

Aspen Group, Inc. ([NASDAQ: ASPU](#))

Q1 FY'2020 Results Earnings Conference Call

September 9, 2019 4:30 PM ET

Executives

Joseph Sevely - Chief Financial Officer

Michael Mathews - Chairman of the Board, Chief Executive Officer

Analysts

Eric Martinuzzi - Lake Street Capital

Darren Aftahi - ROTH Capital Partners

Mike Malouf - Craig-Hallum Capital

Austin Moldow - Canaccord Genuity

Operator

Good afternoon. Welcome to Aspen Group's Fiscal Year 2020 First Quarter Earnings Call. Please note that the company's remarks made during this call, including answers to questions, include forward-looking statements which are subject to various risks and uncertainties. These include statements relating to future student enrollments and bookings, campus expansion plans and capital expenditures, Adjusted EBITDA forecast, operating metrics, anticipated operating leverage and gross margins, revenue growth including Q2, meeting three key targets, expectations from Aspen's monthly payment plan changes, expected G&A trends, expected cash flows and our liquidity.

Actual results may differ materially from the results predicted and reported results should not be considered as an indication of future performance. A discussion of risks and uncertainties related to Aspen's business is contained in its filings with the Securities and Exchange Commission mentioned in the press release issued this afternoon.

Aspen Group disclaims any obligation to update any forward-looking statements as a result of future developments.

Also I would like to remind you that during the course of this conference call, the company will discuss Adjusted EBITDA and EBITDA, which are non-GAAP financial measures in talking about the company's performance. Reconciliation to the most directly comparable GAAP financial measures are provided in the tables and the press release issued by the company today. There will be a transcript of this conference call available for one year at the company's website. Please note that the earnings slides are

available on Aspen Group's website at aspu.com in the Presentations page under Company Info.

Now, I'll turn the call over to Michael Mathews, Aspen Group's Chairman and Chief Executive Officer.

Michael Mathews

Good afternoon. I will begin the call today by discussing the positive trends we're seeing in our operating metrics, then I will discuss our pre-licensure BSN campus expansion plan for calendar year 2020 which we released details of this morning, then I will make a key strategic announcement related to our monthly payment plan at Aspen University. Joe Sevely will then follow with a review of our financial results.

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OK, first let's review our enrollment results in the first quarter. This of course is our seasonally slowest quarter given it falls during the summer months, but this year enrollments in USU's FNP program and Aspen's pre-licensure BSN campus business were so strong that on an aggregate basis we didn't see the seasonal dip we've seen in previous years.

Aggregate enrollments for the Company in fact rose 24% sequentially and 46% year-over-year to a quarterly record of 1,929 new student enrollments.

As we announced last week, the Company has now surpassed the 10,000 active student body milestone as Aspen University now has over 8,500 active students, while USU now has over 1,500 active students.

I'd like to express my gratitude to our faculty and employees at both universities for the care and commitment they exhibit every day to ensure our students receive a world-class academic experience.

Leading the way with enrollments was USU's FNP program. We achieved 514 enrollments in Q1, which was a 62% sequential increase.

Enrollments were averaging about 150 per month in the quarter until we announced the monthly payment plan change and subsequent July 31st deadline to sign-up for the now discontinued 6-year payment program. That deadline generated approximately 10% more enrollments than we would have otherwise delivered for the quarter.

Consequently, on a go forward basis, we are forecasting the enrollment run rate to remain in the 150 per month range.

We continue to implement every other month start dates for our FNP program and continue to target 150 new FNP students each start date. Because of the spike in enrollments in late July, I'm pleased to announce that we had 243 new students begin our FNP program on our September 3rd start date.

Congratulations to everyone at United States University for their great work preparing for this very large start date that began last week.

As I have stated before, when we acquired USU, we saw the potential for student body growth and composition to mirror Aspen University. USU has grown from 684 to 1,491 students year-over-year or 118%. And the student body composition is even more heavily weighted to nursing students, as USU's student body is now composed of 94% degree-seeking nursing students while Aspen University is at 80%.

