06-May-2025

Grand Canyon Education, Inc. (LOPE)

Q1 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, and thank you for standing by. Welcome to the Q1 2025 Grand Canyon Education Incorporated Earnings Conference Call. [Operator Instructions] After the speaker's presentation, there will be a question and answer session. [Operator Instructions] Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your first speaker today, Sarah Collins, General Counsel.

Sarah Slocum Collins

General Counsel, Grand Canyon Education, Inc.

Joining me on today's call is our Chairman and CEO, Brian Mueller, and our CFO, Dan Bachus. Please note that many of our comments today will contain forward-looking statements that involve risk and uncertainty. Various factors could cause our actual results to be materially different from any future results expressed or implied by such statements.

These factors are discussed in our SEC filings, including our annual report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K. We undertake no obligation to provide updates with regard to forward-looking statements made during this call, and we recommend that all investors review these reports thoroughly before taking a financial position in GCE.

With that, I'll turn the call over to Brian.

Brian E. Mueller

Chairman & Chief Executive Officer, Grand Canyon Education, Inc.

Good afternoon, and thank you for joining Grant Canyon Education's first quarter 2025 conference call. GCE had another strong quarter, producing online enrollment growth of 7.9%, and hybrid growth excluding the closed site and those in teach-out of 16.5%. We also continue to produce strong retention rates, while at the same time investing heavily in initiatives for our university partners.

The investments GCE and its 22 partner institutions are making are based on the belief that there is a vast amount of untapped potential in today's workforce. Many recent high school graduates did not go to college this year because of exorbitant tuition rates, potentially exorbitant debt levels, and difficulty managing the FAFSA website. Many working adults who could benefit from higher education are not attending because of the lack of career delivery models that did not take into account their life situation and the nature of what it is they need to learn. Grant Canyon Education will continue to grow at our stated goals over the long run because we are addressing those challenges in ways that work for students and employees.

With that, I would like to review the results of the four delivery platforms at Grant Canyon Education. First, the online campus at Grant Canyon University. New starts were up in the low teens in the first quarter of 2025, which exceeded our expectations and total enrollment growth was 7.9%, which slightly exceeds our long-term objectives. There are many reasons for this, but I want to highlight four. Number one, we have stayed focused on opportunities that exist in today's labor market and continue to roll out at least 20 new programs per year for our university partners. Since January 1, 2023, GCU has rolled out 48 new programs, emphases, and certificates across the 10 colleges, bringing the total to 353 programs, emphases, and certificates. These programs are tied directly to labor market opportunities for students. One of the responses of universities to declining emphasis is to reduce the number of programs they offer.

Two, we continue to work with employers directly to address their workforce shortages. This effort is focused on the industries of education, healthcare, engineering, technology, manufacturing, public safety, and the military. In the first quarter, new starts from this work increased 18.2% year-over-year.

Three, retention of students in the first quarter increased, which we believe continues because of the relevancy of the programs students are handling and their direct ties to students' career aspirations.

Four, GCU has resisted responding to the slower growth in higher education overall by raising tuition significantly, which many institutions have done. While a few GCU online-delivered programs have gone up approximately 1% per year, overall, online net tuition rates at GCU have gone down. GCU continues to build technology and deliver other services to its 22 partner institutions, developing efficiencies to address the financial crisis that exists in higher education today with regards to rising tuition and debt levels. Given the tough comps, we are still projecting new start growth will be in the mid- to high-single-digit rates during the rest of 2025.

Second, the GCU ground campus for traditional students. As has been previously discussed, new and total traditional campus enrollment were down slightly year-over-year in the fall of 2024 for the reasons discussed on previous calls. Although the spring intake is much less than the fall, we did see an increase in new students starting at GCU in spring 2025 as compared to spring 2024, which helped offset the increasing number of students that graduated at the end of the fall semester. We believe GCU will re-accelerate growth in the ground campus because of its significant advantages, including a very low price point, very low average debt levels, percent of students completing in less than four years, and the relevancy of GCU's academic programs. GCU still plans to grow its traditional campus out to 50,000 students.

