time. In addition, certain of these lawsuits, if decided adversely to us or settled by us, may result in liability material to our financial statements as a whole or may negatively affect our operating results if changes to our business operation are required. The cost to defend future litigation may be significant. There also may be adverse publicity associated with litigation that could negatively affect customer perception of our business, regardless of whether the allegations are valid or whether we are ultimately found liable. As a result, litigation may materially adversely affect our business, financial condition and results of operations. See "Item 3 Legal Proceedings."

We are subject to anti-corruption laws in the jurisdictions in which we operate, including the U.S. Foreign Corrupt Practices Act (the "FCPA"), as well as trade compliance and economic sanctions laws and regulations. Our failure to comply with these laws and regulations could subject us to civil and criminal penalties, harm our reputation and materially adversely affect our business, financial condition and results of operations.

Doing business on a worldwide basis requires us to comply with the laws and regulations of numerous jurisdictions. These laws and regulations place restrictions on our operations and business practices. In particular, we are subject to the FCPA, which generally prohibits companies and their intermediaries from providing anything of value to foreign officials for the purpose of obtaining or retaining business or securing any improper business advantage, along with various other anti-corruption laws. As a result of doing business in foreign countries and with foreign partners, we are exposed to a heightened risk of violating anti-corruption laws. Although we have implemented

policies and procedures designed to ensure that we, our employees and other intermediaries comply with the FCPA and other anti-corruption laws to which we are subject, there is no assurance that such policies or procedures will work effectively all of the time or protect us against liability under the FCPA or other laws for actions taken by our employees and other intermediaries with respect to our business or any businesses that we may acquire. We cannot assure you that all of our local partners will comply with these laws, in which case we could be held liable for actions taken inside or outside of the United States, even though our partners may not be subject to these laws. Our continued international expansion, and any development of new partnerships and joint venture relationships worldwide, increase the risk of FCPA violations in the future.

Violations of anti-corruption laws, export control laws and regulations, and economic sanctions laws and regulations are punishable by civil penalties, including fines, as well as criminal fines and imprisonment. If we fail to comply with the FCPA or other laws governing the conduct of international operations, we may be subject to criminal and civil penalties and other remedial measures, which could materially adversely affect our business, financial condition, results of operations and liquidity. Any investigation of any potential violations of the FCPA or other anti-corruption laws, export control laws and regulations, and economic sanctions laws and regulations by the United States or foreign authorities could also materially adversely affect our business, financial condition, results of operations and liquidity, regardless of the outcome of the investigation.

We have in the past had material weaknesses in our internal control over financial reporting.

In 2018, we remediated each of the four material weaknesses that were previously identified and were disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. See "Item 9A. Controls and Procedures Remediation of Material Weaknesses."

However, we may in the future discover areas of our internal financial and accounting controls and procedures that need improvement. Our internal control over financial reporting will not prevent or detect all errors and all fraud. A control system, regardless of how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected.

If we are not able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner, or if we are unable to maintain proper and effective internal controls, we may not be able to produce timely and accurate financial statements, and we or our independent registered public accounting firm may conclude that our internal controls over financial reporting are not effective or our independent registered public accounting firm may not be able to provide us with an unqualified opinion as required by Section 404 of the Sarbanes-Oxley Act. If that were to happen, investors could lose confidence in our reported financial information, which could lead to a decline in the market price of our Class A common stock and we could be subject to sanctions or investigations by the stock exchange on which our Class A common stock is listed, the SEC or other regulatory authorities.

Additionally, the existence of any material weakness could require management to devote significant time and incur significant expense to remediate any such material weakness and management may not be able to remediate any such material weakness in a timely manner. The existence of any material weakness in our internal control over financial reporting could also result in errors in our financial statements that could require us to restate our financial statements, cause us to fail to meet our reporting obligations and cause the holders of our Class A common stock to lose confidence in our reported financial information, all of which could materially adversely affect our business and share price.

Risks Relating to Our Highly Regulated Industry in the United States

Failure of each of our U.S. Institutions to comply with extensive regulatory requirements could result in significant monetary liabilities, fines and penalties, restrictions on our operations, limitations on our growth, or loss of access to federal student loans and grants for our students, on which we are substantially dependent.

Our U.S. Institutions are subject to extensive regulatory requirements, including at the federal, state, and accrediting agency levels. Many students at our U.S. Institutions rely on the availability of federal student financial aid programs, known as Title IV programs, which are administered by the DOE, to finance their cost of attending our institutions. For the fiscal year ended December 31, 2018, Walden University and NewSchool of Architecture and Design derived approximately 76% and 36% of their revenues (calculated on a cash basis) from Title IV program funds.

To participate in Title IV programs, our U.S. Institutions must be authorized by the appropriate state education agency or agencies, be accredited by an accrediting agency recognized by the DOE, and be certified as an eligible institution by the DOE. As a result, our U.S. Institutions are subject to extensive regulation and review by these agencies and commissions, including our educational programs, instructional and administrative staff, administrative procedures, marketing, student recruiting and admissions, and financial operations. These regulations also affect our ability to acquire or open additional institutions, add new educational programs, substantially change existing programs or change our corporate or ownership structure. The agencies and commissions that regulate our operations periodically revise their requirements and modify their interpretations of existing requirements. Regulatory requirements are not always precise and clear, and regulatory agencies may sometimes disagree with the way we interpret or apply these requirements. If we misinterpret or are found to have not complied with any of these regulatory requirements, our U.S. Institutions could suffer financial penalties, limitations on their operations, loss of accreditation, termination of or limitations on their ability to grant degrees and certificates, or limitations on or termination of their eligibility to participate in Title IV programs, each of which could materially adversely affect our business, financial condition and results of operations. In addition, if we are charged with regulatory violations, our reputation could be damaged, which could have a negative impact on our enrollments and materially adversely affect our business, financial condition and results of operations. We cannot predict with certainty how all of these regulatory requirements will be applied, or whether we will be able to comply with all of the applicable requirements in the future.

If any of our U.S. Institutions were to lose its eligibility to participate in Title IV programs, we would experience a material and adverse decline in revenues, financial condition, results of operations, and future growth prospects. Furthermore, the affected U.S. Institution would be unable to continue its business as it is currently conducted, which could have a material adverse effect on the institution's ability to continue as a going concern.

If any of the U.S. education regulatory agencies or commissions that regulate us do not approve or delay any required approvals of transactions involving a change of control, our ability to operate or participate in Title IV programs may be impaired.

If we or one of our U.S. Institutions experiences a change of ownership or control under the standards of the DOE, any applicable accrediting agency, any applicable state educational licensing agency, or any specialized accrediting agency, we must notify or seek approval of each such agency or commission. These agencies do not have uniform criteria for what constitutes a change of ownership or control. Transactions or events that typically constitute a change of ownership or control include significant acquisitions or dispositions of shares of the voting stock of an institution or its parent company, and significant changes in the composition of the board of directors of an institution or its parent company. The occurrence of some of these transactions or events may be beyond our control. Our failure to obtain, or a delay in receiving, approval of any change of control from the DOE or any

applicable accrediting agency or state educational licensing agency, could impair our U.S. Institutions' ability to operate or participate in Title IV programs, which could have a material adverse effect on our business, financial condition and results of operations. Failure to obtain, or a delay in receiving, approval of any change of control from any state in which our U.S. Institutions are currently licensed or authorized, or from any applicable accrediting agency, could require us to suspend our activities in that state or suspend offering applicable programs until we receive the required approval, or could otherwise impair our operations.

Our failure to obtain any required approval of any transactions from the DOE, the institutional accrediting agencies, or the pertinent state educational agencies could result in one or more of our U.S. Institutions losing continued eligibility to participate in the Title IV programs, accreditation or state licensure, which could have a material adverse effect on our U.S. business, financial condition and results of operations.

Congress may revise the laws governing Title IV programs or reduce funding for those and other student financial assistance programs, and the DOE may revise its regulations administering Title IV programs, any of which could reduce our enrollment and revenues and increase costs of operations.

The U.S. Higher Education Act (the "HEA") is a federal law that governs Title IV programs. The U.S. Congress must authorize and appropriate funding for Title IV programs under the HEA and can change the laws governing Title IV programs at any time. Congress reauthorizes the Higher Education Act, which governs federal financial assistance for higher education, approximately every five to eight years. However, the HEA was most recently reauthorized in August 2008. Congress is considering the reauthorization of the HEA and is expected to conduct hearings examining various issues relating to the HEA, such as accreditation reform, Title IV disbursement and institutional accountability. It is possible there will be new HEA reauthorization bills and oversight hearings in this Congress. We cannot predict the timing and terms of any eventual HEA reauthorization, including any potential changes to institutional participation, student eligibility requirements or funding levels for particular Title IV programs, which terms may materially adversely affect our business, financial condition and results of operations. Apart from Title IV programs, eligible veterans and military personnel may receive educational benefits for the pursuit of higher education.

We cannot predict with certainty the future funding levels for Title IV programs, or for programs providing educational benefits to veterans and military personnel, or the nature of any future revisions to the law or regulations related to these programs. Because a significant percentage of the revenues of our U.S. Institutions is and is expected to be derived from Title IV programs, any action by the U.S. Congress that significantly reduces Title IV program funding or the ability of our U.S. students to participate in Title IV programs, could have a material adverse effect on the enrollments, business, financial condition and results of operations of our postsecondary educational institutions in the United States (our U.S. Institutions).

In recent years, the U.S. Department of Education ("DOE") has proposed or promulgated a substantial number of new regulations that impact our U.S. Institutions, including, but not limited to, borrower defenses to repayment, state authorization, financial responsibility, and gainful employment. For additional information regarding these regulations, see: " The DOE may adopt regulations governing federal student loan debt forgiveness that could result in liability for amounts based on borrower defenses or affect the DOE's assessment of our institutional capability"; " If any of our U.S. Institutions fails to obtain or maintain any of its state authorizations in states where such authorization is required or fail to comply with the laws and regulations of such states, that institution may not be able to operate or enroll students in that state, and may not be able to award Title IV program funds to students"; " If any of our U.S. Institutions do not meet specific financial responsibility standards established by the DOE, that institution may be required to post a letter of credit or accept other limitations to continue participating in Title IV programs, or that institution could lose its eligibility to

participate in Title IV programs"; and " We or certain of our educational programs at our U.S. Institutions may lose eligibility to participate in Title IV programs if any of our U.S. Institutions or certain of their educational programs cannot satisfy the DOE's 'gainful employment' requirements." Any of these new or proposed regulations could have a material adverse effect on enrollments, business, financial condition, and results of operations of our U.S. Institutions.

On July 31, 2018, the DOE published a notice in the Federal Register announcing its intention to establish a negotiated rulemaking committee to draft proposed regulations regarding topics such as distance education, accreditation, innovation, competency-based programs, faith-based institutions and TEACH grants. The first two of the three scheduled negotiated rulemaking committee meetings took place in January and February 2019 and the last one is scheduled to take place in March 2019. We cannot predict with certainty when these new regulations would be finalized or effective nor the impact such new regulations could have on our business, financial conditions or results of operations.

The DOE may adopt regulations governing federal student loan debt forgiveness that could result in liability for amounts based on borrower defenses or affect the DOE's assessment of our institutional capability.

Under the DOE's current regulations, a William D. Ford Federal Direct Loan Program (the "Direct Loan Program") borrower may assert as a defense to repayment any "act or omission of the school attended by the student that would give rise to a cause of action against the school under applicable State law." On November 1, 2016, the DOE published a rule that, among other provisions, established new standards and processes for determining whether a Direct Loan Program borrower has a defense to repayment ("DTR") on a loan due to acts or omissions by the institution at which the loan was used by the borrower for educational expenses (the "2016 DTR regulations"). The 2016 DTR regulations were to take effect on July 1, 2017. On June 15, 2017, the DOE announced an indefinite delay to its implementation of the 2016 DTR regulations, and on June 16, 2017 published a notice of intent to establish a negotiated rulemaking committee to develop proposed revisions to the rule.

Among other topics, the 2016 DTR regulations established permissible borrower defense claims for discharge, procedural rules under which claims would be adjudicated, time limits for borrowers' claims, and guidelines for recoupment by the DOE of discharged loan amounts from institutions of higher education. They also prohibited schools from using any pre-dispute arbitration agreements, prohibited schools from prohibiting relief in the form of class actions by student borrowers, and invalidated clauses imposing requirements that students pursue an internal dispute resolution process before contacting authorities regarding concerns about an institution. For proprietary institutions, the 2016 DTR regulations described the threshold for loan repayment rates that would require specific disclosures to current and prospective students and the applicable loan repayment rate methodology. The 2016 DTR regulations also established new financial responsibility and administrative capacity requirements for both not-for-profit and for-profit institutions participating in the Title IV programs. Under the 2016 DTR regulations, certain events would automatically trigger a letter of credit, and the DOE retained discretion to impose a letter of credit upon the occurrence of other events.

The DOE held negotiated rulemaking sessions in early 2018 regarding the DTR regulations. The DOE and negotiators failed to reach consensus on revised DTR regulations. On July 31, 2018, the DOE published in the Federal Register a proposed rule which would replace most substantive provisions of the 2016 DTR regulations, with a 30-day public comment period. The DOE did not issue a final rule by November 1, 2018, however it is possible the DOE may implement these revised rules or seek to further revise these rules prior to implementation.

On July 6, 2017, the attorneys general of 18 states and the District of Columbia filed suit against the DOE claiming that its delay of the 2016 DTR regulations violated applicable law, including the Administrative Procedure Act. Through a series of orders dated September 12 and 17, and October 12, 2018, the U.S. District Court for the District of Columbia held that procedural delays by the DOE in

implementing the 2016 DTR regulations were improper and required that the 2016 DTR regulations be reinstated as of October 16, 2018.

We cannot state with any certainty the impact that complying with the 2016 DTR regulations might have on our business. If we are required to repay the DOE for any successful DTR claims by students who attended our U.S. Institutions, or if we are required to obtain additional letters of credit or increase our current letter of credit, it could materially affect our business, financial conditions and results of operations.

Our U.S. Institutions must periodically seek recertification to participate in Title IV programs and, if the DOE does not recertify the institutions to continue participating in Title IV programs, our students would lose their access to Title IV program funds, or the institutions could be recertified but required to accept significant limitations as a condition of continued participation in Title IV programs.

DOE certification to participate in Title IV programs lasts a maximum of six years, and institutions are required to seek recertification from the DOE on a regular basis to continue their participation in Title IV programs. An institution must also apply for recertification by the DOE if it undergoes a change in control, as defined by DOE regulations, and may be subject to similar review if it expands its operations or educational programs in certain ways. Generally, the recertification process includes a review by the DOE of the institution's educational programs and locations, administrative capability, financial responsibility and other oversight categories. The DOE could limit, suspend or terminate an institution's participation in Title IV programs for violations of the HEA or Title IV regulations. As discussed in more detail under "Item 1 Business Industry Regulation U.S. Regulation," each of our U.S. Institutions currently participates in the Title IV programs pursuant to the DOE's provisional form of certification.

If the DOE does not renew or withdraws any of our U.S. Institutions' certifications to participate in Title IV programs at any time, students in the affected institution(s) would no longer be able to receive Title IV program funds. Similarly, the DOE could renew our U.S. Institutions' certifications, but restrict or delay Title IV funding, limit the number of students to whom it could disburse such funds or impose other restrictions. In addition, the DOE may take emergency action to suspend any of our U.S. Institutions' certifications without advance notice if it receives reliable information that an institution is violating Title IV requirements and it determines that immediate action is necessary to prevent misuse of Title IV funds. Any of these outcomes could have a material adverse effect on our U.S. Institutions' enrollments and our business, financial condition and results of operations.

Our U.S. Institutions would lose their ability to participate in Title IV programs if they fail to maintain their institutional accreditation, and our student enrollments could decline if we fail to maintain any of our accreditations or approvals.

An institution must be accredited by an accrediting agency recognized by the DOE to participate in Title IV programs. Each of our U.S. Institutions is so accredited, and such accreditation is subject to renewal or review periodically or when necessary. If any of our U.S. Institutions fails to satisfy any of its respective accrediting commission's standards, that institution could lose its accreditation by its respective accrediting commission, which would cause the institution to lose eligibility to participate in Title IV programs and experience a significant decline in total student enrollments. In addition, many of our U.S. Institutions' individual educational programs are accredited by specialized accrediting commissions or approved by specialized state agencies. If any of our U.S. Institutions fails to satisfy the standards of any of those specialized accrediting commissions or state agencies, the institution could lose the specialized accreditation or approval for the affected programs, which could result in materially reduced student enrollments in those programs and have a material adverse effect on our business, financial condition and results of operations. In addition, if an accrediting body of one of our U.S.

Table of Contents

Institutions loses recognition by the DOE, that institution could lose its ability to participate in Title IV programs.

If any of our U.S. Institutions fails to obtain or maintain any of its state authorizations in states where such authorization is required or fail to comply with the laws and regulations of such states, that institution may not be able to operate or enroll students in that state, and may not be able to award Title IV program funds to students.

The DOE requires that an educational institution be authorized in each state where it physically operates in order to participate in Title IV programs. The level of regulatory oversight varies substantially from state to state. Our campus-based U.S. Institutions are authorized by applicable state educational licensing agencies to operate and to grant degrees or diplomas, which authorizations are required for students at these institutions to be eligible to receive funding under Title IV programs. If any of our U.S. Institutions fails to continuously satisfy applicable standards for maintaining its state authorization in a state in which that institution is physically located, that institution could lose its authorization from the applicable state educational agency to offer educational programs and could be forced to cease operations in that state. Such a loss of authorization would also cause that institution's location in the state to lose eligibility to participate in Title IV programs, which could have a material adverse effect on our business, financial condition and results of operations.

We are subject to extensive laws and regulations by the states in which we are authorized or licensed to operate. State laws typically establish standards for instruction, qualifications of faculty, administrative procedures, marketing, recruiting, financial operations and other operational matters. State laws and regulations are subject to change and may limit our ability to offer educational programs and to award degrees and may limit the ability of our students to sit for certification exams in their chosen fields of study. In addition, as mentioned above, attorneys general in several states have become more active in enforcing state consumer protection laws. In addition, we may be subject to litigation by private parties alleging that we violated state laws regarding the educational programs we provide and their operations. For more information on these lawsuits, see "Item 3 Legal Proceedings."

Many states also have sought to assert jurisdiction, whether through adoption of new laws and regulations or new interpretations of existing laws and regulations, over out-of-state educational institutions offering online degree programs that have no physical location or other presence in the state but that have some activity in the state, such as enrolling or offering educational services to students who reside in the state, employing faculty who reside in the state or advertising to or recruiting prospective students in the state. State regulatory requirements for online education are inconsistent between states and not well developed in many jurisdictions. As such, these requirements change frequently and, in some instances, are not clear or are left to the discretion of state employees or agents. State regulatory agencies may sometimes disagree with the way we have interpreted or applied these requirements. Any misinterpretation by us of these regulatory requirements or adverse changes in regulations or interpretations of these regulations by state licensing agencies could have a material adverse effect on our business, financial condition and results of operations.

Our online educational programs offered by our U.S. Institutions and the constantly changing regulatory environment require us to continually evaluate our state regulatory compliance activities. We review the licensure or authorization requirements of other states to determine whether our activities in those states constitute a presence or otherwise require licensure or authorization by the respective state education agencies. Therefore, in addition to the states where we maintain physical facilities, we have obtained, or are in the process of obtaining, approvals or exemptions that we believe are necessary in connection with our activities that may constitute a presence in such other states requiring licensure or authorization by the state educational agency based on the laws, rules or regulations of that state. Some of our approvals are pending or are in the renewal process.

In recent years, regional state compacts have created the National Council for State Authorization Reciprocity Agreements ("NC-SARA"), which is a voluntary agreement among member states and U.S. territories that establishes comparable national standards for interstate offering of postsecondary distance-education courses and programs. As of the date of this filing, all states except California participate in NC-SARA. NC-SARA requires each participating institution to have a federal composite score as measured by the DOE at the parent level of a 1.5 (or a 1.0 with justification acceptable to the state). Neither of our U.S. Institutions participates in NC-SARA because Laureate has a composite score of below 1.0. Accordingly, our U.S. Institutions must apply for and comply with each state's authorization requirements. Many states have established or are proposing legislation to create new or different criteria for authorization of "non-SARA" institutions, including requiring them to post bonds and/or meet composite score requirements. If our U.S. Institutions do not meet these requirements, they may not enroll students in that state, which could have a material impact on our business.

Additionally, the DOE is currently reviewing its state authorization requirements pertaining to distance education. On December 19, 2016, the DOE published final regulations regarding state authorization for programs offered through distance education and state authorization for foreign locations of institutions. Among other provisions, these final regulations require that an institution participating in the Title IV federal student aid programs and offering post-secondary education through distance education be authorized by each state in which the institution enrolls students, if such authorization is required by the state, as well as required each institution to document and make certain disclosures regarding the state process for resolving complaints for programs offered through distance education or correspondence. The DOE would recognize, although not specifically require, authorization through participation in a state authorization reciprocity agreement, if the agreement does not prevent a state from enforcing its own laws. These regulations were meant to take effect on July 1, 2018, but the DOE announced a delay and has since begun a new rulemaking process in January of 2019 that includes a review of these regulations. We cannot predict with certainty when these new regulations would be finalized or effective.

Any failure to comply with state requirements for our campuses or our distance education programs, or any new or modified regulations at the federal or state level, could result in our inability to enroll students or receive Title IV funds for students in those states and could result in restrictions on our growth and enrollments. If any of our U.S. Institutions fails to comply with state licensure or authorization requirements, we could be subject to various sanctions, including restrictions on recruiting students, providing educational programs and other activities in that state, and fines and penalties. Additionally, new laws, regulations or interpretations related to providing online educational programs and services could increase our cost of doing business and affect our ability to recruit students in particular states, which could, in turn, negatively affect enrollments and revenues and otherwise have a material adverse effect on our business, financial condition and results of operations.

The inability of our graduates to obtain licensure or other specialized outcomes in their chosen professional fields of study could reduce our enrollments and revenues, and potentially lead to litigation that could be costly to us.

Certain of our graduates seek professional licensure or other specialized outcomes in their chosen fields following graduation. Their success in obtaining these outcomes depends on several factors, including the individual merits of the learner, but also may depend on whether the institution or its programs were approved by the state or by a professional association, whether the program from which the learner graduated meets all state requirements and whether the institution is accredited. In addition, professional associations may refuse to certify specialized outcomes for our learners. The state requirements for licensure are subject to change, as are the professional certification standards, and we may not immediately become aware of changes that may impact our learners in certain instances. Also, the final gainful employment regulations require an institution to certify to the DOE that its

educational programs subject to the gainful employment requirements, which include all programs offered by our U.S. Institutions, meet the applicable requirements for graduates to be professionally or occupationally certified in the state in which the institution is located. In the event that one or more states refuses to recognize our learners for professional licensure, and/or professional associations refuse to certify specialized outcomes for our learners, based on factors relating to our institution or programs, the potential growth of our programs would be negatively affected, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, we could be exposed to litigation that would force us to incur legal and other expenses that could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Increased regulatory and enforcement effort of consumer protection laws could be a catalyst for legislative or regulatory restrictions, investigations, enforcement actions and claims that could, individually or in the aggregate, materially adversely affect our business, financial condition, results of operations and cash flows.

In recent years, the proprietary education industry has experienced broad-based, intensifying scrutiny in the form of increased investigations and enforcement actions. Attorneys general and educational authorizing agencies in several states, as well as the FTC and Consumer Financial Protection Bureau have become more active in enforcing consumer protection laws, especially related to recruiting practices and the financing of education at proprietary educational institutions.

In addition, the DOE has specific rules prohibiting substantial misrepresentations to students, members of the public, accrediting agencies and state licensing agencies, as well as the DOE. In the event that the DOE determines that an institution engaged in a substantial misrepresentation, it can revoke the institution's program participation agreement, impose limitations on the institution's participation in Title IV programs, deny participation applications on behalf of the institution, or seek to fine, suspend or terminate the institution's participation in Title IV programs. These regulations provide grounds for private litigants to seek to enforce the expanded regulations through False Claims Act litigation.

In the event that any of our past or current business practices are found to violate applicable consumer protection laws, or if we are found to have made misrepresentations to our current or prospective students about our educational programs, we could be subject to monetary fines or penalties and possible limitations on the manner in which we conduct our business, which could materially adversely affect our business, financial condition, results of operations and cash flows. To the extent that more states or government agencies commence investigations, act in concert, or direct their focus on our U.S. Institutions, the cost of responding to these inquiries and investigations could increase significantly, and the potential impact on our business would be substantially greater.

If any of our U.S. Institutions do not comply with the DOE's "administrative capability" standards, we could suffer financial penalties, be required to accept other limitations to continue participating in Title IV programs or lose our eligibility to participate in Title IV programs.

DOE regulations specify extensive criteria an institution must satisfy to establish that it has the requisite "administrative capability" to participate in Title IV programs. These criteria require, among other things, that we comply with all applicable Title IV program regulations; have capable and sufficient personnel to administer the federal student financial aid programs; not have student loan cohort default rates in excess of specified levels; have acceptable methods of defining and measuring the satisfactory academic progress of our students; have various procedures in place for safeguarding federal funds; not be, and not have any principal or affiliate who is, debarred or suspended from federal contracting or engaging in activity that is cause for debarment or suspension; provide financial aid counseling to our students; refer to the DOE's Office of Inspector General any credible information indicating that any applicant, student, employee or agent of the institution has been

engaged in any fraud or other illegal conduct involving Title IV programs; submit in a timely manner all reports and financial statements required by Title IV regulations; and not otherwise appear to lack administrative capability. If an institution fails to satisfy any of these criteria or comply with any other DOE regulations, the DOE may change the institution's method of receiving Title IV program funds, which in some cases may result in a significant delay in the institution's receipt of those funds; place the institution on provisional certification status; or commence a proceeding to impose a fine or to limit, suspend or terminate the participation of the institution in Title IV programs. Thus, if any of our U.S. Institutions were found not to have satisfied the DOE's "administrative capability" requirements, we could be limited in our access to, or lose, Title IV program funding, which could significantly reduce our enrollments and have a material adverse effect on our business, financial condition and results of operations.

We could also be subject to fines or penalties related to findings cited in our regulatory compliance reviews. For more information, see " Government, regulatory agencies, accrediting bodies and third parties may conduct compliance reviews, bring claims or initiate litigation against us."

If any of our U.S. Institutions do not meet specific financial responsibility standards established by the DOE, that institution may be required to post a letter of credit or accept other limitations to continue participating in Title IV programs, or that institution could lose its eligibility to participate in Title IV programs.

To participate in Title IV programs, our U.S. Institutions must satisfy specific measures of financial responsibility prescribed by the DOE, or post a letter of credit in favor of the DOE and possibly accept other conditions on its participation in Title IV programs. These financial responsibility tests are applied on an annual basis based on an institution's audited financial statements, and may be applied at other times, such as if an institution undergoes a change in control. The DOE may also apply such measures of financial responsibility to an eligible institution's operating company and ownership entities and, if such measures are not satisfied by the operating company or ownership entities, require the institution to post a letter of credit in favor of the DOE and possibly accept other conditions on its participation in Title IV programs. The operating restrictions that may be placed on an institution that does not meet the quantitative standards of financial responsibility include changes to the method of receiving Title IV program funds, which in some cases may result in a significant delay in the institution's receipt of those funds. Limitations on, or termination of, our participation in Title IV programs as a result of our failure to demonstrate financial responsibility would limit our students' access to Title IV program funds, which could significantly reduce enrollments and have a material adverse effect on our business, financial condition and results of operations.

As described in more detail under "Item 1-Business-Industry Regulation-U.S. Regulation" in our 2018 Form 10-K, the DOE annually assesses our U.S. Institutions' financial responsibility through a composite score determination based on the Laureate consolidated audited financial statements and not at the individual institutional level. Based on Laureate's composite score for its fiscal year ended December 31, 2017, the DOE determined that it, and consequently, Walden University and NewSchool of Architecture and Design, failed to meet the standards of financial responsibility. As a result, in a letter sent to Laureate on November 20, 2018, the Department required Laureate to increase its existing letter of credit to $139,002,398 (15% of the Title IV program funds that Walden University and the other institutions that Laureate owned in the U.S. at that time received during the most recently completed fiscal year), continued the institutions on Heightened Cash Monitoring 1 and required Laureate to continue to comply with additional notification and reporting requirements, including submitting bi-weekly cash flow statements for Laureate and monthly student rosters of the institutions, which has been a requirement since April 2018.

On November 1, 2016, as part of its defense to repayment rulemaking, the DOE issued a rule to revise its general standards of financial responsibility to include various actions and events that would require institutions to provide the DOE with irrevocable letters of credit upon the occurrence of

certain triggering events. Due to litigation, the 2016 DTR regulations were reinstated as of October 16, 2018. For additional information regarding this rule and current rulemaking, see "Risk Factors-Risks Relating to Our Highly Regulated Industry in the United States-The DOE may adopt regulations governing federal student loan debt forgiveness that could result in liability for amounts based on borrower defenses or affect the DOE's assessment of our institutional capability," in our Form 10-K. If we are required to repay the DOE for any successful DTR claims by students who attended our U.S. Institutions, or we are required to obtain additional letters of credit or increase our current letter of credit, it could materially affect our business, financial conditions and results of operations.

In addition, an institution participating in Title IV programs must calculate the amount of unearned Title IV program funds that it has disbursed to students who withdraw from their educational programs before completing such programs and must return those unearned funds to the appropriate lender or the DOE in a timely manner, generally within 45 days of the date the institution determines that the student has withdrawn. If any of our U.S. Institutions does not properly calculate and timely return the unearned funds for a sufficient percentage of students, that institution may have to post a letter of credit in favor of the DOE equal to 25% of Title IV program funds that should have been returned for such students in the prior fiscal year. Additionally, if any of our U.S. Institutions does not correctly calculate and timely return unearned Title IV program funds, that institution may be liable for repayment of Title IV funds and related interest and may be fined, sanctioned, or otherwise subject to adverse actions by the DOE, including termination of that institution's participation in Title IV programs. Any of these adverse actions could increase our cost of regulatory compliance and have a material adverse effect on our business, financial condition and results of operations.

The DOE may change our U.S. Institutions' method of receiving Title IV program funds, which could materially adversely affect our liquidity.

The DOE can impose sanctions for violating the statutory and regulatory requirements of Title IV programs, including transferring one or more of our U.S. Institutions from the advance method or the heightened cash monitoring level one method of Title IV payment, each of which permits an institution to receive Title IV funds before or concurrently with disbursing them to students, to the heightened cash monitoring level two method of payment or to the reimbursement method of payment, each of which may significantly delay an institution's receipt of Title IV funds until student eligibility has been verified by the DOE. Any such delay in our U.S. Institutions' receipt of Title IV program funds may materially adversely affect our cash flows and we may require additional working capital or third-party funding to finance our operations.

Our U.S. Institutions may lose eligibility to participate in Title IV programs if the percentage of our U.S. Institutions revenues derived from Title IV programs is too high.

A provision of the HEA commonly referred to as the "90/10 Rule" provides that a for-profit educational institution loses its eligibility to participate in Title IV programs if, under a complex regulatory formula that requires cash basis accounting and other adjustments to the calculation of revenues, the institution derives more than 90% of its revenues from Title IV program funds for any two consecutive fiscal years. If any of our U.S. Institutions were to violate the 90/10 Rule, that institution would become ineligible to participate in Title IV programs as of the first day of the fiscal year following the second consecutive fiscal year in which the institution exceeded the 90% threshold and would be unable to regain eligibility for two fiscal years thereafter. In addition, an institution that derives more than 90% of its revenue (on a cash basis) from Title IV programs for any single fiscal year will be placed on provisional certification for at least two fiscal years and may be subject to additional conditions or sanctions imposed by the DOE. Using the DOE's formula under the "90/10 Rule," Walden University and NSAD derived approximately 76% and 36% of their revenues (calculated on a cash basis), respectively, from Title IV program funds for the fiscal year ended December 31, 2018.

Walden University's ratio could increase in the future. Congressional increases in students' Title IV grant and loan limits may result in an increase in the revenues we receive from Title IV programs. In recent years, legislation has been introduced in Congress that would revise the 90/10 Rule to consider educational benefits for veterans and military personnel from the Department of Veteran Affairs and Department of Defense, respectively, in the same manner as Title IV funds for purposes of the rule, to prohibit institutions from participating in Title IV programs for one year if they derive more than 90% of their total revenues (calculated on a cash basis) from the Title IV programs and these other federal programs in a single fiscal year rather than the current rule of two consecutive fiscal years, and to revise the 90/10 Rule to an 85/15 rule. We cannot predict whether, or the extent to which, any of these proposed revisions could be enacted into law. In addition, reductions in state appropriations in a number of areas, including with respect to the amount of financial assistance provided to post-secondary students, could further increase our U.S. Institutions' percentages of revenues derived from Title IV program funds. The employment circumstances of our students or their parents could also increase reliance on Title IV program funds. If Walden University becomes ineligible to participate in Title IV programs as a result of noncompliance with the 90/10 Rule, it could have a material adverse effect on our business, financial condition and results of operations.

