The Advisory Board Company
Extending Our Powerful Model Across Markets

Raymond James
March 2015
Forward-Looking Statements and Non-GAAP Presentation

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be affected by many factors, including, among others, those described in the Company's most recently issued announcement press release and under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company's most recent filings on Form 10-K or 10-Q with the Securities and Exchange Commission. Consequently, actual operations and results may differ materially from those expressed in any forward-looking statements made by us. All forward-looking statements are qualified by those risk factors and are further qualified in all respects by the information disclosed in the Company's filings with the Securities and Exchange Commission. The Company undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise, and does not intend to do so.

This presentation contains information regarding adjusted EBITDA, which is a financial measure of performance that is not calculated in accordance with generally accepted accounting principles, or “GAAP.” In accordance with SEC rules, the Appendix presents a reconciliation of this adjusted EBITDA information to the most directly comparable GAAP measure.
Investment Thesis

1. Uniquely Positioned in Today’s Environment
2. Powerful Economic Model
3. Multiple Avenues of Growth
4. Strong Financial Performance
Uniquely Positioned in Today’s Environment
The Advisory Board Company In Brief

the leading insight-driven technology, research, and services provider, powering transformation and ROI for our members and in our markets.

IDENTIFY
Identify key challenges

DISTILL
Distill best practices

TRANSLATE
Translate to unique products

HARDWIRE
Hardwire solutions to drive change

POWER
Power high value and ROI
## Attractive Markets for Our Model

<table>
<thead>
<tr>
<th>Feature</th>
<th>Health Care</th>
<th>Higher Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large, Fragmented Customer Base</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Complex, Common Problems</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Willingness to Collaborate</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Data/Analytics Critical to Success</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Pivotal Industry Moment: Pressure to Transform</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Large and Growing Addressable Market</td>
<td>✔</td>
<td>✔</td>
</tr>
</tbody>
</table>
### Incredible Breadth and Depth of Relationships

#### Unparalleled Health Care Member Base
- **3,900+ global members**
- **8,000+ CEO/COO relationships**
- **60+ programs**

#### Strong Foundation in Higher Education
- **1,000+ members**
- **2,000+ Relationships**
- **8 programs**
- **88% U.S. News & World Report top 100 universities**

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[Logos of various institutions]
Insight-Driven Standardized Offerings

Key Attributes of Our 60+ Discrete Programs

- Distinct executive constituencies
- Separate agendas/performance metrics
- 12–36 month renewable memberships
- All-inclusive annual fees

Research Programs

Software-Based Programs

Consulting + Management Services

Data and Tech-Enabled Managed Services
Research Programs That Inflect Performance

Multiple Channels for Best Practice Insight

**Reports and Briefings**
- 70+ reports
- 240,000+ studies distributed
- 250+ briefs

**Meetings and Webinars**
- 270+ member presentations
- 2,400 onsites
- 130+ topics

**Access to Experts**
- Real-time access to expert research staff
- 1,000+ customized reports
- 2,200 technology assessments

**Online Resources**
- 80,000+ online users
- Extensive library of best practices
- 200+ online meetings

**Tools and Forecasts**
- 19,000+ decision support users
- 200 online tools
Software-Based Programs Comprise
The Leading **Vertical SaaS Platform**

- **Rev Cycle**
  - Revenue Cycle Compass
  - Revenue Integrity Compass

- **Crimson**
  - Crimson Population Risk Management
  - Crimson Market Advantage

- **Cost & Ops**
  - ED Compass
  - Surgery Compass

- **Multiple Differentiated Applications**

---

**Powerful, Flexible Software Platform**

- **Proprietary Data**
- **Hospital and University IT System Data**
- **3rd Party Data**
Providing Returns in **Critical Areas**

- **Physician Alignment**
- **Clinical Operations**
- **Revenue Cycle**
- **Supply Chain**
- **Growth Strategy**

**Population Health Management**

**Research**
- Health System Strategy
- Clinical Operations
- IT Strategy
- Financial Strategy

**Software**
- Crimson Continuum of Care
- Crimson Care Management
- Crimson Population Risk Management
- Crimson Market Advantage

**Services**
- Southwind Practice Management
- Clinical Integration
- Care Transformation Engagement
- Medical Home Engagement
Distinctiveness
Yields Relationship Growth

Memorial Hermann Relationship History

1992
Partnership originates through research membership; Establish deep executive relationships

2003
Cost & Ops and Workforce Consulting

2007
Nursing Compass

2008
Crimson

2010
Crimson Market Advantage and Payer Integrity Performance Program

2012
Crimson Population Risk Management and Crimson Care Registry

2013
Crimson Care Management

2014
Patient Experience Program
The Advisory Board’s services are a key component of understanding and explaining healthcare quality and costs in a meaningful way to our physicians and leaders. It is a breakthrough in how we work with our physicians on quality.