Our newest unit, the Aspen University pre-licensure BSN campus business currently based in the Phoenix metro, delivered record enrollments in the first quarter.

We achieved 276 enrollments in Q1, which was a 48% sequential increase and an increase of 197% year-over-year. This quarter we continued to enroll students into our second campus in Phoenix, the HonorHealth campus, which is set to begin its first semester on September 17th, which contributed to the increase in the enrollment growth in the quarter.

Our traditional online Aspen Nursing + other unit delivered an enrollment increase of 7% year-over-year and our Doctoral unit increased enrollments 68% year-over-year, so those businesses continue to grow as expected.

The three key takeaways from this quarter's enrollment results are #1, how that translates to increases in our marketing efficiency ratio or MER and the related decrease in our cost of enrollment or CAC, #2, our rising average revenue per enrollment or ARPU, and #3, the increase in total bookings.

As a reminder, we define MER as revenue-per-enrollment or LTV/cost-per-enrollment or CAC. In Q1 our cost-of-enrollment declined by 10% sequentially in our traditional Aspen Nursing + other unit, down to \$1,231, delivering a 6.0X MER. Our doctoral unit saw similar improvements, as our cost-of-enrollment declined by 31% sequentially, down to \$1,987, delivering a 6.3X MER.

Our cost-of-enrollment for our USU FNP program declined by 33% sequentially, down to \$1,078, delivering a 16.5X MER. Finally, the cost-of-enrollment for our pre-licensure BSN program remained under \$500, \$478 to be exact, which delivers a whopping 62.8X MER today.

The second takeaway is that our strategy of investing our marketing spend to drive enrollment growth in our highest LTV units is working.

This has delivered material improvements in our average revenue per user or ARPU and our overall bookings. Year-over-year, our ARPU has risen from \$11,185 to \$13,919 or 24%. Our total bookings, resulting from weighting enrollment growth primarily to our highest LTV businesses, increased 83% year-over-year from \$14.7 million to \$26.9 million.

This strategy of driving enrollment growth in our highest LTV businesses positions the company for sustained, consistent top line growth of over 30% for the current fiscal year and for next year.

Specifically, we now anticipate fiscal year 2020 revenue growth to be at least 34%.

OK, now I'd like to make two announcements.

First, we announced this morning that we have signed clinical affiliation agreements with the largest health care organizations in the Austin and Tampa metros and plan to launch stand-alone Aspen pre-licensure campuses in those two metros next calendar year.

We're targeting opening Tampa next summer and Austin next fall, so both will begin after the end of our current fiscal year.

Our primary clinical partner in Austin will be Baylor Scott & White, who are in fact the largest not-for-profit healthcare system in Texas and one of the largest in the United States. Baylor Scott & White Health was born from the 2013 combination of Baylor Health Care System and Scott & White Healthcare. Today, Baylor Scott & White includes 48 hospitals, more than 800 patient care sites, more than 7,800 active physicians, over 47,000 employees.

Our primary clinical partner in Tampa will be Bayfront Health, a regional network of seven hospitals and over 1,900 medical professionals on staff serving the residents of Florida's Gulf Coast.

Tampa-St. Petersburg and Austin are ideal metropolitan areas for our initial expansion outside of Phoenix, as both enjoy population centers of over two million people and are expected to be among the top 20 fastest growing metros in the next few decades.

As we look to maximize the return on our invested capital, we have targeted existing campuses that are already substantially built-out to reduce the total expenditure for each new location.

This will allow the CapEx for each new campus to be in the same range as the cost of Aspen's embedded campus at HonorHealth located in North Phoenix. Locations of each campus will be announced following the execution of long-term leases which are

expected to be completed over the next 60-90 days. Joe will provide an update on liquidity in a few minutes, but as we've previously stated these new campuses are planned to be funded with our existing liquidity resources.

Onto our second announcement. If you recall, on the last earnings call, we announced a change to our Monthly Payment Plan program for our USU FNP students. In order to improve our working capital in coming years, while still maintaining our mission of making college affordable and providing innovative payment plans, we are only offering monthly payment plans for the first academic year of an FNP student which is a liability of about \$9,000 payable at \$375 per month over the duration of the two year academic program.