It is our understanding that the Department of Education continues to work on fixes to the FAFSA issues and that the initial results have been positive. We believe that this, along with a number of strategy changes to address this specific challenge for 2025-2026 that we have made, will help us meet the university's new enrollment growth goals. We remain ahead of last year in new student registrations for the fall of 2025, so although it is still early in the recruitment cycle, the current trends are positive.

Third, Grand Canyon Education's hybrid campus had an increase in enrollment year-over-year of 12.1% in the first quarter. Excluding the closed sites and those that are on teach-out, enrollment increased 16.5% year-over-year. We expect the new enrollment growth rate to maintain up in the low- to mid-teens during the spring-summer 2025 and the rest of 2025.

There are two main reasons for this continued growth. One, almost all of our active ABSN partners have responded to the younger students interested in ABSN programs by admitting advanced standing students, or are in the process of making that change. Students with partially completed degrees having accumulated a great deal of debt and are very interested in nursing careers, but didn't have an efficient way to earn the prerequisites science coursework.

GCU created the science courses and some other gen-ed courses so they could be delivered online in eight weeks. Students can access these courses from anywhere in the world. There are start opportunities almost every week. These courses have been made very affordable, are taught by experienced faculties and class sizes are low, and there is a tremendous amount of academic support, including an artificial intelligence project which provides students 24 hour access to tutoring.

Since implementing these courses, we have already enrolled over 14,000 students. We have a waterfall report which allows us to know how students are progressing through their prereq courses and when they will be eligible to start at one of our ABSN sites. The success rate of students who successfully enter the ABSN programs is in the high 80% range, and that first-time pass rate on the NCLEX exam is approximately 90%. We now have an extremely efficient way to get students academically eligible and prepared to enter the program.

These positive results we anticipate will continue. There has never been greater interest among potential students for entering the healthcare professions and specifically nursing. Because of the low unemployment rate, the interest has shifted to these younger students who having accumulated a great deal of debt, to complete their bachelor's degree in another area and are under-employed. Nearly all our partners have responded positively to the change needed to serve the advanced standing students.

Our goal is to still have 80 locations. Non-GCU partners will have approximately 40 of the locations, and GCU will have approximately 40 of the locations. In 2025, we will open a total of five additional sites, including our second location in the Boston area in the fall, another site in New York City, and GCU will open up three new sites in 2025 in Albuquerque, New Mexico, which was opened in the first quarter of 2025, Lake Mary, Florida, near Orlando, and in Englewood, Colorado, south of Denver. The addition of GCU's three new site openings will bring its ABSN total locations to 11.

We will also expand our programmatic offerings with our hybrid partners by adding a graduate nursing program, with seven specializations with Northeastern University, including master's and doctoral level degrees, starting this summer at several East Coast locations. A hybrid occupational therapy bridge to master's programs to our already successful St. Kate's Occupational Therapy Assistant Hybrid Program. An online health science degree with Utica University, and GCU will launch a bachelor of science in occupational therapy assistant program and a speech-language pathology program in 2025 at our West Valley Phoenix location. Adding additional programs at our hybrid location is an important component of our business plan.

Fourth, Center for Workforce Development at Grand Canyon University. In the 2022-2023 school year, we started 80 students in GCU's electricians pre-apprenticeship program in partnership with companies that are experiencing labor shortages in that area and are excited about hiring GCU's graduates. The program consists of four core credit courses and run one semester. 212 students successfully completed the program in 2024-2025, including 11 in Austin, Texas.

In the fall of 2023, we started GCU's manufacturing CNC machinist pathway in partnership with companies that are experiencing labor shortages in that area and are excited about hiring GCU grads. The program consists of four core credit courses in one-to-one semesters. 33 students completed this program in 2024-2025 fiscal year. These students attend school for 20 hours a week and then work in a facility as a paid employee for 20 hours. At the end of the semester, they received a manufacturing certificate, became eligible for employment in Arizona's fast-growing manufacturing industry.