15% Improvement on ALOS
14% Improvement of mortality rates
2% Improvement on 30-day readmissions

$3.5M+ In savings
Delivering **Measurable** Results

- **$2.25M**
  - **New York Hospital Queens**
  - **Surgery**
  - Savings through vendor negotiation and reducing physician variation in supplies

- **$1.9M**
  - **Bellin Hospital**
  - **Nursing**
  - Savings in premium labor costs and improved staffing efficiency

- **$500K**
  - **Southern Illinois University**
  - **Student Success**
  - Improved tuition revenue through increased student retention

- **$551K**
  - **Mountain States Health Alliance**
  - **Crimson**
  - Net savings from reduction in clinical variation

- **$3.5M**
  - **Adena**
  - **Crimson**
  - Net savings from reduction in clinical variation

- **$4M**
  - **Georgia State University**
  - **Student Success**
  - Increase in student graduation rate, even as population grew

- **$4M**
  - **Carson Tahoe Health**
  - **Southwind**
  - Savings through improved practice performance
Powerful Economic Model
## Consistent Business Attributes

<table>
<thead>
<tr>
<th>Insight-driven technology, research, and services provider driving transformation and ROI for our members and in our markets</th>
<th>Health Care</th>
<th>Higher Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insight-powered, differentiated products</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Measurable ROI for members</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Consistent growth in revenue per member</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Renewable and exceptionally visible</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Rapid, scalable growth with robust cash flows</td>
<td>✓</td>
<td>✓</td>
</tr>
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</table>
Predictable Renewals

Yield Strong Visibility

Member Renewal Rate

<table>
<thead>
<tr>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
</tr>
</thead>
<tbody>
<tr>
<td>88%</td>
<td>89%</td>
<td>91%</td>
<td>92%</td>
<td>90%</td>
<td>90%</td>
</tr>
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</table>
Predictable Renewals
Yield Strong Visibility

Member Renewal Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Renewal Rate</th>
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</thead>
<tbody>
<tr>
<td>FY09</td>
<td>88%</td>
</tr>
<tr>
<td>FY10</td>
<td>89%</td>
</tr>
<tr>
<td>FY11</td>
<td>91%</td>
</tr>
<tr>
<td>FY12</td>
<td>92%</td>
</tr>
<tr>
<td>FY13</td>
<td>90%</td>
</tr>
<tr>
<td>FY14</td>
<td>90%</td>
</tr>
</tbody>
</table>

Composition of Annual Revenues

- New Contracts
- Renewals
- Deferred Revenues
- Annual Revenues

85%+ of revenues visible at beginning of calendar year
Offering a **Unique** Value Proposition

Focusing on the Standardized Terrain...

...Establishes Compelling Member ROI

<table>
<thead>
<tr>
<th><strong>Degree of Standardization</strong></th>
<th><strong>Degree of Variable Cost</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>High</td>
<td>High</td>
</tr>
</tbody>
</table>

**Advisory Board Terrain**

- Management Consulting
- Custom Software Development

$119,520

*Average Advisory Board contract value per member*

$500K–$2.5M

*Value from participation*
Scalable Program Economics

Initial Program Investment Yields Substantial Recurring Revenue and EBITDA

1) Representative; actual costs vary by program.
Multiple Avenues of Growth
Serving Large and Growing Markets

A Growing $3 Trillion Industry
Health Expenditure Projections

$3.1T  $4.7T
2014  2021

New Services Expand Addressable Market

$10-15B
Health care consulting market

$20B+
Health care software services and data market

Best practice research
Pursuing Exciting **Growth Strategy** Across Markets

- **Add New Members**
- **Expand Relationships with Existing Members**
- **Launch New Programs**
  - Student Success
  - Crimson Care Management
  - Payment Integrity Forecaster
  - Advancement Forum
  - Population Health Advisor