Any of our U.S. Institutions may lose eligibility to participate in Title IV programs if their respective student loan default rates are too high.

An educational institution may lose eligibility to participate in Title IV programs if, for three consecutive years, 30% or more of its students who were required to begin repayment on their federal student loans in the relevant fiscal year default on their payment by the end of the next federal fiscal year. In addition, an institution may lose its eligibility to participate in Title IV programs if the default rate as determined by the DOE of its students exceeds 40% for any single year. The Department of Education generally publishes official cohort default rates annually in September for the repayment period that ended the prior September 30.

NewSchool of Architecture and Design's official cohort default rates for the 2015, 2014 and 2013 federal fiscal years were 7.4%, 5.2% and 5.1%, respectively. Walden University's official cohort default rates for the 2015, 2014 and 2013 federal fiscal years were 7.3%, 7.5% and 6.7%, respectively. The average national student loan default rates published by the DOE for all institutions that participated in the federal student aid programs for 2015, 2014 and 2013 were 10.8%, 11.5% and 11.3%, respectively, and for all proprietary institutions that participated in the federal student aid programs for 2015, 2014 and 2013 were 15.6%, 15.5% and 15.0%, respectively.

While we believe neither of our institutions is in danger of exceeding the regulatory default rate thresholds for other Title IV programs, we cannot provide any assurance that this will continue to be the case. Any increase in interest rates on federal loans, as well as declines in income or job losses for our students, could contribute to higher default rates on student loans. Exceeding the student loan default rate thresholds and losing eligibility to participate in Title IV programs would have a material adverse effect on our business, financial condition and results of operations. Any future changes in the formula for calculating student loan default rates, economic conditions or other factors that cause our default rates to increase, could place our U.S. Institutions in danger of losing their eligibility to participate in Title IV programs, which would have a material adverse effect on our business, financial condition and results of operations.

We could be subject to sanctions or other adverse legal actions if any of our U.S. Institutions were to pay impermissible commissions, bonuses or other incentive payments to individuals involved in or with responsibility for certain recruiting, admission or financial aid activities.

Under the HEA an institution participating in Title IV programs may not pay any commission, bonus or other incentive payments to any person involved in student recruitment or admissions or

awarding of Title IV program funds, if such payments are based in any part, directly or indirectly, on success in enrolling students or obtaining student financial aid. Failure to comply could result in monetary penalties and/or sanctions imposed by the DOE, which could result in lower enrollments, revenue, and net operating income. The law and regulations governing this requirement do not establish clear criteria for compliance in all circumstances, creating uncertainty about what constitutes incentive compensation and which employees are covered by the regulation, rendering development of effective and compliant performance metrics more difficult to establish.

In addition, in recent years, several for-profit education companies have been faced with whistleblower lawsuits under the Federal False Claims Act, known as "qui tam" cases, by current or former employees alleging violations of the prohibition against incentive compensation. If the DOE were to determine that we or any of our U.S. Institutions violated the prohibition regarding impermissible commissions, or if we were to be found liable in a False Claims action alleging a violation of this law, or if any third parties we have engaged were to violate this law, we could be fined or sanctioned by the DOE, or subjected to other monetary liability or penalties that could be substantial, including the possibility of treble damages under a False Claims action, any of which could harm our reputation, impose significant costs and have a material adverse effect on our business, financial condition and results of operations.

We or certain of our educational programs at our U.S. Institutions may lose eligibility to participate in Title IV programs if any of our U.S. Institutions or certain of their educational programs cannot satisfy the DOE's "gainful employment" requirements.

Under the HEA, proprietary schools generally are eligible to participate in Title IV programs in respect of educational programs that lead to "gainful employment in a recognized occupation." Historically, the concept of "gainful employment" has not been defined in detail. On October 30, 2014, the DOE published regulations to define "gainful employment," which became effective on July 1, 2015. The regulations define this concept using two ratios, one based on annual debt-to-annual earnings ("DTE") and another based on annual debt-to-discretionary income ("DTI") ratio. Under the regulations, an educational program with a DTE ratio at or below 8% or a DTI ratio at or below 20% is considered "passing." An educational program with a DTE ratio greater than 8% but less than or equal to 12% or a DTI ratio greater than 20% but less than or equal to 30% is considered to be "in the zone." An educational program with a DTE ratio greater than 12% and a DTI ratio greater than 30% is considered "failing." An educational program will cease to be eligible for students to receive Title IV program funds if its DTE and DTI ratios are failing in two out of any three consecutive award years or if both of those rates are failing or in the zone for four consecutive award years. The regulations also require an institution to provide warnings to current and prospective students in programs which may lose Title IV eligibility at the end of an award or fiscal year. For more information, see "Item 1-Business-Industry Regulation-U.S. Regulation-Regulation of Federal Student Financial Aid Programs-Gainful Employment."

In January 2017, the DOE issued final DTE rates to institutions. Of the programs currently offered by NewSchool of Architecture and Design and Walden University, three programs are in the zone. Additionally, the regulations require an institution to certify to the DOE that its educational programs subject to the gainful employment requirements, which include all programs offered by our U.S. Institutions, meet the applicable requirements for graduates to be professionally or occupationally licensed or certified in the state in which the institution is located. The regulations also include requirements for the reporting of student and program data by institutions to the DOE and expand the disclosure requirements that have been in effect since July 1, 2011.

The DOE decided to review its gainful employment regulations by negotiated rulemaking in early 2018, but failed to meet consensus on the DOE's proposed regulatory changes. On August 14, 2018, the DOE released a Notice of Proposed Rulemaking which would rescind its gainful employment

Table of Contents

regulations and related requirements. Comments were due September 13, 2018. The DOE did not meet the master calendar deadline of November 1 to issue a new regulation to rescind the gainful employment requirements, and therefore it is not clear when any new such regulation to repeal these regulations will become effective. While the DOE has required institutions to continue to report data to the DOE, it has not issued new GE metrics for institutions and has delayed certain disclosure requirements. We cannot predict with any certainty the outcome of the DOE's proposal to rescind the gainful employment regulations or the extent to which it ultimately proposes gainful employment regulations that differ from the current regulations.

The failure of any program or programs offered by any of our U.S. Institutions to satisfy any gainful employment regulations could render that program or programs ineligible for Title IV program funds and we may choose to cease offering the program or programs. Additionally, any gainful employment data released by the DOE about our U.S. Institutions or warnings provided under the regulations could influence current students not to continue their studies, discourage prospective students from enrolling in our programs or negatively impact our reputation. Due to GE certification requirements, it is possible that several programs offered by our schools may be adversely affected by the regulations due to lack of specialized program accreditation, licensure or certification or in the states in which such institutions are based. We also could be required to make changes to certain programs in the future in order to comply with the rule or to avoid the uncertainty associated with such compliance. Any of these factors could reduce enrollments, impact tuition prices, and have a material adverse effect on our U.S. Institutions' business, financial condition and results of operations.

If we fail to maintain adequate systems and processes to detect and prevent fraudulent activity in student enrollment and financial aid, our business could be materially adversely affected.

Higher educational institutions are susceptible to an increased risk of fraudulent activity by outside parties with respect to student enrollment and student financial aid programs. The DOE's regulations require institutions that participate in Title IV programs to refer to the Office of Inspector General credible information indicating that any applicant, employee, third-party servicer or agent of the institution that acts in a capacity that involves administration of the Title IV programs has been engaged in any fraud or other illegal conduct involving Title IV programs. We cannot be certain that our systems and processes will always be adequate in the face of increasingly sophisticated and ever-changing fraud schemes. The potential for outside parties to perpetrate fraud in connection with the award and disbursement of Title IV program funds, including as a result of identity theft, may be heightened due to our U.S. Institutions offering various educational programs via distance education. Any significant failure by one or more of our U.S. Institutions to adequately detect fraudulent activity related to student enrollment and financial aid could result in loss of accreditation at the discretion of the institutions' accrediting agency, which would result in the institution losing eligibility for Title IV programs, or in direct action by the DOE to limit or terminate the institution's Title IV program participation. Any of these outcomes could have a material adverse effect on our business, financial condition and results of operations.

Government, regulatory agencies, accrediting bodies and third parties may conduct compliance reviews, bring claims or initiate litigation against us.

Because we operate in a highly regulated industry, we may be subject to compliance reviews and claims of noncompliance and lawsuits by government agencies, regulatory agencies and third parties, including claims brought by third parties on behalf of the federal government. See also " We could be subject to sanctions if any of our U.S. Institutions fails to correctly calculate and timely return Title IV program funds for students who withdraw before completing their educational program."

On September 8, 2016, as part of a program review that the Minnesota Office of Higher Education ("MOHE") is conducting of Walden University's doctoral programs, MOHE sent to Walden

Table of Contents

University an information request regarding its doctoral programs and complaints filed by doctoral students, to which we have responded. We cannot predict the timing or outcome of this matter. However, if MOHE makes an adverse determination, it could have a material adverse effect on our business, financial condition and results of operations.

The Higher Learning Commission conducted an on-site mid-cycle review of Walden University on May 1, 2017. The Higher Learning Commission determined that Walden University met the accreditation criteria, with the exception of two, for which it is requiring the school to submit follow-up reports. Specifically, Walden University was required to submit an interim report by May 2018 regarding its progress in addressing the "material weakness" (pertaining to Laureate's control over information technology systems) as identified by its auditors in its December 31, 2016 financial statements, and must submit a second interim report by May 2019 regarding retention and graduation rate improvements to doctoral programs.

If the results of these or other reviews or proceedings are unfavorable to us, or if we are unable to defend successfully against lawsuits or claims, we may be required to pay money damages or be subject to fines, limitations, loss of eligibility for Title IV program funding at our U.S. Institutions, injunctions or other penalties. We may also lose or have limitations imposed on our accreditations, licensing or Title IV program participation, be required to pay monetary damages or be limited in our ability to open new institutions or add new program offerings. Even if we adequately address issues raised by an agency review or successfully defend a lawsuit or claim, we may have to divert significant financial and management resources from our ongoing business operations to address issues raised by those reviews or to defend against those lawsuits or claims. Additionally, we may experience adverse collateral consequences, including declines in the number of students enrolling at our institutions and the willingness of third parties to deal with us or our institutions, as a result of any negative publicity associated with such reviews, claims or litigation. Claims and lawsuits brought against us may damage our reputation or cause us to incur expenses, even if such claims and lawsuits are without merit, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Risks Relating to Our Indebtedness

The fact that we have substantial debt could materially adversely affect our ability to raise additional capital to fund our operations and limit our ability to pursue our strategy or to react to changes in the economy or our industry.

We have substantial debt. As of December 31, 2018, we had outstanding: (a) a senior secured credit facility (the "Senior Secured Credit Facilities") consisting of (1) a multi-currency revolving credit facility scheduled to mature in April 2022 and (2) a senior secured term loan facility scheduled to mature in April 2024 (the "2024 Term Loan"); (b) senior notes consisting of Senior Notes due 2025; and (c) other long term indebtedness, consisting of capital lease obligations, notes payable, seller notes and borrowings against certain lines of credit. Our debt could have important negative consequences to our business, including:

- increasing the difficulty of our ability to make payments on our outstanding debt;
- increasing our vulnerability to general economic and industry conditions because our debt payment obligations may limit our ability to use our cash to respond to or defend against changes in the industry or the economy;
- requiring a substantial portion of our cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities or to pay dividends;

- limiting our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes;
- limiting our ability to pursue our strategy;
- limiting our ability to adjust to changing market conditions; and
- placing us at a competitive disadvantage compared to our competitors who are less highly leveraged.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future, subject to the restrictions contained in the senior secured credit agreement governing our Senior Secured Credit Facilities and the indenture governing our outstanding Senior Notes due 2025. If new indebtedness is added to our current debt levels, the related risks that we now face could intensify.

Our debt agreements contain, and future debt agreements may contain, restrictions that may limit our flexibility in operating our business.

The senior secured credit agreement governing our Senior Secured Credit Facilities and the indenture governing our outstanding Senior Notes due 2025 contain various covenants that may limit our ability to engage in specified types of transactions. These covenants limit our and our restricted subsidiaries' ability to, among other things:

- pay dividends and make certain distributions, investments and other restricted payments;
- incur additional indebtedness, issue disqualified stock or issue certain preferred shares;
- sell assets;
- enter into transactions with affiliates;
- create certain liens or encumbrances;
- preserve our corporate existence;
- merge, consolidate, sell or otherwise dispose of all or substantially all of our assets; and
- designate our subsidiaries as unrestricted subsidiaries.

In addition, the senior secured credit agreement governing our Senior Secured Credit Facilities provides for compliance with the Consolidated Senior Secured Debt to Consolidated EBITDA Ratio, as defined in the senior secured credit agreement, solely with respect to the revolving line of credit facility, which is tested quarterly. The maximum ratio, as defined, was 4.5x at September 30, 2017, and 3.75x and 3.5x at December 31, 2017 and 2018, respectively. As of December 31, 2018, we satisfied certain conditions under the Senior Secured Credit Facilities; therefore, we were not subject to this leverage ratio covenant as of December 31, 2018.

The senior secured credit agreement governing our Senior Secured Credit Facilities and the indenture governing our outstanding Senior Notes due 2025 also include cross-default provisions applicable to other agreements. A breach of any of these covenants could result in a default under the agreement governing such indebtedness, including as a result of cross-default provisions. In addition, failure to make payments or

observe certain covenants on the indebtedness of our subsidiaries may cause a cross default on our Senior Secured Credit Facilities and our outstanding Senior Notes due 2025. Upon our failure to maintain compliance with these covenants, the lenders could elect to declare all amounts outstanding to be immediately due and payable and terminate all commitments to extend further credit. If the lenders under such indebtedness accelerate the repayment of borrowings, we cannot assure you that we will have sufficient assets to repay those borrowings, as well as our other indebtedness. We have pledged a significant portion of our assets as collateral under our Senior

Table of Contents

Secured Credit Facilities. If we were unable to repay those amounts, the lenders under our Senior Secured Credit Facilities could proceed against the collateral granted to them to secure that indebtedness.

We rely on contractual arrangements and other payments, advances and transfers of funds from our operating subsidiaries to meet our debt service and other obligations.

We conduct all of our operations through certain of our subsidiaries, and we have no significant assets other than cash of $11.1 million as of December 31, 2018 held at corporate entities and the capital stock or other control rights of our subsidiaries. As a result, we rely on payments from contractual arrangements, such as intellectual property royalty, network fee and management services agreements. In addition, we also rely upon intercompany loan repayments and other payments from our operating subsidiaries to meet any existing or future debt service and other obligations, a substantial portion of which are denominated in U.S. dollars. The ability of our operating subsidiaries to pay dividends or to make distributions or other payments to their parent companies or directly to us will depend on their respective operating results and may be restricted by, among other things, the laws of their respective jurisdictions of organization, regulatory requirements, agreements entered into by those operating subsidiaries and the covenants of any existing or future outstanding indebtedness that we or our subsidiaries may incur. For example, our VIE institutions generally are not permitted to pay dividends. Further, because most of our income is generated by our operating subsidiaries in non-U.S. dollar denominated currencies, our ability to service our U.S. dollar denominated debt obligations may be affected by any strengthening of the U.S. dollar compared to the functional currencies of our operating subsidiaries.

Disruptions of the credit and equity markets worldwide may impede or prevent our access to the capital markets for additional funding to expand our business and may affect the availability or cost of borrowing under our existing senior secured credit facilities.

The credit and equity markets of both mature and developing economies have historically experienced extraordinary volatility, asset erosion and uncertainty, leading to governmental intervention in the banking sector in the United States and abroad. If these market disruptions occur in the future, we may not be able to access the capital markets to obtain funding needed to refinance our existing indebtedness or expand our business. In addition, changes in the capital or other legal requirements applicable to commercial lenders may affect the availability or increase the cost of borrowing under our Senior Secured Credit Facilities. If we are unable to obtain needed capital on terms acceptable to us, we may need to limit our growth initiatives or take other actions that materially adversely affect our business, financial condition, results of operations and cash flows.

Our variable rate debt exposes us to interest rate risk which could materially adversely affect our cash flow.

Borrowings under our Senior Secured Credit Facilities and certain local credit facilities bear interest at variable rates and other debt we incur also could be variable-rate debt. If market interest rates increase, variable-rate debt will create higher debt service requirements, which could materially adversely affect our cash flow. If these rates were to increase significantly, the risks related to our substantial debt would intensify. While we have and may in the future enter into agreements limiting our exposure to higher interest rates, any such agreements may not offer complete protection from this risk. Based on our outstanding variable-rate debt as of December 31, 2018, after factoring in the impact of derivatives, an increase of 1% in interest rates would result in an increase in interest expense of approximately $17.6 million on an annual basis.

In addition, borrowings under our Senior Secured Credit Facilities carry an interest rate based on LIBOR. On July 27, 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. It is unclear whether new methods

of calculating LIBOR will be established such that it continues to exist after 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S. dollar LIBOR with a newly-created index, calculated by reference to short-term repurchase agreements backed by U.S. Treasury securities, called the Secured Overnight Financing Rate ("SOFR"). The first publication of SOFR was released by the Federal Reserve Bank of New York in April 2018. Whether SOFR will become a widely-accepted benchmark in place of LIBOR, however, remains in question. As such, the future of LIBOR and potential alternatives thereto are uncertain at this time. If LIBOR ceases to exist, we may need to renegotiate our Senior Secured Credit Facilities, which extend beyond 2021, to replace LIBOR with the new standard that is established. The potential effects of the foregoing on our cost of capital cannot yet be determined.

Risks Relating to Investing in Our Class A Common Stock

Our status as a public benefit corporation and a Certified B Corporation may not result in the benefits that we anticipate.

We are a public benefit corporation under Delaware law. As a public benefit corporation we are required to balance the financial interests of our stockholders with the best interests of those stakeholders materially affected by our conduct, including particularly those affected by the specific benefit purpose relating to education set forth in our certificate of incorporation. In addition, there is no assurance that the expected positive impact from being a public benefit corporation will be realized. Accordingly, being a public benefit corporation and complying with our related obligations could negatively impact our ability to provide the highest possible return to our stockholders.

As a public benefit corporation, we are required to publicly disclose a report at least biennially on our overall public benefit performance and on our assessment of our success in achieving our specific public benefit purpose. If we are not timely or are unable to provide this report, or if the report is not viewed favorably by parties doing business with us or regulators or others reviewing our credentials, our reputation and status as a public benefit corporation may be harmed.

While not required by Delaware law or the terms of our certificate of incorporation, we have elected to have our social and environmental performance, accountability and transparency assessed against the proprietary criteria established by an independent non-profit organization. As a result of this assessment, we have been designated as a "Certified B Corporation™," which refers to companies that are certified as meeting certain levels of social and environmental performance, accountability and transparency. The standards for Certified B Corporation certification are set by an independent organization and may change over time. See "Item 1 Business Certified B Corporation." Our reputation could be harmed if we lose our status as a Certified B Corporation, whether by our choice or by our failure to continue to meet the certification requirements, if that failure or change were to create a perception that we are more focused on financial performance and are no longer as committed to the values shared by Certified B Corporations. Likewise, our reputation could be harmed if our publicly reported Certified B Corporation score declines.

As a public benefit corporation, our focus on a specific public benefit purpose and producing a positive effect for society may negatively influence our financial performance.

As a public benefit corporation, we may take actions that we believe will benefit our students and the surrounding communities, even if those actions do not maximize our short- or medium-term financial results. While we believe that this designation and obligation will benefit the Company given the importance to our long-term success of our commitment to education, it could cause our board of directors to make decisions and take actions not in keeping with the short-term or more narrow

interests of our stockholders. Any longer-term benefits may not materialize within the timeframe we expect or at all and may have an immediate negative effect. For example:

- we may choose to revise our policies in ways that we believe will be beneficial to our students and their communities in the long term, even though the changes may be costly in the short- or medium-term;
- we may take actions, such as modernizing campuses to provide students with the latest technology, even though these actions may be more costly than other alternatives;
- in exiting a market that is not meeting our goals, we may choose to "teach out" the existing student body over several years rather than lose an institution; even though this could be substantially more expensive;
- we may be influenced to pursue programs and services to demonstrate our commitment to our students and communities even though there is no immediate return to our stockholders; or
- in responding to a possible proposal to acquire the Company, our board of directors may be influenced by the interests of our employees, students, teachers and others whose interests may be different from the interests of our stockholders.

We may be unable or slow to realize the long-term benefits we expect from actions taken to benefit our students and communities in which we operate, which could materially adversely affect our business, financial condition and results of operations, which in turn could cause our stock price to decline.

The price of our Class A common stock has been and may continue to be volatile, and you could lose all or part of your investment as a result.

We completed our IPO in February 2017. Since our IPO, the price of our Class A common stock, as reported by the Nasdaq Global Select Market, has ranged from a low of $10.46 on November 15, 2017 to a high of $18.96 on June 28, 2017. The trading price of our Class A common stock may continue to fluctuate and is dependent upon a number of factors, including those described in this "Item 1A Risk Factors" section, many of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to lose all or part of your investment in our Class A common stock as you may be unable to sell your shares at or above the price you paid, or at all. Factors that could cause fluctuations in the trading price of our Class A common stock include the following:

- quarterly variations in our results of operations;
- results of operations that vary from the expectations of securities analysts and investors;
- results of operations that vary from those of our competitors;
- changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;
- our or our competitors' introduction of new institutions, new programs, concepts or pricing policies;
- announcements by us, our competitors or our vendors of significant acquisitions, joint marketing relationships, joint ventures or capital commitments;

changes in laws or conditions in the education industry, the financial markets or the economy as a whole;

failure of any of our institutions to secure or maintain accreditation or licensure;

Table of Contents

- announcements of regulatory or other investigations, adverse regulatory action by any regulatory body including those overseas or the DOE, state agencies or accrediting agencies, regulatory scrutiny of our operations or operations of our competitors or lawsuits filed against us or our competitors;
- announcements by third parties of significant claims or proceedings against us;
- the size of our public float;
- changes in senior management or key personnel;
- changes in our dividend policy;
- adverse resolution of new or pending litigation against us;
- the occurrence of any event described in "Item 1A Risk Factors";
- issuances, exchanges or sales, or expected issuances, exchanges or sales of our capital stock; and
- general domestic and international economic conditions.

In the past, following periods of market volatility, stockholders have instituted securities class action litigation. We may be the target of this type of litigation in the future. If we were to become involved in securities litigation, it could have a substantial cost and divert resources and the attention of our management team from our business regardless of the outcome of such litigation.

In addition, price volatility may be greater if the public float and trading volume of our Class A common stock is low. As a result, you may suffer a loss on your investment.

If we or our existing investors sell or announce an intention to sell additional shares of our Class A common stock, the market price of our Class A common stock could decline.

The market price of our Class A common stock could decline as a result of sales of a large number of shares of Class A common stock in the market, or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to raise capital through future sales of equity securities at a time and at a price that we deem appropriate, or at all.

As of December 31, 2018, 116,864,948 shares of our Class B common stock were outstanding. Such amount excludes 979,125 shares of Class B common stock issuable upon the exercise of outstanding vested stock options under the 2007 Stock Incentive Plan (the "2007 Plan"), 5,906,256 shares of Class B common stock issuable upon the exercise of outstanding vested stock options under the 2013 Long-Term Incentive Plan (the "2013 Plan"), 42,089 shares of Class B common stock subject to outstanding unvested stock options under the 2013 Plan, 2,995,333 shares of Class A common stock and/or Class B common stock reserved for future issuance under the 2013 Plan, and 7,432 shares of Class B common stock reserved for future issuance under the Laureate Education, Inc. Deferred Compensation Plan (the "Deferred Compensation Plan"). All of our outstanding shares of Class B common stock became eligible for sale on August 5, 2017. Sales of a substantial number of shares of our Class B common stock, which will automatically convert into Class A common stock upon sale, could cause the market price of our Class A common stock to decline.

Because we have no current plans to pay cash dividends on our common stock for the foreseeable future, and our debt arrangements place certain restrictions on our ability to do so, you may not receive any return on investment unless you sell your Class A common stock for a price greater than that which you paid for it.

We may retain future earnings, if any, for future operation, expansion and debt repayment and have no current plans to pay any cash dividends for the foreseeable future. Any decision to declare and

pay dividends in the future will be made at the discretion of our board of directors and will depend on, among other things, our results of operations, financial condition, cash requirements, contractual restrictions and other factors that our board of directors may deem relevant. In addition, our ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness we or our subsidiaries incur, including our Senior Secured Credit Facilities and the indenture governing our outstanding notes. In addition, we are permitted under the terms of our debt instruments to incur additional indebtedness, which may restrict or prevent us from paying dividends on our common stock. Furthermore, our ability to declare and pay dividends may be limited by instruments governing future outstanding indebtedness we may incur. As a result, you may not receive any return on an investment in our Class A common stock unless you sell your Class A common stock for a price greater than that which you paid for it.

The dual class structure of our common stock as contained in our certificate of incorporation has the effect of concentrating voting control with those stockholders who held our stock prior to our initial public offering, including Wengen and our executive officers, employees and directors and their affiliates, and limiting your ability to influence corporate matters.

Each share of our Class B common stock has ten votes per share, and each share of our Class A common stock has one vote per share. As of February 15, 2019, stockholders who hold shares of Class B common stock, including Wengen, and our executive officers, employees and directors and their affiliates, together hold approximately 92% of the voting power of our outstanding capital stock, and therefore have significant influence over the management affairs of the Company and control over all matters requiring stockholder approval, including election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets, for the foreseeable future. Because of the 10-to-1 voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively will continue to control a majority of the combined voting power of our common stock even when the shares of Class B common stock represent less than a majority of the outstanding shares of our Class A and Class B common stock.

The Wengen Investors have control over our decisions to enter into any corporate transaction and the ability to prevent any transaction that requires stockholder approval regardless of whether others believe that the transaction is in our best interests. So long as the Wengen Investors continue to have an indirect interest in a majority of our outstanding Class B common stock, they have the ability to control the vote in any election of directors. This concentrated control limits your ability to influence corporate matters. The interests of the Wengen Investors and other holders of Class B common stock may not coincide with the interests of holders of the Class A common stock. In addition, in connection with the completion of our IPO, we entered into a new Wengen Securityholders' Agreement dated as of February 6, 2017, by and among Wengen, Laureate and the other parties thereto (as amended and restated from time to time, the "Wengen Securityholders' Agreement"), pursuant to which certain of the Wengen Investors have certain rights to appoint directors to our board of directors and its committees.

In addition, the Wengen Investors are in the business of making or advising on investments in companies and may hold, and may from time to time in the future acquire, interests in or provide advice to businesses that directly or indirectly compete with certain portions of our business or are suppliers or customers of ours.

We are a "controlled company" within the meaning of the Nasdaq rules and, as a result, qualify for, and rely on, exemptions from certain corporate governance requirements. Holders of our securities do not have the same protections afforded to stockholders of companies that are subject to such requirements.

Wengen controls a majority of the voting power of our outstanding common stock. As a result, we are a "controlled company" within the meaning of the Nasdaq corporate governance standards. Under

Table of Contents

these rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a "controlled company" and may elect not to comply with certain corporate governance requirements, including:

- the requirement that a majority of the board of directors consist of independent directors;
- the requirement that we have a nominating/corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities;
- the requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- the requirement for an annual performance evaluation of the nominating/corporate governance and compensation committees.

We currently utilize these exemptions and intend to continue to do so. As a result, we do not have a majority of independent directors, our nominating and corporate governance committee and our compensation committee do not consist entirely of independent directors and such committees are not subject to annual performance evaluations. Accordingly, for so long as we are a "controlled company," you will not have the same protections afforded to holders of securities of companies that are subject to all of the corporate governance requirements of Nasdaq.

Provisions in our certificate of incorporation and bylaws and the Delaware General Corporation Law could make it more difficult for a third party to acquire us and could discourage a takeover and adversely affect the holders of our Class A common stock.

Provisions of our amended and restated certificate of incorporation and amended and restated bylaws, as well as provisions of Delaware law could discourage, delay or prevent a merger, acquisition or other change in control of the Company, even if such change in control would be beneficial to the holders of our Class A common stock. These provisions include:

- the dual class structure of our common stock;
- authorizing the issuance of "blank check" preferred stock that could be issued by our board of directors to increase the number of outstanding shares and thwart a takeover attempt;
- prohibiting the use of cumulative voting for the election of directors;
- as a public benefit corporation, requiring a two-thirds majority vote of the outstanding stock to effect a non-cash merger with an entity that is not a public benefit corporation with an identical public benefit;
- limiting the ability of stockholders to call special meetings or amend our bylaws;
- following the conversion of all of our Class B common stock into Class A common stock, requiring all stockholder actions to be taken at a meeting of our stockholders; and
- establishing advance notice and duration of ownership requirements for nominations for election to the board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and cause us to take other corporate actions you desire. In addition, because our board of directors is responsible for appointing the members of our management team, these provisions could in turn affect any attempt by our stockholders to replace current members of our management team.

Table of Contents

We may issue additional shares of preferred stock in the future, which could make it difficult for another company to acquire us or could otherwise adversely affect holders of our Class A common stock, which could depress the price of our Class A common stock.

Our amended and restated certificate of incorporation authorizes us to issue one or more additional series of preferred stock. Our board of directors has the authority to determine the preferences, limitations and relative rights of any additional shares of preferred stock and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our stockholders. Additional series of preferred stock could be issued with voting, liquidation, dividend and other rights superior to the rights of our Class A common stock. The potential issuance of an additional series of preferred stock may delay or prevent a change in control of us, discourage bids for our Class A common stock at a premium to the market price, and materially adversely affect the market price and the voting and other rights of the holders of our Class A common stock.

If we do not maintain adequate coverage of our Class A common stock by securities analysts or if they publish unfavorable commentary about us or our industry or downgrade our Class A common stock, the trading price of our Class A common stock could decline.

The trading price for our Class A common stock could be affected by any research or reports that securities analysts publish about us or our business. If one or more of the analysts who cover us or our business downgrade their evaluations of our Class A common stock, the price of our Class A common stock could decline. We may be unable to maintain adequate research coverage, and if one or more analysts cease coverage of our company, we could lose visibility in the market for our Class A common stock, which in turn could cause our stock price to decline.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Laureate is headquartered in Baltimore, Maryland. The following table summarizes the properties included in continuing operations by segment and in discontinued operations, each as of December 31, 2018:

Segment	**Square feet leased space**	**Square feet owned space**	**Total square feet**
Brazil	12,286,551	2,837,299	15,123,850
Mexico	28,072,705	8,998,491	37,071,196
Andean	7,064,120	9,828,204	16,892,324
Rest of World	1,074,878		1,074,878
Online & Partnerships	235,475		235,475
Corporate (including headquarters)	134,766		134,766
Discontinued Operations	9,853,764	29,762,228	39,615,992
Total	**58,722,259**	**51,426,222**	**110,148,481**

Our Brazil, Mexico, Andean and Rest of World segments lease or own various sites that may include a local headquarters and all or some of the facilities of a campus or location. In many countries, our facilities are subject to mortgages.

Our Online & Partnerships segment has offices at our headquarters location in Baltimore and leases seven additional facilities in Columbia, Maryland; Minneapolis, Minnesota; Tempe, Arizona; San

Table of Contents

Antonio, Texas; Gdansk, Poland; Liverpool, England and Amsterdam, Netherlands. Our headquarters consists of two leased facilities in Baltimore, Maryland, which are used primarily for office space.

We monitor the capacity of our higher education institutions on a regular basis and make decisions to expand capacity based on expected enrollment and other factors. Our leased facilities are occupied under leases whose remaining terms range from one month to 19 years. A majority of these leases contain provisions giving us the right to renew the lease for additional periods at various rental rates, although generally at rates higher than we are currently paying.

ITEM 3. LEGAL PROCEEDINGS

We are party to various claims and legal proceedings from time to time. Except as described below, we are not aware of any legal proceedings that we believe could have, individually or in the aggregate, a material adverse effect on our business, results of operations or financial condition.

On October 5, 2016, a student filed suit against us and Walden University in the United States District Court for the Southern District of Ohio in the matter of *Latonya Thornhill v. Walden University, et. al.*, claiming that her progress in her program was delayed by Walden University and seeking class action status to represent a nationwide class of purportedly similarly situated doctoral students. The claims included fraud in the inducement, breach of contract, consumer fraud under the laws of Maryland and Ohio, and unjust enrichment. The case was administratively dismissed without prejudice on September 12, 2018, and the parties reached a confidential settlement on December 10, 2018.