Students in GCU's growing engineering college are gaining experience in this manufacturing facility, which is adding to their engineering education. Recently, a manufacturing company owned and operated by a recent GCU graduate bought an additional manufacturing company, which has more than doubled its capacity and has the opportunity to significantly grow the number of students involved in this program.

I started out talking about the relevant programs and creative delivery models that GCE has implemented with 22 partner institutions. In the six-plus years since GCE has become a service provider, it has helped its partners accomplish the following.

In that time, GCE has helped Grand Canyon University graduate 189,107 students, 51,381 in education, including 24,247 first-time teachers, at a time when teacher shortages have created a national crisis, 50,615 in nursing and healthcare professions, including 2,836 pre-licensure nurses at a time when there is a huge shortage of nurses, 38,586 in the College of Humanities and Social Sciences, including thousands in counseling and social work where there are also huge shortages. The College of Business has become one of the largest business schools in America and has produced 32,900 graduates. The College of Science, Engineering, and Technology (sic) [College of Engineering and Technology] (00:12:18) has grown by 217% and provided 7,806 graduates.

The Doctoral College, Honors College, and the College of Theology also continue to grow. In addition, GCE has helped its other partners graduate 18,472 pre-licensure nurses and occupational therapist assistants. The numbers that I just cited have all happened in the past six-plus years since the GCU-GCE transaction and since GCE has become an education services provider.

Service revenue was $289.3 million for the first quarter of 2025, an increase of $14.6 million, or 5.3%, as compared to $274.7 million for the first quarter of 2024. The increase year-over-year in service revenue was primarily due to an increase in partner enrollments of 5.8%, including an increase in GCU online enrollments of 7.9%, and university partner enrollment at our off-campus classroom and laboratory sites, up 12.1%. Partially offset by a decrease in revenue per student year-over-year, primarily due to last year being a leap year and previously discussed contract modifications.

Operating income and operating margin for the three months ended March 31, 2025 was $88 million and 30.4% respectively, as compared to $84.5 million and 30.8% respectively for the same period in 2024. Net income increased 5.3% to $71.6 million for the first quarter of 2025, compared to $68 million for the same period in 2024. GAAP Diluted income per share for the three months ended March 31, 2025, is $2.52. As Adjusted Non-GAAP Diluted income per share for the three months ended March 31, 2025, is $2.57 which is $0.05 above consensus estimates.

With that I would like to turn it over to Dan Bachus, our CFO, to give a little more color on our 2025 first quarter, talk about changes in the income statements, balance sheet and other items as well as to discuss the 2025 guidance.

Daniel E. Bachus

Chief Financial Officer, Grand Canyon Education, Inc.

Thanks, Brian. Included in our Form 8-K filed with the SEC, we have included non-GAAP net income and non-GAAP diluted income per share for the three months ended March 31, 2025 and 2024. The non-GAAP amounts exclude the tax effected amount of the amortization of intangible assets of $2.1 million in the first quarters of both 2025 and 2024.

We believe the non-GAAP financial information allows investors to develop a more meaningful understanding of the company's performance over time. As adjusted non-GAAP diluted income per share for the three months ended March 31, 2025 and 2024 is $2.57, $2.35 respectively.

Service revenue was higher than our expectations in the first quarter of 2025, primarily due to higher than expected enrollment. As we expected, revenue per student decreased slightly between years, primarily due to the additional day for leap year in 2024, which added additional service revenue of $1.5 million as compared to the current year, and contract modifications for some of our university partners in which the revenue share percentage was reduced in exchange for us no longer reimbursing the partner for certain faculty costs, both of which have the effect of reducing revenue per student. This is partially offset by the service revenue per student for ABSN students at off-campus classroom and laboratory sites, generating a significantly higher revenue per student than we earned under our agreement with GCU. These agreements generally provide us with a higher revenue share percentage. The partners have higher tuition rates than GCU. And the majority of our partners, students take more credits on average per semester.

