December 6, 2024

Aspen Group Delivers Positive Cash Flow from Operations in Fiscal Q1 2025

- **Reports Revenue of $11.3 Million in Fiscal Q1 2025**
- **Further restructured operating expenses and debt to preserve cash and position the company for sustained positive EBITDA**
- **Successfully resolved outstanding regulatory issues during calendar year 2024**
- **Completion of teach-out for all AU BSN Pre-licensure students as of September 2024**
- **Demand for post-licensure nursing degrees remains strong**

PHOENIX, Dec. 06, 2024 (GLOBE NEWSWIRE) -- Aspen Group, Inc. (OTC Markets: ASPU) ("AGI"), an education technology holding company, today announced financial results for its first quarter of fiscal year 2025 ended July 31, 2024.

First Quarter Fiscal Year 2025 Summary Results

	Three Months Ended July 31,			
$ in millions, except per share data	**2024**		**2023**	
Revenue	$	11.3	$	14.6
Gross Profit[1]	$	7.5	$	9.8
Gross Margin (%) [1]		66%		67%
Net Income (Loss) Available to Common Stockholders	$	(0.3)	$	(0.6)
Earnings (Loss) per Share Available to Common Stockholders	$	(0.01)	$	(0.03)
EBITDA[2]	$	1.0	$	1.3
Adjusted EBITDA[2]	$	0.4	$	1.9

[1] GAAP gross profit calculation includes marketing and promotional costs, instructional costs and services, and amortization expense of $0.5 million and $0.5 million for the three months ended July 31, 2024 and 2023, respectively.

[2] Non-GAAP financial measures. See reconciliations of GAAP to non-GAAP financial measures under "Non-GAAP–Financial Measures" starting on page 4.

"Over the past year, AGI has successfully addressed its key regulatory challenges, including the removal of Aspen University's show cause directive by the Distance Education Accrediting Commission (DEAC) and AU's transition off the HCM2 financial aid payment method with the Department of Education," said Michael Mathews, Chairman and CEO of AGI. "Furthermore, we recently took steps to further reduce our operating expenses, and we restructured our debt, positioning the company to achieve positive cash flow and positive EBITDA and Adjusted EBITDA. These measures collectively strengthen our liquidity and position us for sustained financial stability, enabling AGI to reinvest in marketing and drive student enrollment growth by the end of fiscal year 2025."

Mr. Mathews continued, "Following the completion of AU's BSN Pre-licensure program teach-out in September 2024, our focus has shifted to positioning the company to expand enrollment in our traditional post-licensure nursing programs, with particular concentration on USU's MSN-FNP program, now our highest LTV program at $17,820 per enrollment. With over a million RNs expected to exit the profession by 2030 due to retirement or burnout, and healthcare demand steadily increasing, addressing the need for FNP's remains a critical priority."

Fiscal Q1 2025 Financial and Operational Results (compared to Fiscal Q1 2024)

Revenue decreased 23% to $11.3 million compared to $14.6 million. The following table presents the Company's revenue, both per subsidiary and total:

	Three Months Ended July 31,			
	2024	$ Change	% Change	2023
AU	$ 4,791,904	$ (2,931,021)	(38)%	$ 7,722,925
USU	6,536,933	(380,014)	(5)%	6,916,947
Revenue	$ 11,328,837	$ (3,311,035)	(23)%	$ 14,639,872

Aspen University (AU) revenue decreased by $2.9 million or 38%, with the Phoenix BSN Pre-Licensure program accounting for $1.45 million of the decrease. The active student body at AU decreased from 6,001 at July 31, 2023 to 4,145 at July 31, 2024 due to the continued maintenance level of marketing spend.

United States University (USU) revenue decreased 5% due primarily to a modest active student body decrease in USU's MSN-FNP program, the USU degree program with the highest concentration of students. The active student body at USU decreased from 2,590 at July 31, 2023 to 2,477 at July 31, 2024 due to the continued maintenance level of marketing spend.

GAAP gross profit decreased 23% to $7.5 million compared to $9.8 million, primarily due to lower revenue. Gross margin was 66% compared to 67%. AU gross margin was 61% versus 62% of AU revenue, and USU gross margin was 71% versus 72% of USU revenue.