In addition, several groups of current and former students filed separate law suits in the Seventh Judicial Circuit in and for St. Johns County, Florida against our former institution, USAHS, relating to matters arising before we acquired that institution in November 2013. The pending suits are *Hemingway et al. v. University of St. Augustine for Health Sciences, Inc.* filed on August 12, 2013 and *Johnson v. University of St. Augustine for Health Sciences, LLC* filed on June 16, 2016. The allegations in the cases relate to a program that was launched in May 2011 and, at the time, offered a "Master of Orthopaedic Physician's Assistant Program" degree. The plaintiffs in these matters allege that the university misrepresented their ability to practice as licensed Physician Assistants with a heightened specialty in orthopaedics. The plaintiffs are seeking relief including refund of tuition paid to USAHS, as well as loan debt incurred by the plaintiffs while attending USAHS, loss of future earnings, litigation costs and punitive damages. The *Hemingway* matter went to trial in November 2018. There was a partial verdict for each party, with the jury concluding there was no fraud by USAHS while awarding the six plaintiffs compensatory damages for negligent misrepresentation for a combined total of approximately $2.6 million, after reduction of the award based on a finding of each individual plaintiff's contributory negligence. The parties are currently assessing appeal or potential final resolution of the matter, while they await post-trial motions and formal entry of judgment in the next several months. The *Johnson* matter is at a preliminary stage of discovery. USAHS believes the claims in the *Johnson* matter are without merit and is defending vigorously against the allegations. With respect to the two pending USAHS cases, USAHS expects to be indemnified by the prior owner for substantially all of the liability with respect to any claims in these cases. Under the agreement under which we sold USAHS, we are required to indemnify the purchaser only in the event that the prior owner defaults on its indemnification obligation.

On November 16, 2016, Michael S. Ryan, the former chief accounting officer of the Company, filed a complaint with the Occupational Safety and Health Administration of the U.S. Department of Labor alleging retaliatory employment practices in violation of the whistleblower provisions of the Sarbanes-Oxley Act (*Michael S. Ryan vs. Laureate Education, Inc., Case No. 3-0050-17-011*). The complaint also alleges a lack of compliance with U.S. GAAP and violations of certain SEC rules and regulations. The complaint does not seek any specified amount of damages. The Company has

Table of Contents

investigated the allegations made in the complaint with the assistance of outside legal and accounting advisers and believes that its consolidated financial statements are in compliance with U.S. GAAP and SEC rules and regulations in all material respects and that the allegations are baseless and without merit. The Company is assessing all appropriate defenses to these allegations and has filed a statement of position with the U.S. Department of Labor. The Company intends to continue to defend itself vigorously.

During 2010, we were notified by the Spanish Taxing Authorities ("STA") (in this case, by the Regional Inspection Office of the Special Madrid Tax Unit) that an audit of some of our Spanish subsidiaries was being initiated for 2006 and 2007. On June 29, 2012, the STA issued a final assessment to Iniciativas Culturales de España, S.L. ("ICE"), our Spanish holding company, for approximately EUR 11.1 million ($12.6 million at December 31, 2018), including interest, for those two years based on its rejection of the tax deductibility of financial expenses related to certain intercompany acquisitions and the application of the Spanish ETVE regime. On July 25, 2012, we filed a claim with the Regional Economic-Administrative Court challenging this assessment and, in the same month, we issued a cash-collateralized letter of credit for the assessment amount, in order to suspend the payment of the tax due. Further, in July 2013, we were notified by the STA (in this case, by the Central Inspection Office for Large Taxpayers) that an audit of ICE was also being initiated for 2008 through 2010. On October 19, 2015, the STA issued a final assessment to ICE for approximately EUR 17.2 million ($19.6 million at December 31, 2018), including interest, for those three years. We have appealed this assessment and, in order to suspend the payment of the tax assessment until the court decision, we issued a cash-collateralized letter of credit for the assessment amount plus interest and surcharges. We believe the assessments in this case are without merit and intend to defend vigorously against them. During the second quarter of 2016, we were notified by the STA that tax audits of the Spanish subsidiaries were also being initiated for 2011 and 2012. Also during the second quarter of 2016, the Regional Administrative Court issued a decision against the Company on its appeal. The Company has further appealed at the Highest Administrative Court level, which appeal has been rejected. The Company has appealed both decisions to the National Court. In July 2017, we were notified by the STA that tax audits of the Spanish subsidiaries for 2011 and 2012 were being extended to include 2013. In the first quarter of 2018, we made payments to the STA totaling EUR 29.6 million (approximately US $33.8 million at December 31, 2018) in order to reduce the amount of future interest that could be incurred as the appeals process continues. The payments were made using cash that collateralized the letters of credit discussed above. In October of 2018, the STA issued a final assessment to our Spanish holding company for the 2011 through 2013 period of approximately EUR 4.1 million ($4.7 million at December 31, 2018). As of December 31, 2018, the Company has posted a cash-collateralized letter of credit of approximately $5.7 million for the assessment, plus a surcharge.

In June 2016, Li Shihong and Hunan Lieying Education Investment Management Co Ltd commenced civil proceedings in the Changsha Intermediary Court in the People's Republic of China against Zhang Jiangbo, Zhang Jianbo, Chen Zhengxian, Hunan New Lieying Science and Education Co Ltd and Hunan International Economics University, our former network institution in China ("HIEU"). Zhang Jiangbo, Zhang Jianbo and Chen Zhengxian were the minority shareholders in the HIEU group. The plaintiffs claim that the defendants are liable to pay an amount of RMB 170 million (approximately $25 million at December 31, 2018) based on a debt repayment document executed in 2014. The document was signed by the minority shareholders and Hunan New Lieying Science and Education Co Ltd and Zhang Jiangbo, allegedly on behalf of HIEU, in effect as a guarantor and a seal was affixed, allegedly being that of HIEU. The plaintiffs also claim interest and litigation expenses. HIEU has filed a defense and evidence in this matter contending that Zhang Jiangbo was not authorized to execute the document on behalf of HIEU, nor to affix any HIEU seal, and contending further that in any event an education institution is not permitted to guarantee a loan for non-educational purposes. Zhang Jiangbo has admitted to the court that he lacked such authorization. The Changsha Intermediary Court issued a judgment on October 25, 2017 which

dismissed this claim. The plaintiffs appealed to the Higher People's Court of Hainan Province on November 25, 2017 and the Court ordered on June 22, 2018 that the Changsha Intermediary Court rehear the case. Chen Zhengxian passed away on May 5, 2018, and she left all her legacy to her nephew Mr. Zheng Ziben who is a Hong Kong citizen. Changsha Intermediary Court further ordered on September 26, 2018 that the Higher People's Court of Hainan Province should be the trial court because the case involves a Hong Kong citizen and is now a foreign-related case. The case is currently being heard in the Higher People's Court of Hainan Province.

In November 2017, Chin Zhengxian (a minority shareholder in the HIEU group) commenced civil proceedings in the Higher Court of Hunan Province in the People's Republic of China against LEI Lie Ying Limited and Steven Lin (a former Laureate employee) seeking return of a capital contribution of RMB 172 million and for loss of interest of RMB 28 million or the distribution of dividends in an equivalent amount. In connection with these proceedings, the court prohibited the transfer of shares in Hunan Lie Ying Industry Co Ltd held by LEI Lie Ying Limited equal to 10.6% of the shares in Hunan Lie Ying Industry Co Ltd. pending resolution of the matter on the merits. On November 5, 2018, the court entered judgment in favor of the current and former Laureate affiliates and dismissed this case. Chen Zhengxian's heir, Mr. Zheng Ziban, appealed to the Supreme People's Court and we are waiting for that court to decide whether it will accept the appeal.

In December 2017, Guangdong Nanbo Education Investment Co Ltd (a minority shareholder in the HIEU group) commenced civil proceedings in the Higher Court of Hunan Province in the People's Republic of China against LEI Lie Ying Limited (as majority shareholder) and Laureate Shanghai alleging the invalidity of service agreements entered into between HIEU and Laureate Shanghai and the infringement by LEI Lie Ying Limited of HIEU's interests, seeking the repayment of RMB 265 million fees paid under those agreements. In connection with these proceedings, the court prohibited the transfer of shares in Hunan Lie Ying Industry Co Ltd held by LEI Lie Ying Limited equal to 22.8% of the shares in Hunan Lie Ying Industry Co Ltd. pending resolution of the matter on the merits. On November 5, 2018, the court entered judgment in favor of the current and former Laureate affiliates and dismissed this case. Guangdong Nanbo Education Investment Co Ltd appealed to the Supreme People's Court and we are waiting for that court to decide whether to accept the appeal.

Under the arrangements for the sale of our interest in HIEU, we have indemnified the purchaser against liabilities which arise from these claims subject to an aggregate cap on liability of RMB 400 million (approximately $58 million at December 31, 2018).

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Table of Contents

PART II

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

Market Information

Our Class A common stock has traded on the Nasdaq under the symbol "LAUR" since February 1, 2017. Prior to that date, there was no public trading market for our Class A common stock. On February 15, 2019, the last reported sale price of our common stock was $14.97. There is currently no established public trading market for our Class B common stock.

Holders of Record

There were 20 holders of record of our Class A common stock and 218 holders of record of our Class B common stock as of February 15, 2019. The number of beneficial owners of our Class A common stock is substantially greater than the number of record holders, because substantially all of our Class A common stock is held in "street name" by banks and brokers.

Dividend Policy

We currently do not anticipate paying any cash dividends on our Class A common stock or Class B common stock in the foreseeable future. We expect to retain our future earnings, if any, for use in the operation and expansion of our business. The terms of our senior secured credit agreement governing our Senior Secured Credit Facilities and the indenture governing our outstanding Senior Notes limit our ability to pay cash dividends in certain circumstances. Furthermore, if we are in default under the senior secured credit agreement governing our Senior Secured Credit Facilities or the indenture governing our outstanding Senior Notes, our ability to pay cash dividends will be limited in the absence of a waiver of that default or an amendment to such agreement or such indenture. In addition, our ability to pay cash dividends on shares of our Class A common stock may be limited by restrictions on our ability to obtain sufficient funds through dividends from our subsidiaries. For more information on our senior secured credit agreement governing our Senior Secured Credit Facilities and the indenture governing our outstanding Senior Notes, see "Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 10, Debt, in our consolidated financial statements. Subject to the foregoing, the payment of cash dividends in the future, if any, will be at the discretion of our board of directors and will depend upon such factors as earnings levels, capital requirements, our overall financial condition and any other factors deemed relevant by our board of directors.

Equity Compensation Plan Information

The information required by Item 201(d) of Regulation S-K is incorporated by reference to Part III. Item 12 of this Form 10-K.

Stock Performance Graph

The following graph compares the cumulative total return of our Class A common stock, an industry peer group index, and the Nasdaq Composite Index from February 1, 2017 (the first day on which our Class A common stock traded on the Nasdaq Global Select Market) through December 31, 2018. We believe our industry peer group represents the majority of the market value of publicly traded companies whose primary business is postsecondary education. The returns set forth on the following graph are based on historical results and are not intended to suggest future performance. The performance graph assumes $100 investment on February 1, 2017 in either our Class A common stock,

Table of Contents

the companies in our industry peer group, or the Nasdaq Composite Index. Data for the Nasdaq Composite Index and our peer group assume reinvestment of dividends.

The peer group included in the performance graph above consists of Strategic Education, Inc. (STRA), Adtalem Global Education, Inc. (ATGE), Grand Canyon Education, Inc. (LOPE), Kroton Educacional S.A. (KROT3), and Estacio Participações S.A. (ESTC3).

The information contained in the performance graph shall not be deemed "soliciting material" or to be "filed" with the SEC, nor shall such information be deemed incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate it by reference into such filing.

Recent Sales of Unregistered Securities

None.

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

Set forth below are selected consolidated financial data of Laureate Education, Inc., at the dates and for the periods indicated. The selected historical statements of operations data and statements of cash flows data for the fiscal years ended December 31, 2018, 2017, 2016 and 2015 and balance sheet data as of December 31, 2018, 2017, and 2016 have been derived from our audited consolidated financial statements included elsewhere in this Form 10-K and our historical audited consolidated financial statements not included in this Form 10-K. The selected historical statements of operations data and statements of cash flows data for the fiscal year ended December 31, 2014 and balance sheet data as of December 31, 2015 and 2014, as recast for discontinued operations, have been derived from our accounting records. The statements of cash flows for all prior periods reflect the retrospective application of ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments," and ASU 2016-18, "Restricted Cash." Our historical results are not necessarily indicative of our future results. The data should be read in conjunction with the consolidated financial statements, related notes, and other financial information included therein.

Table of Contents

The selected historical consolidated financial data should be read in conjunction with "Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this Form 10-K.

	Fiscal Year Ended December 31,				
(Dollar amounts in thousands)	**2018**	**2017**	**2016**	**2015**	**2014**
					(unaudited)
Consolidated Statements of Operations:					
Revenues	$ 3,350,224	$ 3,385,876	$ 3,301,864	$ 3,399,774	$ 3,510,209
Costs and expenses:					
Direct costs	2,746,868	2,821,291	2,788,691	2,946,016	2,985,338
General and administrative expenses	299,264	315,471	222,496	194,686	151,215
Loss on impairment of assets	13,110	7,121			48,421
Operating income	290,982	241,993	290,677	259,072	325,235
Interest income	11,856	11,865	14,414	9,474	17,215
Interest expense	(235,235)	(334,901)	(390,391)	(367,284)	(358,805)
Loss on debt extinguishment	(7,481)	(8,392)	(17,363)	(1,263)	(22,853)
Gain (loss) on derivatives	88,292	28,656	(6,084)	(2,607)	(3,101)
Other income (expense), net	12,173	(1,892)	457	(423)	(476)
Foreign currency exchange (loss) gain, net	(32,409)	2,539	77,299	(128,299)	(107,703)
Gain (loss) on sale of subsidiaries, net(1)	254	(10,490)	398,081		(13)
Income (loss) from continuing operations before income taxes and equity in net (loss) income of affiliates	128,432	(70,622)	367,090	(231,330)	(150,501)
Income tax (expense) benefit	(133,160)	91,308	(34,440)	(95,364)	55,245
Equity in net (loss) income of affiliates, net of tax	(2)	152	90	2,495	158
(Loss) income from continuing operations	(4,730)	20,838	332,740	(324,199)	(95,098)
Income (loss) from discontinued operations, net of tax of $47,382, $24,495, $30,561, $22,366, and $16,185, respectively	79,080	72,926	33,446	8,354	(67,355)
Gain on sales of discontinued operations, net of tax of $3,466, $0, $0, $0 and $0, respectively	296,580				
Net income (loss)	370,930	93,764	366,186	(315,845)	(162,453)
Net (income) loss attributable to noncontrolling interests	(863)	(2,299)	5,661	(403)	4,162
Net income (loss) attributable to Laureate Education, Inc.	$ 370,067	$ 91,465	$ 371,847	$ (316,248)	$ (158,291)

(1) In 2016, represented a gain of approximately $249.4 million resulting from the Swiss institutions sale that closed on June 14, 2016 and a gain of approximately $148.7 million, subject to certain

Table of Contents

adjustments, resulting from the French institutions sale that closed on July 20, 2016. In 2017, primarily represents a final purchase price settlement related to the sale of the Swiss institutions.

(Dollar amounts in thousands)	Fiscal Year Ended December 31, 2018	2017	2016	2015	2014 (unaudited)
Consolidated Statements of Cash Flows:					
Net cash provided by operating activities	$ 396,858	$ 192,157	$ 192,256	$ 171,418	$ 281,811
Net cash provided by (used in) investing activities	115,494	(284,682)	297,297	(159,095)	(713,605)
Net cash (used in) provided by financing activities	(410,129)	157,570	(445,722)	34,424	172,586
Business acquisitions, net of cash acquired	(17,019)	(835)		(6,705)	(287,945)
Segment Data:					
Revenues:					
Brazil	$ 654,300	$ 765,746	$ 690,804	$ 672,917	$ 713,623
Mexico	646,134	646,154	626,011	678,193	741,755
Andean	1,155,691	1,085,640	969,717	913,388	931,104
Rest of World	238,006	214,720	330,423	452,937	457,056
Online & Partnerships	664,226	690,374	704,976	707,998	683,084
Corporate	(8,133)	(16,758)	(20,067)	(25,659)	(16,413)
Total revenues	$ 3,350,224	$ 3,385,876	$ 3,301,864	$ 3,399,774	$ 3,510,209
Other Data:					
Total enrollments (rounded to the nearest hundred):					
Brazil	280,000	271,200	259,000	257,200	255,600
Mexico	206,300	214,200	213,800	205,000	195,000
Andean	309,200	299,100	286,600	270,700	242,700
Rest of World	18,700	17,200	15,400	28,700	28,400
Online & Partnerships	60,600	63,500	68,300	72,400	68,300
Total	874,800	865,200	843,100	834,000	790,000
New enrollments (rounded to the nearest hundred):					
Brazil	170,800	149,900	134,500	142,300	105,000
Mexico	109,000	107,300	108,400	101,000	97,000
Andean	119,200	116,600	117,200	112,500	108,600
Rest of World	13,000	12,000	14,100	19,400	22,000
Online & Partnerships	33,500	35,000	39,300	39,500	37,300
Total	445,500	420,800	413,500	414,700	369,900

Table of Contents

(Dollar amounts in thousands)	As of December 31, 2018	2017	2016	2015 (unaudited)	2014 (unaudited)
Consolidated Balance Sheets:					
Cash and cash equivalents	$ 388,490	$ 320,567	$ 295,785	$ 279,226	$ 308,023
Restricted cash and investments	201,300	212,215	178,552	151,294	135,074
Net working capital (deficit) (including cash and cash equivalents)	27,046	(85,895)	(324,431)	(491,084)	(589,744)
Property and equipment, net	1,278,935	1,380,417	1,361,465	1,453,742	1,600,696
Goodwill	1,707,089	1,828,365	1,786,554	1,951,444	2,296,551
Tradenames	1,126,244	1,167,302	1,153,348	1,199,943	1,294,885
Other intangible assets, net	25,429	35,779	46,035	50,158	86,959
Total assets	6,769,636	7,391,285	7,062,534	7,403,168	8,315,018
Total debt, including due to shareholders of acquired companies	2,740,842	3,167,051	3,635,261	4,264,200	4,397,270
Deferred compensation	12,778	14,470	14,128	32,343	115,575
Total liabilities, excluding debt, due to shareholders of acquired companies and derivative instruments	1,952,775	2,209,107	2,393,080	2,711,783	2,793,066
Convertible redeemable preferred stock		400,276	332,957		
Redeemable noncontrolling interests and equity	14,396	13,721	23,876	51,746	43,876
Total Laureate Education, Inc. stockholders' equity	2,061,079	1,575,164	632,210	324,759	1,017,068

Table of Contents

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion of our results of operations and financial condition with the "Selected Financial Data" and the audited historical consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K (or, Form 10-K). This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in the "Item 1A. Risk Factors" section of this Form 10-K. Actual results may differ materially from those contained in any forward-looking statements. See"Forward-Looking Statements."

Introduction

This Management's Discussion and Analysis of Financial Condition and Results of Operations (the "MD&A") is provided to assist readers of the financial statements in understanding the results of operations, financial condition and cash flows of Laureate Education, Inc. This MD&A should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this Form 10-K. The consolidated financial statements included elsewhere in this Form 10-K are presented in U.S. dollars (USD) rounded to the nearest thousand, with the amounts in MD&A rounded to the nearest tenth of a million. Therefore, discrepancies in the tables between totals and the sums of the amounts listed may occur due to such rounding. Our MD&A is presented in the following sections:

- Overview;
- Results of Operations;
- Liquidity and Capital Resources;
- Contractual Obligations;
- Off-Balance Sheet Arrangements;
- Critical Accounting Policies and Estimates; and
- Recently Issued Accounting Standards.

Overview

Our Business

We are the largest international network of degree-granting higher education institutions, primarily focused in Latin America, with 874,800 students enrolled at our 38 institutions in 10 countries on more than 150 campuses included in our continuing operations as of December 31, 2018, which we collectively refer to as the *Laureate International Universities* network. We believe the global higher education market presents an attractive long-term opportunity, primarily because of the large and growing imbalance between the supply and demand for quality higher education around the world. Advanced education opportunities drive higher earnings potential, and we believe the projected growth in the middle-class population worldwide and limited government resources dedicated to higher education create substantial opportunities for high-quality private institutions to meet this growing and unmet demand. Our outcomes-driven strategy is focused on enabling students to prosper and thrive in the dynamic and evolving knowledge economy.

As of December 31, 2018, our international network of 38 institutions comprised 29 institutions we owned or controlled, and an additional nine institutions that we managed or with which we had other relationships. We have six operating segments as described below. We group our institutions by geography in: 1) Brazil; 2) Mexico; 3) Andean (formerly Andean & Iberian); 4) Central America & U.S. Campuses; and 5) Rest of World (formerly EMEAA) for reporting purposes. Our sixth segment, Online & Partnerships, includes fully online institutions that operate globally.

Table of Contents

Discontinued Operations

In 2017, the Company announced the divestiture of certain subsidiaries in our Rest of World and Central America & U.S. Campuses segments. On August 9, 2018, the Company announced the divestiture of additional subsidiaries located in Europe, Asia and Central America. After completing all of the announced divestitures, the Company's remaining principal markets will be Brazil, Chile, Mexico and Peru, along with the Online and Partnerships segment and the institutions in Australia and New Zealand. The markets being divested (the Discontinued Operations) include the institutions in Portugal and Spain, which are part of the Andean segment, all remaining institutions in the Central America & U.S. Campuses segment, and all remaining institutions in the Rest of World segment except for Australia, New Zealand and the managed institutions in the Kingdom of Saudi Arabia and China. The divestitures represent a strategic shift that will have a major effect on the Company's operations and financial results. Accordingly, in accordance with Accounting Standard Codification (ASC) 205-20, "Discontinued Operations," the results of the divestitures that are part of the strategic shift are presented as discontinued operations in our consolidated financial statements included elsewhere in our Form 10-K for all periods. Since our entire Central America & U.S. Campuses operating segment is included in Discontinued Operations, it no longer meets the criteria for a reportable segment under ASC 280, "Segment Reporting," and, therefore, it is excluded from the segments information for all periods presented. In addition, the portions of the Andean and Rest of World reportable segments that are included in Discontinued Operations have also been excluded from the segment information for all periods presented. Unless indicated otherwise, the information in the MD&A relates to continuing operations.

As discussed in Note 4, Discontinued Operations and Assets Held for Sale and Note 6, Dispositions and Asset Sales, in our consolidated financial statements included elsewhere in this Form 10-K, the Company has entered into sale agreements for a number of these entities and closing of the sale transactions began in the first quarter of 2018. As described below and in "Liquidity," to-date, we have completed the sales of subsidiaries in Cyprus, Italy, China, Germany, Morocco and Thailand, as well as Kendall College, LLC (Kendall) and the University of St. Augustine for Health Sciences, LLC (St. Augustine), in the United States. We have not yet completed the divestitures of our subsidiaries in Central America, Spain and Portugal, South Africa, Turkey, India and Malaysia, as well as one small campus-based institution in the United States and UniNorte, an institution in the Brazil segment that is included in continuing operations as it is not part of the strategic shift. We have signed sale agreements for our subsidiaries in Spain, Portugal, Malaysia and South Africa that are pending closure.

Our Segments

Our campus-based segments generate revenues by providing an education that emphasizes professional-oriented fields of study with undergraduate and graduate degrees in a wide range of disciplines. Our educational offerings are increasingly utilizing online and hybrid (a combination of online and in-classroom) courses and programs to deliver their curriculum. Many of our largest campus-based operations are in developing markets which are experiencing a growing demand for higher education based on favorable demographics and increasing secondary completion rates, driving increases in participation rates and resulting in continued growth in the number of higher education students. Traditional higher education students (defined as 18-24 year olds) have historically been served by public universities, which have limited capacity and are often underfunded, resulting in an inability to meet the growing student demand and employer requirements. This supply and demand imbalance has created a market opportunity for private sector participants. Most students finance their own education. However, there are some government-sponsored student financing programs which are discussed below. These campus-based segments include Brazil, Mexico, Andean, Central America &

Table of Contents

U.S. Campuses and Rest of World. Specifics related to each of these campus-based segments and our Online & Partnerships segment are discussed below:

In Brazil, approximately 75% of post-secondary students are enrolled in private higher education institutions. While the federal government defines the national curricular guidelines, institutions are licensed to operate by city. Laureate owns 13 institutions in eight states throughout Brazil, with a particularly strong presence in the competitive São Paulo market. Many students finance their own education while others rely on the government-sponsored programs such as Prouni and FIES.

Public universities in Mexico enroll approximately two-thirds of students attending post-secondary education. However, many public institutions are faced with capacity constraints or the quality of the education is considered low. Laureate owns two institutions and is present throughout the country with a footprint of over 40 campuses. Each institution in Mexico has a national license. Students in our Mexican institutions typically finance their own education.

The Andean segment includes institutions in Chile, Peru, Portugal and Spain. In Chile, private universities enroll approximately 80% of post-secondary students. In Peru, the public sector plays a significant role but private universities are increasingly providing the capacity to meet growing demand. In Spain and Portugal, the high demand for post-secondary education places capacity constraints on the public sector, pushing students to turn to the private sector for high-quality education. Chile has government-sponsored student financing programs, while in the other countries students generally finance their own education. The institutions in Portugal and Spain are included in Discontinued Operations.

The Central America & U.S. Campuses segment includes institutions in Costa Rica, Honduras, Panama and the United States. Students in Central America typically finance their own education while students in the United States finance their education in a variety of ways, including DOE Title IV programs. The entire Central America & U.S. Campuses segment is included in Discontinued Operations.

The Rest of World segment includes an institution in the European country of Turkey, as well as institutions in the Middle East, Africa and Asia Pacific consisting of campus-based institutions with operations in Australia, India, Malaysia, New Zealand, South Africa and Thailand. Additionally, the Rest of World segment manages eight licensed institutions in the Kingdom of Saudi Arabia under a contract that expires in 2019 and manages one additional institution in China through a joint venture arrangement. The institutions in the Rest of World segment are included in Discontinued Operations, except for Australia, New Zealand and the managed institutions in the Kingdom of Saudi Arabia and China.

The Online & Partnerships segment includes fully online institutions that offer professionally oriented degree programs in the United States through Walden University (Walden), a U.S.-based accredited institution, and through the University of Liverpool and the University of Roehampton in the United Kingdom. These online institutions primarily serve working adults with undergraduate and graduate degree program offerings. Students in the United States finance their education in a variety of ways, including Title IV programs. We no longer accept new enrollments at the University of Roehampton and the University of Liverpool, institutions in our Online & Partnerships segment.

Corporate is a non-operating business unit whose purpose is to support operations. Its departments are responsible for establishing operational policies and internal control standards; implementing strategic initiatives; and monitoring compliance with policies and controls throughout our operations. Our Corporate segment is an internal source of capital and provides financial, human resource,

information technology, insurance, legal and tax compliance services. The Corporate segment also contains the eliminations of intersegment revenues and expenses.

The following information for our reportable segments is presented as of December 31, 2018:

	Countries	Institutions	Enrollment	2018 Revenues ($ in millions)(1)	% Contribution to 2018 YTD Revenues
Brazil	1	13	280,000	$ 654.3	20%
Mexico	1	2	206,300	646.1	19%
Andean	2	8	309,200	1,155.7	34%
Rest of World(2)	4	12	18,700	238.0	7%
Online & Partnerships(3)	2	3	60,600	664.2	20%
Total(1)	10	38	874,800	$ 3,350.2	100%

(1) The elimination of intersegment revenues and amounts related to Corporate, which total $8.1 million, is not separately presented.

(2) Includes eight licensed institutions in the Kingdom of Saudi Arabia that are managed under a contract that expires in 2019.

(3) We no longer accept new enrollments at the University of Roehampton and the University of Liverpool, institutions in our Online & Partnerships segment.

Challenges

Our international operations are subject to complex business, economic, legal, regulatory, political, tax and foreign currency risks, which may be difficult to adequately address. The majority of our operations are outside the United States. As a result, we face risks that are inherent in international operations, including: fluctuations in exchange rates, possible currency devaluations, inflation and hyper-inflation; price controls and foreign currency exchange restrictions; potential economic and political instability in the countries in which we operate; expropriation of assets by local governments; key political elections and changes in government policies; multiple and possibly overlapping and conflicting tax laws; and compliance with a wide variety of foreign laws. There are also risks associated with our decision to divest certain operations. See "Item 1A Risk Factors Risks Relating to Our Business Our divestiture activities and the ongoing strategic shift in our business may disrupt our ongoing business, involve increased expenses and present risks not contemplated at the time of the transactions." We plan to grow our continuing operations organically by: 1) adding new programs and course offerings; 2) expanding target student demographics; and 3) increasing capacity at existing and new campus locations. Our success in growing our business will depend on the ability to anticipate and effectively manage these and other risks related to operating in various countries.

Regulatory Environment and Other Matters

Our business is subject to regulation by various agencies based on the requirements of local jurisdictions. These agencies continue to review and update regulations as they deem necessary. We cannot predict the form of the rules that ultimately may be adopted in the future or what effects they might have on our business, financial condition, results of operations and cash flows. We will continue to develop and implement necessary changes that enable us to comply with such regulations. See "Item 1A Risk Factors Risks Relating to Our Business Our institutions are subject to uncertain and varying laws and regulations, and any changes to these laws or regulations or their application to us may materially adversely affect our business, financial condition and results of operations," "Risk Factors Risks Relating to Our Business Political and regulatory developments in Chile may

Table of Contents

materially adversely affect us," "Risk Factors-Risks Relating to Our Highly Regulated Industry in the United States," and "Item 1 Business Industry Regulation," for a detailed discussion of our different regulatory environments and Note 20, Legal and Regulatory Matters, in our consolidated financial statements included elsewhere in this Form 10-K.

Key Business Metrics

Enrollment

Enrollment is our lead revenue indicator and represents our most important non-financial metric. We define "enrollment" as the number of students registered in a course on the last day of the enrollment reporting period. New enrollments provide an indication of future revenue trends. Total enrollment is a function of continuing student enrollments, new student enrollments and enrollments from acquisitions, offset by graduations, attrition and enrollment decreases due to dispositions. Attrition is defined as a student leaving the institution before completion of the program. To minimize attrition, we have implemented programs that involve assisting students in remedial education, mentoring, counseling and student financing.

Each of our institutions has an enrollment cycle that varies by geographic region and academic program. During each academic year, each institution has a "Primary Intake" period in which the majority of the enrollment occurs. Most institutions also have one or more smaller "Secondary Intake" periods. The first calendar quarter generally coincides with the Primary Intakes for our institutions in the Brazil, Andean and Rest of World segments. The third calendar quarter generally coincides with the Primary Intakes for our institutions in the Mexico and Online & Partnerships segments.

The following chart shows our enrollment cycles at our continuing operations. Shaded areas in the chart represent periods when classes are generally in session and revenues are recognized. Areas that are not shaded represent summer breaks during which revenues are not typically recognized. The large circles indicate the Primary Intake start dates of our institutions, and the small circles represent Secondary Intake start dates.

Table of Contents

Pricing

We monitor market conditions and carefully adjust our tuition rates to meet local demand levels. We proactively seek the best price and content combinations to remain competitive in the markets in which we operate.

Principal Components of Income Statement

Revenues

The majority of our revenue is derived from tuition and educational services. The amount of tuition generated in a given period depends on the price per credit hour and the total credit hours or price per program taken by the enrolled student population. The price per credit hour varies by program, by market and by degree level. Additionally, varying levels of discounts and scholarships are offered depending on market-specific dynamics and individual achievements of our students. Revenues are recognized net of scholarships, other discounts, refunds, waivers and the fair value of any guarantees made by Laureate related to student financing programs. In addition to tuition revenues, we generate other revenues from student fees, dormitory/residency fees and other education-related activities. These other revenues are less material to our overall financial results and have a tendency to trend with tuition revenues. The main drivers of changes in revenues between periods are student enrollment and price.

Direct Costs

Our direct costs include labor and operating costs associated with the delivery of services to our students, including the cost of wages, payroll taxes and benefits, depreciation and amortization, rent, utilities, bad debt expenses and marketing and promotional costs to grow future enrollments. In general, a significant portion of our direct costs tend to be variable in nature and trend with enrollment, and management continues to monitor and improve the efficiency of instructional delivery. Conversely, as campuses expand, direct costs may grow faster than enrollment growth as infrastructure investments are made in anticipation of future enrollment growth.

General and Administrative Expenses

Our general and administrative expenses primarily consist of costs associated with corporate departments, including executive management, finance, legal, business development and other departments that do not provide direct operational services.

Factors Affecting Comparability

Acquisitions

Our past experiences provide us with the expertise to further our mission of providing high-quality, accessible and affordable higher education to students by expanding into new markets if opportunities arise, primarily through acquisitions. Acquisitions affect the comparability of our financial statements from period to period. Acquisitions completed during one period impact comparability to a prior period in which we did not own the acquired entity. Therefore, changes related to such entities are considered "incremental impact of acquisitions" for the first 12 months of our ownership. We made no acquisitions in 2016 and only one small acquisition each year in 2017 and 2018 that had essentially no impact on the comparability of the periods presented.