The first quarter operating margin was negatively impacted on a year-over-year basis as we expected due to the leap year impact, additional spend for 2025 partner initiatives, but also due to significantly higher than expected benefit costs as a result of an increase in the number of high cost claims. Our effective tax rate for the first quarter of 2025 was 21.6% compared to 22.9% in the first quarter of 2024 and our guidance of 22.2%. The effective tax rate decreased year-over-year primarily due to an increase in excess tax benefits of $2.7 million as compared to $1.5 million in the three months ended March 31, 2025 and 2024 respectively, partially offset by higher state income taxes. We anticipate this trend of higher state income taxes will continue.

We repurchased 395,426 shares of our common stock in the first quarter of 2025 at a cost of approximately $68.4 million and another 125,780 shares were purchased since March 31, 2025. We have $209.4 million remaining available as of today under our share repurchase authorization. The board and the company intend to continue using a significant portion of the cash flows from operations to repurchase the shares, and we anticipate daily purchases will continue during 2025.

Turning to the balance sheet and cash flows, total unrestricted cash and cash equivalents and investments as of March 31, 2025, was $304.7 million. GCE CapEx in the first quarter of 2025, including CapEx for new off-campus classroom and laboratory sites was approximately $8.9 million or 3.1% of service revenue. We anticipate CapEx for 2025 will remain comparable with prior year at between $30 million and $40 million.

Last, I would like to provide color on the updated guidance we have provided in our 8-K filed today. As a reminder, the guidance that we have provided in the outlook section of our 8-K filed today is GAAP net income and diluted income per share with a component to adjust the GAAP amounts to non-GAAP as adjusted net income and non-GAAP as adjusted diluted earnings per share. We have estimated full year 2025 guidance to include the first quarter revenue and earnings beats, have increased the second quarter revenue and earnings projections by increasing both the low end and the high end of our previously provided guidance due to the higher-than-expected enrollments at March 31. We continue to anticipate the new enrollments will be up year-over-year in the mid- to high-single digits in each quarter during 2025, and that total online enrollments will remain in the mid- to high-single digits over the prior year throughout 2025.

Total online enrollments will continue to be pressured by increasing graduations and a continued decline in reentries, students returning to school after break due to a high retention rate. There could be some upside to our second-half projections given the strong trends. But given the tough comps, we believe these estimates are appropriate. We continue to anticipate new and total student growth rate in the hybrid pillar to be in the mid- to high-teens, with the revenue growth rate for the hybrid pillar as a result of the enrollment growth continuing to be partially offset by changes made to the contracts for the university partners that are no longer being reimbursed for faculty costs. All ground traditional enrollment expectations remain the same as what was provided last quarter.

On the expense side. As you'll recall, after a pause on certain investments, primarily in head count, in the first nine months of 2024, we ramped up hiring of other spend in the fourth quarter of 2024 and anticipate this continued investment to continue in the second quarter to meet the growth goals of our partners. We also continue to absorb significant increases in both benefit costs and technology services, with benefit costs significantly exceeding our expectations in the first quarter and during the month of April.

As it relates to the hybrid pillar, we will continue to incur additional costs for the new hybrid locations that have opened in the last six months or will open in 2024-2025. But we are experiencing increased site level profitability due to the increasing enrollments. Last, we continue to anticipate an increase in the legal fees again in 2025 over 2024 as we have a couple of lawsuits filed in prior years. They're expected to go into the discovery phase and/or into trial during 2025.

So to summarize, we continue to believe we will see a slight decline in margins in the second quarter as we did in the first due to the investment in other items noted, but are optimistic that margins will expand in the second half, as long as we see year-over-year growth in the traditional campus enrollment. We are estimating that interest income will continue to be down year-over-year due to the declining cash balances due to more aggressive stock buybacks and a declining interest rate environment. We have lowered interest income slightly for the rest of the calendar year due to the greater than expected stock buybacks during the first quarter, while decreasing the number of weighted average shares outstanding.

We still believe the effective tax rate for the last three quarters of 2025 will be 24.9%, 24.9% and 24.1% with a full year tax rate now of 23.7%. The effective tax rate continues to rise due to higher state taxes as we continue to add new sites in states outside of Arizona, which have higher state tax rates and other factors. These estimates do not assume a contribution in lieu of state income taxes, but if one is made, that will increase G&A expense in the third quarter and decrease the effective tax rate in the second half of the year.