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**Hardwire tremendous value** to members and positively impact industry
A Compelling Opportunity

New Customers

~10,000 Immediate Prospects
  - US hospitals
  - Other US health care
  - International hospitals
  - US education
  - International education

$6.75B Current Opportunity

4,500+ Current members

Cross Sell

50+ Current programs

New Program Launches
  - New research programs
  - New software-based programs
  - New management/advisory services programs
  - New data programs

New Programs

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Cross-Selling to Grow Relationships

Average Advisory Board Spend
Per Member

$12–$18M

Cross-Sell Opportunity Case Study
600-Bed Community Hospital

$120K

Software and Services Operating Budget

$53K

3/31/04

3/31/14

$55K

$724K

3/31/14

3/31/04
Growing **Software** Membership

U.S. Hospital and Health System Members

- **Purchasing at Least One Software Product**
- **Total**

3/31/09 | 3/31/14
Member-Driven Product Development

Leveraging Our Research Engine

9,000+ C-suite relationships

2,000+ Conversations weekly

Visibility

Into member strategy and operating plans

Increasing Access

To member performance data

New Product Launches

4–5 New products launched yearly

25 New programs under evaluation

30–40 Industry leaders as charter members

Strategic Acquisitions

Expand capabilities

Augment tech platform

Enhance speed to market

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Strong Financial Performance
Consistent Top Line Growth

<table>
<thead>
<tr>
<th>Revenue (Millions)</th>
<th>CY04</th>
<th>CY14</th>
</tr>
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<tbody>
<tr>
<td>$136.1</td>
<td></td>
<td></td>
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<tr>
<td>$156.3</td>
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<tr>
<td>$178.0</td>
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<tr>
<td>$201.5</td>
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<tr>
<td>$223.5</td>
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<td>$225.6</td>
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<tr>
<td>$269.7</td>
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<td>$345.5</td>
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<td>$431.6</td>
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<tr>
<td>$502.3</td>
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</tr>
<tr>
<td>$574.2</td>
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<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Contract Value/Member (Thousands) and Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>3/31/04</td>
</tr>
<tr>
<td>$53.2</td>
</tr>
<tr>
<td>$56.2</td>
</tr>
<tr>
<td>$62.7</td>
</tr>
<tr>
<td>$71.2</td>
</tr>
<tr>
<td>$81.3</td>
</tr>
<tr>
<td>$80.4</td>
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<td>$2,347</td>
</tr>
<tr>
<td>2,572</td>
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<td>2,595</td>
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<td>2,662</td>
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<td>2,707</td>
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<td>2,761</td>
</tr>
<tr>
<td>3,179</td>
</tr>
<tr>
<td>3,726</td>
</tr>
<tr>
<td>4,114</td>
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</tbody>
</table>
Revenue Growth and EBITDA Scalability

**Revenue (Millions)**

- CY10: $269.7
- CY11: $345.5
- CY12: $431.6
- CY13: $502.3
- CY14: $574.2

**Adjusted EBITDA$^1$ (Millions)**

- CY10: $47.9
- CY11: $62.7
- CY12: $81.4
- CY13: $89.3
- CY14: $98.0

$^1$ Adjusted EBITDA excludes share-based compensation expense, equity method investment loss, earn-out and warrant fair value adjustments, transaction related costs, and discontinued operations.
Powerful Financial Combination

### Revenue (Millions)

<table>
<thead>
<tr>
<th></th>
<th>CY10</th>
<th>CY11</th>
<th>CY12</th>
<th>CY13</th>
<th>CY14</th>
<th>CY15(P)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CY11</td>
<td>$335.6</td>
<td>$420.2</td>
<td>$513.8</td>
<td>$598.3</td>
<td>$686.4</td>
<td></td>
</tr>
<tr>
<td>CY12</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>CY13</td>
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<td>CY14</td>
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<tr>
<td>CY15(P)</td>
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### Adjusted EBITDA¹ (Millions)

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<tr>
<th></th>
<th>CY10</th>
<th>CY11</th>
<th>CY12</th>
<th>CY13</th>
<th>CY14</th>
<th>CY15(P)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CY11</td>
<td>$70.9</td>
<td>$91.4</td>
<td>$109.9</td>
<td>$127.4</td>
<td>$145.7</td>
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</tr>
<tr>
<td>CY12</td>
<td></td>
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<td>CY13</td>
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<td>CY14</td>
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<tr>
<td>CY15(P)</td>
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</tbody>
</table>

¹ Adjusted EBITDA excludes share-based compensation expense, equity method investment loss, earn-out and warrant fair value adjustments, transaction related costs, and discontinued operations.