Dispositions

In 2016, we sold our Swiss and French institutions, which was not part of the 2018 strategic shift described above and therefore these institutions are included in continuing operations. Such

Table of Contents

dispositions affect the comparability of our financial statements from period to period. Dispositions completed during one period impact comparability to a prior period in which we owned the divested entity. Therefore, changes related to such entities are considered "incremental impact of dispositions" for the first 12 months subsequent to the disposition. As discussed above, all of the divestitures that are included in the strategic shift announced in August 2018 are included in Discontinued Operations for all periods presented.

Foreign Exchange

The majority of our institutions are located outside the United States. These institutions enter into transactions in currencies other than USD and keep their local financial records in a functional currency other than the USD. We monitor the impact of foreign currency movements and the correlation between the local currency and the USD. Our revenues and expenses are generally denominated in local currency. The USD is our reporting currency and our subsidiaries operate in various other functional currencies, including: Australian Dollar, Brazilian Real, Chilean Peso, Euro, Mexican Peso, New Zealand Dollar, Peruvian Nuevo Sol, Polish Złoty, and Saudi Riyal. The principal foreign exchange exposure is the risk related to the translation of revenues and expenses incurred in each country from the local currency into USD. See "Risk Factors Risks Relating to Our Business Our reported revenues and earnings may be negatively affected by the strengthening of the U.S. dollar and currency exchange rates." In order to provide a framework for assessing how our business performed excluding the effects of foreign currency fluctuations, we present organic constant currency in our segment results, which is calculated using the change from prior-year average foreign exchange rates to current-year average foreign exchange rates, as applied to local-currency operating results for the current year.

Seasonality

Most of the institutions in our network have a summer break during which classes are generally not in session and minimal revenues are recognized. In addition to the timing of summer breaks, holidays such as Easter also have an impact on our academic calendar. Operating expenses, however, do not fully correlate to the enrollment and revenue cycles, as the institutions continue to incur expenses during summer breaks. Given the geographic diversity of our institutions and differences in timing of summer breaks, our second and fourth quarters are stronger revenue quarters as the majority of our institutions are in session for most of these respective quarters. Our first and third fiscal quarters are weaker revenue quarters because the majority of our institutions have summer breaks for some portion of one of these two quarters. Due to this seasonality, revenues and profits in any one quarter are not necessarily indicative of results in subsequent quarters and may not be correlated to new enrollment in any one quarter.

Income Tax Expense

Our consolidated income tax provision is derived based on the combined impact of federal, state and foreign income taxes. Also, discrete items can arise in the course of our operations that can further impact the Company's effective tax rate for the period. Our tax rate fluctuates from period to period due to changes in the mix of earnings between our tax-paying entities, our tax-exempt entities and our loss-making entities for which it is not more likely than not that a tax benefit will be realized on the loss.

Table of Contents

Results of the Discontinued Operations

The results of operations of the Discontinued Operations for the years ended December 31, 2018, 2017 and 2016 were as follows:

	For the year ended December 31,		
	2018	2017	2016
Revenues	$ 869.7	$ 992.1	$ 942.3
Depreciation and amortization	26.5	60.4	65.1
Share-based compensation expense	1.1	2.9	3.0
Other direct costs	693.7	780.5	758.6
Loss on impairment of assets		33.5	23.5
Operating income	148.4	114.8	92.2
Other non-operating expense	(21.9)	(17.4)	(28.2)
Pretax income of discontinued operations	126.5	97.4	64.0
Income tax expense	(47.4)	(24.5)	(30.6)
Income from discontinued operations, net of tax	79.1	72.9	33.4
Gain on sales of discontinued operations, net of tax	296.6		
Net income from discontinued operations	$ 375.7	$ 72.9	$ 33.4

The following table provides enrollment for the Discontinued Operations as of December 31, 2018, 2017 and 2016:

	2018	2017	2016
Enrollment	159,500	203,000	200,100

Year Ended December 31, 2018

On January 11, 2018, we sold the operations of European University-Cyprus Ltd (EUC) and Laureate Italy S.r.L. (Laureate Italy), which resulted in a gain on sale of approximately $218.0 million.

On January 25, 2018, we sold the operations of LEI Lie Ying Limited (LEILY), which resulted in a gain on sale of approximately $84.0 million.

On April 12, 2018, we sold the operations of Laureate Germany, which resulted in a loss on sale of approximately $5.5 million.

On April 13, 2018, we sold the operations of Laureate Somed, the operator of Université Internationale de Casablanca, a comprehensive campus-based university in Casablanca, Morocco, and recognized a gain on the sale of approximately $17.4 million.

On August 6, 2018, we sold the operations of Kendall, which resulted in a loss on sale of approximately $17.2 million.

Year Ended December 31, 2017

Upon completion of our impairment testing for 2017, we recorded a total impairment loss of $33.5 million related to the discontinued operations described in Note 4, Discontinued Operations and Assets Held for Sale, in our consolidated financial statements included elsewhere in this Form 10-K, which under ASC 360-10 are required to be recorded at the lower of their carrying values or their estimated "fair values less costs to sell." Two subsidiaries in our Central America & U.S. Campuses that met the held-for-sale criteria during the fourth quarter of 2017 recorded impairments totaling

Table of Contents

approximately $17.4 million, and the German institutions within our Rest of World segment recorded impairment of approximately $16.1 million. Because the estimated fair values of these disposal groups were less than their carrying values by more than the carrying value of the long-lived assets, we recorded an impairment on the long-lived assets and wrote the remaining Tradenames and Property and equipment, net down to a carrying value of $0.

Year Ended December 31, 2016

Upon completion of our impairment testing for 2016, we recorded a total impairment loss of $23.5 million in our Rest of World segment. We recorded a goodwill impairment charge of $4.2 million related to our institutions in Germany and $19.3 million at Monash South Africa (MSA). We determined the fair value of the reporting units using an income approach based primarily on discounted cash flow projections.

Results of Operations

The following discussion of the results of our operations is organized as follows:

- Summary Comparison of Consolidated Results;
- Non-GAAP Financial Measure; and
- Segment Results.

Summary Comparison of Consolidated Results

Discussion of Significant Items Affecting the Consolidated Results for the Years Ended December 31, 2018, 2017 and 2016

Year Ended December 31, 2018

On February 1, 2018, we amended our Senior Secured Credit Facility to reduce the interest rate on our 2024 Term Loan. In connection with this transaction, we also repaid $350.0 million of the principal balance of the 2024 Term Loan. As a result of this transaction, the Company recorded a $7.5 million loss on debt extinguishment related to the pro-rata write-off of the term loan's remaining deferred financing costs. This loss is included in other non-operating income in the table below.

Impairments

Effective September 30, 2018, the University of Liverpool (Liverpool), an institution in our Online & Partnerships segment, began a teach-out process that is expected to be completed in April 2021. As a result, during the third quarter of 2018, we recorded an impairment charge of $10.0 million related to fixed assets of this entity that are no longer recoverable based on expected future cash flows. Also, in connection with our goodwill impairment testing in the fourth quarter of 2018, we wrote off the remaining goodwill balance of $3.1 million associated with our operations in the Kingdom of Saudi Arabia, within our Rest of World segment.

Year Ended December 31, 2017

During the second quarter of 2017, the Company completed refinancing transactions that resulted in repayment of the previous senior credit facility and the redemption of the 9.250% Senior Notes due 2019 (the Senior Notes due 2019) (other than $250.0 million in aggregate principal amount of the Senior Notes due 2019 that the Company exchanged on April 21, 2017 for substantially identical but non-redeemable notes issued under a new indenture (the Exchanged Notes)). As a result of the refinancing transactions, during the quarter ended June 30, 2017, we recorded approximately $22.8 million in General and administrative expenses related to new third-party costs. We also recorded

Table of Contents

a loss on debt extinguishment of $8.4 million as a result of the refinancing transactions combined with the repayment of notes in the first quarter related to the note exchange transaction, as discussed in Note 10, Debt in our consolidated financial statements included elsewhere in this Form 10-K.

On August 11, 2017, the remaining Senior Notes due 2019 were exchanged for a total of 18.7 million shares of the Company's Class A common stock and the Senior Notes due 2019 were canceled.

In November 2017, we completed the sale of property and equipment at Ad Portas, a for-profit real estate subsidiary in our Andean segment, to UDLA Ecuador, a licensed institution in Ecuador, that was formerly consolidated into Laureate. We recognized an operating gain on the sale of this property and equipment of approximately $20.3 million.

In December 2017, we reached a final purchase price settlement agreement with the buyer of our Swiss hospitality management schools in 2016 and made a payment of approximately $9.3 million. The total settlement amount was approximately $10.3 million, which we recognized as loss on sales of subsidiaries, net, in the Consolidated Statement of Operations for the year ended December 31, 2017, as it represented an adjustment of the sale purchase price. This loss is included in other non-operating income in the table below.

Impairment

Upon completion of our impairment testing for 2017, we recorded a total impairment loss of $7.1 million related to impairments of certain Property and equipment, net as well as impairments of Deferred costs and Other intangible assets, which were not associated with the assets held for sale and therefore are included in the results of our continuing operations. These included the impairment of a lease intangible, certain modular buildings and online course development costs.

Year Ended December 31, 2016

On June 14, 2016, we sold the operations of Glion in Switzerland and the United Kingdom, and the operations of Les Roches in Switzerland and the United States, as well as Haute école spécialisée Les Roches-Gruyère SA (LRG) in Switzerland, Les Roches Jin Jiang in China, Royal Academy of Culinary Arts (RACA) in Jordan and Les Roches Marbella in Spain, which resulted in a gain on sale of approximately $249.4 million. This gain is included in continuing operations within other non-operating income in the table below.

On July 20, 2016, we sold the operations of École Supérieure du Commerce Extérieur (ESCE), Institut Français de Gestion (IFG), European Business School (EBS), École Centrale d'Electronique (ECE), and Centre d'Études Politiques et de la Communication (CEPC), which resulted in a gain on sale of approximately $148.7 million. This gain is included in continuing operations within other non-operating income in the table below.

Table of Contents

Comparison of Consolidated Results for the Years Ended December 31, 2018, 2017 and 2016

(in millions)	2018	2017	2016	% Change Better/(Worse) 2018 vs. 2017	2017 vs. 2016
Revenues	$ 3,350.2	$ 3,385.9	$ 3,301.9	(1)%	3%
Direct costs	2,746.9	2,821.3	2,788.7	3%	(1)%
General and administrative expenses	299.3	315.5	222.5	5%	(42)%
Loss on impairment of assets	13.1	7.1		(85)%	nm
Operating income	291.0	242.0	290.7	20%	(17)%
Interest expense, net of interest income	(223.4)	(323.0)	(376.0)	31%	14%
Other non-operating income	60.8	10.4	452.4	nm	(98)%
Income (loss) from continuing operations before income taxes and equity in net income of affiliates	128.4	(70.6)	367.1	nm	(119)%
Income tax (expense) benefit	(133.2)	91.3	(34.4)	nm	nm
Equity in net income of affiliates, net of tax		0.2	0.1	(100)%	100%
(Loss) income from continuing operations	(4.7)	20.8	332.7	(123)%	(94)%
Income from discontinued operations, net of tax	79.1	72.9	33.4	9%	118%
Gain on sales of discontinued operations, net of tax	296.6			nm	nm
Net income	370.9	93.8	366.2	nm	(74)%
Net (income) loss attributable to noncontrolling interests	(0.9)	(2.3)	5.7	(61)%	140%
Net income attributable to Laureate Education, Inc.	$ 370.1	$ 91.5	$ 371.8	nm	(75)%

nm percentage changes not meaningful

For further details on certain discrete items discussed below, see "Discussion of Significant Items Affecting the Consolidated Results."

Comparison of Consolidated Results for the Year Ended December 31, 2018 to the Year Ended December 31, 2017

Revenues decreased by $35.7 million to $3,350.2 million for the year ended December 31, 2018 from $3,385.9 million for the year ended December 31, 2017. This revenue decrease was driven by the effect of a net change in foreign currency exchange rates, which decreased revenues by $114.6 million compared to 2017. This decrease in revenues was partially offset by higher average total enrollment at a majority of our institutions, which increased revenues by $29.7 million; the effect of changes in tuition rates and enrollments in programs at varying price points ("product mix"), pricing and timing, which increased revenues by $40.5 million; and other Corporate and Eliminations changes, which accounted for an increase in revenues of $8.7 million.

Direct costs and general and administrative expenses combined decreased by $90.6 million to $3,046.2 million for 2018 from $3,136.8 million for 2017. The direct costs decrease was due to the effect of a net change in foreign currency exchange rates, which decreased costs by $89.4 million; share-based compensation expense and Excellence-in-Process (EiP) implementation expense, which decreased direct costs by $56.5 million; and other Corporate and Eliminations expenses, which accounted for a decrease

Table of Contents

in costs of $19.1 million in 2018, primarily attributable to an expense of $22.8 million in 2017 related to the portion of the refinancing transactions that was deemed to be a debt modification.

Offsetting these direct cost decreases was the overall higher enrollments and costs related to expanding our continuing operations, which increased costs by $43.9 million compared to 2017. Acquisition-related contingent liabilities for taxes other-than-income tax, net of changes in recorded indemnification assets, increased direct costs by $7.4 million in 2018 and decreased direct costs by $2.8 million in 2017, increasing expenses by $10.2 million in 2018 compared to 2017. An operating gain on the sale of an asset group at Ad Portas decreased direct costs by $20.3 million in 2017.

Operating income increased by $49.0 million to $291.0 million for 2018 from $242.0 million for 2017. The increase in operating income was primarily the result of increased operating income at our Andean and Mexico segments combined with decreased operating loss at our Rest of World segment and lower 2018 operating expenses at Corporate, primarily related to lower share-based compensation expense in 2018 and the 2017 debt modification expenses as described above. These increases in operating income were partially offset by an increase in impairment loss of $6.0 million.

Interest expense, net of interest income decreased by $99.6 million to $223.4 million for 2018 from $323.0 million for 2017. The decrease in interest expense was primarily attributable to lower average debt balances and lower interest rates during 2018 resulting from the 2017 debt refinancing transactions.

Other non-operating income increased by $50.4 million to $60.8 million for 2018 from $10.4 million for 2017. This increase was primarily attributable to a higher gain on derivative instruments of $59.6 million compared to 2017, primarily related to the embedded derivatives on our Series A Preferred Stock that was retired in 2018; other non-operating income in 2018 compared to an expense in 2017 for a change of $14.1 million; an increase in gain on sale of subsidiaries of $10.7 million compared to 2017, primarily related to the adjustment in 2017 of the sale purchase price of Swiss hospitality management schools; and a decrease in loss on debt extinguishment of $0.9 million. These increases were partially offset by a loss on foreign currency exchange in 2018 compared to gain in 2017, for a change of $34.9 million.

Income tax (expense) benefit changed by $224.5 million to an expense of $133.2 million for 2018 from a benefit of $91.3 million for 2017. This change was due in part to a $59.6 million change in recorded withholding tax on intercompany loan redesignations in 2017 and 2018, a $12.9 million 2018 deferred tax asset release on a real estate sale between profitable and not-for-profit entities in Chile, an $8.3 million 2017 valuation allowance release in Brazil, a $4.7 million 2017 contingency release in Brazil, and a $2.8 million 2017 tax benefit related to tax rate change in Chile. In addition, the effects of the U.S. tax reform legislation resulted in a benefit in 2017 of $82.4 million for the remeasurement of deferred tax assets/liabilities due to the decrease in the U.S. federal tax rate from 35% to 21% beginning in 2018, and a $53.3 million benefit for valuation allowance release on the deferred tax assets other than net operating losses that, when realized, will become indefinite-lived net operating losses. Changes in the mix of pre-tax book income attributable to taxable and non-taxable entities in various taxing jurisdictions also contributed to the overall change.

Income from discontinued operations, net of tax increased by $6.2 million to $79.1 million for 2018 from $72.9 million for 2017.

Gain on sales of discontinued operations, net of tax for 2018 was $296.6 million related to the sales of our Cyprus, Italy, China, Germany, Morocco and Kendall subsidiaries in 2018.

Comparison of Consolidated Results for the Year Ended December 31, 2017 to the Year Ended December 31, 2016

Revenues increased by $84.0 million to $3,385.9 million for the year ended December 31, 2017 from $3,301.9 million for the year ended December 31, 2016. This revenue increase was driven by higher average total enrollment at a majority of our institutions, which increased revenues by $41.5 million; the effect of product mix, pricing and timing, which increased revenues by $98.5 million; the effect of a net change in foreign currency exchange rates, which increased revenues by $82.6 million; and other Corporate and Eliminations changes, which accounted for an increase in revenues of $3.3 million. These increases in revenues were partially offset by the incremental impact of dispositions, which decreased revenues by $141.9 million.

Direct costs and general and administrative expenses combined increased by $125.6 million to $3,136.8 million for 2017 from$3,011.2 million for 2016. The direct costs increase was due to overall higher enrollments and expanded operations, which increased costs by $69.1 million compared to 2016. The effect of a net change in foreign currency exchange rates increased costs by $83.3 million for 2017 compared to 2016. For 2017, share-based compensation expense and EiP implementation expense also increased direct costs by $72.0 million. Other Corporate and Eliminations expenses accounted for an increase in costs of $61.5 million in 2017, which included an expense of $22.8 million related to the portion of the refinancing transactions that was deemed to be a debt modification.

Offsetting these direct cost increases was the incremental impact of dispositions, which decreased costs by $118.3 million for 2017 compared to 2016. Acquisition-related contingent liabilities for taxes other-than-income tax, net of changes in recorded indemnification assets, decreased direct costs by $2.8 million in 2017 and increased direct costs by $18.9 million in 2016, decreasing expenses by $21.7 million in 2017 compared to 2016. An operating gain on the sale of an asset group at Ad Portas decreased direct costs by $20.3 million in 2017.

Operating income decreased by $48.7 million to $242.0 million for 2017 from $290.7 million for 2016. The decrease in operating income was primarily the result of higher 2017 operating expenses at Corporate combined with an increase in impairment loss of $7.1 million, partially offset by increased operating income at our Andean segment.

Interest expense, net of interest income decreased by $53.0 million to $323.0 million for 2017 from $376.0 million for 2016. The decrease in interest expense was primarily attributable to lower average debt balances and lower interest rates during 2017 resulting from the 2017 debt refinancing transactions.

Other non-operating income decreased by $442.0 million to $10.4 million for 2017 from $452.4 million for 2016. This decrease was primarily attributable to the gain on the sales of our Swiss and French subsidiaries in 2016 for a change of $408.6 million, a decrease in gain on foreign currency exchange of $74.8 million, primarily due to a redesignation of certain intercompany loans from temporary to permanent in the first quarter of 2017, and a change in other non-operating expense of $2.3 million in 2017 compared to 2016. These decreases were partially offset by a gain on derivative instruments in 2017 compared to a loss in 2016 for a change of $34.7 million and a decrease in loss on debt extinguishment of $9.0 million.

Income tax benefit (expense) changed by $125.7 million to a benefit of $91.3 million for 2017 from an expense of $34.4 million for 2016. This decrease in expense was primarily due to the effects of the U.S. tax reform legislation, including an $82.4 million benefit for the remeasurement of deferred tax assets/liabilities due to the decrease in the U.S. federal tax rate from 35% to 21% beginning in 2018, and a $53.3 million benefit for valuation allowance release on the deferred tax assets other than net operating losses that, when realized, will become indefinite-lived net operating losses. This benefit for valuation allowance release was adjusted in 2018 by approximately $3.6 million. Also, management's

decision to redesignate certain intercompany loans from temporary to permanent caused a discrete benefit of approximately $30 million during 2017. Changes in the mix of pre-tax book income attributable to taxable and non-taxable entities in various taxing jurisdictions also contributed to the overall change.

Income from discontinued operations, net of tax increased by $39.5 million to $72.9 million for 2017 from $33.4 million for 2016.

Net (income) loss attributable to noncontrolling interests increased by $8.0 million to a net income of $2.3 million for 2017 from a net loss of $5.7 million for 2016. The increase in net income attributable to noncontrolling interests primarily related to less net loss at MSA and Morocco, combined with increased net income related to HIEU China and a change from net loss to net income at INTI Malaysia and Pearl India. In 2017, the noncontrolling interest holders of Pearl exercised their put option, which required Laureate to purchase an additional 35% equity interest in Pearl. These increases were partially offset by St. Augustine, for which we had noncontrolling interest net income in 2016 but no noncontrolling interest net income in 2017 following our 2016 acquisition of the remaining 20% noncontrolling interest.

Non-GAAP Financial Measure

We define Adjusted EBITDA as income (loss) from continuing operations, *before* equity in net (income) loss of affiliates, net of tax, income tax expense (benefit), loss (gain) on sale of subsidiaries, net, foreign currency exchange (gain) loss, net, other (income) expense, net, loss (gain) on derivatives, loss on debt extinguishment, interest expense and interest income, *plus* depreciation and amortization, share-based compensation expense, loss on impairment of assets and expenses related to implementation of our EiP initiative. When we review Adjusted EBITDA on a segment basis, we exclude inter-segment revenues and expenses that eliminate in consolidation. Adjusted EBITDA is used in addition to and in conjunction with results presented in accordance with GAAP and should not be relied upon to the exclusion of GAAP financial measures.

Adjusted EBITDA is a key measure used by our management and board of directors to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget and to develop short- and long-term operational plans. In particular, the exclusion of certain expenses in calculating Adjusted EBITDA can provide a useful measure for period-to-period comparisons of our core business. Additionally, Adjusted EBITDA is a key financial measure used by the compensation committee of our board of directors and our Chief Executive Officer in connection with the payment of incentive compensation to our executive officers and other members of our management team. Accordingly, we believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

Table of Contents

The following table presents Adjusted EBITDA and reconciles net income (loss) to Adjusted EBITDA for the years ended December 31, 2018, 2017 and 2016:

(in millions)	2018	2017	2016	% Change Better/(Worse) 2018 vs. 2017	2017 vs. 2016
(Loss) income from continuing operations	$ (4.7)	$ 20.8	$ 332.7	(123)%	(94)%
Plus:					
Equity in net income of affiliates, net of tax		(0.2)	(0.1)	(100)%	100%
Income tax expense (benefit)	133.2	(91.3)	34.4	nm	nm
Income (loss) from continuing operations before income taxes and equity in net income of affiliates	128.4	(70.6)	367.1	nm	(119)%
Plus:					
(Gain) loss on sale of subsidiaries, net	(0.3)	10.5	(398.1)	103%	(103)%
Foreign currency exchange loss (gain), net	32.4	(2.5)	(77.3)	nm	(97)%
Other (income) expense, net	(12.2)	1.9	(0.5)	nm	nm
(Gain) loss on derivatives	(88.3)	(28.7)	6.1	nm	nm
Loss on debt extinguishment	7.5	8.4	17.4	11%	52%
Interest expense	235.2	334.9	390.4	30%	14%
Interest income	(11.9)	(11.9)	(14.4)	%	(17)%
Operating income	291.0	242.0	290.7	20%	(17)%
Plus:					
Depreciation and amortization	213.5	204.3	199.8	(5)%	(2)%
EBITDA	504.5	446.3	490.5	13%	(9)%
Plus:					
Share-based compensation expense(a)	9.7	61.8	35.9	84%	(72)%
Loss on impairment of assets(b)	13.1	7.1		(85)%	nm
EiP implementation expenses(c)	95.8	100.2	54.1	4%	(85)%
Adjusted EBITDA	$ 623.1	$ 615.5	$ 580.4	1%	6%

nm percentage changes not meaningful

(a) Represents non-cash, share-based compensation expense pursuant to the provisions of ASC 718.

(b) Represents non-cash charges related to impairments of long-lived assets. For further details on certain impairment items see "Discussion of Significant Items Affecting the Consolidated Results for the Years Ended December 31, 2018, 2017 and 2016 Impairments."

(c) EiP implementation expenses are related to our enterprise-wide initiative to optimize and standardize our processes, creating vertical integration of procurement, information technology, finance, accounting and human resources. The first wave of EiP began in 2014 and was substantially completed in 2017, and includes the establishment of regional shared services organizations (SSOs) around the world, as well as improvements to our system of internal controls over financial reporting. Given the success of the first wave of EiP, we have expanded the initiative into other back- and mid-office areas, as well as certain student-facing activities, in order to generate additional efficiencies and create a more efficient organizational structure. Also included in EiP are certain non-recurring costs incurred in connection with the planned and completed dispositions described in Note 4, Discontinued Operations and Assets Held for Sale, and Note 6, Dispositions and Asset Sales, of our consolidated financial statements included elsewhere in this Form 10-K.

Table of Contents

Comparison of Depreciation and Amortization, Share-based Compensation and EiP Implementation Expenses for the Years Ended December 31, 2018 and 2017

Depreciation and amortization increased by $9.2 million to $213.5 million for 2018 from $204.3 million for 2017. Depreciation and amortization expense increased by $14.5 million, primarily attributable to a larger depreciable asset base in 2018 compared to 2017, as well as accelerated depreciation on certain corporate assets whose estimated useful lives were reduced. This increase was partially offset by the effects of foreign currency exchange, which decreased depreciation and amortization expense by $5.3 million for 2018 compared to 2017.

Share-based compensation expense decreased by $52.1 million to $9.7 million for 2018 from $61.8 million for 2017. This decrease is mostly attributable to stock options that were granted to the Company's then-CEO in 2017 under the Executive Profits Interests (EPI) agreement. The EPI options vested upon consummation of the IPO on February 6, 2017, resulting in additional share-based compensation expense of $14.6 million during 2017. Additionally, in 2017, the Company recognized $21.0 million of share-based compensation expense for award modifications, of which $6.0 million related to stock option repricing and $15.0 million related to the extension of the post-employment exercise periods of vested stock options for several executives in connection with their separation from the Company. Also, in 2018, the Company reversed expense for certain performance-based stock option awards where the performance target became improbable of achievement and recorded the correction of an immaterial error in the prior year.

EiP implementation expenses decreased by $4.4 million to $95.8 million for 2018 from $100.2 million for 2017. The EiP expenses are related to an enterprise-wide initiative to optimize and standardize our processes, creating vertical integration of procurement, information technology, financing, accounting and human resources. EiP also includes the establishment of regional SSOs around the world, as well as improvements to our system of internal controls over financial reporting. The year-over-year decrease in EiP expenses relates primarily to higher severance costs recognized in 2017, which were predominantly contractual termination benefits recognized in accordance with ASC 712, "Compensation-Nonretirement Postemployment Benefits," partially offset by higher 2018 expenses attributable to compliance monitoring of information technology general controls and costs incurred in connection with the dispositions.

Comparison of Depreciation and Amortization, Share-based Compensation and EiP Implementation Expenses for the Years Ended December 31, 2017 and 2016

Depreciation and amortization increased by $4.5 million to $204.3 million for 2017 from $199.8 million for 2016. The effects of foreign currency exchange increased depreciation and amortization expense by $5.6 million for 2017 compared to 2016 and other items accounted for an increase in depreciation and amortization of $1.9 million. Partially offsetting these increases was the incremental impact of dispositions, which decreased depreciation and amortization expense by $3.0 million.

Share-based compensation expense increased by $25.9 million to $61.8 million for 2017 from $35.9 million for 2016. This increase is attributable in part to stock options that were granted to the Company's then-CEO under the Executive Profits Interests (EPI) agreement. The EPI options vested upon consummation of the IPO on February 6, 2017, resulting in additional share-based compensation expense of $14.6 million during 2017. Additionally, we recognized $15.0 million in additional share-based compensation expense in 2017 related to the extension of the post-employment exercise periods of vested stock options for several executives in connection with their separation from the Company.

EiP implementation expenses increased by $46.1 million to $100.2 million for 2017 from $54.1 million for 2016. The EiP expenses are related to an enterprise-wide initiative to optimize and standardize our processes, creating vertical integration of procurement, information technology,

Table of Contents

financing, accounting and human resources. EiP also includes the establishment of regional SSOs around the world, as well as improvements to our system of internal controls over financial reporting. The increase relates primarily to increased severance costs in 2017 that are predominantly contractual termination benefits recognized in accordance with ASC 712, "Compensation Nonretirement Postemployment Benefits."

Segment Results

We have five reportable segments: Brazil, Mexico, Andean, Rest of World, and Online & Partnerships. As discussed in "Overview," the entire Central America & U.S. Campuses segment is included in Discontinued Operations and therefore is excluded from segment results. For purposes of the following comparison of results discussion, "*segment direct costs*" represent direct costs by segment as they are included in Adjusted EBITDA, such that depreciation and amortization expense, loss on impairment of assets, share-based compensation expense and our EiP implementation expenses have been excluded. Organic enrollment is based on average total enrollment for the period. For a further description of our segments, see "Overview."

The following tables, derived from our consolidated financial statements included elsewhere in this Form 10-K, presents selected financial information of our reportable segments included in continuing operations:

(in millions) For the year ended December 31,	2018	2017	2016	% Change Better/(Worse) 2018 vs. 2017	2017 vs. 2016
Revenues:					
Brazil	$ 654.3	$ 765.7	$ 690.8	(15)%	11%
Mexico	646.1	646.2	626.0	%	3%
Andean	1,155.7	1,085.6	969.7	6%	12%
Rest of World	238.0	214.7	330.4	11%	(35)%
Online & Partnerships	664.2	690.4	705.0	(4)%	(2)%
Corporate	(8.1)	(16.8)	(20.1)	52%	16%
Consolidated Total Revenues	$ 3,350.2	$ 3,385.9	$ 3,301.9	(1)%	3%
Adjusted EBITDA:					
Brazil	$ 104.0	$ 134.2	$ 95.4	(23)%	41%
Mexico	143.2	147.2	143.7	(3)%	2%
Andean	317.1	301.2	225.5	5%	34%
Rest of World	40.4	32.4	53.4	25%	(39)%
Online & Partnerships	194.7	204.5	208.2	(5)%	(2)%
Corporate	(176.3)	(204.1)	(145.9)	14%	(40)%
Consolidated Total Adjusted EBITDA	$ 623.1	$ 615.5	$ 580.4	1%	6%

Table of Contents

Brazil

Financial Overview

Revenues

Adjusted EBITDA

Comparison of Brazil Results for the Year Ended December 31, 2018 to the Year Ended December 31, 2017

(in millions)	Revenues	Direct Costs	Adjusted EBITDA
December 31, 2017	**$ 765.7**	**$ 631.5**	**$ 134.2**
Organic enrollment(1)	20.6		
Product mix, pricing and timing(1)	(35.3)		
Organic constant currency	(14.7)	(16.2)	1.5
Foreign exchange	(96.7)	(74.4)	(22.3)
Acquisitions			
Dispositions			
Other(2)		9.4	(9.4)
December 31, 2018	**$ 654.3**	**$ 550.3**	**$ 104.0**

(1) Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.

Table of Contents

(2) Other is composed of acquisition-related contingent liabilities for taxes other-than-income tax, net of changes in recorded indemnification assets.

Revenues decreased by $111.4 million, a 15% decrease from 2017.

The decreases in revenues was primarily due to weakening of the Brazilian Real relative to the USD compared to 2017, partially offset by the effect of higher average organic enrollment, which increased during 2018 by 3%, increasing revenues by $20.6 million.

Revenues represented 20% of our consolidated total revenues for 2018 compared to 23% for 2017.

Adjusted EBITDA decreased by $30.2 million, a 23% decrease from 2017.

Acquisition-related contingent liabilities for taxes other-than-income tax, net of changes in recorded indemnification assets, increased direct costs by $3.2 million in 2018 and decreased direct costs by $6.2 million in 2017, increasing expenses by $9.4 million in 2018 compared to 2017.

Comparison of Brazil Results for the Year Ended December 31, 2017 to the Year Ended December 31, 2016

(in millions)	Revenues	Direct Costs	Adjusted EBITDA
December 31, 2016	**$ 690.8**	**$ 595.4**	**$ 95.4**
Organic enrollment(1)	25.3		
Product mix, pricing and timing(1)	(2.9)		
Organic constant currency	22.4	6.3	16.1
Foreign exchange	52.5	51.0	1.5
Acquisitions			
Dispositions			
Other(2)		(21.2)	21.2
December 31, 2017	**$ 765.7**	**$ 631.5**	**$ 134.2**

(1) Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.

(2) Other is composed of acquisition-related contingent liabilities for taxes other-than-income tax, net of changes in recorded indemnification assets.

Revenues increased by $74.9 million, an 11% increase from 2016.

Organic enrollment increased during 2017 by 3%, increasing revenues by $25.3 million.

Revenues represented 23% of our consolidated total revenues for 2017 compared to 21% for 2016.

Adjusted EBITDA increased by $38.8 million, a 41% increase from 2016.

Acquisition-related contingent liabilities for taxes other-than-income tax, net of changes in recorded indemnification assets, decreased direct costs by $6.2 million in 2017 and increased direct costs by $15.0 million in 2016, decreasing expenses by $21.2 million in 2017 compared to 2016.

Table of Contents

Mexico

Financial Overview

Revenues **Adjusted EBITDA**

Comparison of Mexico Results for the Year Ended December 31, 2018 to the Year Ended December 31, 2017

(in millions)	Revenues	Direct Costs	Adjusted EBITDA
December 31, 2017	**$ 646.2**	**$ 499.0**	**$ 147.2**
Organic enrollment(1)	(18.0)		
Product mix, pricing and timing(1)	29.2		
Organic constant currency	11.2	12.0	(0.8)
Foreign exchange	(11.3)	(8.9)	(2.4)
Acquisitions			
Dispositions			
Other(2)		0.8	(0.8)
December 31, 2018	**$ 646.1**	**$ 502.9**	**$ 143.2**

(1) Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.

