

Earnings per share:

Basic income per share	\$ 0.61	\$ 0.72	\$ 2.36	\$ 2.45
Diluted income per share	\$ 0.61	\$ 0.70	\$ 2.36	\$ 2.37
Basic weighted average shares outstanding	48,035	45,692	45,975	45,538
Diluted weighted average shares outstanding	47,347	47,407	47,261	47,006

GRAND CANYON EDUCATION, INC.

Adjusted EBITDA

Adjusted EBITDA is defined as net income plus interest expense net of interest income, plus income tax expense, and plus depreciation and amortization (EBITDA), as adjusted for (i) the amortization of prepaid royalty payments recorded in conjunction with a settlement of a dispute with our former owner, (ii) contributions to Arizona school tuition organizations in lieu of the payment of state income taxes, (iii) share-based compensation and (iv) one-time, unusual charges or gains, such as litigation and regulatory reserves, impairment charges and asset write-offs, net of lease termination costs or the gain (loss) recognized on the settlement of a third party note receivable. We present Adjusted EBITDA because we consider it to be an important supplemental measure of our operating performance. We also make certain compensation decisions based, in part, on our operating performance, as measured by Adjusted EBITDA, and our loan agreement requires us to comply with covenants that include performance metrics substantially similar to Adjusted EBITDA. All of the adjustments made in our calculation of Adjusted EBITDA are adjustments to items that management does not consider to be reflective of our core operating performance. Management considers our core operating performance to be that which can be affected by our managers in any particular period through their management of the resources that affect our underlying revenue and profit generating operations during that period. Royalty expenses paid to our former owner, contributions made to Arizona school tuition organizations in lieu of the payment of state income taxes, share-based compensation, one time unusual charges or gains such as estimated litigation and regulatory reserves, exit costs, contract and lease termination fees are not considered reflective of our core performance.

We believe Adjusted EBITDA allows us to compare our current operating results with corresponding historical periods and with the operational performance of other companies in our industry because it does not give effect to potential differences caused by variations in capital structure (including relative interest expense, including the impact of write-offs of deferred financing costs when companies refinance their indebtedness), tax positions (such as the impact on periods or companies of change measure derived in accordance with and reported under GAAP or as an alternative to cash flow from operating activities or as a measure of our liquidity. Some of these limitations are that it does not reflect:

- cash requirements for capital expenditures or contractual commitments;
- changes in, or cash requirement for, our working capital requirements;
- interest expense, or the cash required to replace assets that are being depreciated or amortized; and
- the impact on our reported results of earnings or charges resulting from the items for which we make adjustments to our EBITDA, as described above and set forth in the table below.

In addition, other companies, including other companies in our industry may calculate these measures differently than we do, limiting the usefulness of Adjusted EBITDA as a comparative measure. Because of these limitations, Adjusted EBITDA should not be considered as a substitute for net income, operating income, or any other performance measure derived in accordance with GAAP, or as an alternative to cash flow from operating activities or as a measure of our liquidity. We compensate for these limitations by relying primarily on our GAAP results and only use Adjusted EBITDA as a supplemental performance measure.

The following table provides a reconciliation of net income to Adjusted EBITDA, which is a non-GAAP measure for the periods indicated.

	Three Months Ended		Twelve Months Ended	
	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014
Net income	\$ 38,114	\$ 33,009	\$ 131,411	\$ 111,468
Plus: interest expense net of interest income	147	39	395	1,117
Plus: income tax expense	23,916	20,424	77,596	68,232
Plus: depreciation and amortization	10,241	7,881	35,479	20,177
EBITDA	72,418	61,512	244,781	200,992
Plus: royalty to former owner	74	74	296	296
Plus: prepaid royalty impairment and other fixed asset impairments	657	—	2,795	3,441
Plus: contributions in lieu of state income taxes	—	—	2,750	2,750
Plus: estimated litigation and regulatory reserves	21	—	328	870
Plus: lease termination costs	—	—	—	518
Plus: loss from note receivable	958	—	958	—
Plus: share-based compensation	2,834	2,533	11,257	9,945
Adjusted EBITDA	\$ 79,685	\$ 64,069	\$ 269,125	\$ 227,812

GRAND CANYON EDUCATION, INC.
Consolidated Balance Sheets

	ASSETS	
	December 31, 2013	December 31, 2014
(In thousands, except par value)		
Current assets		
Cash and cash equivalents	\$ 23,036	\$ 65,238
Restricted cash, cash equivalents and investments	75,384	67,840
Investments	83,364	100,784
Accounts receivable, net	8,298	7,805
Income taxes receivable	3,952	1
Deferred income taxes	6,448	6,149
Other current assets	20,883	18,428
Total current assets	221,345	267,045
Property and equipment, net	667,483	478,170
Prepaid royalties	3,355	3,850
Goodwill	2,941	2,941
Other assets	3,306	3,302
Total assets	\$ 898,410	\$ 755,313
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities		
Accounts payable	\$ 34,140	\$ 22,715
Accrued compensation and benefits	17,895	23,995
Accrued liabilities	13,846	13,533
Income taxes payable	29	4,906
Student deposits	76,742	69,584
Deferred revenue	37,876	36,868
Due to related parties	675	403
Current portion of capital lease obligations	697	91
Current portion of notes payable	6,625	6,615
Total current liabilities	188,534	178,711
Capital lease obligations, less current portion	788	406
Other noncurrent liabilities	4,302	4,513
Deferred income taxes, noncurrent	21,303	15,974
Notes payable, less current portion	73,292	79,877
Total liabilities	288,172	229,881
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$0.01 par value, 10,000 shares authorized; 0 shares issued and outstanding at December 31, 2015 and 2014	—	—
Common stock, \$0.01 par value, 100,000 shares authorized; 50,288 and 49,746 shares issued and 46,877 and 48,744 shares outstanding at December 31, 2015 and 2014, respectively	503	497
Treasury stock, at cost, 3,411 and 3,002 shares of common stock at December 31, 2015 and 2014, respectively	(69,332)	(53,770)
Additional paid-in capital	177,167	158,549
Accumulated other comprehensive loss	(489)	(35)
Retained earnings	502,402	379,361
Total stockholders' equity	610,251	479,022
Total liabilities and stockholders' equity	\$ 898,423	\$ 755,313