AU instructional costs and services represented 31% of AU revenue, and USU instructional costs and services represented 26% of USU revenue. AU marketing and promotional costs represented 2% of AU revenue, while USU marketing and promotional costs represented 1% of USU revenue.

The following tables present the Company's net income (loss) available to common stockholders, both per subsidiary and total:

	Three Months Ended July 31, 2024			
	Consolidated	AGI Corporate	AU	USU
Net (loss) income available to common stockholders	$ (269,016)	$ (1,584,916)	$ (491,022)	$ 1,806,922
Net loss per share available to common stockholders	$ (0.01)			

	Three Months Ended July 31, 2023			
	Consolidated	AGI Corporate	AU	USU
Net (loss) income available to common stockholders	$ (639,438)	$ (3,805,601)	$ 646,376	$ 2,519,787
Net loss per share available to common stockholders	$ (0.03)			

The following tables present the Company's Non-GAAP measures, both per subsidiary and total. See reconciliations of GAAP to non-GAAP financial measures under "Non-GAAP–Financial Measures" starting on page 4.

	Three Months Ended July 31, 2024			
	Consolidated	AGI Corporate	AU	USU
EBITDA	$ 1,039,102	$ (1,018,946)	$ 112,814	$ 1,945,234
EBITDA Margin	9%	NM	2%	30%
Adjusted EBITDA	447,615	(1,635,054)	(99,794)	2,182,463
Adjusted EBITDA Margin	4%	NM	(2)%	33%

NM – Not meaningful

	Three Months Ended July 31, 2023			
	Consolidated	AGI Corporate	AU	USU
EBITDA	$ 1,344,405	$ (2,738,712)	$ 1,427,102	$ 2,656,015
EBITDA Margin	9%	NM	18%	38%
Adjusted EBITDA	1,881,854	(2,691,840)	1,685,160	2,888,534
Adjusted EBITDA Margin	13%	NM	22%	42%

Liquidity

The Fiscal Q1 2025 ending unrestricted cash balance of approximately $1.3 million resulted from the timing of financial aid payments received from the Department of Education (DOE). The following three factors will help improve cash flow in the second half of Fiscal 2025. First, effective August 16, 2024, AU transitioned from the Heightened Cash Monitoring 2 (HCM2) to the Heightened Cash Monitoring 1 (HCM1) method of receiving student financial aid payments from the DOE. This transition allows AU to disburse student financial aid using institutional funds and immediately draw down reimbursement by submitting disbursement records, eliminating payment delays and resulting in more consistent unrestricted cash balances. Second, we renegotiated the 15% Senior Secured Debentures in November 2024, reducing ongoing principal payments and changing the timing of principal payments from monthly to quarterly. Finally, the Company initiated a fourth restructuring in the fourth quarter of calendar 2024, projected to reduce annual operating expenses by over $1.5 million.

Cost reductions associated with the four restructuring plans and other corporate cost reductions were implemented to ensure that the company will have sufficient cash to meet its working capital needs for the next 12 months.

Operating Metrics

New Student Enrollments

On a Company-wide basis, new student enrollments were down 19% year-over-year, but increased 3% sequentially. New student enrollments at AU decreased 34% year-over-year and at USU increased 5% year-over-year. The year-over-year company-wide decrease in new student enrollments is primarily the result of the on-going maintenance level of marketing spend. We anticipate we will increase marketing spend in late Fiscal 2025 to a level necessary to provide enrollments needed to grow the student body and increase positive operating cash flow.

New student enrollments for the past five quarters are shown below:

	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25
AU	626	808	473	427	413
USU	389	548	325	370	410
Total	1,015	1,356	798	797	823

Total Active Student Body

Total active student body for the past five quarters is shown below:

	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25
AU	6,001	5,679	5,146	4,559	4,145
USU	2,590	2,733	2,503	2,489	2,477
Total	8,591	8,412	7,649	7,048	6,622

Nursing Students

Nursing student body for the past five quarters are shown below:

	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25
AU	4,766	4,470	4,032	3,526	3,198
USU	2,349	2,432	2,270	2,262	2,254
Total	7,115	6,902	6,302	5,788	5,452