(2) Other is composed of acquisition-related contingent liabilities for taxes other-than-income tax, net of changes in recorded indemnification assets.

Revenues decreased by $0.1 million, remaining relatively flat compared to 2017.

Organic enrollment decreased during 2018 by 2%, decreasing revenues by $18.0 million, which was more than offset by increases from product mix, pricing and timing.

Revenues represented 19% of our consolidated total revenues for both 2018 and 2017.

Adjusted EBITDA decreased by $4.0 million, a 3% decrease from 2017.

Table of Contents

Comparison of Mexico Results for the Year Ended December 31, 2017 to the Year Ended December 31, 2016

(in millions)	Revenues	Direct Costs	Adjusted EBITDA
December 31, 2016	**$ 626.0**	**$ 482.3**	**$ 143.7**
Organic enrollment(1)	7.0		
Product mix, pricing and timing(1)	22.2		
Organic constant currency	29.2	23.6	5.6
Foreign exchange	(9.0)	(6.4)	(2.6)
Acquisitions			
Dispositions			
Other(2)		(0.5)	0.5
December 31, 2017	**$ 646.2**	**$ 499.0**	**$ 147.2**

(1) Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.

(2) Other is composed of acquisition-related contingent liabilities for taxes other-than-income tax, net of changes in recorded indemnification assets.

Revenues increased by $20.2 million, a 3% increase from 2016.

- Organic enrollment increased during 2017 by 2%, increasing revenues by $7.0 million.
- Revenues represented 19% of our consolidated total revenues for both 2017 and 2016.

Adjusted EBITDA increased by $3.5 million, a 2% increase from 2016.

- The September 2017 Mexico City earthquake caused approximately $3.3 million of repairs and maintenance expenses to be recorded in direct costs.

Andean

Financial Overview

Revenues **Adjusted EBITDA**

Table of Contents

Comparison of Andean Results for the Year Ended December 31, 2018 to the Year Ended December 31, 2017

(in millions)	Revenues	Direct Costs	Adjusted EBITDA
December 31, 2017	**$ 1,085.6**	**$ 784.4**	**$ 301.2**
Organic enrollment(1)	31.2		
Product mix, pricing and timing(1)	40.0		
Organic constant currency	71.2	31.2	40.0
Foreign exchange	(1.1)	2.7	(3.8)
Acquisitions			
Dispositions			
Other(2)		20.3	(20.3)
December 31, 2018	**$ 1,155.7**	**$ 838.6**	**$ 317.1**

(1) Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.

(2) Other includes an operating gain on the sale of property and equipment from Ad Portas to UDLA Ecuador in 2017.

Revenues increased by $70.1 million, a 6% increase from 2017.

- Organic enrollment increased during 2018 by 3%, increasing revenues by $31.2 million.

- Revenue represented 34% of our consolidated total revenues for 2018 compared to 32% for 2017.

Adjusted EBITDA increased by $15.9 million, a 5% increase from 2017.

- The overall increase in Adjusted EBITDA was partially offset by the effect of an operating gain in 2017 of approximately $20.3 million, which we recognized after the sale of property and equipment from Ad Portas to UDLA Ecuador in November 2017. This gain is included in the Other line item in the above table.

Table of Contents

Comparison of Andean Results for the Year Ended December 31, 2017 to the Year Ended December 31, 2016

(in millions)	Revenues	Direct Costs	Adjusted EBITDA
December 31, 2016	**$ 969.7**	**$ 744.2**	**$ 225.5**
Organic enrollment(1)	38.9		
Product mix, pricing and timing(1)	42.4		
Organic constant currency	81.3	32.0	49.3
Foreign exchange	34.6	28.5	6.1
Acquisitions			
Dispositions			
Other(2)		(20.3)	20.3
December 31, 2017	**$ 1,085.6**	**$ 784.4**	**$ 301.2**

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(1) Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.

(2) Other includes an operating gain on the sale of property and equipment from Ad Portas to UDLA Ecuador.

Revenues increased by $115.9 million, a 12% increase from 2016.

- Organic enrollment increased during 2017 by 5%, increasing revenues by $38.9 million.
- Revenues represented 32% of our consolidated total revenues for 2017 compared to 29% for 2016.

Adjusted EBITDA increased by $75.7 million, a 34% increase from 2016.

- In November 2017, we completed the sale of property and equipment from Ad Portas to UDLA Ecuador and recognized an operating gain of approximately $20.3 million, which is included in the Other line item in the above table.
- Foreign exchange affected the results for 2017 due to the strengthening of the Chilean Peso and the Peruvian Nuevo Sol relative to the USD.

Rest of World

Financial Overview

Revenues **Adjusted EBITDA**

Table of Contents

Comparison of Rest of World Results for the Year Ended December 31, 2018 to the Year Ended December 31, 2017

(in millions)	Revenues	Direct Costs	Adjusted EBITDA
December 31, 2017	**$ 214.7**	**$ 182.3**	**$ 32.4**
Organic enrollment(1)	29.2		
Product mix, pricing and timing(1)	(0.4)		
Organic constant currency	28.8	18.8	10.0
Foreign exchange	(5.5)	(3.5)	(2.0)
Acquisitions			
Dispositions			
Other			
December 31, 2018	**$ 238.0**	**$ 197.6**	**$ 40.4**

(1) Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.

Revenues increased by $23.3 million, an 11% increase from 2017.

Organic enrollment increased during 2018 by 14%, increasing revenues by $29.2 million.

Revenues represented 7% of our consolidated total revenues for 2018 compared to 6% for 2017.

Adjusted EBITDA increased by $8.0 million, a 25% increase from 2017.

Comparison of Rest of World Results for the Year Ended December 31, 2017 to the Year Ended December 31, 2016

(in millions)	Revenues	Direct Costs	Adjusted EBITDA
December 31, 2016	**$ 330.4**	**$ 277.0**	**$ 53.4**
Organic enrollment(1)	5.9		
Product mix, pricing and timing(1)	16.4		
Organic constant currency	22.3	16.7	5.6
Foreign exchange	3.9	3.9	
Acquisitions			
Dispositions	(141.9)	(115.3)	(26.6)
Other			
December 31, 2017	**$ 214.7**	**$ 182.3**	**$ 32.4**

(1)

Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.

Revenues decreased by $115.7 million, a 35% decrease from 2016.

- Organic enrollment increased during 2017 by 2%, increasing revenues by $5.9 million.

- The sale of our Swiss and French institutions, which were included in continuing operations, accounted for a $141.9 million decrease in revenues.

Table of Contents

Revenues represented 6% of our consolidated total revenues for 2017 compared to 10% for 2016.

Adjusted EBITDA decreased by $21.0 million, a 39% decrease from 2016.

The incremental impact of dispositions includes the sale of our Swiss and French institutions and accounted for a $26.6 million decrease in Adjusted EBITDA.

Online & Partnerships

Financial Overview

Revenues **Adjusted EBITDA**

Comparison of Online & Partnerships Results for the Year Ended December 31, 2018 to the Year Ended December 31, 2017

(in millions)	Revenues	Direct Costs	Adjusted EBITDA
December 31, 2017	**$ 690.4**	**$ 485.9**	**$ 204.5**
Organic enrollment(1)	(33.3)		
Product mix, pricing and timing(1)	7.1		
Organic constant currency	(26.2)	(16.4)	(9.8)
Foreign exchange			
Acquisitions			
Dispositions			
Other			
December 31, 2018	**$ 664.2**	**$ 469.5**	**$ 194.7**

(1) Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.

Revenues decreased by $26.2 million, a 4% decrease from 2017.

Organic enrollment decreased during 2018 by 6%, decreasing revenues by $33.3 million.

Revenues represented 20% of our consolidated total revenues for both 2018 and 2017.

Adjusted EBITDA decreased by $9.8 million, a 5% decrease compared to 2017.

Table of Contents

Comparison of Online & Partnerships Results for the Year Ended December 31, 2017 to the Year Ended December 31, 2016

(in millions)	Revenues	Direct Costs	Adjusted EBITDA
December 31, 2016	**$ 705.0**	**$ 496.8**	**$ 208.2**
Organic enrollment(1)	(35.6)		
Product mix, pricing and timing(1)	20.4		
Organic constant currency	(15.2)	(11.6)	(3.6)
Foreign exchange	0.6	0.7	(0.1)
Acquisitions			
Dispositions			
Other			
December 31, 2017	**$ 690.4**	**$ 485.9**	**$ 204.5**

(1) Organic enrollment and Product mix, pricing and timing are not separable for the calculation of direct costs and therefore are combined and defined as Organic constant currency for the calculation of Adjusted EBITDA.

Revenues decreased by $14.6 million, a 2% decrease from 2016.

Organic enrollment decreased during 2017 by 6%, decreasing revenues by $35.6 million.

Revenues represented 20% of our consolidated total revenues for 2017 compared to 21% for 2016.

Adjusted EBITDA decreased by $3.7 million, a 2% decrease compared to 2016.

Corporate

Corporate revenues represent amounts from our consolidated joint venture with the University of Liverpool, as well as centralized IT costs charged to various segments, offset by the elimination of intersegment revenues. 2017 and 2016 also included revenues from contractual arrangements with UDLA Ecuador, an institution in Ecuador that was formerly consolidated into Laureate prior to 2013.

Operating results for Corporate for the years ended December 31, 2018, 2017 and 2016 were as follows:

				% Change Better/(Worse)	
(in millions)	2018	2017	2016	2018 vs. 2017	2017 vs. 2016
Revenues	$ (8.1)	$ (16.8)	$ (20.1)	52%	16%
Expenses	168.2	187.3	125.8	10%	(49)%
Adjusted EBITDA	$ (176.3)	$ (204.1)	$ (145.9)	14%	(40)%

Comparison of Corporate Results for the Year Ended December 31, 2018 to the Year Ended December 31, 2017

Adjusted EBITDA increased by $27.8 million, a 14% increase from 2017.

2017 included an expense of $22.8 million related to the portion of the 2017 refinancing transactions that was deemed to be a debt modification.

2017 included an expense of $4.5 million related to a transaction with a former business partner.

2017 included $4.9 million of revenue from contractual arrangements with UDLA Ecuador.

Other items accounted for an increase in Adjusted EBITDA of $5.4 million, which primarily included a positive impact from the resolution of an earnout liability related to the 2014 acquisition of Monash South Africa.

Comparison of Corporate Results for the Year Ended December 31, 2017 to the Year Ended December 31, 2016

Adjusted EBITDA decreased by $58.2 million, a 40% decrease from 2016.

2017 included an expense of $22.8 million related to the portion of the refinancing transactions that was deemed to be a debt modification.

Expense of $4.5 million recorded in 2017 related to a transaction with a former business partner.

Other costs, primarily labor costs and other professional fees, increased expenses by $30.9 million, mostly related to ongoing internal controls compliance initiatives, increased consulting expenses, legal costs, and compensation and severance.

Liquidity and Capital Resources

Liquidity Sources

We anticipate that cash flow from operations and available cash will be sufficient to meet our current operating requirements for at least the next 12 months from the date of issuance of this report.

Our primary source of cash is revenue from tuition charged to students in connection with our various education program offerings. The majority of our students finance the cost of their own education and/or seek third-party financing programs. We anticipate generating sufficient cash flow from operations in the majority of countries where we operate to satisfy the working capital and financing needs of our organic growth plans for each country. If our educational institutions within one country were unable to maintain sufficient liquidity, we would consider using internal cash resources or reasonable short-term working capital facilities to accommodate any short- to medium-term shortfalls.

As of December 31, 2018, our secondary source of liquidity was cash and cash equivalents of $388.5 million, which does not include $216.4 million of cash recorded at subsidiaries that are classified as held for sale at December 31, 2018. Our cash accounts are maintained with high-quality financial institutions with no significant concentration in any one institution.

The Company also maintains a revolving credit facility with a syndicate of financial institutions as a source of liquidity. The revolving credit facility provides for borrowings of $385.0 million and a maturity date of April 2022. If certain conditions are satisfied, the Second Amended and Restated Credit Agreement also provides for an incremental revolving and term loan facilities not to exceed $300.0 million plus additional amounts so long as both immediately before and after giving effect to such incremental facilities the Company's Consolidated Senior Secured Debt to Consolidated EBITDA ratio, as defined in the Second Amended and Restated Credit Agreement, on a pro forma basis, does not exceed 2.75x.

The Company has continued to take actions to reduce leverage, improve liquidity and increase cash flow. In the first quarter of 2018, we repaid $350.0 million of the principal balance of our syndicated term loan that matures in April 2024 (the 2024 Term Loan) using the proceeds from the sale of our discontinued Cyprus and Italy operations, along with borrowings on our revolving credit facility that were subsequently repaid with the sale proceeds from China, a discontinued operation.

The Company has several subsidiaries in our Andean, Rest of World and Central America & U.S. Campuses segments that are classified as held for sale as of December 31, 2018, as discussed in

"Overview" and in Note 4, Discontinued Operations and Assets Held for Sale, of our consolidated financial statements included elsewhere in this Form 10-K. The Company intends to use substantially all proceeds from the subsidiary sales to repay debt.

Sale Transactions

On January 11, 2018, we completed the sale of European University-Cyprus Ltd (EUC) and Laureate Italy S.r.L. (Laureate Italy). Upon closing, we received gross proceeds of approximately 232.0 million Euros (EUR) (approximately US $275.5 million, or approximately $244.3 million net of cash sold and net of the $4.1 million working capital settlement between the Company and the buyer that was completed during the second quarter of 2018). The Company used the proceeds from this transaction, along with borrowings on our revolving credit facility that were subsequently repaid with the China sale proceeds discussed below, to repay $350.0 million of the principal balance of the 2024 Term Loan.

On January 25, 2018, we completed the sale of LEI Lie Ying Limited (LEILY) for a total transaction value of Chinese Renminbi (RMB) 1,430.0 million (approximately US $207.6 million at December 31, 2018), of which RMB 50.0 million (approximately US $7.3 million at December 31, 2018) will not be paid because certain conditions were not satisfied by the closing date. At closing, the Company received initial net proceeds totaling approximately $128.8 million (approximately $110.8 million net of cash sold). Six months after the closing date, the buyer was required to pay to the Company the Hong Kong Dollar (HKD) equivalent of RMB 120.0 million (the First Holdback Payment). On July 27, 2018, the Company received the First Holdback Payment from the buyer, net of withholding taxes and agreed-upon legal fees, for a net payment of HKD 142.2 million ($18.1 million at the date of receipt), prior to banker transaction fees. Twelve months after the closing date, the buyer was required to pay to the Company the HKD equivalent of RMB 60.0 million (the Second Holdback Payment). On January 25, 2019, Laureate received HKD 71.5 million (approximately US $9.1 million at the date of receipt) for the Second Holdback Payment, net of legal fees. The remainder of the transaction value was paid into an escrow account and will be distributed to the Company pursuant to the terms and conditions of the escrow agreement.

On April 12, 2018, we completed the sale of Laureate Germany and received gross proceeds of EUR 1.0 million (approximately US $1.2 million at the date of receipt). At the date of sale, Laureate Germany had approximately $12.9 million of cash and restricted cash on its balance sheet. In connection with this transaction, the Company contributed capital to Laureate Germany of approximately $3.6 million.

On April 13, 2018, we completed the sale of Laureate Somed Holding in Morocco and received net proceeds of 300.0 million Moroccan Dirhams (approximately US $32.5 million at the date of sale, or approximately $31.1 million net of cash sold). The proceeds were used for general debt repayment across the Company rather than repayment of a specific tranche.

On August 6, 2018, we completed the sale of certain assets of Kendall, including Kendall's education programs, in exchange for consideration of one dollar. As part of the agreement, at closing Laureate paid $14.0 million to National Louis University (NLU), to support NLU's construction of facilities for the acquired culinary program on NLU's campus. In addition, Laureate paid approximately $2.1 million to NLU at closing for a working capital adjustment and other items provided for under the agreement. Also, at the closing date of the sale, the cease-use criteria were met for a leased building that was not part of the sale transaction and that has a lease term ending in July 2028. Accordingly, the Company recorded a liability of approximately $24.0 million for the present value of the remaining lease costs, less estimated sublease income.

As discussed in Note 4, Discontinued Operations and Assets Held for Sale, and Note 25, Subsequent Events, of our consolidated financial statements included elsewhere in this Form 10-K, on

Table of Contents

February 1, 2019, we completed the sale of St. Augustine and received net proceeds of approximately $346.4 million. The Company used $340.0 million of the net proceeds to repay a portion of the 2024 Term Loan, with the remaining proceeds utilized to repay borrowings outstanding under our revolving credit facility.

As discussed in Note 25, Subsequent Events, of our consolidated financial statements included elsewhere in this Form 10-K, on February 12, 2019, we completed the sale of Thai Education Holdings Company Limited, a Thailand corporation (TEDCO) and Far East Stamford International Co. Ltd. (FES). TEDCO is the owner of a controlling interest in FES, which is the license holder for Stamford International University, a member of the *Laureate International Universities* network with three campuses in Thailand. The total purchase price was approximately $35.3 million, and net proceeds to LEI Singapore were approximately $27.9 million, net of debt assumed by YuHua and other customary closing adjustments. The transaction closed on the same date. Of the $27.9 million in net proceeds, LEI Singapore received $23.7 million at closing. The balance of $4.2 million will be payable upon satisfaction of certain post-closing requirements.

Liquidity Restrictions

Our liquidity is affected by restricted cash balances, which totaled $201.3 million and $212.2 million as of December 31, 2018 and December 31, 2017, respectively.

Restricted cash consists of cash equivalents held to collateralize standby letters of credit in favor of the DOE. These letters of credit are required by the DOE in order to allow our U.S. institutions to participate in the Title IV program and totaled $139.0 million and $136.9 million as of December 31, 2018 and 2017, respectively.

As of December 31, 2018 and 2017, we had approximately $5.7 million and $39.5 million, respectively, posted as cash-collateral for LOCs related to the Spain Tax Audits.

As part of our normal operations, our insurers issue surety bonds on our behalf, as required by various state education authorities in the United States. We are obligated to reimburse our insurers for any payments made by the insurers under the surety bonds. As of December 31, 2018 and 2017, the total face amount of these surety bonds was $22.2 million and $14.0 million, respectively.

Indefinite Reinvestment of Foreign Earnings

We earn a significant portion of our income from subsidiaries located in countries outside the United States. As part of our business strategies, we have determined that, except for one of our institutions in Peru, all earnings from our foreign continuing operations will be deemed indefinitely reinvested outside of the United States. As of December 31, 2018, $327.9 million of our total $388.5 million of cash and cash equivalents were held by foreign subsidiaries, including $158.4 million held by VIEs. These amounts above do not include $216.4 million of cash recorded at subsidiaries that are classified as held for sale at December 31, 2018, of which $208.4 million was held by foreign subsidiaries. As of December 31, 2017, $312.2 million of our total $320.6 million of cash and cash equivalents were held by foreign subsidiaries, including $101.0 million held by VIEs. These amounts above do not include $197.9 million of cash recorded at subsidiaries that are classified as held for sale at December 31, 2017, of which $181.5 million was held by foreign subsidiaries. The VIEs' cash and cash equivalents balances are generally required to be used only for the operations of these VIEs.

Our plans to indefinitely reinvest certain earnings are supported by projected working capital and long-term capital requirements in each foreign subsidiary location in which the earnings are generated. We have analyzed our domestic operation's cash repatriation strategies, projected cash flows, projected working capital and liquidity, and the expected availability within the debt or equity markets to provide funds for our domestic needs. As a result, we rely on payments from contractual arrangements, such as

Table of Contents

intellectual property royalty, network fee and management services agreements, as well as repayments of intercompany loans to meet any of our existing or future debt service and other obligations, a substantial portion of which are denominated in USD. Based on our analysis, we believe we have the ability to indefinitely reinvest these foreign earnings. If our expectations change based on future developments such that some or all of the undistributed earnings of our foreign subsidiaries may be remitted to the United States in the foreseeable future, we will be required to recognize deferred tax expense and liabilities on those amounts and pay additional taxes. For Peru, we have recognized deferred tax liabilities of approximately $2.5 million for the portion of the undistributed foreign earnings that are not expected to be indefinitely reinvested outside the United States.

Liquidity Requirements

Our short-term liquidity requirements include: funding for debt service (including capital leases); operating lease obligations; payments due to shareholders of acquired companies; payments of deferred compensation; working capital; operating expenses; payments of third-party obligations; capital expenditures; and business development activities.

Long-term liquidity requirements include: payments on long-term debt (including capital leases); operating lease obligations; payments of long-term amounts due to shareholders of acquired companies; payments of deferred compensation; settlements of derivatives; and payments of third-party obligations.

Debt

During the second quarter of 2017, the Company completed refinancing transactions that resulted in repayment of the previous senior credit facility and the redemption of the 9.250% Senior Notes due 2019 (the Senior Notes due 2019) (other than $250.0 million in aggregate principal amount of the Senior Notes due 2019 that the Company exchanged on April 21, 2017 for substantially identical but non-redeemable notes issued under a new indenture (the Exchanged Notes)). The Exchanged Notes were settled on August 11, 2017 as described further below.

On April 26, 2017, we completed an offering of $800.0 million aggregate principal amount of 8.250% Senior Notes due 2025 (the Senior Notes due 2025).The Senior Notes due 2025 were issued at par and will mature on May 1, 2025. Interest on the Senior Notes due 2025 is payable semi-annually on May 1 and November 1, and the first interest payment date was November 1, 2017.

Substantially concurrently with the issuance of the Senior Notes due 2025, we consummated a refinancing of our Senior Secured Credit Facility by means of an amendment and restatement of the existing amended and restated credit agreement (the Second Amended and Restated Credit Agreement) to provide a new revolving credit facility of $385.0 million maturing in April 2022 (the Revolving Credit Facility) and a new syndicated term loan of $1,600.0 million maturing in April 2024 (the 2024 Term Loan).

On February 1, 2018, we completed an amendment of our Senior Secured Credit Facility that effectively reduces the current interest rate margins applicable to the 2024 Term Loan by 100 basis points. In connection with this amendment, we repaid $350.0 million of the principal balance of the 2024 Term Loan using the proceeds from the sale of our Cyprus and Italy operations, along with borrowings on our revolving credit facility that were subsequently repaid with the China sale proceeds. As a result of the $350.0 million repayment, there will be no further quarterly principal payments required and the remaining balance will be due at maturity.

As of December 31, 2018, senior long-term borrowings totaled $2,121.6 million and consisted of $1,321.6 million under the Senior Secured Credit Facility that matures in April 2022 and April 2024 and $800.0 million in Senior Notes due 2025 that mature on May 2025.

Table of Contents

As of December 31, 2018, other debt balances totaled $542.4 million and our capital lease obligations and sale-leaseback financings were $119.6 million. Other debt includes lines of credit and short-term borrowing arrangements of subsidiaries, mortgages payable and notes payable.

Approximately $283.4 million of long-term debt, including the current portion, is included in the held-for-sale liabilities recorded on the consolidated balance sheet as of December 31, 2018. For further description of the held-for-sale amounts see Note 4, Discontinued Operations and Assets Held for Sale in our consolidated financial statements included elsewhere in this Form 10-K.

Senior Secured Credit Facility

As of December 31, 2018, the outstanding balance under our Senior Secured Credit Facility was $1,321.6 million, which consisted of $93.5 million outstanding under our $385.0 million senior secured revolving credit facility and an aggregate outstanding balance of $1,228.1 million, net of a debt discount, under the term loans. As of December 31, 2017, the outstanding balance under our previous senior credit facility was $1,625.3 million, which consisted of $52.0 million outstanding under our $385.0 million senior secured revolving credit facility and an aggregate outstanding balance of $1,573.3 million, net of a debt discount, under the term loans.

Senior Notes

As of both December 31, 2018 and 2017, the outstanding balance under our Senior Notes due 2025 was $800.0 million.

Covenants

Under our Second Amended and Restated Credit Agreement we are subject to a Consolidated Senior Secured Debt to Consolidated EBITDA financial maintenance covenant, as defined in the Second Amended and Restated Credit Agreement, unless certain conditions are satisfied. As of December 31, 2018, these conditions were satisfied and, therefore, we were not subject to the leverage ratio covenant. The maximum ratio, as defined, is 3.50x as of December 31, 2018 and thereafter. In addition, notes payable at some of our locations contain financial maintenance covenants.

Other Debt

Other debt includes lines of credit and short-term borrowing arrangements of subsidiaries, mortgages payable, and notes payable.

As of December 31, 2018 and 2017, the aggregate outstanding balances on our lines of credit were $37.9 million and $42.2 million, respectively.

On May 12, 2016, two outstanding loans at Universidad del Valle de México (UVM Mexico) that originated in 2007 and 2012 and were both scheduled to mature in May 2021 were refinanced and combined into one loan. The maturity date of the combined loan was extended to May 15, 2023. Principal repayments were suspended until May 15, 2018. The new refinanced loan carries a variable interest rate based on the 28-day Mexican Interbanking Offer Rate (TIIE), plus the applicable margin. The applicable margin for the interest calculation is established based on the ratio of debt to EBITDA, as defined in the agreement. Beginning on May 15, 2016, interest is paid monthly. The outstanding balance of the loan on May 12, 2016 was MXN 2,224.6 million (US $120.5 million at that date). As of December 31, 2018, the interest rate on the loan was 11.25% and the outstanding balance on the loan was $102.2 million. As of December 31, 2017, the interest rate on the loan was 10.72% and the outstanding balance on the loan was $112.6 million.

In addition to the loans above, in August 2015, UVM Mexico entered into an agreement with a bank for a loan of MXN 1,300.0 million (approximately US $79.0 million at the time of the loan). The

Table of Contents

loan carried a variable interest rate and was scheduled to mature in August 2020. During December 2017, this loan was paid in full and a new loan in the amount of MXN 1,700.0 million (approximately US $89.0 million at the time of the loan) was obtained. The new loan matures in December 2023 and carries a variable interest rate based on TIIE, plus an applicable margin, which is established based on the ratio of debt to EBITDA, as defined in the agreement (10.50% as of December 31, 2018). Payments on the loan were deferred until December 2018, at which time quarterly principal payments were due, beginning at MXN 42.5 million (US $2.1 million at December 31, 2018) and increasing to MXN 76.5 million (US $3.8 million at December 31, 2018), with a balloon payment of MXN 425.0 million (US $21.3 million at December 31, 2018) due at maturity. As of December 31, 2018 and 2017, the outstanding balance of this loan was $83.1 million and $86.1 million, respectively.

The Company obtained financing to fund the construction of two new campuses at one of our institutions in Peru, Universidad Peruana de Ciencias Aplicadas. As of December 31, 2018 and 2017, the outstanding balance on the loans was $32.9 million and $42.2 million, respectively. These loans have varying maturity dates with the final payment due in October 2022.

We have outstanding notes payable at Universidad Privada del Norte (UPN), one of our institutions in Peru. These loans have varying maturity dates through December 2024. As of December 31, 2018 and 2017, these loans had an aggregate balance of $30.2 million and $38.6 million, respectively.

On December 22, 2017, one of our subsidiaries in Peru entered into an agreement to borrow PEN 247.5 million (approximately US $76.0 million at the agreement date). The loan matures in December 2022. Quarterly payments in the amount of PEN 9.3 million (US $2.8 million at December 31, 2018) are due from March 2018 through December 2019. The quarterly payments increase to PEN 14.4 million (US $4.3 million at December 31, 2018) in March 2020 through the loan's maturity in December 2022. As of December 31, 2018, this loan had a balance of $62.8 million.

We have outstanding notes payable at a real estate subsidiary in Chile. As of December 31, 2018 and 2017, the outstanding balance on the loans was $51.7 million and $67.1 million, respectively. These notes are repayable in installments with the final installment due in August 2028.

On December 20, 2013, Laureate acquired THINK and financed a portion of the purchase price by borrowing AUD 45.0 million (US $31.7 million at December 31, 2018) under a syndicated facility agreement in the form of two term loans of AUD 22.5 million each. Facility A was payable at its maturity date of December 20, 2018. Facility B was amended in 2016 to be a revolving facility of up to AUD 15.0 million (US $10.6 million at December 31, 2018) and any balance outstanding was repayable at its maturity date of December 20, 2018. In October 2017, these loan facilities were further amended to provide the lender a security interest in all of the assets of Laureate's Australian operations. In addition, Facility A was converted from a term loan to a loan with a balloon payment due at maturity. In December 2018, these loan facilities were again amended to extend the maturity date from December 20, 2018 to June 30, 2020. As of December 31, 2018 and 2017, $14.7 million and $16.1 million, respectively, was outstanding under these loan facilities.

We acquired FMU on September 12, 2014 and financed a portion of the purchase price by borrowing amounts under two loans that totaled BRL 259.1 million (approximately US $110.3 million at the borrowing date). Beginning in October 2017, the loans require semi-annual principal payments of BRL 22.0 million (US $5.7 million at December 31, 2018), continuing through their maturity dates in April 2021. As of December 31, 2018 and 2017, the outstanding balance of these loans was $28.4 million and $46.4 million, respectively.

On December 20, 2017, one of our subsidiaries in Brazil entered into an agreement to borrow BRL 360.0 million (approximately US $110.0 million at the time of the loan). The loan matures on December 25, 2022. Quarterly payments in the amount of BRL 13.5 million (US $3.5 million at

Table of Contents

December 31, 2018) are due from March 2019 through December 2019, at which point the quarterly payments increase to BRL 22.5 million (US $5.8 million at December 31, 2018) from March 2020 through December 2020, then to BRL 27.0 million (US $7.0 million at December 31, 2018) from March 2021 through maturity in December 2022. As of December 31, 2018 and 2017, the loan had a balance of $92.7 million and $108.4 million, respectively.

Leases

We conduct a significant portion of our operations from leased facilities. These facilities include our corporate headquarters, other office locations, and many of our higher education facilities.

Due to Shareholders of Acquired Companies

One method of payment for acquisitions is the use of promissory notes payable to the sellers of acquired companies. As of December 31, 2018 and December 31, 2017, we recorded $45.4 million and $71.8 million, respectively, for these liabilities. See also Note 7, Due to Shareholders of Acquired Companies, in our consolidated financial statements included elsewhere in this Form 10-K.

Capital Expenditures

Capital expenditures consist of purchases of property and equipment and expenditures for deferred costs. Our capital expenditure program is a component of our liquidity and capital management strategy. This program includes discretionary spending, which we can adjust in response to economic and other changes in our business environment, to grow our network through the following: (1) capacity expansion at institutions to support enrollment growth; (2) new campuses for institutions in our existing markets; (3) information technology to increase efficiency and controls; and (4) online content development. Our non-discretionary spending includes the maintenance of existing facilities. We typically fund our capital expenditures through cash flow from operations and external financing. In the event that we are unable to obtain the necessary funding for capital expenditures, our long-term growth strategy could be significantly affected. We believe that our internal sources of cash and our ability to obtain additional third-party financing, subject to market conditions, will be sufficient to fund our investing activities.

Our total capital expenditures for our continuing and discontinued operations, excluding receipts from the sale of subsidiaries and property equipment, were $257.9 million, $293.8 million and $256.7 million during 2018, 2017 and 2016, respectively. The 12% decrease in capital expenditures for 2018 compared to 2017 was primarily due to lower spending on growth initiatives in Brazil and Peru in 2018. The 14% increase in capital expenditures for 2017 compared to 2016 was related to increased spending on growth initiatives in Brazil combined with facilities improvements in Mexico and Costa Rica. These increases were partially offset by lower capital expenditures on Peru growth initiatives combined with the timing of spending related to certain Corporate global transformation initiatives.

Derivatives

In the normal course of business, our operations are exposed to fluctuations in foreign currency values and interest rate changes. We mitigate a portion of these risks through a risk-management program that includes the use of derivatives. We had an immaterial net cash receipts from our derivatives for the year ended December 31, 2018, and were required to make net cash payments totaling $8.2 million and $17.7 million for the years ended December 31, 2017 and 2016, respectively. These amounts include cash payments that were recognized as interest expense for the derivatives designated as cash flow hedges, and in 2016 included net cash payments made for the derivatives related to the sale transactions. For further information on our derivatives, see Note 15, Derivative Instruments, in our consolidated financial statements included elsewhere in this Form 10-K.

Table of Contents

Redeemable Noncontrolling Interests and Equity

In connection with certain acquisitions, we have entered into put/call arrangements with certain minority shareholders, and we may be required or elect to purchase additional ownership interests in the associated entities within a specified timeframe. Certain of our call rights contain minimum payment provisions. If we exercise such call rights, the consideration required could be higher than the estimated put values. Upon exercise of these puts or calls, our ownership interests in these subsidiaries would increase.