GRAND CANYON EDUCATION, INC.
Consolidated Statements of Cash Flows
(Unaudited)

	Year Ended	
	December 31, 2013	December 31, 2014
(In thousands)		
Cash flows provided by operating activities:		
Net income	\$ 131,411	\$ 111,468
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation	11,257	9,945
Excess tax benefits from share-based compensation	(3,636)	(7,837)
Provision for bad debts	16,820	15,045
Depreciation and amortization	35,675	29,473
Loss on note receivable	958	—
Loss on asset disposal and fixed asset impairments	2,795	2,475
Deferred income taxes	4,576	2,651
Prepaid royalty impairment	—	968
Changes in assets and liabilities:		
Restricted cash, cash equivalents and investments	(7,544)	(3,472)
Accounts receivable	(17,318)	(15,433)
Prepaid expenses and other	(2,361)	81

Due to/from related parties	272	(51)
Accounts payable	5,002	(2,448)
Accrued liabilities	(5,772)	2,991
Income taxes receivable/payable	(4,965)	16,378
Deferred rent	(1,211)	(2,298)
Deferred revenue	1,008	4,052
Student deposits	<u>7,158</u>	<u>2,812</u>
Net cash provided by operating activities	173,900	166,696
Cash flows used in investing activities:		
Capital expenditures	(204,718)	(168,646)
Purchases of land, building and golf course improvements related to off-site development	(13,583)	—
Purchases of investments	(48,122)	(114,919)
Proceeds from sale or maturity of investments	<u>65,542</u>	<u>122,555</u>
Net cash used in investing activities	(200,881)	(161,010)
Cash flows (used in) provided by financing activities:		
Principal payments on notes payable and capital lease obligations	(6,794)	(6,696)
Repurchase of common shares including shares withheld in lieu of income taxes	(15,562)	(5,338)
Net proceeds from exercise of stock options	3,489	7,825
Excess tax benefits from share-based compensation	<u>3,624</u>	<u>7,637</u>
Net cash (used in) provided by financing activities	(15,221)	3,428
Net (decrease) increase in cash and cash equivalents	(42,202)	9,414
Cash and cash equivalents, beginning of year	65,238	55,824
Cash and cash equivalents, end of year	\$ 23,036	\$ 65,238
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 1,244	\$ 1,793
Cash paid during the year for income taxes	\$ 75,567	\$ 48,635
Cash received for income tax refunds	\$ 4	\$ 365
Supplemental disclosure of non-cash investing and financing activities		
Purchases of property and equipment included in accounts payable	\$ 13,277	\$ 5,645
Purchases of equipment through capital lease obligations	\$ 1,156	\$ —
Shortfall tax expense from share-based compensation	\$ 26	\$ 16
Tax benefits of Sprint warrant intangible	\$ 253	\$ 260

The following is a summary of our student enrollment at December 31, 2015 and 2014 by degree type and by instructional delivery method

	2015 ⁽¹⁾		2014 ⁽¹⁾	
	# of Students	% of Total	# of Students	% of Total
Graduate degree ⁽²⁾	29,237	39.2%	26,319	38.8%
Undergraduate degree	46,269	60.8%	42,457	61.2%
Total	75,506	100.0%	68,776	100.0%

	2015 ⁽¹⁾		2014 ⁽¹⁾	
	# of Students	% of Total	# of Students	% of Total
Online ⁽³⁾	59,311	79.6%	55,060	81.2%
Ground ⁽⁴⁾	16,195	21.4%	12,716	18.8%
Total	75,506	100.0%	67,776	100.0%

⁽¹⁾ Enrollment at December 31, 2015 and 2014 represents individual students who attended a course during the last two months of the calendar quarter. Included in enrollment at December 31, 2015 and 2014 are students pursuing non-degree certificates of 679 and 585, respectively.

⁽²⁾ Includes 6,302 and 5,070 students pursuing doctoral degrees at December 31, 2015 and 2014, respectively.

⁽³⁾ As of December 31, 2015 and 2014, 47.8% and 48.0%, respectively, of our working adult students (online and professional studies students) were pursuing graduate degrees.

⁽⁴⁾ Includes both our traditional on-campus ground students and our professional studies students.

To view the original version on PR Newswire, visit <http://www.prnewswire.com/news-releases/grand-canyon-education-inc-reports-fourth-quarter-and-fy-2015-results-301211643.html>

SOURCE: Grand Canyon Education, Inc.

Investor Relations Contact: Dan Bachus, Chief Financial Officer, Grand Canyon Education, Inc., 602-639-6648, Dan.Bachus@gcu.edu; Media Contact: Bob Romantic, Grand Canyon Education, Inc., 602-639-7611, Bob.Romantic@gcu.edu