Non-GAAP – Financial Measures

This press release includes both financial measures in accordance with Generally Accepted Accounting Principles, or GAAP, as well as non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position or cash flows that either excludes or includes amounts that are not normally included or excluded in the most directly comparable measure calculated and presented in accordance with GAAP. Non-GAAP financial measures should be viewed as supplemental to and should not be considered as alternatives to net income (loss), operating income (loss), and cash flow from operating activities, liquidity or any other financial measures. They may not be indicative of the historical operating results of AGI nor are they intended to be predictive of potential future results. Investors should not consider non-GAAP financial measures in isolation or as substitutes for performance measures calculated in accordance with GAAP.

Our management uses and relies on EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted Gross Profit, which are non-GAAP financial measures. We believe that management, analysts and shareholders benefit from referring to the following non-GAAP financial measures to evaluate and assess our core operating results from period-to-period after removing the impact of items that affect comparability. Our management recognizes that the non-GAAP financial measures have inherent limitations because of the excluded items described below.

We have included a reconciliation of our non-GAAP financial measures to the most comparable financial measures calculated in accordance with GAAP. We believe that providing the non-GAAP financial measures, together with the reconciliation to GAAP, helps investors make comparisons between AGI and other companies. In making any comparisons to other companies, investors need to be aware that companies use different non-GAAP measures to evaluate their financial performance. Investors should pay close attention to the specific definition being used and to the reconciliation between such measure and the corresponding GAAP measure provided by each company.

AGI defines Adjusted EBITDA as EBITDA excluding: (1) bad debt expense; (2) stock-based compensation; (3) severance; and (4) non-recurring charges. The following table presents a reconciliation of net loss to EBITDA and Adjusted EBITDA and of net income (loss) margin to Adjusted EBITDA Margin:

	Three Months Ended July 31,	
	2024	2023
Net loss	$ (127,864)	$ (639,438)
Interest expense, net	347,170	936,460
Taxes	(208)	84,171
Depreciation and amortization	820,004	963,212
EBITDA	1,039,102	1,344,405
Bad debt expense	450,000	450,000
Stock-based compensation	210,091	87,449
Severance	50,707	—
Non-recurring charges - Other	(1,302,285)	—
Adjusted EBITDA	$ 447,615	$ 1,881,854
Net loss Margin	(1)%	(4)%
Adjusted EBITDA Margin [1]	4%	13%

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[1] **Adjusted EBITDA Margin** is defined as Adjusted EBITDA divided by revenue. Adjusted EBITDA margin has certain limitations in that it does not take into account the impact on our consolidated statement of operations of certain expenses.

The following tables present a reconciliation of Net income (loss) to EBITDA and Adjusted EBITDA and of Net loss margin to Adjusted EBITDA margin by subsidiary:

	Three Months Ended July 31, 2024			
	Consolidated	AGI Corporate	AU	USU
Net income (loss)	$ (127,864)	$ (1,443,764)	$ (491,022)	$ 1,806,922
Interest expense, net	347,170	347,170	—	—
Taxes	(208)	92	—	(300)
Depreciation and amortization	820,004	77,556	603,836	138,612
EBITDA	1,039,102	(1,018,946)	112,814	1,945,234
Bad debt expense	450,000	—	225,000	225,000
Stock-based compensation	210,091	201,754	6,865	1,472
Severance	50,707	3,125	36,825	10,757
Non-recurring charges - Other	(1,302,285)	(820,987)	(481,298)	—
Adjusted EBITDA	$ 447,615	$ (1,635,054)	$ (99,794)	$ 2,182,463
Net income (loss) Margin	(1)%	NM	(10)%	28%
Adjusted EBITDA Margin	4 %	NM	(2)%	33%

NM - Not meaningful

	Three Months Ended July 31, 2023			
	Consolidated	AGI Corporate	AU	USU
Net income (loss)	$ (639,438)	$ (3,805,601)	$ 646,376	$ 2,519,787
Interest expense, net	936,460	936,481	(6)	(15)
Taxes	84,171	54,766	19,425	9,980
Depreciation and amortization	963,212	75,642	761,307	126,263
EBITDA	1,344,405	(2,738,712)	1,427,102	2,656,015
Bad debt expense	450,000	—	225,000	225,000
Stock-based compensation	87,449	46,872	33,058	7,519
Adjusted EBITDA	$ 1,881,854	$ (2,691,840)	$ 1,685,160	$ 2,888,534
Net income (loss) Margin	(4)%	NM	8%	36%
Adjusted EBITDA Margin	13%	NM	22%	42%