The second academic year, which is a liability of about \$18,000, will now need to be paid by students using conventional payments methods. This will allow the Company to reduce our operating cash requirements by over \$2 million next fiscal year, and much more in future years.

We are balancing the management of our cash resources with our strategy to grow the business in our highest LTV units. As a result, we are always looking for ways to accelerate the timing of the Company achieving free cash flow results.

Therefore, effective October 1st, all new students at Aspen University that enroll in a bachelor degree program will now pay \$300 per month on a go forward basis, up from \$250 per month. In addition, all new students at Aspen University that enroll in a master degree program will now pay \$350 per month on a go forward basis, up from \$325 per month.

Assuming we increase our enrollments in our traditional Aspen online nursing + other programs by 15%, that would equate to approximately 4,400 new student enrollments on an annualized basis that will now pay the Company approximately \$40 per month additional on a weighted average basis.

Therefore, 12 months out, we would expect to be receiving approximately \$175,000 more cash per month as a result of this change, which on an annualized basis is a positive cash flow improvement of over \$2.1 million.

We have carefully researched this monthly payment increase both internally and externally and feel confident these changes will not have a detrimental effect on our conversion rates and overall enrollment forecasts.

Now I'll turn the call over to our CFO, Joe Sevely, to review our financial results for Q4 and to provide an update on our liquidity.

Joseph Sevely

Good afternoon. I will begin today by reviewing our financial results for fiscal 2020 first quarter. I will then make some observations on the key drivers of shareholder value and our expectations for coming quarters.

First, quarterly revenue was approximately \$10.4 million, a 43% increase from the comparable prior year quarter. Sequentially, revenue increased from \$10.2 million. Given that the first quarter is our slowest seasonal quarter with many students not taking classes during the summer months, we were pleased with the sequential increase.

Revenue for Aspen's nursing + other unit increased by approximately \$1 million or 17% compared to last year's first quarter. This is an area with solid economics as we posted a 17% EBITDA margin in the first quarter, and expect in the future over 20% margin on average in this area. Despite those economics, this is the lowest expected margin business within our current mix and therefore we have limited its growth in favor of other higher expected margin businesses.

USU revenues more than doubled from a year ago and the pre-licensure BSN program's revenue continue to grow at a rapid pace since the launch a year ago. Sequentially, these two program's revenues grew 13% and 52%, respectively. Together, they now account for 34% of our total revenue, up from 29% last quarter.

Aspen Group's gross profit for the first quarter increased to approximately \$5.8 million from \$3.3 million last year, an increase of \$2.3 million or 74%. Gross Margin was 56%, which is up from 46% last year, an improvement of 10 percentage points. We expect continued margin expansion as we continue to grow.

Aspen University's gross profit represented 59% of Aspen University's revenue for the quarter, while USU's gross profit equaled 55% of its revenue for the quarter.

Total instructional costs and services for the quarter rose to approximately \$2.1 million or 21% of revenue. For Aspen University, instructional costs and services represented 18% of revenue for the quarter, while USU's instructional costs and services equaled 28% of its revenue for the quarter.

Marketing and promotional costs for the quarter were approximately \$2.2 million or 21% of revenue, declining from 23% as a percentage of revenue in the previous quarter.

Aspen University's marketing and promotional costs were 20% of Aspen University's revenue for the quarter, down from 21% from the previous quarter. USU's marketing and promotional costs equaled 17% of USU's revenue for the quarter, down from 19% last quarter.

General and administrative costs for the quarter were approximately \$7 million compared to approximately \$5.8 million during the comparable prior year quarter, an increase of \$1.2 million or 21%. This is in line with our expectation that G&A will grow at about half the growth rate of revenues, which were up 43% compared to the prior year's quarter.

Net loss applicable to shareholders was approximately (\$2.1) million or diluted net loss per share of (\$0.11) for the quarter, as compared to a net loss of (\$2.8) million or (\$0.15) per share for the comparable prior year quarter.