As mentioned earlier, our weighted average shares guidance has decreased slightly for each of the three remaining quarters due to the greater than expected purchases in the first quarter. The board continues to authorize the repurchase of shares as it believes the stock remains undervalued based on the metrics it uses to evaluate, including the ratio of enterprise value to adjusted EBIDTA and the free cash flow yield, rather than multiples of other education companies, as although we can be viewed as being in the same sector, there are few, if any, appropriate comps.

I will now turn the call over to the moderator so that we can answer questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. At this time, we will conduct a question and answer session. Please stand by while we compile the Q&A roster. Our first question comes from the line of Jeff Silber from BMO Capital Markets. Your line is now open.

Jeffrey M. Silber
Analyst, BMO Capital Markets Corp.

Q

Thank you so much. In your prepared remarks, you mentioned a few times about the better than expected enrollment in the first quarter. I was wondering if we can get a little bit of color where that came from. Is there any specific program, et cetera? Anything would be great.

Brian E. Mueller
Chairman & Chief Executive Officer, Grand Canyon Education, Inc.

A

Yeah. So, it's two things. One, lead flow and the interest in what we're doing here continues to grow. I think a lot of that lead flow increase is because of new programs we're in. Most of our competition can't compete with the number of programmatic offerings. And students increasingly, when they're going out and looking for academic programs as working adults, are not trying to just complete a degree. They're looking for a specific area. And so that's one of the reasons.

The second reason is we continue to sign contracts with school districts, hospitals, military bases. Just signed with three large school districts in Florida, including Miami-Dade. We just signed a contract with a major military base in Missouri. So the work that we're doing directly with corporations, school districts, hospitals, military bases, engineering firms, others, are creating a lot of opportunities for working adults to go back to school. So it's a combination of those two things that increased the online enrollment. And those things we believe will continue to experience those things.

Jeffrey M. Silber
Analyst, BMO Capital Markets Corp.

Q

All right. That's very helpful. My follow-up question, I know there's been a lot of noise in the media about fears of potential funding cuts coming out of Washington. From a student perspective, I'm just curious, are you seeing students or parents worried about that? And I'm specifically interested in your fall enrollment at the ground campus, if you might think that might have an impact.

Brian E. Mueller
Chairman & Chief Executive Officer, Grand Canyon Education, Inc.

A

I have been a part of some of those discussions in Washington. I won't get real specific about that. But most of the talk is around dollars that would go directly to states in the form of block grants. And so I don't believe that there is going to be less funding for higher education. I think the funding will remain the same. It might even increase. Some of it might be returned to the states.

Some of those things that people are seeing now in the news have to do with research grants, more so with research grants than they have to do with either program levels or loan levels, those kind of things. And so there are some universities that are very concerned about that. We're not in that, we don't play in that area a lot. We do significant levels of research, especially at the graduate level, but also it's in direct relationship to companies that we're working with. And we're not relying on a lot of grant funding from the federal government.

And so I think some universities have reasons to be nervous about some of that, the grant money, the research grant money, but I'm not hearing anything in terms of Title IV programs. In fact, what I'm hearing is that the Title IV programs, even though the Department of Ed is being cut back significantly, will probably stay with the people operating at the Department of Ed. I don't think any of that is going to impact us at all.

Jeffrey M. Silber
Analyst, BMO Capital Markets Corp.

Q

All right. That's great to hear. Thanks so much.

Operator: Thank you. Our next question comes from the line of Alex Paris from Barrington Research. Your line is now open.

Alexander Paris
Analyst, Barrington Research Associates, Inc.

Q

Thank you, and congrats on the strong start to the New Year. I have got a couple of follow-up questions, primarily on all the enrollment, which was sort of above target and representing acceleration from the fourth quarter. You, in your prepared comments, you talk about above the long-term target and stuff. I thought maybe now would be a good time to get an update on long-term targets by line item, maybe total partner enrollment, GCU online, GCU ground, Orbis. I'm looking for kind of longer-term targets for each of those pillars.