Laureate Education, Inc. Deferred Compensation Plan

Laureate maintains a deferred compensation plan to provide certain executive employees and members of our Board of Directors with the opportunity to defer their salaries, bonuses, and Board of Directors' retainers and fees in order to accumulate funds for retirement on a pre-tax basis. Participants are 100% vested in their respective deferrals and the earnings thereon. Laureate does not make contributions to the plan or guarantee returns on the investments. Although plan investments and participant deferrals are kept in a separate trust account, the assets remain Laureate's property and are subject to claims of general creditors.

As of December 31, 2018 and 2017, plan assets included in Other assets in our Consolidated Balance Sheets were $4.9 million and $11.6 million, respectively. As of December 31, 2018 and 2017, the plan liabilities reported in our Consolidated Balance Sheets were $7.0 million and $18.7 million, respectively. As of December 31, 2018 and 2017, $1.2 million and $11.9 million, respectively, of the total plan liability was classified as a current liability; the remainder was noncurrent and recorded in Other long-term liabilities. The higher current liability in 2017 relates to several participants who retired during the fourth quarter of 2017 and received distributions of their plan balances in 2018.

Peru Acquisition

On November 5, 2018, Laureate Education Peru, SRL, an indirect wholly owned subsidiary of the Company, acquired all of the capital stock of Instituto de Educación Superior Tecnológico Privado Red Avansys SAC (Avansys), an institution in Peru, for a total purchase price of approximately 63.0 million Peruvian Nuevo Sols (approximately US $18.9 million at the acquisition date), plus debt assumed. The purchase price was funded with cash in addition to a bridge loan of approximately $10.5 million that carries an interest rate of 8.15% and matures in April 2019. The Company intends to refinance the bridge loan into a long-term mortgage note payable.

Cash Flows

In the consolidated statements of cash flows, the changes in operating assets and liabilities are presented excluding the effects of exchange rate changes, acquisitions, and reclassifications, as these effects do not represent operating cash flows. Accordingly, the amounts in the consolidated statements of cash flows do not agree with the changes of the operating assets and liabilities as presented in the consolidated balance sheets. The effects of exchange rate changes on cash are presented separately in the consolidated statements of cash flows.

Table of Contents

The following table summarizes our cash flows from operating, investing, and financing activities for each of the past three fiscal years:

(in millions)	2018	2017	2016
Cash provided by (used in):			
Operating activities	$ 396.9	$ 192.2	$ 192.3
Investing activities	115.5	(284.7)	297.3
Financing activities	(410.1)	157.6	(445.7)
Effects of exchange rates changes on cash	(13.5)	25.9	3.5
Change in cash included in current assets held for sale	(31.7)	(32.5)	(3.5)
Net change in cash and cash equivalents	$ 57.0	$ 58.4	$ 43.8

Comparison of Cash Flows for the Year Ended December 31, 2018 to the Year Ended December 31, 2017

Operating activities

Cash provided by operating activities increased by $204.7 million to $396.9 million for 2018, compared to $192.2 million for 2017. This increase in operating cash flows during 2018 was primarily due to the following: (1) cash paid for interest, prior to interest income, decreased by $150.1 million, from $384.2 million for 2017 to $234.1 million for 2018 as a result of the 2017 refinancing transactions and the $350.0 million principal repayment made in connection with the February 1, 2018 amendment of the Senior Secured Credit Facility; (2) during 2017, we fully repaid the FMU seller notes, the interest portion of which was classified in operating cash flows, resulting in a year-over-year increase in operating cash flows of $35.0 million; (3) during 2017, we made payments of $22.8 million for third-party general and administrative expenses in connection with the debt refinancing that was completed during the second quarter of 2017; and (4) proceeds from the settlement of derivative contracts increased operating cash flows by $14.1 million for the 2018 fiscal period, as compared to the 2017 fiscal period, related to cash received from the settlement of interest rate swaps.

Partially offsetting these operating cash increases was an increase in cash paid for taxes of $12.5 million, from $130.5 million in 2017 to $143.0 million in 2018. The increase in cash paid for taxes was primarily due to approximately $34.8 million of payments made to the Spanish Tax Authorities during 2018, as discussed in Note 16, Income Taxes, of our consolidated financial statements included elsewhere in this Form 10-K, plus a U.S. payment of $3.5 million related to tax reform, partially offset by an approximately $20 million refund received by one of our Spanish subsidiaries during the first quarter of 2018 from an estimated tax payment made in 2016. Changes in operating assets and liabilities and other working capital accounted for the remaining change in operating cash of $4.8 million.

Investing activities

Cash flows from investing activities increased by $400.2 million to an investing cash inflow of $115.5 million for 2018, from an investing cash outflow of $(284.7) million in 2017. This increase was primarily attributable to the sales of the Cyprus, Italy, China, Germany, Morocco and Kendall institutions during 2018, which resulted in a $366.0 million year-over-year increase in receipts from the sales of these Discontinued Operations and property and equipment. In addition, capital expenditures decreased from 2017 to 2018 by $35.9 million. Also, in 2018, the Company received proceeds from corporate-owned life insurance policies, which are deferred compensation plan assets, contributing to a total year-over-year increase in proceeds from insurance of $27.0 million.

These investing cash increases were partially offset by a $10.0 million realized loss in 2018 on the foreign exchange swap agreements associated with the sale of the Cyprus and Italy institutions, as well

as an increase in cash paid for acquisitions of $16.2 million, primarily related to the November 2018 acquisition of Avansys in Peru. Other items accounted for the remaining change of $2.5 million.

Financing activities

Cash flows from financing activities decreased by $567.7 million to a financing cash outflow of $(410.1) million for 2018, compared to a financing cash inflow of $157.6 million for 2017. This decrease was primarily attributable to the $456.4 million of net proceeds from the 2017 IPO and net proceeds from the issuance of Series A Preferred Stock during 2017 of $55.3 million. Additionally, net payments of long-term debt during 2018, which included the $350.0 million repayment of the 2024 Term Loan, were $242.3 million higher than in 2017.

These financing cash decreases were partially offset by lower payments during 2018 for debt issuance costs and redemption and call premiums of $80.7 million, related to the debt refinancing that was completed during the second quarter of 2017, in addition to lower payments of deferred price for acquisitions during 2018 versus 2017 of $81.2 million, due primarily to the repayment of the FMU seller note in September 2017. Payments to purchase noncontrolling interests were also $17.3 million lower in 2018 versus 2017. In addition, payments of dividends on the Series A Preferred Stock decreased by $8.3 million in 2018, as a result of the April 23, 2018 conversion of the Series A Preferred Stock into Class A common stock (no further dividend payments are required following the conversion). Other items accounted for the remaining change of $1.2 million.

Comparison of Cash Flows for the Year Ended December 31, 2017 to the Year Ended December 31, 2016

Operating activities

Cash provided by operating activities decreased by $0.1 million to $192.2 million for 2017, compared to $192.3 million for 2016. This result was the net effect of several items. The payment of the FMU seller notes during the third quarter of 2017, the interest portion of which is classified in operating cash flows and included in the $39.4 million of Interest paid on deferred purchase price for acquisitions, decreased operating cash flows in 2017 as compared to 2016. Also, $22.8 million of debt modification fees were paid and expensed during 2017 related to the 2017 refinancing transactions. In addition, cash paid for interest on all other debt increased by $16.9 million, from $367.3 million for 2016 to $384.2 million for 2017. During 2017 we had lower average debt balances and lower interest rates than in 2016, so this increase in cash paid for interest is attributable to the timing of interest payments as a result of the 2017 refinancing transactions; the year-over-year decrease in our accrued interest payable balance resulted in increased cash interest payments of approximately $79.0 million in 2017 as compared to 2016. Cash paid for taxes increased by $1.8 million, from $128.7 million for 2016 to $130.5 million for 2017. These operating cash decreases were almost entirely offset by changes in operating assets and liabilities and other working capital, which increased cash by $80.8 million for 2017, compared to 2016, which can be partly attributed to the effect on operating cash flows for 2016 from the dispositions of the Swiss and French businesses.

Investing activities

Cash flows from investing activities decreased by $582.0 million to an investing cash outflow of $(284.7) million for 2017, from an investing cash inflow of $297.3 million for 2016. This decrease was primarily attributable to the sales of the Swiss and French institutions during 2016, which resulted in a $544.6 million year-over-year decrease in receipts from the sale of property and equipment. Additionally, capital expenditures were higher in 2017 than in 2016 by $37.1 million. These investing cash decreases were partially offset by a year-over-year increase in investing cash flows of $5.7 million related to the 2016 cash settlement of derivatives associated with the sales of the Swiss and French institutions. Other items accounted for the remaining change of $6.0 million.

Table of Contents

Financing activities

Cash flows from financing activities increased by $603.3 million to a financing cash inflow of $157.6 million for 2017, compared to a financing cash outflow of $445.7 million for 2016. This increase was primarily attributable to the $456.4 million of net proceeds from the 2017 IPO. Additionally, net payments of long-term debt during 2017, which included the repayment of the previous senior credit facility and the redemption of the Senior Notes due 2019 in addition to the repurchase of $22.6 million of Senior Notes due 2019, were $572.4 million lower than in 2016. Debt repayments in 2016 included a payment of $300.0 million made in connection with the 2016 amendment of our credit agreement and approximately $269.3 million of repayments on our revolving credit facility related to the balance outstanding at the beginning of 2016. In addition, payments to purchase noncontrolling interests were $8.2 million lower during 2017 as compared to 2016, since 2016 included the purchase of the remaining noncontrolling interest of St. Augustine.

These financing cash increases were partially offset by less net proceeds from the issuance of Series A Preferred Stock of $273.9 million; higher payments of deferred purchase price for acquisitions during 2017 versus 2016 of $72.7 million, due principally to the repayment of the FMU seller note in September 2017; higher payment during 2017 for debt issuance costs and redemption and call premiums of $69.7 million, related to the debt refinancing that was completed during the second quarter of 2017; and higher dividends of $17.9 million in 2017 paid on the Series A Preferred Stock. Other items accounted for the remaining change of $0.5 million.

Contractual Obligations

The following table reflects a summary of our contractual obligations as of December 31, 2018:

	Payments due by period				
(in millions)	**Total**	**less than 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**
Long-term debt(a),	$ 2,839.0	$ 135.3	$ 274.1	$ 307.3	$ 2,122.3
Operating lease obligations(b)	1,581.0	239.1	401.6	334.8	605.5
Interest payments(c)	1,265.1	251.2	441.6	371.0	201.3
Capital lease obligations(d)	239.3	9.2	32.0	54.2	143.9
Due to shareholders of acquired companies(e)	70.3	46.1	24.2		
Other obligations(f)	40.0	6.2	13.5	9.3	11.0
Total	$ 6,034.7	$ 687.1	$ 1,187.0	$ 1,076.6	$ 3,084.0

(a) Amount shown is gross of debt discount of approximately $9.9 million. Amount also includes approximately $165.1 million of debt related to subsidiaries that are classified as held for sale as of December 31, 2018.

(b) Includes approximately $433.0 million of minimum future operating lease payments related to subsidiaries classified as held for sale as of December 31, 2018.

(c) Interest payments relate to long-term debt, capital lease obligations and amounts due to shareholders of acquired companies, including interest on obligations related to subsidiaries that are classified as held for sale as of December 31, 2018. Interest payments for variable-rate long-term debt were calculated using the variable interest rates in effect at December 31, 2018.

(d) Includes failed sale-leasebacks. Also includes approximately $119.7 million of capital lease obligations related to subsidiaries classified as held for sale as of December 31, 2018.

(e) Due to shareholders of acquired companies represent promissory notes payable to the sellers of companies acquired by us. These notes payable are generally interest-bearing and have been

132

recorded at their carrying value of $45.4 million, which is included in due to shareholders of acquired companies, and $22.5 million, which is included in liabilities held for sale on the 2018 consolidated balance sheet.

(f) Other obligations consists primarily of contractually-owed service-related compensation, foreign tax settlement payments, and other contractual obligations.

The preceding table does not reflect unrecognized income tax benefits, including interest and penalties, as of December 31, 2018 of approximately $90.8 million. We are unable to make a reasonably reliable estimate of the period of any cash settlements. It is reasonably possible that our liability for unrecognized tax benefits could change during the time period.

Off-Balance Sheet Arrangements

As of December 31, 2018, we have the following off-balance sheet arrangements:

Noncontrolling Interest Call Options

We hold several call options that give us the right to purchase the remaining shares owned by noncontrolling interest holders of certain acquired subsidiaries. These call options had no impact on our consolidated financial statements as of December 31, 2018. For further discussion regarding call options, see Note 12, Commitments and Contingencies, and Note 2, Significant Accounting Policies, included in our consolidated financial statements included elsewhere in this Form 10-K.

Student Loan Guarantees

The accredited Chilean institutions in our network participate in the CAE Program. As part of the CAE Program, these institutions provide guarantees which result in contingent liabilities to third-party financing institutions, beginning at 90% of the tuition loans made directly to qualified students enrolled through the CAE Program and declining to 60% over time. The guarantees by these institutions are in effect during the period in which the student is enrolled. The maximum potential amount of payments our institutions could be required to make under the CAE Program was approximately $499.0 million and $527.0 million at December 31, 2018 and 2017, respectively. This maximum potential amount assumes that all students in the CAE Program do not graduate, so that our guarantee would not be assigned to the government, and that all students default on the full amount of the CAE-qualified loan balances. As of December 31, 2018 and 2017, we recorded $28.3 million and $27.1 million, respectively, as estimated long-term guarantee liabilities for these obligations, through a reduction of Revenues.

Subsidiary Shares as Collateral

In conjunction with the purchase of Universidade Potiguar in Brazil (UNP), we pledged all of the acquired shares as a guarantee of our payments of rents as they become due. In the event that we default on any payment, the pledge agreement provides for a forfeiture of the relevant pledged shares. In the event of forfeiture, we may be required to transfer the books and management of UNP to the former owners.

We acquired the remaining 49% ownership interest in UAM Brazil in April 2013. As part of the agreement to purchase the 49% ownership interest, we pledged 49% of our total shares in UAM Brazil as a guarantee of our payment obligations under the purchase agreement. In the event that we default on any payment, the agreement provides for a forfeiture of the pledged shares.

In connection with the purchase of FMU on September 12, 2014, we pledged 75% of the acquired shares to third-party lenders as a guarantee of our payment obligations under the loans that financed a portion of the purchase price. We pledged the remaining 25% of the acquired shares to the sellers as a guarantee of our payment obligations under the purchase agreement for the seller notes. After the

payment of the seller notes in September 2017, the shares pledged to the sellers were pledged to the third-party lenders until full payment of the loans, which mature in April 2021. In the event that we default on payment of the loans, the purchase agreement provides for a forfeiture of the relevant pledged shares.

In connection with a loan agreement entered into by a Laureate subsidiary in Peru, all of the shares of UPN Peru, one of our universities, were pledged to the third-party lender as a guarantee of the payment obligations under the loan.

Standby Letters of Credit

As of December 31, 2018, Laureate had outstanding letters of credit (LOCs), which consisted primarily of the following:

- Fully cash-collateralized LOCs of $139.0 million in favor of the DOE, which are included in Restricted cash. These LOCs were required to allow Walden, NewSchool and St. Augustine to continue participating in the DOE Title IV program.

- Fully cash-collateralized LOCs totaling $5.7 million, which are included in Restricted cash, that were issued to continue the appeals process with the Spain Tax Authorities who challenged the holding company structure in Spain.

Surety Bonds

As part of our normal operations, our insurers issue surety bonds on our behalf, as required by various state education authorities in the United States. We are obligated to reimburse our insurers for any payments made by the insurers under the surety bonds. As of December 31, 2018, the total face amount of these fully cash-collateralized surety bonds was $22.2 million.

In November 2016, in order to continue participating in Prouni, a federal program that offers tax benefits designed to increase higher education participation rates in Brazil, UAM Brazil posted a guarantee in the amount of $15.3 million. In connection with the issuance of the guarantee, UAM Brazil obtained a non-collateralized surety bond from a third party in order to secure the guarantee. The cost of the surety bond was $1.4 million, of which half was reimbursed by the former owner of UAM Brazil, and is being amortized over the five-year term.

Critical Accounting Policies and Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. Actual results could differ from these estimates. Our significant accounting policies are discussed in Note 2, Significant Accounting Policies, in our consolidated financial statements included elsewhere in this Form 10-K. Our critical accounting policies require the most significant judgments and estimates about the effect of matters that are inherently uncertain. As a result, these accounting policies and estimates could materially affect our financial statements and are critical to the understanding of our results of operations and financial condition. Management has discussed the selection of these critical accounting policies and estimates with the audit committee of the board of directors.

Variable Interest Entities (VIEs)

Laureate consolidates in its financial statements certain internationally based educational organizations that do not have shares or other equity ownership interests. Although these educational organizations may be considered not-for-profit entities in their home countries and they are operated in compliance with their respective not-for-profit legal regimes, we believe they do not meet the definition

of a not-for-profit entity under GAAP, and therefore we treat them as "for-profit" entities for accounting purposes. These entities generally cannot declare dividends or distribute their net assets to the entities that control them. Under ASC 810-10, "Consolidation," we have determined that these institutions are VIEs and that Laureate is the primary beneficiary of these VIEs because we have, as further described herein: (1) the power to direct the activities of the VIEs that most significantly affect their educational and economic performance and (2) the right to receive economic benefits from contractual and other arrangements with the VIEs that could potentially be significant to the VIEs. We account for the acquisition of the right to control a VIE in accordance with ASC 805, "Business Combinations."

As with all of our educational institutions, the VIE institutions' primary source of income is tuition fees paid by students, for which the students receive educational services and goods that are proportionate to the prices charged. Laureate maintains control of these VIEs through our rights to designate a majority of the governing entities' board members, through which we have the legal ability to direct the activities of the entities. Laureate maintains a variable interest in these VIEs through mutual contractual arrangements at market rates and terms that provide them with necessary products and services, and/or intellectual property, and has the ability to enter into additional such contractual arrangements at market rates and terms. We also have the ability to transfer our rights to govern these VIEs, or the entities that possess those rights, to other parties, which could yield a return if and when these rights are transferred.

We generally do not have legal entitlement to distribute the net assets of the VIEs. Generally, in the event of liquidation or the sale of the net assets of the VIEs, the net proceeds can only be transferred either to another VIE institution with similar purposes or to the government. In the unlikely case of liquidation or a sale of the net assets of the VIE, we may be able to retain the residual value by naming another Laureate-controlled VIE resident in the same jurisdiction as the recipient, if one exists; however we generally cannot name a for-profit entity as the recipient. Moreover, because the institution generally would be required to provide for the continued education of its students, liquidation would not be a likely course of action and would be unlikely to result in significant residual assets available for distribution. However, we operate our VIEs as going concern enterprises, maintain control in perpetuity, and have the ability to provide additional contractual arrangements for educational and other services priced at up to market rates with Laureate-controlled service companies. Typically, we are not legally obligated to make additional investments in the VIE institutions.

Laureate for-profit entities provide necessary products and services, and/or intellectual property, to all institutions in the *Laureate International Universities* network, including the VIE institutions, through contractual arrangements at market rates and terms, which are accretive to Laureate. We periodically modify the rates we charge under these arrangements so that they are priced at or below fair market value and to add additional services. If it is determined that contractual arrangements with any institution are not on market terms, it could have an adverse regulatory impact on such institution. We believe these arrangements improve the quality of the academic curriculum and the students' educational experience. There are currently four types of contractual arrangements: (i) intellectual property (IP) royalty arrangements; (ii) network fee arrangements; (iii) management service arrangements; and (iv) lease arrangements.

(i) Under the IP royalty arrangements, institutions in the *Laureate International Universities* network pay to Laureate royalty payments for the use of Laureate's tradename and best practice policies and procedures.

(ii) Institutions in the *Laureate International Universities* network gain access to other network resources, including academic content, support with curriculum design, online programs, professional development, student exchange and access to dual degree programs, through

network fee arrangements whereby the institutions pay stipulated fees to Laureate for such access.

(iii) Institutions in the *Laureate International Universities* network contract with Laureate and pay fees under management services agreements for the provision of support and managerial services including access to management, legal, tax, finance, accounting, treasury and other services, which in some cases Laureate provides through shared service arrangements in certain jurisdictions.

(iv) Laureate for-profit entities, including for-profit entities in which the VIEs are investors, own various campus real estate properties and have entered into long-term lease contracts with the respective institutions in the *Laureate International Universities* network, whereby they pay market-based rents for the use of the properties in the conduct of their educational operations.

Revenues recognized by our for-profit entities from these contractual arrangements with our consolidated VIEs were $100.2 million, $123.2 million and $113.3 million for the years ended December 31, 2018, 2017 and 2016, respectively. These revenues are eliminated in consolidation.

Under our accounting policy, we allocate all of the income or losses of these VIEs to Laureate unless there is a noncontrolling interest where the economics of the VIE are shared with a third party. The income or losses of these VIEs allocated to Laureate represent the earnings after deducting charges related to contractual arrangements with our for-profit entities as described above. We believe that the income remaining at the VIEs after these charges accretes value to our rights to control these entities.

Laureate's VIEs are generally exempt from income taxes. As a result, the VIEs generally do not record deferred tax assets or liabilities or recognize any income tax expense in the Consolidated Financial Statements. No deferred taxes are recognized by the for-profit service companies for the remaining income in these VIEs as the legal status of these entities generally prevents them from declaring dividends or making distributions to their sponsors. However, these for-profit service companies record income taxes related to revenues from their contractual arrangements with these VIEs.

Risks in relation to the VIEs

We believe that all of the VIE institutions in the Laureate network are operated in full compliance with local law and that the contractual arrangements with the VIEs are legally enforceable; however, these VIEs are subject to regulation by various agencies based on the requirements of local jurisdictions. These agencies, as well as local legislative bodies, review and update laws and regulations as they deem necessary or appropriate. We cannot predict the form of any laws that may be enacted, or regulations that ultimately may be adopted in the future, or what effects they might have on our business, financial condition, results of operations and cash flows. If local laws or regulations were to change, if the VIEs were found to be in violation of existing local laws or regulations, or if the regulators were to question the financial sustainability of the VIEs and/or whether the contractual arrangements were at fair value, local government agencies could, among other actions:

- revoke the business licenses and/or accreditations of the VIE institutions;
- void or restrict related-party transactions, such as the contractual arrangements between Laureate and the VIE institutions;
- impose fines that significantly impact business performance or other requirements with which the VIEs may not be able to comply;

Table of Contents

require Laureate to change the VIEs' governance structures, such that Laureate would no longer maintain control of the activities of the VIEs; or

disallow a transfer of our rights to govern these VIEs, or the entities that possess those rights, to a third party for consideration.

Laureate's ability to conduct our business would be negatively affected if local governments were to carry out any of the aforementioned or other similar actions. In any such case, Laureate may no longer be able to consolidate the VIEs.

The VIEs in Brazil and Mexico include several not-for-profit foundations that have insignificant revenues and operating expenses. Selected Consolidated Statements of Operations information for VIEs that are included in continuing operations was as follows, net of the charges related to the above-described contractual arrangements:

(in millions) **For the years ended December 31,**	**2018**	**2017**	**2016**
Selected Statements of Operations information:			
Revenues, by segment:			
Brazil	$	$ 0.1	$
Mexico	0.1		
Andean	441.3	418.0	380.1
Rest of World			20.2
Revenues	441.4	418.1	400.3
Depreciation and amortization	25.5	26.9	28.4
Operating income (loss), by segment:			
Brazil	(0.1)		(0.1)
Mexico	(0.5)	(0.9)	(1.0)
Andean	9.7	(4.9)	(17.1)
Rest of World			4.2
Operating income (loss)	9.1	(5.7)	(14.0)
Net income attributable to Laureate Education, Inc.	33.2	13.0	3.3

The following table reconciles the Net income (loss) attributable to Laureate Education, Inc. as presented in the table above, to the amounts in our Consolidated Statements of Operations:

(in millions) **For the years ended December 31,**	**2018**	**2017**	**2016**
Variable interest entities	$ 33.2	$ 13.0	$ 3.3
Other operations including discontinued operations	503.1	513.2	550.1
Corporate and eliminations	(166.3)	(434.8)	(181.5)
Net income attributable to Laureate Education, Inc.	$ 370.1	$ 91.5	$ 371.8

The following table presents selected assets and liabilities of the consolidated VIEs. Except for Goodwill, the assets in the table below include the assets that can be used only to settle the obligations for the VIEs. The liabilities in the table are liabilities for which the creditors of the VIEs do not have recourse to the general credit of Laureate.

137

Table of Contents

Selected Consolidated Balance Sheet amounts for these VIEs were as follows:

	December 31, 2018		December 31, 2017	
(in millions)	VIE	Consolidated	VIE	Consolidated
Balance Sheets data:				
Cash and cash equivalents	$ 158.4	$ 388.5	$ 101.0	$ 320.6
Current assets held for sale	183.9	306.4	170.2	324.7
Other current assets	141.3	522.3	136.1	643.5
Total current assets	483.6	1,217.1	407.3	1,288.7
Goodwill	168.5	1,707.1	183.8	1,828.4
Tradenames	66.9	1,126.2	74.5	1,167.3
Other intangible assets, net		25.4		35.8
Long-term assets held for sale	165.1	1,031.5	369.4	1,224.7
Other long-term assets	312.7	1,662.3	384.6	1,846.5
Total assets	1,196.8	6,769.6	1,419.6	7,391.3
Current liabilities held for sale	101.3	308.4	183.2	451.6
Other current liabilities	106.7	881.7	158.0	923.0
Long-term liabilities held for sale	42.3	354.3	84.8	405.7
Long-term debt and other long-term liabilities	24.5	3,159.9	23.7	3,609.7
Total liabilities	274.7	4,704.3	449.6	5,390.0
Total stockholders' equity	922.1	2,050.9	970.0	1,587.3
Total stockholders' equity attributable to Laureate Education, Inc.	921.7	2,061.1	949.0	1,575.2

The amounts classified as held-for-sale assets and liabilities at December 31, 2018 and December 31, 2017 in the table above relate to VIEs that are included in our Rest of World, Andean and Central America & U.S. Campuses segments. The VIEs' cash and cash equivalents balances are generally required to be used only for the benefit of the operations of these VIEs.

Chile Higher Education Law

On January 24, 2018, a new Higher Education Law (the New Law) was passed by the Chilean Congress, and signature and enactment of the New Law occurred in May 2018. Among other things, the New Law prohibits conflicts of interests and related party transactions involving universities and their controlling parties with certain exceptions, including the provision of services that are educational in nature or essential for the university's purposes. While the Company has modified some of its relationships with the Chilean universities in its network, and may need to make further modifications, we do not believe the New Law will change our relationship with our two tech/voc institutions in Chile that are for-profit entities. However, it is possible that the Chilean government will adopt additional laws that affect for-profit tech/voc institutions and their relationships with their owners.

The New Law established a Superintendency of Higher Education, with authority to regulate institutions of higher education and promulgate regulations and procedures implementing the New Law. While we await the promulgation of additional regulations by the Superintendent of Higher Education prior to the May 2019 implementation date stipulated under the New Law, we are continuing to evaluate the impact the New Law will have on our Chilean operations, including the extent to which it will affect existing contractual relationships that we maintain with the Chilean non-profit universities. Once the Superintendent issues the regulations, the Company and the Chilean universities may need to evaluate additional modifications to the existing contractual relationships. We will also review our accounting treatment of the Chilean non-profit universities, which are accounted for as variable interest entities, to determine whether we can continue to consolidate them. Our

Table of Contents

continuing evaluation of the impact of the New Law may result in changes to our expectations due to changes in our interpretations of the law, assumptions used, and additional guidance that may be issued. There is no assurance that the New Law will not have additional material adverse effects on our financial condition or results of operations.

While we believe that all of our institutions in Chile are operating in full compliance with Chilean law, we cannot predict the extent or outcome of any additional educational reforms that may be implemented in Chile. Depending upon how these reforms are defined and implemented, there could be a material adverse effect on our financial condition and results of operations.

In October 2018, the Ministry of Education notified UNAB, UDLA Chile and UVM Chile, universities that are part of the *Laureate International Universities* network, that it had issued a final resolution to each of the institutions thereby marking the end of previously disclosed administrative processes into possible violations of the not-for-profit status of those institutions. The resolutions found no violations of law on the part of UNAB, UVM Chile, or UDLA Chile, while reaffirming the obligation of the not-for-profit institutions to ensure that their conduct comply with the New Law when implemented.

Business Combinations

We apply the purchase accounting standards under ASC 805, "Business Combinations," to acquisitions. The purchase price of an acquisition is allocated, for accounting purposes, to individual tangible and identifiable intangible assets acquired, liabilities assumed and noncontrolling interests based on their estimated fair values on the acquisition date. Any excess purchase price over the assigned values of net assets acquired is recorded as goodwill. The acquisition date is the date on which control is obtained by the acquiring company. Any non-monetary consideration transferred and any previously held noncontrolling interests that are part of the purchase consideration are remeasured at fair value on the acquisition date, with any resulting gain or loss recognized in earnings. The preliminary allocations of the purchase price are subject to revision in subsequent periods based on the final determination of fair values, which must be finalized no later than the first anniversary of the date of the acquisition. Transaction costs are expensed as incurred. See Note 5, Acquisitions, in our consolidated financial statements included elsewhere in this Form 10-K for details of our business combinations.

Redeemable Noncontrolling Interests and Equity

In certain cases, we initially purchase a majority ownership interest in a company and use various put and call arrangements with the noncontrolling interest holders that require or enable us to purchase all or a portion of the remaining minority ownership at a later date. In accounting for these arrangements we are required to make estimates with regard to the final amount we will eventually pay for the additional ownership interest that we will acquire. In the minority put arrangements, the final settlement values are usually based on future earnings measurements that we refer to as "non-GAAP earnings," as they are calculated using an agreed-upon set of rules that are not necessarily consistent with GAAP. We use the current value of a multiple of the current period non-GAAP earnings as an estimate for the final value that will eventually be paid to settle the arrangement. These values are then adjusted annually to reflect changes in the acquired company's non-GAAP earnings as well as the additional passage of time to maturity for the arrangement. To the extent that the current period's non-GAAP earnings are different from future periods' non-GAAP earnings, the value of these obligations can change significantly and can impact our financial position and results of operations. See Note 12, Commitments and Contingencies in our consolidated financial statements included elsewhere in this Form 10-K for details of our noncontrolling interest put arrangements.

Table of Contents

Goodwill and Indefinite-lived Intangible Assets

We perform annual impairment tests of indefinite-lived intangible assets, primarily goodwill and tradenames, as of October 1st each year. We also evaluate these assets on an interim basis if events or changes in circumstances between annual tests indicate that the assets may be impaired. We have not made material changes to the methodology used to assess impairment loss on indefinite-lived intangible assets during the past three fiscal years.

We have the option of first performing a qualitative assessment (i.e., step zero) before calculating the fair value of the reporting unit (i.e., step one of the two-step fair value-based impairment test). A reporting unit is defined as a component of an operating segment for which discrete financial information is available and regularly reviewed by management of the segment. If we determine on the basis of qualitative factors that the fair value of the reporting unit is more likely than not less than the carrying amount, the two-step impairment test is required.

If we do not perform the qualitative assessment for a reporting unit or determine that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a quantitative two-step fair value-based test is performed. In the first step, we estimate the fair value of each reporting unit, utilizing a weighted combination of a discounted cash flow analysis and a market multiples analysis. If the recorded net assets of the reporting unit are less than the reporting unit's estimated fair value, then there is no goodwill deemed to be impaired. If the recorded net assets of the reporting unit exceed its estimated fair value, then goodwill is potentially impaired and we calculate the implied fair value of goodwill, by deducting the estimated fair value of all tangible and identifiable intangible net assets of the reporting unit from the estimated fair value of the reporting unit. If the recorded amount of goodwill exceeds this implied fair value, the difference is recognized as a loss on impairment of assets in the consolidated statements of operations.

Our valuation approach utilizes a weighted combination of a discounted cash flow analysis and a market multiples analysis, where available. The discounted cash flow analysis relies on historical data and internal estimates, which are developed as a part of our long-range plan process, and includes an estimate of terminal value based on these expected cash flows using the generally accepted Gordon Dividend Growth formula, which derives a valuation using an assumed perpetual annuity based on the reporting unit's residual cash flows. The discount rate is based on the generally accepted Weighted Average Cost of Capital methodology, and is derived using a cost of equity based on the generally accepted Capital Asset Pricing Model and a cost of debt assumption based on the typical rate paid by market participants. The market multiples analysis utilizes multiples of business enterprise value to revenues, operating income and earnings before interest, taxes, depreciation and amortization of comparable publicly traded companies and multiples based on fair value transactions where public information is available. Significant assumptions used in estimating the fair value include: (1) discount and growth rates, and (2) our long-range plan which includes enrollment, pricing, planned capital expenditures and operating margins. Management reviews the sum of the estimated enterprise fair value of all our reporting units to our market enterprise value to corroborate the results of its weighted combination approach to determining fair value.