During the first quarter, Aspen University generated approximately \$0.9 million of net income. USU experienced a net loss of approximately (\$0.4) million and AGI corporate incurred \$2.6 million of expenses. AGI's expenses were up sequentially about \$400,000 largely due to expenses that are not expected to recur, including, for example, a severance payment and recruiting costs for our new corporate controller.

USU's operating loss declined by about \$750,000 compared to the first quarter fiscal year 2019. USU's revenues increased by about \$1.4 million over that same one-year period. As a result, USU achieved operating leverage of about 53%. We expect strong, continued operating leverage, on average, as USU continues to grow in future quarters.

With regard to our liquidity position, cash used in operations for the quarter was approximately \$1.7 million, 50% less than the amount used in the prior year quarter.

Aspen Group ended the quarter with approximately \$7.7 million in cash and restricted cash. Together with our unused revolver of \$5 million, we ended the quarter with \$12.7 million of liquidity resources, which we believe are adequate.

Looking forward, we expect to deliver increased value to our shareholders by achieving three important financial targets; continued strong revenue growth, rapidly improving profitability, and a path to substantial positive free cash flow.

Let's talk about each of those factors. We have a very strong track record of aggressively growing revenue. And as Mike Mathews said, we expect that to continue with 34% revenue growth or higher this fiscal year and at least 30% annual growth next fiscal year.

With regard to profitability, we expect Aspen's nursing + other unit to continue to have double-digit revenue growth and moderately improving margins. As noted earlier, this area already has solid profitability. USU is not yet profitable but has experienced strong operating leverage as revenues have increased significantly and expenses have grown at a much slower pace. We expect USU to reach positive net income within the next couple of quarters. We also expect its EBITDA margin to reach the mid-20's.

Our pre-licensure program is the fastest-growing program and has the highest long-term expected profitability level. As expected, this unit turned profitable in the first quarter of fiscal year 2020, just one year after launch. We expect similar timing for the new campuses and also expect each new campus to generate over 30% EBITDA margins once it reaches maturity, approximately two to three years after the launch of each campus.

In aggregate for Aspen Group, we expect positive Adjusted EBITDA for every quarter going forward. Within a few quarters we expect EBITDA to turn positive and a few quarters later to achieve positive net income. So, during our next fiscal year we expect to hit an important milestone, reporting our first positive quarterly net income result.

We also expect a strong positive trend with respect to cash flow. Obviously the expected trends in earnings that I just discussed should contribute to improved cash from operations.

In addition, we expect a favorable trend, on average, for working capital. Historically, our monthly payment plan has been a drag on our working capital as we help finance our students' education. The flip side of that is we have an increasing number of graduates who continue to make MPP payments.

In addition, we announced last quarter that we were changing the structure of the MPP program for USU's FNP program. That has now been implemented and should contribute in the future to a much more favorable working capital position. The increase in monthly payments at Aspen that Mike just announced will also improve the working capital position.

We plan to continue to grow our pre-licensure campus business and add two new campuses in calendar year 2020 as Mike also stated. However, as he indicated, we think we can limit CapEx needed to launch those campuses. A relatively low initial CapEx, a quick path to profitability, and a high expected margin all contribute to expectations for positive cash flow.

In addition, we do not offer a monthly payment plan for this program, so we won't need working capital funding as we have in our other programs. All told, this should lead to a strong cash flow position for Aspen Group.

As I've stated in the past, I continue to expect the company be generating significant positive EBITDA, cash from operations and free cash flow by the fall of 2021, two years from now, and of course, we expect to hit some of those milestones sooner.

That concludes our prepared remarks. I will now turn the call back to the operator for questions.

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Question-and-Answer Session

Operator

Thank you. And our first question comes from Eric Martinuzzi with Lake Street. Your line is now open.