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**Investing Back in the Business**

- "True" Margin
- CY14 Adjusted EBITDA Margin

**800 Basis Points of Investment**

- First year costs for 4-5 new program launches
- Second year costs for 4-5 new program launches in the prior year
- Investment in acquired companies
- Growth in sales force headcount
- New Product Development and Corporate Development teams
Lifetime Value of a New Membership

(Thousands of Dollars)

Year 1 Year 10 Total

$763

$763
Example: Core Crimson Program Growth

- Revenue
- Contribution

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$2M</td>
<td>($1M)</td>
</tr>
<tr>
<td>2013</td>
<td>$60M*</td>
<td>$33M*</td>
</tr>
</tbody>
</table>
Scalability Extends to Full Crimson Suite

- 2008: $2M
- 2013: $140M
- Revenue: $140M, $49M, $2M
- Contribution: $1M, $35M, $2M
Robust Cash Flow

**Adjusted Net Income (Millions)**
- CY10: $35.6
- CY11: $40.6
- CY12: $91.4
- CY13: $70.9
- CY14: $95.8

**Adjusted EBITDA (Millions)**
- CY10: $47.2
- CY11: $54.2
- CY12: $109.9
- CY13: $127.4
- CY14: $108.9

**Cash Flow from Operations (Millions)**
- CY10: $70.9
- CY11: $40.6
- CY12: $91.4
- CY13: $70.9
- CY14: $109.9

Rapid Deleveraging

Total Debt / Adjusted EBITDA Under Current Plans

- At Closing: ~4.9x
- Current: ~3.9x
- As of 12/31/15: 3.25-3.5x
- As of 12/31/16: 2.50x

Investment Thesis

1. Uniquely Positioned in Today’s Environment
2. Powerful Economic Model
3. Multiple Avenues of Growth
4. Strong Financial Performance
Serving 290 unique non-profit colleges and universities
Scalable, renewable model with 90% renewal rates
15%+ CAGR for Revenue and Adjusted EBITDA since FY2012
Unparalleled visibility into student and family preferences

industry leader in strategic data-driven student enrollment solutions, financial aid optimization, and alumni fundraising, helping colleges and universities strengthen national reputations, broaden student enrollment, improve academic profiles, and enhance revenue

25-year history of impact for members

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Extends Advisory Board’s **Powerful** Capabilities and Business Model

1. Extends Advisory Board business model characteristics into key growth area
   - Insight-driven, renewable, scalable model
   - Delivering extremely high value to large network of members in transforming industry

2. Capitalizes on attractive higher education dynamics (resembling health care)
   - Large, fragmented customer base with complex, common problems
   - Pressure to transform to meet new value scrutiny in market

3. Brings critical capabilities supporting Advisory Board growth strategy
   - Expands beyond current 600+ higher education member base
   - Complementary expertise creates comprehensive student lifecycle offering

4. Accretive to overall financial profile of company
   - Enhances growth, earnings, margin, and free cash profile
   - Strong cash flows drive rapid deleveraging and preserve future investment flexibility
Developing the Premier **Student Lifecycle**
Offering for Colleges and Universities

**Meeting Market Demand for Coordinated Capabilities Across Student Lifecycle**

- **Student Enrollment**
  - Attracting the best-fit students to the organization

- **Next-Generation Learning**
  - Teaching students efficiently and effectively

- **Student Success**
  - Ensuring students graduate and secure gainful employment

- **Alumni Engagement**
  - Building strong lifelong connections to the university

- Institutions seeking coordinated solutions
- Increasing overlap among issue sets
- Future opportunity for cross-lifecycle analytics
Combination Yields **Unique Assets**

### Customers
- 800+
- Expansive Member Network Fosters Collaboration

### Data Analytics
- Deep student success data visibility
- Deep student and parent preference visibility
- One-of-a-Kind Data Set Yields Insight

### Expertise
- Next-Generation Learning, Student Success
- Enrollment, Alumni Engagement
- Full Solution Provider Delivers Strategic Value

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