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 including the impact of our operating and debt restructurings and expected positive operating cash flow and positive EBITDA and future growth. The words “believe,” “may,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “could,” “target,” “potential,” “is likely,” “will,” “expect” and similar expressions, as they relate to us, are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. The results anticipated by any or all of these forward-looking statements might not occur. Important factors, uncertainties and risks that may cause actual results to differ materially from these forward-looking statements include, without limitation, the impact from our last restructuring plan. our ability to sublease our remaining leases other than our executive offices and necessary space used by AU and USU, the continued high demand for nurses for our new programs and in general, student attrition, national and local economic factors including the labor market shortages, competition from other online universities including the competitive impact from the trend of major non-profit universities using online education , the effectiveness of our future marketing and the impact of any Federal Reserve interest rate changes on the economy. We undertake no obligation to publicly update or revise any forward-looking statements, whether as the result of new information, future events or otherwise.

About Aspen Group, Inc.

Aspen Group, Inc. is an education technology holding company that leverages its infrastructure and expertise to allow its two universities, Aspen University and United States University, to deliver on the vision of making college affordable again.

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GAAP Financial Statements

ASPEN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	July 31, 2024	April 30, 2024
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 1,308,843	$ 1,531,425
Restricted cash	1,088,002	1,088,002
Accounts receivable, net of allowance of $5,005,236 and $4,560,378, respectively	18,738,129	19,686,527
Prepaid expenses	508,752	502,751
Other current assets	1,417,092	1,785,621
Total current assets	23,060,818	24,594,326
Property and equipment:		
Computer equipment and hardware	888,566	886,152
Furniture and fixtures	1,974,271	1,974,271
Leasehold improvements	6,553,314	6,553,314
Instructional equipment	529,299	529,299
Software	9,072,488	8,784,996
	19,017,938	18,728,032
Less: accumulated depreciation and amortization	(10,331,034)	(9,542,520)
Total property and equipment, net	8,686,904	9,185,512
Goodwill	5,011,432	5,011,432
Intangible assets, net	7,900,000	7,900,000
Courseware and accreditation, net	353,065	363,975
Long-term contractual accounts receivable	17,550,272	17,533,030
Operating lease right-of-use assets, net	9,598,303	10,639,838
Deposits and other assets	699,470	718,888
Total assets	$ 72,860,264	$ 75,947,001

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ASPEN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)

	July 31, 2024	April 30, 2024
	(Unaudited)	
Liabilities and Stockholders' Equity		
Liabilities:		
Current liabilities:		
Accounts payable	$ 2,115,294	$ 2,311,360
Accrued expenses	3,099,740	2,880,478
Advances on tuition	2,300,046	2,030,501
Deferred tuition	3,344,645	4,881,546
Due to students	2,419,963	2,558,492
Current portion of long-term debt	2,915,863	2,284,264
Operating lease obligations, current portion	2,264,213	2,608,534
Other current liabilities	488,991	86,495
Total current liabilities	18,948,755	19,641,670
Long-term debt, net	5,994,907	6,776,506
Operating lease obligations, less current portion	14,259,290	14,999,687
Put warrants liabilities	1,143,606	1,964,593
Other long-term liabilities	287,930	287,930
Total liabilities	40,634,488	43,670,386
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.001 par value; 1,000,000 shares authorized, 10,000 issued and 10,000 outstanding at July 31, 2024 and April 30, 2024	10	10
Common stock, $0.001 par value; 85,000,000 shares authorized, 25,932,255 issued and 25,932,255 outstanding at July 31, 2024 25,701,603 issued and 25,701,603 outstanding at April 30, 2024	25,932	25,702
Additional paid-in capital	121,997,843	121,921,048
Accumulated deficit	(89,798,009)	(89,670,145)
Total stockholders' equity	32,225,776	32,276,615
Total liabilities and stockholders' equity	$ 72,860,264	$ 75,947,001