Brian E. Mueller
Chairman & Chief Executive Officer, Grand Canyon Education, Inc.

A

Well, we don't break them out typically, but our long-term enrollment goal is 7%, and so we're slightly above that at 7.9%. That's a combination of online enrollments, ground enrollments, hybrid enrollments, and then we're starting to factor in our workforce development area. I can tell you that we're running ahead in terms of new enrollments on the online side. We are running ahead in terms of hybrid enrollments. Both are very strong, and we're running ahead of registration on ground.

Now, the majority of that obviously doesn't start until late August, early September, so we won't know ultimately whether we're ahead or behind until we get to August or September, but our low guidance there and our high guidance, there's a pretty big gap there, and right now, online is doing so well that if we do well from a ground standpoint, things are going to be very good. If we don't do quite as well, they're still going to be good because the other two areas are very strong, and the ground enrollment, we have a lot of confidence in.

There's been, as you know, high school graduates, a number of high school graduates on an annual basis going down. The percent of them that are going to college is going down, so you're absolutely seeing a mix shift in terms of selections people are making. The areas that are growing are mid-tier public universities. More students are staying closer to home and going to mid-tier institutions that have lower tuition, and so those institutions are gaining. And then an institution like ours.

We still have students from all 50 states, and students that want to travel will come to a destination city like Phoenix, Arizona, when you have the 21st-ranked campus in the country, and we haven't raised tuition in 16 years, and our average student, they've got less debt than the average state university student. So people are making different choices in terms of 18-year-olds and how they can best prepare for life at work, but we are in the sweet spot of that. We're definitely in the sweet spot of that, and so we believe that this little bit of two-year pullback that even we experienced a little bit, it's going to be reversed this year because of the value propositions that we represent. Does that help with that, Alex?

Alexander Paris
Analyst, Barrington Research Associates, Inc.

Q

Absolutely. Thank you. I appreciate the additional color. And then sort of the same question. Looking for an update on expectations for this year from an enrollment perspective. I had kind of a bad connection for the prepared comments. So if you talked about this, I apologize. But you had said with regard to GCU online starts in the mid- to high-single digits every quarter of 2024, Orbis upload in mid-teens rest of 2025. Do those still stand?

Brian E. Mueller
Chairman & Chief Executive Officer, Grand Canyon Education, Inc.

A

Yes. Yes. Yeah.

Alexander Paris
Analyst, Barrington Research Associates, Inc.

Q

Great. And then last question, a question I haven't asked in a while, maybe because it's not particularly relevant, but I'll ask anyway. Thoughts on M&A. Grand Canyon Education has made acquisitions in the past, obviously the hybrid line. Wondering what your thoughts are with regard to M&A. Do you look at them? Is there anything that you'd like to acquire, particularly with a new administration and different rules being proposed in Washington DC?

Brian E. Mueller
Chairman & Chief Executive Officer, Grand Canyon Education, Inc.

A

You know, it's a good question, but we continue to prefer building. We did make an acquisition with Orbis, and we liked very much the market that they were addressing. They had a little bit of a head start. They missed on some things, and we've corrected those things, and now we're in a very good position as a result of that acquisition. But for the most part, we're addressing what we see as the real potential in higher ed by building things. And there's very little chance at this point that we'll be purchasing anything, but we will be continuing to spend that CapEx to build this. What we're doing in workforce development is a very good example of that.

Things come. I do believe that manufacturing is coming back to this country. I don't believe they'll come back the same way it came back after World War II, because I think AI and robotics is going to have a big impact. But the reason we're working with this manufacturing facility is that we're trying to find the right intersection between engineering, technology, and manufacturing. Arizona's blowing up with these major Taiwanese chip manufacturing companies that are coming here, and their need for skilled labor, anywhere from electrical engineering students down to entry-level technicians and everything in between, including manufacturing specialists, is huge.

And we're going to be a big part of that. We don't see anything out there that can accelerate that for us. We think we can move faster by working directly with companies and building things. And we'll continue to spend most of our time building things versus buying.