Eric Martinuzzi

Yes. First a comment and then the question. So congratulations to you on that 10,000 total active students, that's definitely a major milestone for you guys. So, let me dive in on the question. I want to make sure I have the guidance correct here, you talked about at least 34% growth in fiscal '20, and then another 30% on top of that in fiscal '21. So,

just quick back-of-the-envelope math here, that would be \$45.6 million in 2020 and over \$59 million in 2021, is my math correct?

Michael Mathews

Yes, it would be approximately \$45.5 million, and then yes, \$59 million. You are correct.

Eric Martinuzzi

Terrific to see that. I'm seeing that \$59 million is certainly well ahead of what I was modeling for fiscal '21. How much of that is driven by the two incremental hybrid campuses, and how much is, maybe the price increase related?

Michael Mathews

Well, we haven't done a price increase. The changes that we made today simply require our new enrollments at Aspen University, when they sign up for the monthly payment plan, to pay either \$50 or \$25 per month more respectively, whether it's a bachelor or a master student. We don't expect our two new campuses, because of course we are launching them after this current fiscal year, we don't expect them to have a significant material effect on that \$59 million. The very strong \$89 million of bookings that we're estimating for this fiscal year will deliver that forecasted result of \$59 million plus.

Eric Martinuzzi

Okay, that's a good point to clarify. So, not a change in tuition rates, but the change in the monthly payment plan per month, is that correct?

Michael Mathews

That's correct. We're simply asking them to pay a little bit more per month, and again as we said in our earnings remarks today, we don't feel like that's a risk to our fundamental business model.

Eric Martinuzzi

Yes. That to me still seems like a manageable monthly payment for most families. The last thing I wanted to touch on here is the new hybrid campuses. You talked about CapEx there, could you remind me what was the CapEx for the HonorHealth hybrid campus?

Michael Mathews

Yes, HonorHealth ended up being just a touch over \$1.2 million, and the agreement we had with that great organization, that great partner of ours, was to split the cost 50/50. So, it's slightly more than \$600,000 for each of the partner's.

Eric Martinuzzi

Got you. Okay, thanks for taking my questions, and congrats on the Q1 results.

Michael Mathews

Thank you, Eric.

Operator

Thank you. And our next question comes from Darren Aftahi with ROTH Capital Partners. Your line is now open.

Darren Aftahi

Hey, guys. Thanks for taking my questions. Really great to see the growth coupled with the cash burn reducing. If I could piggyback on Eric's question from a different light, so with Bayfront and Baylor Scott & White, given kind of the footprint of employees, Mike, can you talk about is there a dynamic where customer acquisition costs are going to kind of under index given there will be a nice flow in terms of potential candidates, and as you think about future campuses in addition to the dynamics like population growth, et cetera, is that something that you are focusing on?

Michael Mathews

Well, I mean, there's multiple variables that go into making a decision to enter a major metro market such as Austin or Tampa. The first and most important critical variable for us is to ensure that we have a clinical partnership with the "Gorilla" healthcare conglomerate in that metro, and we were able to accomplish that in both cases. That's critical for us, because when we enter a market, we want to be able to build a very large campus and you can't do that if you don't have the clinical placements available. So that's the first critical component.

The second for us is again we want to be in a very large metro market, two million plus population, and we feel very confident when we have conversations with these clinical partners to understand not only what placements they have available, but the potential for recruiting various employees within their organization, and also their expansion plans. So for example, we talked to Baylor Scott & White about not only potentially opening Austin, but other metros in Texas, and they recommended we go to Austin first because they're launching a new hospital there, which is their third or fourth in the metro. So, the point I'm making here is that we make these kinds of strategic decisions very carefully and in very close concert with our partners.

Darren Aftahi

That's helpful. Then a question on the pre-licensure business, Joe, you rattled off a bunch of numbers, did I hear you correctly, you said that the initial Phoenix campus is already profitable at this point?

Joe Sevelly

Yes, that's right. Last quarter, we announced our expectations to be profitable this quarter, and we're now announcing that it did. We expect similar results, four maybe five quarters after launch that our future campuses should be profitable.