We also evaluate the sensitivity of a change in assumptions related to goodwill impairment, assessing whether a 10% reduction in our estimates of revenue or a 1% increase in our estimated discount rates would result in impairment of goodwill. Using the current estimated cash flows and discount rates, each reporting unit's estimated fair value exceeds its carrying value by at least 15% in instances where we performed step one of the two-step fair value-based impairment testing. We have determined that none of our reporting units with material goodwill were at risk of failing the first step of the goodwill impairment test as of December 31, 2018.

The impairment test for indefinite-lived intangible assets generally requires a new determination of the fair value of the intangible asset using the "relief-from-royalty" method. This method estimates the

Table of Contents

amount of royalty expense that we would expect to incur if the assets were licensed from a third party. We use publicly available information and proprietary third-party arm's length agreements that Laureate has entered into with various licensors, when applicable, in determining certain assumptions to assist us in estimating fair value using market participant assumptions. If the fair value of the intangible asset is less than its carrying value, the intangible asset is adjusted to its new estimated fair value, and an impairment loss is recognized.

If the estimates and related assumptions used in assessing the recoverability of our goodwill and indefinite-lived intangible assets decline, we may be required to record impairment charges for those assets. We base our fair value estimates on assumptions that we believe to be reasonable but that are unpredictable and inherently uncertain. Actual results may differ from those estimates. In addition, we make certain judgments and assumptions in allocating shared assets and liabilities to determine the carrying values for each of our reporting units. In connection with our goodwill impairment testing in the fourth quarter of 2018, we wrote off the remaining goodwill balance of $3.1 million associated with our operations in the Kingdom of Saudi Arabia, within our Rest of World segment. See also " Results of Operations Discussion of Significant Items Affecting the Consolidated Results for the Years Ended December 31, 2018, 2017 and 2016" and Note 9, Goodwill and Other Intangible Assets, in our consolidated financial statements included elsewhere in this Form 10-K for further details of the impairments.

We completed our IPO on February 6, 2017 at an initial public offering price that was below the range and since then our stock price at times has traded below the initial public offering price. While our market capitalization is currently in excess of the carrying value of our stockholders' equity, a significant decline in our stock price for an extended period of time could be considered an impairment indicator that would cause us to perform an interim impairment test that could result in additional impairments of goodwill or other intangible assets.

Long-Lived Assets and Finite-Lived Intangible Assets

We evaluate our long-lived assets, including property and equipment and finite-lived intangible assets, to determine whether events or changes in circumstances indicate that the remaining estimated useful lives of such assets may warrant revision or that their carrying values may not be fully recoverable.

Indicators of impairment include, but are not limited to:

- a significant deterioration of operating results;
- a change in regulatory environment;
- a significant change in the use of an asset, its physical condition, or a change in management's intended use of the asset;
- an adverse change in anticipated cash flows; or
- a significant decrease in the market price of an asset.

If an impairment indicator is present, we evaluate recoverability by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to result from the use and eventual disposition of the assets. If the assets are determined to be impaired, the impairment recognized is the excess of the carrying amount over the fair value of the assets. Fair value is generally determined by the discounted cash flow method. The discount rate used in any estimate of discounted cash flows is the rate commensurate with a similar investment of similar risk. We use judgment in determining whether a triggering event has occurred and in estimating future cash flows and fair value. Changes in our judgments could result in impairments in future periods.

Table of Contents

We recorded impairment losses on long-lived assets for the years ended December 31, 2018 and 2017. See Note 9, Goodwill and Other Intangible Assets, in our consolidated financial statements included elsewhere in this Form 10-K for further details. We recorded no impairment losses on long-lived assets and finite-lived intangible assets for the year ended December 31, 2016.

Deferred Costs

Deferred costs on the consolidated balance sheets consist primarily of direct costs associated with online course development, accreditation and costs to obtain a contract. Deferred costs associated with the development of online educational programs are capitalized after technological feasibility has been established. Deferred online course development costs are amortized to direct costs on a straight-line basis over the estimated period that the associated products are expected to generate revenues. Deferred online course development costs are evaluated on a quarterly basis through review of the corresponding course catalog. If a course is no longer listed or offered in the current course catalog, then the costs associated with its development are written off. As of December 31, 2018 and 2017, the unamortized balances of online course development costs were $57.1 million and $58.0 million, respectively. We defer direct and incremental third-party costs incurred for obtaining initial accreditation and for the renewal of accreditations. These accreditation costs are amortized to direct costs over the life of the accreditation on a straight-line basis. As of December 31, 2018 and 2017, the unamortized balances of accreditation costs were $2.7 million and $2.9 million, respectively. Laureate also defers certain commissions and bonuses earned by third party agents and our employees that are considered incremental and recoverable costs of obtaining a contract with a customer. These costs are amortized over the period of benefit which ranges from two to four years. As of December 31, 2018 and 2017, the unamortized balances of contract costs were $7.0 million and $0, respectively.

At December 31, 2018 and 2017, our total deferred costs were $184.9 million and $164.6 million, respectively, with accumulated amortization of $(118.0) million and $(103.6) million, respectively.

Debt Issuance Costs

Debt issuance costs are paid as a result of certain debt transactions and are presented as a deduction from debt. These debt issuance costs are amortized over the term of the associated debt instruments. The amortization expense is recognized as a component of Interest expense in the Consolidated Statements of Operations. If we extinguish our debt before its full term, we may need to write off all or a portion of these deferred financing costs and recognize a loss on extinguishment. As of December 31, 2018 and 2017, the unamortized balances of deferred financing costs were $88.2 million and $105.3 million, respectively.

Income Taxes

We record the amount of income taxes payable or refundable for the current year, as well as deferred tax assets and liabilities for the expected future tax consequences of events that we have recognized in our consolidated financial statements or tax returns. We exercise judgment in assessing future profitability and the likely future tax consequences of these events.

Deferred Taxes

Estimates of deferred tax assets and liabilities are based on current tax laws, rates and interpretations, and, in certain cases, business plans and other expectations about future outcomes. We develop estimates of future profitability based upon historical data and experience, industry projections, forecasts of general economic conditions, and our own expectations. Our accounting for deferred tax consequences represents management's best estimate of future events that can be appropriately reflected in our accounting estimates. Changes in existing tax laws and rates, their related

Table of Contents

interpretations, as well as the uncertainty generated by the current economic environment may impact the amounts of deferred tax liabilities or the valuations of deferred tax assets.

Tax Contingencies

We are subject to regular review and audit by both domestic and foreign tax authorities. We apply a more-likely-than-not threshold for tax positions, under which we must conclude that a tax position is more likely than not to be sustained in order for us to continue to recognize the benefit. This assumes that the position will be examined by the appropriate taxing authority and that full knowledge of all relevant information is available. In determining the provision for income taxes, judgment is used, reflecting estimates and assumptions, in applying the more-likely-than-not threshold. A change in the assessment of the outcome of a tax review or audit could materially adversely affect our consolidated financial statements.

See Note 16, Income Taxes, in our consolidated financial statements included elsewhere in this Form 10-K for details of our deferred taxes and tax contingencies.

Indefinite Reinvestment of Foreign Earnings

We earn a significant portion of our income from subsidiaries located in countries outside the United States. Except for one of our institutions in Peru, deferred tax liabilities have not been recognized for undistributed foreign earnings of continuing operations because management believes that the earnings will be indefinitely reinvested outside the United States under the Company's planned tax neutral methods. ASC 740, "Income Taxes," requires that we evaluate our circumstances to determine whether or not there is sufficient evidence to support the assertion that we will reinvest undistributed foreign earnings indefinitely. Our assertion that earnings from our foreign operations will be indefinitely reinvested is supported by projected working capital and long-term capital plans in each foreign subsidiary location in which the earnings are generated. Additionally, we believe that we have the ability to indefinitely reinvest foreign earnings based on our domestic operation's cash repatriation strategies, projected cash flows, projected working capital and liquidity, and the expected availability of capital within the debt or equity markets. If our expectations change based on future developments such that some or all of the undistributed earnings of our foreign subsidiaries may be remitted to the United States in the foreseeable future, we will be required to recognize deferred tax expense and liabilities on those amounts.

Revenue Recognition

Laureate's revenues primarily consist of tuition and educational service revenues. We also generate other revenues from student fees, dormitory/residency fees and other education-related activities. These other revenues are less material to our overall financial results and have a tendency to trend with tuition revenues. Revenues are 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. These revenues are recognized net of scholarships and other discounts, refunds, waivers and the fair value of any guarantees made by Laureate related to student financing programs. For further description, see also Note 3, Revenue, in our consolidated financial statements included elsewhere in this Form 10-K.

Allowance for Doubtful Accounts

Receivables are deemed to be uncollectible when they have been outstanding for two years, or earlier when collection efforts have ceased, at which time they are written off. Prior to that, we record an allowance for doubtful accounts to reduce our receivables to their net realizable value. Our allowance estimation methodology is based on the age of the receivables, the status of past-due

Table of Contents

amounts, historical collection trends, current economic conditions and student enrollment status. In the event that current collection trends differ from historical trends, an adjustment is made to the allowance account and bad debt expense.

Derivatives

In the normal course of business, our operations have significant exposure to fluctuations in foreign currency values and interest rate changes. Accordingly, we mitigate a portion of these risks through a risk-management program that includes the use of derivative financial instruments (derivatives). Laureate selectively enters into foreign exchange forward contracts to reduce the earnings impact related to receivables and payables that are denominated in foreign currencies. In addition, in certain cases Laureate uses interest rate swaps to mitigate certain risks associated with floating-rate debt arrangements. We do not engage in speculative or leveraged transactions, nor do we hold or issue derivatives for trading purposes.

We report all derivatives on the consolidated balance sheets at fair value. The values are derived using valuation models commonly used for derivatives. These valuation models require a variety of inputs, including contractual terms, market prices, forward-price yield curves, notional quantities, measures of volatility and correlations of such inputs. Our fair value models incorporate the measurement of our own nonperformance risk into our calculations. Our derivatives expose us to credit risk to the extent that the counterparty may possibly fail to perform its contractual obligation when we are in a net gain position. As a result, our valuation models reflect measurements for counterparty credit risk. We also actively monitor counterparty credit ratings for any significant changes that could impact the nonperformance risk calculation for our fair value. We value derivatives using management's best estimate of inputs we believe market participants would use in pricing the asset or liability at the measurement date. Derivative and hedge accounting requires judgment in the use of estimates that are inherently uncertain and that may change in subsequent periods. External factors, such as economic conditions, will impact the inputs to the valuation model over time. The effect of changes in assumptions and estimates could materially impact our financial statements. See Note 15, Derivative Instruments, in our consolidated financial statements included elsewhere in this Form 10-K for details of our derivatives.

Share-Based Compensation

We use the Black-Scholes-Merton option pricing model to calculate the fair value of stock options. This option valuation model requires the use of subjective assumptions, including the estimated fair value of the underlying common stock, the expected stock price volatility, and the expected term of the option. Prior to the IPO, the estimated fair value of the underlying common stock was based on third-party valuations. After our IPO, the estimated fair value of the underlying common stock is based on the closing price of our Class A common stock on the grant date. Since we have only been publicly traded since February 2017, our volatility estimates have been based on a peer group of companies. We estimate the expected term of awards to be the weighted average mid-point between the vesting date and the end of the contractual term. We use this method to estimate the expected term since we do not have sufficient historical exercise data.

We have granted restricted stock, restricted stock units, stock options, and performance awards for which the vesting is based on our annual performance metrics. For interim periods, we use our year-to-date actual results, financial forecasts, and other available information to estimate the probability of the award vesting based on the performance metrics. The related compensation expense recognized is affected by our estimates of the vesting probability of these performance awards. See Note 14, Share-based Compensation and Equity, in our consolidated financial statements included elsewhere in this Form 10-K for further discussion of these arrangements.

Recently Issued Accounting Standards

Refer to Note 2, Significant Accounting Policies, in our consolidated financial statements included elsewhere in this Form 10-K for recently issued accounting standards.

Table of Contents

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk primarily from fluctuations in interest rates and foreign currency exchange rates. We may seek to control a portion of these risks through a risk-management program that includes the use of derivatives to reduce earnings and cash flow volatility associated with changes in interest rates and foreign currency exchange rates. As a policy, we do not engage in speculative or leveraged transactions, nor do we hold or issue derivatives for trading purposes.

Interest Rate Risk

We are subject to risk from fluctuations in interest rates, primarily relating to our Senior Secured Credit Facility and certain local debt, which bear interest at variable rates. However, we mitigate this risk in part by entering into floating-to-fixed interest rate swap contracts in order to fix a portion of our floating-rate debt.

Based on our outstanding variable-rate debt as of December 31, 2018 and factoring in the impact of the derivatives, an increase of 100 basis points in our weighted-average interest rate would result in an increase in interest expense of $17.6 million on an annual basis.

See Note 15, Derivative Instruments, in our consolidated financial statements included elsewhere in this Form 10-K for further discussion of our derivatives.

Foreign Currency Exchange Risk

We use the USD as our reporting currency. We derived approximately 81% of our revenues from students outside of the United States for the year ended December 31, 2018. Our business is transacted through a network of international and domestic subsidiaries, generally in the local currency, considered the functional currency for that subsidiary.

Our foreign currency exchange rate risk is related to the following items:

- Adjustments relating to the translation of our assets and liabilities from the subsidiaries' functional currencies to USD. These adjustments are recorded in accumulated other comprehensive income (loss) on our consolidated balance sheets.

- Gains and losses resulting from foreign currency exchange rate changes related to intercompany loans that are deemed to have the characteristics of a long-term investment. These gains and losses are recorded in accumulated other comprehensive income (loss) on our consolidated balance sheets.

- Gains and losses resulting from foreign currency exchange rate changes related to intercompany loans that are not deemed to have the characteristics of a long-term investment. These gains and losses are recorded in foreign currency exchange gain (loss) on our consolidated statements of operations.

- Gains and losses on foreign currency transactions. These gains and losses are recorded in foreign currency exchange gain (loss) on our consolidated statements of operations.

For the year ended December 31, 2018, a hypothetical 10% adverse change in average annual foreign currency exchange rates, excluding the impacts of our derivatives, would have decreased Operating income and Adjusted EBITDA by approximately $25.0 million and $65.0 million, respectively.

We monitor the impact of foreign currency movements related to differences between our subsidiaries' local currencies and the USD. Our U.S. debt facilities are primarily denominated in USD. We enter into foreign exchange forward contracts to protect the USD value of our assets and future cash flows, as well as to reduce the earnings impact of exchange rate fluctuations on receivables and payables denominated in currencies other than the functional currencies. See Note 15, Derivative Instruments, in our consolidated financial statements included elsewhere in this Form 10-K for additional discussion regarding our derivatives.

Table of Contents

Item 8. Financial Statements

Report of Management on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. We conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2018, based on the framework in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013. Based on our evaluation, we have concluded that our internal control over financial reporting was effective as of December 31, 2018.

The effectiveness of our internal control over financial reporting as of December 31, 2018, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Date: February 28, 2019

/s/ EILIF SERCK-HANSSEN

Eilif Serck-Hanssen
Chief Executive Officer

/s/ JEAN-JACQUES CHARHON

Jean-Jacques Charhon
Executive Vice President and Chief Financial Officer

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Laureate Education, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Laureate Education, Inc. and its subsidiaries (the "Company") as of December 31, 2018 and 2017, and the related consolidated statements of operations, of comprehensive income, of stockholders' equity and of cash flows for each of the three years in the period ended December 31, 2018, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principles

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for certain cash receipts and cash payments and the manner in which it accounts for restricted cash and restricted cash equivalents in the consolidated statement of cash flows in 2018.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, 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 Report of Management on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and

Table of Contents

evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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 (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) 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 (iii) 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/ PricewaterhouseCoopers LLP

Baltimore, Maryland
February 28, 2019

We have served as the Company's auditor since 2007, which includes periods before the Company became subject to SEC reporting requirements.

Table of Contents

LAUREATE EDUCATION, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

IN THOUSANDS, except per share amounts

For the years ended December 31,	**2018**	**2017**	**2016**
Revenues	$ 3,350,224	$ 3,385,876	$ 3,301,864
Costs and expenses:			
Direct costs	2,746,868	2,821,291	2,788,691
General and administrative expenses	299,264	315,471	222,496
Loss on impairment of assets	13,110	7,121	
Operating income	290,982	241,993	290,677
Interest income	11,856	11,865	14,414
Interest expense	(235,235)	(334,901)	(390,391)
Loss on debt extinguishment	(7,481)	(8,392)	(17,363)
Gain (loss) on derivatives	88,292	28,656	(6,084)
Other income (expense), net	12,173	(1,892)	457
Foreign currency exchange (loss) gain, net	(32,409)	2,539	77,299
Gain (loss) on sales of subsidiaries, net	254	(10,490)	398,081
Income (loss) from continuing operations before income taxes and equity in net (loss) income of affiliates	128,432	(70,622)	367,090
Income tax (expense) benefit	(133,160)	91,308	(34,440)
Equity in net (loss) income of affiliates, net of tax	(2)	152	90
(Loss) income from continuing operations	(4,730)	20,838	332,740
Income from discontinued operations, net of tax expense of $47,382 for 2018, $24,495 for 2017 and $30,561 for 2016	79,080	72,926	33,446
Gain on sales of discontinued operations, net, including tax benefit of $3,466 for 2018 and $0 for 2017 and 2016	296,580		
Net income	370,930	93,764	366,186
Net (income) loss attributable to noncontrolling interests	(863)	(2,299)	5,661
Net income attributable to Laureate Education, Inc.	$ 370,067	$ 91,465	$ 371,847
Accretion of Series A convertible redeemable preferred stock and other redeemable noncontrolling interests and equity	$ (62,825)	$ (298,497)	$ (1,537)
Gain upon conversion of Series A convertible redeemable preferred stock	74,110		
Net income (loss) available to common stockholders	$ 381,352	$ (207,032)	$ 370,310
Basic earnings (loss) per share:			
Income (loss) from continuing operations	$ 0.03	$ (1.60)	$ 2.50
Income from discontinued operations	1.76	0.40	0.28
Basic earnings (loss) per share	$ 1.79	$ (1.20)	$ 2.78
Diluted earnings (loss) per share:			
(Loss) income from continuing operations	$ (0.03)	$ (1.60)	$ 2.48
Income from discontinued operations	1.76	0.40	0.28
Diluted earnings (loss) per share	$ 1.73	$ (1.20)	$ 2.76

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

LAUREATE EDUCATION, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

IN THOUSANDS

For the years ended December 31,	2018	2017	2016
Net income	$ 370,930	$ 93,764	$ 366,186
Other comprehensive (loss) income:			
Foreign currency translation adjustment, net of tax of $0 for all years	(200,006)	120,436	(115,685)
Unrealized gain on derivative instruments, net of tax of $0 for all years	13,709	9,875	8,032
Minimum pension liability adjustment, net of tax of $144, $105 and $1,800, respectively	(350)	(377)	8,391
Total other comprehensive (loss) income	(186,647)	129,934	(99,262)
Comprehensive income	184,283	223,698	266,924
Net comprehensive (income) loss attributable to noncontrolling interests	(1,355)	(4,570)	5,545
Comprehensive income attributable to Laureate Education, Inc.	$ 182,928	$ 219,128	$ 272,469

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

LAUREATE EDUCATION, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

IN THOUSANDS, except per share amounts

	December 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents (includes VIE amounts of $158,387 and $100,971, see Note 2)	$ 388,490	$ 320,567
Restricted cash	201,300	212,215
Receivables:		
Accounts and notes receivable	399,322	474,456
Other receivables	11,596	15,175
Allowance for doubtful accounts	(161,649)	(178,566)
Receivables, net	249,269	311,065
Income tax receivable	18,515	38,231
Prepaid expenses and other current assets	53,187	81,948
Current assets held for sale	306,372	324,668
Total current assets (includes VIE amounts of $483,613 and $407,315, see Note 2)	1,217,133	1,288,694
Notes receivable, net	2,397	3,528
Property and equipment:		
Land	234,826	243,179
Buildings	645,177	669,973
Furniture, equipment and software	968,468	977,382
Leasehold improvements	356,824	366,735
Construction in-progress	60,919	62,474
Accumulated depreciation and amortization	(987,279)	(939,326)
Property and equipment, net	1,278,935	1,380,417
Land use rights, net	1,552	1,572
Goodwill	1,707,089	1,828,365
Other intangible assets:		
Tradenames	1,126,244	1,167,302
Other intangible assets, net	25,429	35,779
Deferred costs, net	66,835	60,931
Deferred income taxes	136,487	152,398
Derivative instruments	3,259	48,186
Other assets	172,817	199,441
Long-term assets held for sale	1,031,459	1,224,672
Total assets (includes VIE amounts of $1,196,813 and $1,419,579, see Note 2)	$ 6,769,636	$ 7,391,285

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

LAUREATE EDUCATION, INC. AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)

IN THOUSANDS, except per share amounts

	December 31, 2018	December 31, 2017
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 67,303	$ 70,137
Accrued expenses	227,583	239,620
Accrued compensation and benefits	196,355	215,760
Deferred revenue and student deposits	193,226	184,116
Current portion of long-term debt	101,866	121,870
Current portion of due to shareholders of acquired companies	23,820	34,745
Income taxes payable	20,901	20,553
Derivative instruments	4,021	4,458
Other current liabilities	46,621	31,761
Current liabilities held for sale	308,391	451,569
Total current liabilities (includes VIE amounts of $207,977 and $341,147, see Note 2)	1,190,087	1,374,589
Long-term debt, less current portion	2,593,585	2,973,396
Due to shareholders of acquired companies, less current portion	21,571	37,040
Deferred compensation	12,778	14,470
Income taxes payable	93,460	106,062
Deferred income taxes	217,558	247,371
Derivative instruments	6,656	9,390
Other long-term liabilities	214,306	221,941
Long-term liabilities held for sale	354,293	405,747
Total liabilities (includes VIE amounts of $274,744 and $449,561, see Note 2)	4,704,294	5,390,006
Series A convertible redeemable preferred stock, par value $0.001 per share 111 shares authorized, no shares issued and outstanding as of December 31, 2018 and 512 shares authorized, 401 shares issued and outstanding as of December 31, 2017		400,276
Redeemable noncontrolling interests and equity	14,396	13,721
Stockholders' equity:		
Preferred stock, par value $0.001 per share 49,889 and 49,488 shares authorized as of December 31, 2018 and December 31, 2017 respectively, no shares issued and outstanding as of December 31, 2018 and December 31, 2017		
Class A common stock, par value $0.004 per share 700,000 shares authorized, 107,450 shares issued and outstanding as of December 31, 2018 and 55,052 shares issued and outstanding as of December 31, 2017	430	220
Class B common stock, par value $0.004 per share 175,000 shares authorized, 116,865 shares issued and outstanding as of December 31, 2018 and 132,443 shares issued and outstanding as of December 31, 2017	467	530
Additional paid-in capital	3,703,796	3,446,206
Accumulated deficit	(530,919)	(946,236)
Accumulated other comprehensive loss	(1,112,695)	(925,556)
Total Laureate Education, Inc. stockholders' equity	2,061,079	1,575,164
Noncontrolling interests	(10,133)	12,118
Total stockholders' equity	2,050,946	1,587,282
Total liabilities and stockholders' equity	$ 6,769,636	$ 7,391,285

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

LAUREATE EDUCATION, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

IN THOUSANDS

Laureate Education, Inc. Stockholders

	Class A Common Stock		Class B Common Stock		Common Stock		Additional paid-in capital	(Accumulated deficit) retained earnings	Accumulated other comprehensive (loss) income	Non-controlling interests	Total stockholders' equity
	Shares	Amount	Shares	Amount	Shares	Amount					
Balance at December 31, 2015		$		$	133,255	$ 533	$ 2,686,451	$ (1,409,548)	$ (952,677)	$ 30,667	$ 355,426
Non-cash stock compensation							38,071				38,071
Exercise of stock options					12		253				253
Vesting of restricted stock and exercise of stock options, net of shares withheld to satisfy tax withholding					109	1	(1,726)				(1,725)
Changes in noncontrolling interests							1,003			2,101	3,104
Dividends to noncontrolling interests							(1,164)				(1,164)
Capital contributions from noncontrolling interest holders										5,572	5,572
Accretion of redeemable noncontrolling interests and equity							263				263
Accretion of Series A Preferred Stock							(1,719)				(1,719)
Reclassification of redeemable noncontrolling interests and equity										(613)	(613)
Net income (loss)								371,847		(5,661)	366,186
Foreign currency translation adjustment, net of tax of $0									(115,801)	116	(115,685)
Unrealized gain on derivatives, net of tax of $0									8,032		8,032
Minimum pension liability adjustment, net of tax of $1,800									8,391		8,391
Balance at December 31, 2016					133,376	534	2,721,432	(1,037,701)	(1,052,055)	32,182	664,392
Non-cash stock compensation							64,788				64,788
Reclassification of Common stock into Class B common stock on January 31, 2017			133,376	534	(133,376)	(534)					
Issuance of Class A common stock in initial public offering	35,000	140					456,219				456,359
Conversion of Class B shares to Class A shares	1,229	5	(1,229)	(5)							
Note exchange transaction	18,683	75					245,672				245,747
Vesting of restricted stock and restricted stock units, net of shares withheld to satisfy tax withholding	140		296	1			(2,152)				(2,151)
Reclassification to equity upon expiration of put right on share-based awards							5,500				5,500
Dividends to noncontrolling interests							(1,419)				(1,419)
Distributions to noncontrolling interest holders										167	167
Change in noncontrolling interests							(11,569)		(1,164)	(23,884)	(36,617)
Accretion of redeemable noncontrolling interests and equity							(5,183)				(5,183)
							(292,450)				(292,450)

Accretion of Series A Preferred Stock										
Beneficial conversion feature for Series A Preferred Stock						265,368				265,368
Reclassification of redeemable noncontrolling interests and equity									(917)	(917)
Net income							91,465		2,299	93,764
Foreign currency translation adjustment, net of tax of $0								118,165	2,271	120,436
Unrealized gain on derivatives, net of tax of $0								9,875		9,875
Minimum pension liability adjustment, net of tax of $105								(377)		(377)
Balance at December 31, 2017	55,052	$ 220	132,443	$ 530	$	$ 3,446,206	$ (946,236)	$ (925,556)	$ 12,118	$ 1,587,282

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

LAUREATE EDUCATION, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity (Continued)

IN THOUSANDS

	Laureate Education, Inc. Stockholders								
	Class A Common Stock		Class B Common Stock		Additional paid-in capital	(Accumulated deficit) retained earnings	Accumulated other comprehensive (loss) income	Non-controlling interests	Total stockholders' equity
	Shares	Amount	Shares	Amount					
Balance at December 31, 2017	55,052	$ 220	132,443	$ 530	$ 3,446,206	$ (946,236)	$ (925,556)	$ 12,118	$ 1,587,282
Adoption of accounting standards						45,250			45,250
Balance at January 1, 2018	55,052	220	132,443	530	3,446,206	(900,986)	(925,556)	12,118	1,632,532
Non-cash stock compensation					10,791				10,791
Conversion of Class B shares to Class A shares	15,638	63	(15,638)	(63)					
Vesting of restricted stock and restricted stock units, net of shares withheld to satisfy tax withholding	617	3	60		(2,531)				(2,528)
Distributions from noncontrolling interest holders								334	334
Change in noncontrolling interests					(471)			(23,305)	(23,776)
Accretion of redeemable noncontrolling interests and equity					(292)				(292)
Accretion of Series A Preferred Stock					(61,974)				(61,974)
Gain upon conversion of Series A Preferred Stock					74,110				74,110
Reclassification of Series A Preferred Stock upon conversion	36,143	144			237,957				238,101
Reclassification of redeemable noncontrolling interests and equity								(635)	(635)
Net income						370,067		863	370,930
Foreign currency translation adjustment, net of tax of $0							(200,498)	492	(200,006)
Unrealized gain on derivatives, net of tax of $0							13,709		13,709
Minimum pension liability adjustment, net of tax of $144							(350)		(350)
Balance at December 31, 2018	107,450	$ 430	116,865	$ 467	$ 3,703,796	$ (530,919)	$ (1,112,695)	$ (10,133)	$ 2,050,946

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

LAUREATE EDUCATION, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

IN THOUSANDS

For the years ended December 31,	**2018**	**2017**	**2016**
Cash flows from operating activities			
Net income	$ 370,930	$ 93,764	$ 366,186
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	239,998	264,742	264,879
Loss on impairment of assets	13,110	40,597	23,465
Gain on sale of subsidiaries and disposal of property and equipment, net	(292,108)	(5,837)	(408,672)
(Gain) loss on derivative instruments	(89,143)	(29,278)	4,717
Proceeds from settlement of derivative contracts	14,117		
Loss on debt extinguishment	7,481	8,392	17,363
Non-cash interest expense	15,408	49,582	46,195
Interest paid on deferred purchase price for acquisitions	(4,463)	(39,419)	
Non-cash share-based compensation expense	10,791	64,788	38,809
Bad debt expense	112,440	124,308	108,019
Deferred income taxes	(7,474)	(164,785)	(30,150)
Unrealized foreign currency exchange loss (gain)	37,796	4,135	(67,946)
Non-cash loss (gain) from non-income tax contingencies	6,839	(2,883)	17,360
Other, net	(10,297)	3,463	5,949
Changes in operating assets and liabilities:			
Receivables	(83,316)	(129,335)	(110,693)
Prepaid expenses and other assets	(39,347)	(60,051)	(17,594)
Accounts payable and accrued expenses	(7,512)	(30,407)	688
Income tax receivable/payable, net	48,875	(10,695)	(36,762)
Deferred revenue and other liabilities	52,733	11,076	(29,557)
Net cash provided by operating activities	396,858	192,157	192,256
Cash flows from investing activities			
Purchase of property and equipment	(238,046)	(274,063)	(240,258)
Expenditures for deferred costs	(19,866)	(19,717)	(16,436)
Receipts from sale of subsidiaries and property and equipment, net of cash sold	375,807	9,831	554,441
Settlement of derivatives related to sale of subsidiaries	(9,960)		(5,663)
Proceeds from corporate-owned life insurance and property insurance recoveries	27,356	370	3,623
Business acquisitions, net of cash acquired	(17,019)	(835)	
Investments in affiliates and payments (to) from related parties	(2,778)	(268)	1,590
Net cash provided by (used in) investing activities	115,494	(284,682)	297,297
Cash flows from financing activities			
Proceeds from issuance of long-term debt, net of original issue discount	485,470	2,898,836	708,827
Payments on long-term debt	(867,915)	(3,038,946)	(1,421,379)
Payments of deferred purchase price for acquisitions	(13,650)	(94,891)	(22,236)
Payments to purchase noncontrolling interests	(127)	(17,443)	(25,665)
Proceeds from issuance of convertible redeemable preferred stock, net of issuance costs		55,290	329,142
Payment of dividends on Series A Preferred Stock and to noncontrolling interests	(11,103)	(19,371)	(1,505)
Proceeds from initial public offering, net of issuance costs		456,359	
Proceeds from exercise of stock options			253
Withholding of shares to satisfy tax withholding for vested stock awards and exercised stock options	(2,528)	(2,151)	(1,725)
Payments of debt issuance costs and redemption and call premiums for debt modification	(587)	(81,242)	(11,582)
Noncontrolling interest holder's loan to subsidiaries		943	802
Distributions from (to) noncontrolling interest holders	311	186	(654)
Net cash (used in) provided by financing activities	(410,129)	157,570	(445,722)
Effects of exchange rate changes on Cash and cash equivalents and Restricted cash	(13,486)	25,909	3,478
Change in cash included in current assets held for sale	(31,729)	(32,509)	(3,492)

Net change in Cash and cash equivalents and Restricted cash	57,008	58,445	43,817
Cash and cash equivalents and Restricted cash at beginning of period	532,782	474,337	430,520
Cash and cash equivalents and Restricted cash at end of period	$ 589,790	$ 532,782	$ 474,337

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars and shares in thousands)

Note 1. Description of Business

Laureate Education, Inc. and subsidiaries (hereinafter Laureate, we, us, our, or the Company) provide higher education programs and services to students through an international network of licensed universities and higher education institutions (institutions). Laureate's programs are provided through institutions that are campus-based and internet-based, or through electronically distributed educational programs (online). On October 1, 2015, we redomiciled in Delaware as a public benefit corporation as a demonstration of our long-term commitment to our mission to benefit our students and society.

The Company's shares are listed on the Nasdaq Global Select Market under the symbol "LAUR". In its initial public offering (IPO) on February 6, 2017, the Company sold 35,000 shares of its Class A common stock at a price of $14.00 per share, resulting in net proceeds to the Company during the first quarter of 2017, after deducting underwriting discounts and commissions and offering expenses payable by us, of $456,359.