ASPEN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended July 31,	
	2024	**2023**
	(Unaudited)	(Unaudited)
Revenue	$ 11,328,837	$ 14,639,872
Operating expenses:		
Cost of revenue (exclusive of depreciation and amortization shown separately below)	3,347,225	4,392,855
General and administrative	7,327,334	8,470,878
Bad debt expense	450,000	450,000
Depreciation and amortization	820,004	963,212
Total operating expenses	11,944,563	14,276,945
Operating (loss) income	(615,726)	362,927
Other income (expense):		
Interest expense	(347,170)	(936,481)
Change in fair value of put warrant liability	820,987	—
Other income, net	13,837	18,287
Total other income (expense), net	487,654	(918,194)
Loss before income taxes	(128,072)	(555,267)
Income tax (benefit) expense	(208)	84,171
Net loss	(127,864)	(639,438)
Dividends attributable to preferred stock	(141,152)	—
Net loss available to common stockholders	$ (269,016)	$ (639,438)
Net loss per share - basic and diluted available to common stockholders	$ (0.01)	$ (0.03)
Weighted average number of common stock outstanding - basic and diluted	25,929,218	25,567,351

ASPEN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended July 31,	
	2024	**2023**
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Net loss	$ (127,864)	$ (639,438)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Bad debt expense	450,000	450,000
Depreciation and amortization	820,004	963,212
Stock-based compensation	151,341	87,449
Change in fair value of put warrant liability	(820,987)	—
Amortization of warrant-based cost	7,000	7,000
Amortization of debt issuance costs	—	73,174
Amortization of debt discounts	—	77,208
Non-cash lease benefit	(124,499)	(196,720)
Changes in operating assets and liabilities:		
Accounts receivable	481,156	(2,915,225)
Prepaid expenses	(6,001)	(34,123)
Other current assets	368,529	(3,210,237)
Deposits and other assets	19,418	(571,014)
Accounts payable	(196,066)	180,041
Accrued expenses	219,262	214,859
Due to students	(138,529)	186,030
Advances on tuition and deferred tuition	(1,267,356)	812,637
Other current liabilities	402,496	(88,317)
Net cash provided by (used in) operating activities	237,904	(4,603,464)
Cash flows from investing activities:		
Purchases of courseware and accreditation	(20,580)	(28,020)
Purchases of property and equipment	(289,906)	(291,632)
Net cash used in investing activities	(310,486)	(319,652)
Cash flows from financing activities:		
Repayment of portion of 15% Senior Secured Debentures	(150,000)	—
Proceeds from 15% Senior Secured Debentures, net of original issuance discount and fees	—	10,451,080
Repayment of 2018 Credit Facility	—	(5,000,000)
Payments of debt issuance costs	—	(195,661)
Net cash (used in) provided by financing activities	$ (150,000)	$ 5,255,419

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ASPEN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(Unaudited)

	Three Months Ended July 31,	
	2024	**2023**
	(Unaudited)	(Unaudited)
Net (decrease) increase in cash, cash equivalents and restricted cash	$ (222,582)	$ 332,303
Cash, cash equivalents and restricted cash at beginning of period	2,619,427	5,724,467
Cash, cash equivalents and restricted cash at end of period	$ 2,396,845	$ 6,056,770
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 345,413	$ 671,031
Cash (refunded) paid for income taxes	$ (208)	$ 59,172
Supplemental disclosure of non-cash investing and financing activities:		
Accrued dividends	$ 141,152	$ —
Relative fair value of warrants issued as part of the 15% Senior Secured Debentures	$ —	$ 154,000

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the accompanying consolidated balance sheet to the total amounts shown in the accompanying unaudited consolidated statements of cash flows:

	July 31,	
	2024	**2023**
	(Unaudited)	(Unaudited)
Cash and cash equivalents	$ 1,308,843	$ 217,370
Restricted cash	1,088,002	5,839,400
Total cash, cash equivalents and restricted cash	$ 2,396,845	$ 6,056,770

ASPEN GROUP INC.

Source: Aspen Group Inc.