Darren Aftahi

Got it. So, when we think about kind of the balance of that Phoenix campus and how that can help fund some of these newer campuses, how should we kind of think about that dynamic?

Joe Sevely

Sure. So, yes, when a campus gets to maturity, which takes about three years, we're expecting it to be generating about \$9 million of revenue, and as I said, we expect over 30% EBITDA margins at that point in time.

The other end of the spectrum, for a newly launched campus, we talked about the initial CapEx, Mike mentioned that. And there's also the operating loss during the first year, which is about \$0.5 million. So, it is a little bit of a drag during the first year, but given that this is a low investment, quick turnaround and then a high profitability, it makes a lot of sense to grow that aggressively.

Darren Aftahi

Got it, and I'm just kind of curious, last question for me, the underlying assumption on the margins on pre-licensure, I assume that transcends into other campuses. What's kind of the assumed longer term customer acquisition cost?

Michael Mathews

Well, since we launched our Phoenix operations, and of course, we've in the last several months began enrolling students in our HonorHealth -- our second campus -- as you guys know we've remained under \$500. We don't have an expectation that it's going to remain at \$500. I mean I'd love to be here in the next several quarters and tell you that we accomplished that, but we think if we can keep the enrollment costs below \$1,000, that would be an outstanding result.

Darren Aftahi

Got it, great. Nice work, thank you.

Operator

Thank you. Our next question comes from Mike Malouf with Craig-Hallum. Your line is now open.

Mike Malouf

Great, thanks for taking my questions, and well done this quarter, nice to see.

Michael Mathews

Thanks, Mike.

Mike Malouf

This question on the USU changes that you did last quarter, can you talk a little bit about are you getting any kind of a change in behavior? You commented that you expect still 150 enrollments regularly, and I'm just wondering how confident are you in that, and have you seen any kind of change?

Michael Mathews

Yes. So we've been averaging about 150 enrollments per month for a number of months now, and it wasn't until we announced this monthly payment plan change that we had a flow in of an incremental 10% over the couple of weeks that preceded the end of this quarter. We still continue to believe that that run rate we've had for a number of months, 150 per month, is going to remain in that range, and in future quarters, we will give you guys some heads up in terms of what our marketing spend plan is and the call center size plan is. We believe that we have some nice room for growth in the FNP program, but at this point, we're still again targeting 150 per month, but in future quarters, we could announce somewhat of an increase in that.

Mike Malouf

Got it. Okay, that's helpful. And when you engaged with these other institutions in Tampa and Austin, I'm wondering if you can give us just a little bit of color with regards to your conversations on how the program as you sort of laid it out, did it change at all, is it roughly a cookie-cutter thing or is it pretty custom between each entity? I'm just trying to get a sense of how that process went.

Michael Mathews

Yes, great question. So yes, our innovative program which we created in Phoenix, where 69% of the credits are online, and of course, it's a three-year accelerated BSN, which totals about \$47,000, we're planning to keep that exact same program which is proving to be very, very successful and very, very attractive to our prospective students. We're going to keep that model exactly as is as we expand to these two new metros, and we don't plan any changes.

And one other thing, I wanted to mention, is that as we started looking for locations in terms of leases both in Austin as well as in Tampa, one of the things we realized is because the for-profit education industry has -- there has been a number of for-profits that have gone out of business, or contracted -- there are a handful of campuses available in each of these metros that we can pick from that are in some cases fully build out that we can strategically do a deal with the landlord to put a lot of the FF&E into the TI, and as a consequence, we've come up with a really interesting strategy of a "CapEx-light" approach. So, we're pretty pleased with that, and again it's an opportunity that we started to uncover as we started to do tours of these metros.

Mike Malouf

That's great to hear. Thanks for the color, and congrats on a great quarter.

Michael Mathews

Thanks, Mike.

Operator

Thank you. And our next question comes from Austin Moldow with Canaccord. Your line is now open.

Austin Moldow

Hi, congrats on the quarter, and thanks for taking my questions. My first one is on your new student enrollment growth guidance that you gave last quarter. Just wondering if you could comment on where you stand on those rates that you put out there, given you have one quarter under your belt now?