Discontinued Operations

On August 9, 2018, the Company announced the divestiture of additional subsidiaries located in Europe, Asia and Central America, which are included in the Rest of World (formerly called EMEAA), Andean (formerly called Andean & Iberian), and Central America & U.S. Campuses segments. Previously, the Company had announced the divestiture of certain subsidiaries in the Rest of World and Central America & U.S. Campuses segments. After completing all of the announced divestitures, the Company's remaining principal markets will be Brazil, Chile, Mexico and Peru, along with the Online & Partnerships segment and the institutions in Australia and New Zealand. This represents a strategic shift that will have a major effect on the Company's operations and financial results. Accordingly, all of the divestitures that are part of this strategic shift, including the divestitures announced on August 9, 2018 and those announced previously, are now accounted for as discontinued operations for all periods presented, in accordance with Accounting Standards Codification (ASC) 205-20, "Discontinued Operations" (ASC 205). See Note 4, Discontinued Operations and Assets Held for Sale, for more information. Unless indicated otherwise, the information in the footnotes to the Consolidated Financial Statements relates to continuing operations.

Note 2. Significant Accounting Policies

The preparation of the Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States (GAAP) requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Principles of Consolidation and Investments in Affiliates

General

Our Consolidated Financial Statements include all accounts of Laureate, our majority-owned subsidiaries, and educational institutions that are part of our network and, although not owned by Laureate, are variable interest entities (VIEs) pursuant to ASC Topic 810-10, "Consolidation." As of December 31, 2018, the Laureate network includes 11 VIE institutions in seven countries. Of these

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

11 institutions, five are included in continuing operations and six are discontinued operations. Laureate has determined it is the "primary beneficiary" of these VIEs, as such term is defined in ASC 810-10-20, and has consolidated the financial results of operations, assets and liabilities, and cash flows of these VIEs in the Company's Consolidated Financial Statements. Intercompany accounts and transactions have been eliminated in consolidation.

Noncontrolling Interests

A noncontrolling interest is the portion of a subsidiary that is not attributable to us either directly or indirectly. A noncontrolling interest can also be referred to as a minority interest. We recognize noncontrolling interest holders' share of equity and net income or loss separately in Noncontrolling interests in the Consolidated Balance Sheets and Net income attributable to noncontrolling interests in the Consolidated Statements of Operations. For the VIEs in our network, we generally do not recognize a noncontrolling interest. A noncontrolling interest is only recognized when a VIE's economics are shared with a third party (e.g., when the transferor of the control of the VIE retained a portion of the economics associated with it).

The Variable Interest Entity (VIE) Arrangements

Laureate consolidates in its financial statements certain internationally based educational organizations that do not have shares or other equity ownership interests. Although these educational organizations may be considered not-for-profit entities in their home countries and they are operated in compliance with their respective not-for-profit legal regimes, we believe they do not meet the definition of a not-for-profit entity under GAAP, and therefore we treat them as "for-profit" entities for accounting purposes. These entities generally cannot declare dividends or distribute their net assets to the entities that control them.

Under ASC 810-10, "Consolidation," we have determined that these institutions are VIEs and that Laureate is the primary beneficiary of these VIEs because we have, as further described herein: (1) the power to direct the activities of the VIEs that most significantly affect their educational and economic performance and (2) the right to receive economic benefits from contractual and other arrangements with the VIEs that could potentially be significant to the VIEs. We account for the acquisition of the right to control a VIE in accordance with ASC 805, "Business Combinations."

As with all of our educational institutions, the VIE institutions' primary source of income is tuition fees paid by students, for which the students receive educational services and goods that are proportionate to the prices charged. Laureate maintains control of these VIEs through our rights to designate a majority of the governing entities' board members, through which we have the legal ability to direct the activities of the entities. Laureate maintains a variable interest in these VIEs through mutual contractual arrangements at market rates and terms that provide them with necessary products and services, and/or intellectual property, and has the ability to enter into additional such contractual arrangements at market rates and terms. We also have the ability to transfer our rights to govern these VIEs, or the entities that possess those rights, to other parties, which could yield a return if and when these rights are transferred.

Table of Contents

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

We generally do not have legal entitlement to distribute the net assets of the VIEs. Generally, in the event of liquidation or the sale of the net assets of the VIEs, the net proceeds can only be transferred either to another VIE institution with similar purposes or to the government. In the unlikely case of liquidation or a sale of the net assets of the VIE, we may be able to retain the residual value by naming another Laureate-controlled VIE resident in the same jurisdiction as the recipient, if one exists; however we generally cannot name a for-profit entity as the recipient. Moreover, because the institution generally would be required to provide for the continued education of its students, liquidation would not be a likely course of action and would be unlikely to result in significant residual assets available for distribution. However, we operate our VIEs as going concern enterprises, maintain control in perpetuity, and have the ability to provide additional contractual arrangements for educational and other services priced at up to market rates with Laureate-controlled service companies. Typically, we are not legally obligated to make additional investments in the VIE institutions.

Laureate for-profit entities provide necessary products and services, and/or intellectual property, to all institutions in the *Laureate International Universities* network, including the VIE institutions, through contractual arrangements at market rates and terms, which are accretive to Laureate. We periodically modify the rates we charge under these arrangements so that they are priced at or below fair market value and to add additional services. If it is determined that contractual arrangements with any institution are not on market terms, it could have an adverse regulatory impact on such institution. We believe these arrangements improve the quality of the academic curriculum and the students' educational experience. There are currently four types of contractual arrangements: (i) intellectual property (IP) royalty arrangements; (ii) network fee arrangements; (iii) management service arrangements; and (iv) lease arrangements.

(i) Under the IP royalty arrangements, institutions in the *Laureate International Universities* network pay to Laureate royalty payments for the use of Laureate's tradename and best practice policies and procedures.

(ii) Institutions in the *Laureate International Universities* network gain access to other network resources, including academic content, support with curriculum design, online programs, professional development, student exchange and access to dual degree programs, through network fee arrangements whereby the institutions pay stipulated fees to Laureate for such access.

(iii) Institutions in the *Laureate International Universities* network contract with Laureate and pay fees under management services agreements for the provision of support and managerial services including access to management, legal, tax, finance, accounting, treasury and other services, which in some cases Laureate provides through shared service arrangements in certain jurisdictions.

(iv) Laureate for-profit entities, including for-profit entities in which the VIEs are investors, own various campus real estate properties and have entered into long-term lease contracts with the respective institutions in the *Laureate International Universities* network, whereby they pay market-based rents for the use of the properties in the conduct of their educational operations.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

Revenues recognized by Laureate's for-profit entities from these contractual arrangements with our consolidated VIEs, including those in continuing operations and discontinued operations, were $100,227, $123,237 and $113,276 for the years ended December 31, 2018, 2017 and 2016, respectively. These revenues are eliminated in consolidation.

Under our accounting policy, we allocate all of the income or losses of these VIEs to Laureate unless there is a noncontrolling interest where the economics of the VIE are shared with a third party. The income or losses of these VIEs allocated to Laureate represent the earnings after deducting charges related to contractual arrangements with our for-profit entities as described above. We believe that the income remaining at the VIEs after these charges accretes value to our rights to control these entities.

Laureate's VIEs are generally exempt from income taxes. As a result, the VIEs generally do not record deferred tax assets or liabilities or recognize any income tax expense in the Consolidated Financial Statements. No deferred taxes are recognized by the for-profit service companies for the remaining income in these VIEs as the legal status of these entities generally prevents them from declaring dividends or making distributions to their sponsors. However, these for-profit service companies record income taxes related to revenues from their contractual arrangements with these VIEs.

Risks in relation to the VIEs

We believe that all of the VIE institutions in the Laureate network are operated in full compliance with local law and that the contractual arrangements with the VIEs are legally enforceable; however, these VIEs are subject to regulation by various agencies based on the requirements of local jurisdictions. These agencies, as well as local legislative bodies, review and update laws and regulations as they deem necessary or appropriate. We cannot predict the form of any laws that may be enacted, or regulations that ultimately may be adopted in the future, or what effects they might have on our business, financial condition, results of operations and cash flows. If local laws or regulations were to change, if the VIEs were found to be in violation of existing local laws or regulations, or if the regulators were to question the financial sustainability of the VIEs and/or whether the contractual arrangements were at fair value, local government agencies could, among other actions:

- revoke the business licenses and/or accreditations of the VIE institutions;
- void or restrict related-party transactions, such as the contractual arrangements between Laureate and the VIE institutions;
- impose fines that significantly impact business performance or other requirements with which the VIEs may not be able to comply;
- require Laureate to change the VIEs' governance structures, such that Laureate would no longer maintain control of the activities of the VIEs; or
- disallow a transfer of our rights to govern these VIEs, or the entities that possess those rights, to a third party for consideration.

Table of Contents

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

Laureate's ability to conduct our business would be negatively affected if local governments were to carry out any of the aforementioned or other similar actions. In any such case, Laureate may no longer be able to consolidate the VIEs.

The VIEs in Brazil and Mexico include several not-for-profit foundations that have insignificant revenues and operating expenses. Selected Consolidated Statements of Operations information for VIEs that are included in continuing operations was as follows, net of the charges related to the above-described contractual arrangements:

For the years ended December 31,	2018	2017	2016
Selected Statements of Operations information:			
Revenues, by segment:			
Brazil	$	$ 104	$
Mexico	94		
Andean	441,294	418,019	380,111
Rest of World			20,206
Revenues	441,388	418,123	400,317
Depreciation and amortization	25,489	26,899	28,351
Operating income (loss), by segment:			
Brazil	(71)	(1)	(80)
Mexico	(489)	(876)	(967)
Andean	9,692	(4,858)	(17,120)
Rest of World			4,201
Operating income (loss)	9,132	(5,735)	(13,966)
Net income attributable to Laureate Education, Inc.	33,199	13,035	3,309

Included in net income for the VIEs in the table above is non-operating investment income that was recorded by three of the Chilean institutions relating to investments that these institutions have in a for-profit, education-related real estate subsidiary of Laureate in Chile. This non-operating investment income, which eliminated in consolidation, totaled $14,331, $11,696 and $11,061 for the years ended December 31, 2018, 2017 and 2016, respectively. The 2016 revenues and operating income for the Rest of World segment represents activity for two VIE institutions in France that were sold in July 2016; for further description of these institutions see Note 6, Dispositions and Asset Sales.

Income attributable to Laureate Education, Inc. related to VIEs that are included in discontinued operations totaled $86,887, $30,145 and $29,724 for the years ended December 31, 2018, 2017 and 2016, respectively.

Table of Contents

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

The following table reconciles the Net income (loss) attributable to Laureate Education, Inc. as presented in the table above, to the amounts in our Consolidated Statements of Operations:

For the years ended December 31,	2018	2017	2016
Net income (loss) attributable to Laureate Education, Inc.:			
Variable interest entities	$ 33,199	$ 13,035	$ 3,309
Other operations including discontinued operations	503,149	513,205	550,058
Corporate and eliminations	(166,281)	(434,775)	(181,520)
Net income attributable to Laureate Education, Inc.	$ 370,067	$ 91,465	$ 371,847

The following table presents selected assets and liabilities of the consolidated VIEs. Except for Goodwill, the assets in the table below include the assets that can be used only to settle the obligations for the VIEs. The liabilities in the table are liabilities for which the creditors of the VIEs do not have recourse to the general credit of Laureate.

Selected Consolidated Balance Sheet amounts for these VIEs were as follows:

	December 31, 2018		December 31, 2017	
	VIE	Consolidated	VIE	Consolidated
Balance Sheets data:				
Cash and cash equivalents	$ 158,387	$ 388,490	$ 100,971	$ 320,567
Current assets held for sale	183,880	306,372	170,229	324,668
Other current assets	141,346	522,271	136,115	643,459
Total current assets	483,613	1,217,133	407,315	1,288,694
Goodwill	168,473	1,707,089	183,812	1,828,365
Tradenames	66,929	1,126,244	74,484	1,167,302
Other intangible assets, net		25,429		35,779
Long-term assets held for sale	165,087	1,031,459	369,375	1,224,672
Other long-term assets	312,711	1,662,282	384,593	1,846,473
Total assets	1,196,813	6,769,636	1,419,579	7,391,285
Current liabilities held for sale	101,320	308,391	183,166	451,569
Other current liabilities	106,657	881,696	157,981	923,020
Long-term liabilities held for sale	42,265	354,293	84,760	405,747
Long-term debt and other long-term liabilities	24,502	3,159,914	23,654	3,609,670
Total liabilities	274,744	4,704,294	449,561	5,390,006
Total stockholders' equity	922,069	2,050,946	970,018	1,587,282
Total stockholders' equity attributable to Laureate Education, Inc.	921,747	2,061,079	948,966	1,575,164

The amounts classified as held-for-sale assets and liabilities at December 31, 2018 and December 31, 2017 in the table above relate to VIEs that are included in our Rest of World, Andean

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

and Central America & U.S. Campuses segments. Refer to Note 4, Discontinued Operations and Assets Held for Sale, for further discussion. The VIEs' cash balances are generally required to be used only for the benefit of the operations of these VIEs.

Chile Higher Education Law

On January 24, 2018, a new Higher Education Law (the New Law) was passed by the Chilean Congress, and signature and enactment of the New Law occurred in May 2018. Among other things, the New Law prohibits conflicts of interests and related party transactions involving universities and their controlling parties with certain exceptions, including the provision of services that are educational in nature or essential for the university's purposes. While the Company has modified some of its relationships with the Chilean universities in its network, and may need to make further modifications, we do not believe the New Law will change our relationship with our two tech/voc institutions in Chile that are for-profit entities. However, it is possible that the Chilean government will adopt additional laws that affect for-profit tech/voc institutions and their relationships with their owners.

The New Law established a Superintendency of Higher Education, with authority to regulate institutions of higher education and promulgate regulations and procedures implementing the New Law. While we await the promulgation of additional regulations by the Superintendent of Higher Education prior to the May 2019 implementation date stipulated under the New Law, we are continuing to evaluate the impact the New Law will have on our Chilean operations, including the extent to which it will affect existing contractual relationships that we maintain with the Chilean non-profit universities. Once the Superintendent issues the regulations, the Company and the Chilean universities may need to evaluate additional modifications to the existing contractual relationships. We will also review our accounting treatment of the Chilean non-profit universities, which are accounted for as variable interest entities, to determine whether we can continue to consolidate them. Our continuing evaluation of the impact of the New Law may result in changes to our expectations due to changes in our interpretations of the law, assumptions used, and additional guidance that may be issued. There is no assurance that the New Law will not have additional material adverse effects on our financial condition or results of operations.

While we believe that all of our institutions in Chile are operating in full compliance with Chilean law, we cannot predict the extent or outcome of any additional educational reforms that may be implemented in Chile. Depending upon how these reforms are defined and implemented, there could be a material adverse effect on our financial condition and results of operations.

Affiliates

When Laureate exercises significant influence over an affiliated entity, but does not control the entity, we account for our investments using the equity method of accounting. Significant influence occurs generally through ownership, directly or indirectly, of at least 20% and up to 50% of the voting interests. Under the equity method of accounting, Laureate records the proportionate share of these investments in Other assets in the Consolidated Balance Sheets. Our proportionate share of income or loss related to these investments is recorded in Equity in net (loss) income of affiliates, net of tax, in the Consolidated Statements of Operations.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

Equity investments in which we do not exercise significant influence, generally through ownership of less than 20% of the voting rights, are accounted for using the cost method of accounting. Under the cost method of accounting, the investment is carried at cost on the Consolidated Balance Sheets in Other assets and income is recognized when dividends are received.

Impairments are recognized for an equity or cost method investment when and if the investment suffers an other-than-temporary decline in value. At that time, the investment is adjusted to its new fair value and the difference is recognized as a loss in our Consolidated Statements of Operations. For equity method investments, this impairment loss is included in Equity in net (loss) income of affiliates, net of tax.

Business Combinations

Effective January 1, 2009, Laureate adopted the accounting guidance for business combinations as prescribed by ASC 805, "Business Combinations." When we complete a business combination, all tangible and identifiable intangible assets acquired and all liabilities assumed are recorded at fair value. Any excess purchase price is recorded as goodwill. Transaction costs associated with business combinations are expensed as incurred. If Laureate acquires less than 100% of an entity (a partial acquisition) and consolidates the entity upon acquisition, all assets and liabilities, including noncontrolling interests, are recorded at their estimated fair value. When a partial acquisition results in Laureate obtaining control of an entity, Laureate remeasures any previously existing investment in the entity at fair value and records a gain or loss. Partial acquisitions in which Laureate's control does not change are accounted for as equity transactions. Revenues and the results of operations of the acquired business are included in the accompanying Consolidated Financial Statements commencing on the date of acquisition.

Laureate accounts for acquired businesses using the acquisition method of accounting. Certain acquisitions require the payment of contingent amounts of purchase consideration if specified operating results are achieved in periods subsequent to the acquisition date. For acquisitions consummated on or after January 1, 2009, we record such contingent consideration at fair value on the acquisition date, with subsequent adjustments recognized in Direct costs in our Consolidated Statements of Operations. We classify the subsequent cash payments of contingencies that are recorded at the acquisition date within financing activities in the Consolidated Statements of Cash Flows.

Laureate generally obtains indemnification from the sellers of the higher education institutions upon acquisition for various contingent liabilities that may arise and are related to pre-acquisition events in order to protect itself from economic losses arising from such exposures. Prior to January 1, 2009, we did not record indemnification assets related to any liabilities recorded as part of the purchase price allocation. Instead, an indemnification asset was recorded when the seller was obligated to make a payment under the indemnification and the amount was determined to be reasonably assured of collection. In cases in which the contingent liability was extinguished for an amount less than originally established or the related statute of limitations lapses such that the contingent amount was no longer required to be paid, the remaining liability was reversed, and any difference between the liability's carrying value and settlement amount was recognized in our Consolidated Statements of Operations.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

For acquisitions consummated on or after January 1, 2009, we recognize an indemnification asset at the same time and on the same basis as the related indemnified item, subject to any contractual limitations and to the extent that collection is reasonably assured, in accordance with ASC 805. When indemnified, subsequent changes in the indemnified item are offset by changes in the indemnification asset. We assess the realizability of the indemnification assets each reporting period. The Company records changes in uncertain income tax positions as a component of Income tax (expense) benefit, while related changes to the indemnification asset are included in Operating income in the Consolidated Statements of Operations. Changes in the principal portion of non-income tax contingencies, as well as changes in any related indemnification asset, are included in Operating income.

Redeemable Noncontrolling Interests and Equity

In certain cases, Laureate initially purchases a majority ownership interest in a company and uses various put and call arrangements with the noncontrolling interest holders that require or enable us to purchase all or a portion of the remaining minority ownership at a later date. The nature of these Minority Put Arrangements and our accounting for the redeemable noncontrolling interests are discussed below.

Minority Put Arrangements

Minority Put Arrangements give noncontrolling interest holders the right to require Laureate to purchase their shares (Put option). The Put option price is generally established by multiplying an agreed-upon earnings measurement of the acquired company by a negotiated factor within a specified time frame. The future earnings measurement is based on an agreed-upon set of rules that are not necessarily consistent with GAAP, which we refer to as "non-GAAP earnings."

Laureate accounts for all of these Minority Put Arrangements as temporary equity in an account presented between liabilities and equity called Redeemable noncontrolling interests and equity on the Consolidated Balance Sheets. This classification is appropriate because the instruments are contingently redeemable based on events outside Laureate's control. This accounting treatment is in accordance with ASC 480-10-S99, "Distinguishing Liabilities from Equity."

Redeemable noncontrolling interests are accreted to their redemption value (Put value) over the period from the date of issuance to the first date on which the Put option is exercisable. The change in Put value is recorded against Additional paid-in capital since Laureate has an Accumulated deficit. If Laureate had retained earnings, then the change in Put value would be recorded against retained earnings. In a computation of earnings per share, the accretion of redeemable noncontrolling interests to their redemption value would be a reduction of earnings available to common stockholders.

Foreign Currency Translation and Transaction Gains and Losses

The United States Dollar (USD) is the functional currency of Laureate and our subsidiaries operating in the United States. Our subsidiaries' financial statements are maintained in their functional currencies. The functional currency of each of our foreign subsidiaries is the currency of the economic environment in which the subsidiary primarily does business. Our foreign subsidiaries' financial

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

statements are translated into USD using the exchange rates applicable to the dates of the financial statements. Assets and liabilities are translated into USD using the period-end spot foreign exchange rates. Income and expenses are translated at the weighted-average exchange rates in effect during the period. Equity accounts are translated at historical exchange rates. The effects of these translation adjustments are reported as a component of Accumulated other comprehensive income (loss) included in the Consolidated Statements of Stockholders' Equity.

Laureate has certain intercompany loans that are deemed to have the characteristics of a long-term investment. That is, the settlement of the intercompany loan is not planned or anticipated in the foreseeable future. Transaction gains and losses related to these types of loans are recorded as a component of Accumulated other comprehensive income (loss) included in the Consolidated Statements of Stockholders' Equity. Transaction gains and losses related to all other intercompany loans are included in Foreign currency exchange gain (loss), net in the Consolidated Statements of Operations.

For any transaction that is in a currency different from the entity's functional currency, Laureate records a gain or loss based on the difference between the exchange rate at the transaction date and the exchange rate at the transaction settlement date (or rate at period end, if unsettled) as Foreign currency exchange gain (loss), net in the Consolidated Statements of Operations.

Cash and Cash Equivalents

Laureate considers all highly liquid investments that are purchased with an original maturity of three months or less to be cash equivalents.

Restricted Cash

Laureate's United States institutions participate in the United States Department of Education (DOE) Title IV student financing assistance lending programs (Title IV programs). Restricted cash includes cash equivalents held to collateralize standby letters of credit in favor of the DOE. Letters of credit are required by the DOE in order to allow our United States institutions to participate in the Title IV program. In addition, Laureate may at times have restricted cash in escrow pending potential acquisition transactions, hold a United States deposit for a letter of credit in lieu of a surety bond, or otherwise have cash that is not immediately available for use in current operations.

Financial Instruments

Laureate's financial instruments consist of cash and cash equivalents, restricted cash, accounts and notes receivable, other receivables, accounts payable, amounts due to shareholders of acquired companies, derivative instruments, debt, capital lease obligations, and redeemable noncontrolling interests and equity. The fair value of these financial instruments approximates their carrying amounts reported in the Consolidated Balance Sheets with the exception of debt, as discussed in Note 10, Debt. Additional information about fair value is provided in Note 21, Fair Value Measurement.

Our cash accounts are maintained with high-quality financial institutions with no significant concentration in any one institution. Our accounts receivable are not concentrated with any one significant customer. Our United States institutions participate in the DOE Title IV program and

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

certain Chilean institutions in the Laureate network participate in a government-sponsored student financing program known as the Crédito con Aval del Estado, the CAE Program. In Brazil, our institutions participate in Fundo de Financiamento ao Estudante do Ensino Superior (FIES), a government-sponsored education subsidy program. During the course of the year, Laureate could have material receivables related to Title IV, the CAE Program and FIES.

Accounts and Notes Receivable

We recognize student receivables when an academic session begins, although students generally enroll in courses prior to the start of the academic session. Receivables are recognized only to the extent that it is probable that we will collect substantially all of the consideration to which we are entitled in exchange for the goods and services that will be transferred to the student.

Laureate offers long-term financing through note receivable agreements with students at certain of our institutions. These notes receivable generally are not collateralized. Non-interest bearing, long-term student receivables are recorded at present value using a discount rate approximating the unsecured borrowing rate for an individual. Differences between the present value and the principal amount of long-term student receivables are accreted through Interest income over their terms. Occasionally, certain of our institutions have sold certain long-term student receivables to local financial institutions without recourse. These transactions were deemed sales of receivables and the receivables were derecognized from our Consolidated Balance Sheets.

Certain Chilean institutions in the Laureate network also participate in the CAE Program. In this program, these institutions provide guarantees to third-party financing institutions for tuition loans made to qualifying students. Refer to Note 12, Commitments and Contingencies, for further discussion of this program.

Allowance for Doubtful Accounts

Receivables are deemed to be uncollectible when they have been outstanding for two years, or earlier when collection efforts have ceased, at which time they are written off. Prior to that, Laureate records an allowance for doubtful accounts to reduce our receivables to their net realizable value. Our allowance estimation methodology is based on the age of the receivables, the status of past-due amounts, historical collection trends, current economic conditions and student enrollment status. In the event that current collection trends differ from historical trends, an adjustment is made to the allowance account and bad debt expense.

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

The reconciliations of the beginning and ending balances of the Allowance for doubtful accounts were as follows:

For the years ended December 31,	2018	2017	2016
Balance at beginning of period	$ 182,965	$ 169,014	$ 132,149
Additions: charges to bad debt expense	102,318	111,003	98,564
Additions: charges to other accounts(a)			6,589
Deductions(b)	(119,895)	(97,052)	(68,288)
Balance at end of period	$ 165,388	$ 182,965	$ 169,014

(a) Charges to other accounts includes reclassifications.

(b) Deductions includes accounts receivable written off against the allowance (net of recoveries), reclassifications, and foreign currency translation. The beginning and ending balances of the Allowance for doubtful accounts include the current portion, as shown on the face of Consolidated Balance Sheets, in addition to the noncurrent portion that is included in Notes receivable, net on the Consolidated Balance Sheets.

Property and Equipment, and Leased Assets

Property and equipment includes land, buildings, furniture, equipment, software, library books, leasehold improvements, and construction in-progress. We record property and equipment at cost less accumulated depreciation and amortization. Software that is developed for internal use is classified within the line item titled Furniture, equipment and software in our Consolidated Balance Sheets. Repairs and maintenance costs are expensed as incurred. Assets under construction are recorded in Construction in-progress until they are available for use. Interest is capitalized as a component of the cost of projects during the construction period.

We conduct a significant portion of our operations at leased facilities. Laureate analyzes each lease agreement to determine whether it should be classified as a capital or an operating lease. We recognize operating lease rent expense on a straight-line basis over the expected term of each lease. In some instances, we enter into arrangements in which the landlord will construct real estate assets to be used for our business operations. In some cases, we are responsible for construction cost overruns or nonstandard tenant improvements. Laureate reviews these leases to determine whether we bear substantially all of the construction period risks and, therefore, should be considered for accounting purposes to be the "owner" of the real estate project. If we are deemed to be the owner we are required to capitalize the construction costs on our Consolidated Balance Sheet. Upon completion of the project, we perform a sale-leaseback analysis pursuant to guidance on accounting for leases to determine if we can remove the assets from our Consolidated Balance Sheet. For some of these leases, we are considered to have "continuing involvement," which precludes us from derecognizing the assets from our Consolidated Balance Sheet when construction is complete (a failed sale-leaseback). In conjunction with these leases, we capitalize the construction costs on our Consolidated Balance Sheet and also record financing obligations representing payments owed to the landlord. We do not report rent expense for the properties which are owned for accounting purposes. For capital leases, we initially

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

record the assets at the lower of fair value or the present value of the future minimum lease payments, excluding executory costs. If the lease agreement includes a legal obligation that requires the leased premises to be returned in a predetermined condition, we recognize an asset retirement obligation and a corresponding depreciating asset, when such an asset exists.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements, including structural improvements, are amortized using the straight-line method over the lesser of the estimated useful life of the asset or the lease term, including reasonably-assured renewals or purchase options that are considered likely to be exercised. Laureate includes the amortization of assets recorded under capital leases within depreciation expense. Assets under capital leases are typically amortized over the related lease term using the straight-line method.

Depreciation and amortization periods are as follows:

Buildings	10 - 50 years
Furniture, equipment and software	2 - 10 years
Leasehold improvements	2 - 25 years

Land Use Rights

Certain of our institutions have obtained land use rights for certain time periods from government authorities. Land use rights allow us to use the land to build our campus facilities. Upon expiry of a land use right, it will either be renewed or the land will be returned to the government authority. Land use rights are stated at cost less accumulated amortization and any recognized impairment loss. Amortization is provided on a straight-line basis over the respective term of the land use right agreement, and is recorded as rent expense within Direct costs in our Consolidated Statements of Operations.

Direct and Deferred Costs

Direct costs reported on the Consolidated Statements of Operations represent the cost of operations, including selling and administrative expenses, which are directly attributable to specific business units.

Deferred costs on the Consolidated Balance Sheets consist primarily of direct costs associated with online course development, accreditation and costs to obtain a contract. Deferred costs associated with the development of online educational programs are capitalized after technological feasibility has been established. Deferred online course development costs are amortized to Direct costs on a straight-line basis over the estimated period that the associated products are expected to generate revenues. Deferred online course development costs are evaluated on a quarterly basis through review of the corresponding course catalog. If a course is no longer listed or offered in the current course catalog, then the costs associated with its development are written off. As of December 31, 2018 and 2017, the unamortized balances of online course development costs were $57,065 and $57,995, respectively. Laureate defers direct and incremental third-party costs incurred for obtaining initial accreditation and for the renewal of accreditations. These accreditation costs are amortized to Direct costs over the life of the accreditation on a straight-line basis. As of December 31, 2018 and 2017, the unamortized

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

balances of accreditation costs were $2,734 and $2,936, respectively. As discussed in Note 3, Revenue, Laureate also defers certain commissions and bonuses earned by third party agents and our employees that are considered incremental and recoverable costs of obtaining a contract with a customer. These costs are amortized over the period of benefit which ranges from two to four years. As of December 31, 2018 and 2017, the unamortized balances of contract costs were $7,036 and $0, respectively.

At December 31, 2018 and 2017, Laureate's total Deferred costs were $184,855 and $164,552, respectively, with accumulated amortization of $(118,020) and $(103,621), respectively.

Debt Issuance Costs

Debt issuance costs were paid as a result of certain debt transactions and are presented as a deduction from debt. These debt issuance costs are amortized over the term of the associated debt instruments. The amortization expense is recognized as a component of Interest expense in the Consolidated Statements of Operations. As of December 31, 2018 and 2017, the unamortized balances of deferred financing costs were $88,241 and $105,299, respectively.

Goodwill, Other Intangible Assets and Long-lived Assets

Goodwill

Goodwill primarily represents the amounts paid by Wengen Alberta, Limited Partnership (Wengen), the Company's controlling stockholder, in excess of the fair value of the net assets acquired in the August 2007 leveraged buyout transaction (LBO) (see Note 9, Goodwill and Other Intangible Assets), plus the excess purchase price over fair value of net assets for businesses acquired after the LBO transaction.

Goodwill is evaluated annually as of October 1st each year for impairment at the reporting unit level, in accordance with ASC 350, "Intangibles Goodwill and Other." We also evaluate goodwill for impairment on an interim basis if events or changes in circumstances between annual tests indicate that the asset may be impaired. Goodwill is impaired when the carrying amount of a reporting unit's goodwill exceeds its implied fair value. A reporting unit is defined as a component of an operating segment for which discrete financial information is available and regularly reviewed by management of the segment. We have not made material changes to the methodology used to assess impairment loss during the past three fiscal years.

We have the option of first performing a qualitative assessment (i.e., step zero) before calculating the fair value of the reporting unit (i.e., step one of the two-step fair value-based impairment test). If we determine on the basis of qualitative factors that the fair value of the reporting unit is more likely than not less than the carrying amount, the two-step impairment test is required.

If we do not perform the qualitative assessment for a reporting unit or determine that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a quantitative two-step fair value-based test is performed. In the first step, we estimate the fair value of each reporting unit, utilizing a weighted combination of a discounted cash flow analysis and a market multiples analysis. If the recorded net assets of the reporting unit are less than the reporting unit's

Laureate Education, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars and shares in thousands)

Note 2. Significant Accounting Policies (Continued)

estimated fair value, then there is no goodwill deemed to be impaired. If the recorded net assets of the reporting unit exceed its estimated fair value, then goodwill is potentially impaired and Laureate calculates the implied fair value of goodwill, by deducting the estimated fair value of all tangible and identifiable intangible net assets of the reporting unit from the estimated fair value of the reporting unit. If the recorded amount of goodwill exceeds this implied fair value, the difference is recognized as a Loss on impairment of assets in the Consolidated Statements of Operations.

Our valuation approach utilizes a weighted combination of a discounted cash flow analysis and a market multiples analysis, where available. The discounted cash flow analysis relies on historical data and internal estimates, which are developed as a part of our long-range plan process, and includes an estimate of terminal value based on these expected cash flows using the generally accepted Gordon Dividend Growth formula, which derives a valuation using an assumed perpetual annuity based on the reporting unit's residual cash flows. The discount rate is based on the generally accepted Weighted Average Cost of Capital methodology, and is derived using a cost of equity based on the generally accepted Capital Asset Pricing Model and a cost of debt based on the typical rate paid by market participants. The market multiples analysis utilizes multiples of business enterprise value to revenues, operating income and earnings before interest, taxes, depreciation and amortization of comparable publicly traded companies and multiples based on fair value transactions where public information is available. Significant assumptions used in estimating the fair value include: (1) discount and growth rates, and (2) our long-range plan which includes enrollment, pricing, planned capital expenditures and operating margins. Management reviews the sum of the estimated fair value of all Laureate's reporting units to Laureate's enterprise value to corroborate the results of its weighted combination approach to determining fair value.

Other Intangible Assets

Other intangible assets on the Consolidated Balance Sheets include acquired indefinite-lived Tradenames, which are valued using the relief-from-royalty method. This method estimates the amount of royalty expense that we would expect to incur if the assets were licensed from a third party. We use publicly available information and proprietary third-party arm's length agreements that Laureate has entered into with variou