Alexander Paris
Analyst, Barrington Research Associates, Inc.

Q

Sure enough. Appreciate the color. I'll get back in the queue.

Brian E. Mueller
Chairman & Chief Executive Officer, Grand Canyon Education, Inc.

A

Thank you.

Operator: Thank you. Our next question comes from the line of Steven Pawlak of Baird. Your line is now open.

Steven Pawlak
Analyst, Robert W. Baird & Co., Inc.

Q

Yeah. Thank you. Just wanted to ask on the process for converting the students that are in the prerequisite program into the hybrid ABSN programs. And, like, say, the question is that, it's like, there's 14,000 students that you've enrolled in the prerequisite program, but ABSN enrollments sort of in that mid-teens or mid – or single-digit thousands. So, just kind of, what's the process for converting, like, for the 14,000 into the 5,000.

Brian E. Mueller
Chairman & Chief Executive Officer, Grand Canyon Education, Inc.

A

Most students that are interested in a nursing career are people that have 30 or so college credits. They're 19, 20, 21 years old. They've gone to a community college. They are attempting to try and get into a nursing program, but they can see that it's a really, really long route. Biology's offered this semester at this time, but not next semester at this time. Most of them are working part-time. They haven't accumulated a lot of debt. And so even though our courses are accelerated, they're with us anywhere between 6 months up to between 12 and 18 months before they finish that coursework and are eligible to get into an ABSN program.

And so with 24,000, when we get to 80 – one way to think about it is this, I think. When we get to 80 locations, we want approximately 300 ABSN students per location. So that's 24,000 slots. Eventually, we're going to have to have more than 24,000 students taking prereq courses in order to get those 24,000 slots filled, or we could have more than 24,000 students taking prereq courses in order to get those 24,000 slots filled. We think this is going to be the absolute predominant way to get prepared to get into one of those programs.

Many of our partners do have prereq programs on their campuses, but they're semester-long courses and they're $800 a credit hour, and to expect people to borrow that money and to borrow the money immediately, it's unrealistic. And so gradually, even our non-GCU partners are sending their students into these prereq courses in order to get qualified to be in. So we have a waterfall and we can see which students are progressing and which ones are likely to be eligible because it's not 100%. The courses are difficult, but we need to build that number even above 14,000 to eventually fill 24,000 slots. Does that make sense?

Steven Pawlak
Analyst, Robert W. Baird & Co., Inc.

Q

No. Makes perfect sense. And then on the non-ABSN hybrid program that you referenced, how quickly can you scale those and to a point where they're contributing to the financial performance?

Brian E. Mueller
Chairman & Chief Executive Officer, Grand Canyon Education, Inc.

A

It's going to go a little quicker than maybe we even thought six months ago because what's going on at places like Northeastern and what's going on at places like the GCU location is having an impact on the thinking of our more conservative partners. Those that are a little slower to respond, I believe are going to respond more quickly in the future because the financial pressures they're under with their normal business is not getting better. And these programs can be so profitable for them and have such an impact on their bottom line that especially those smaller schools are going to be a lot more open to take a little risk and start these other programs before I think in the past they would want to. So we've got a lot of movement just in the last couple of months and so I think that things will accelerate over the next couple of years.

Daniel E. Bachus
Chief Financial Officer, Grand Canyon Education, Inc.

A

The thing I would like to add to that, I know Brian talked about this in his prepared remarks. But we're unbelievably excited about the startup of some of these additional programs with some of our other non-GCU partners. This is some we've been talking about for a few years, and it's coming to fruition this year. And so I think right to Brian's point, I think the partners are seeing the success that we're having with GCU and some of our other partners and are asking for additional programs. And some of those programs are actually starting up in 2025, which is really exciting.

Steven Pawlak
Analyst, Robert W. Baird & Co., Inc.

Q

Thank you very much.

Daniel E. Bachus
Chief Financial Officer, Grand Canyon Education, Inc.

We've reached the end of our first quarter conference call. We appreciate your time and interest in Grand Canyon Education. If you still have questions, please contact myself, Dan Bachus. Thank you very much for your time.