Michael Mathews

Yes, so we called for enrollment growth in each of our four units, and we specified for each of those last quarter. We expect to overachieve at the minimum in our USU FNP unit, as well as in our pre-licensure BSN units. The other two units I would keep the forecast in the same range that we've had before. Our plan would be next quarter to provide some more detail once we complete the enrollments for the current Q2 and give an update on the full-year enrollment plans, but right now we'd like to keep the forecast as is which is the \$89 million total of bookings.

Austin Moldow

Got it. And then turning to marketing, I know you'll be committing more marketing dollars towards your higher LTV programs, but wondering if you could give anything more specific on your outlook for spending in marketing expenses in the three program segments.

Michael Mathews

Yes. So, our Aspen online nursing + other unit, our traditional Aspen post-licensure online business, we mentioned previously that we're looking to increase our enrollments year-over-year by about 15%, and that's going to be more heavily weighted towards the second-half of the fiscal year, because we need time to increase the call center. As you probably noticed our CAC for our traditional business actually went down this quarter, which we're very pleased about, and so, at this point, we are planning that 15% increase, but as we continue to increase the call center, we may decide to spend more in that area. As we've mentioned before, the primary increases are going to be in our pre-licensure business and our USU FNP business, and you'll see us continuing to increase that on a quarterly basis. Sequentially, probably by, I would say, 15% to 20%.

Austin Moldow

Got it. And I wanted to ask one more -- maybe more a philosophical question on the pace that you're building the pre-licensure campuses at. Is the reason for the two campuses a year based more on the time it takes to find the right metro and the leases, or is it mainly a cash constraint? And are there variables that if they changed would lead

you to maybe get more aggressive in your rollout strategy, and if you could just talk through your general thoughts on that?

Michael Mathews

Yes, that's a great question, Austin. I have to tell you that I'm a big believer in focus and operational execution. So, I don't know that if we had the liquidity resources available, I don't know if we would do more than two a year because I want to make sure when we go to a new metro that we are very successful. But yes, I mean, to be honest, we have three metro markets kind of in mind already, following Austin and Tampa. So yes, we could go quicker, but again at this point in time, we feel like we'd like to do these two in this next calendar year, and we want to make sure we're operationally effective, and then we'll take it from there.

Austin Moldow

Got it. That's really helpful. And then my last question if I can, is just on competition, the for-profit industry has faced a lot of headwinds, but there are a couple that have survived and some have been more flexible and converted back to non-profits. I'm wondering what you're seeing in terms of competition as in the marketing environment, are prices going up, because more people are crowding into the market, or do you find yourself going up against peers when you look at leases?

Michael Mathews

Yes, great question. So first of all, I'll capture the first question first. There are not many competitors in the Austin and Tampa metro market. That's again one of the variables we looked at when we make a decision. There are a handful, but the competition in those markets is not significant. So we're pretty confident that these two metros are going to be very, very effective for us. What's the second question, sorry?

Austin Moldow

Leases, if you're running into peers there?

Michael Mathews

Not at all. From a lease point of view, we're kind of locking in on one specific location in Austin, and it's an existing university that's downsizing, and the Tampa location is a situation where we have a couple of different opportunities, and one of them is -- actually both of them -- are universities that are looking to expand beyond the space that they have. So, Tampa is a unique metro, where there's not a ton of commercial real estate occupancy or supply in that market. So, both the markets are a little bit different in terms of how we're strategizing the leases that we're going to complete.

Austin Moldow

Awesome. Thanks very much and congrats again.

Michael Mathews

Thank you, Austin.

Operator

Thank you Ladies and gentlemen, this concludes our question-and-answer session. I'd now like to turn the call back over to Michael Mathews, CEO, for any closing remarks.

Michael Mathews

Thank you everyone. I look forward to having you in our next earnings call in 90 days, and I appreciate everyone's attendance today and the great questions that we received from the analysts. Talk to you soon.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude today's program, and you may all disconnect. Everyone have a wonderful day.