

Aspen Group, Inc. (NASDAQ:[ASPU](#)) Q1 Fiscal 2021 Earnings Conference Call

September 14, 2020 4:30 PM ET

Company Participants

Michael Mathews - Chairman & CEO

Frank Cotroneo - CFO

Conference Call Participants

Darren Aftahi - ROTH Capital Partners

Jeremy Hamblin - Craig-Hallum Capital

Mike Grondahl – Northland Securities

Eric Martinuzzi - Lake Street Capital Markets

Austin Moldow – Canaccord Genuity

Raj Sharma – B Riley Securities

Operator

Good afternoon. Welcome to Aspen Group's fiscal year 2021 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 the expansion of the highest LTV programs, revenue growth estimates, G&A trends, enrollment growth, the impact of bookings, our estimates concerning LTV and ARPU, and future accounts receivable estimates. 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 prospectus supplement and the 10-K filed with the Securities and Exchange Commission and in the press release issued this afternoon.

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

Also, I'd like to remind you that during the course of this conference call the Company will discuss Adjusted Net Income (loss) and Adjusted EPS (loss) per share, EBITDA and Adjusted 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 in 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 earnings slides are available on aspen group's website, aspu.com, in the presentations page under company info.

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

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Michael Mathews

Good afternoon. We've made great progress this past quarter in terms of delivering record enrollments, improving operating metrics, strengthening the balance sheet, obtaining final regulatory approvals for our new BSN Pre-Licensure campuses, not to mention delivering top line growth acceleration, so I'll get right to it.

OK, starting with slide 3 of our earnings presentation, revenue in our historically seasonally softest quarter, Q1, increased to \$15.2 million, up \$1.1 million or 8% from the prior quarter and \$4.8 million or 46% over the prior-year period.

Because of this significant beat on the top line in Q1, we are now raising our full year revenue guidance to \$66 million or 35% growth year-over-year.

As announced previously on slide 6, the Company reported record quarterly enrollments of 2,351 new students despite the ongoing COVID-19 pandemic and again during the Company's historically seasonally weaker summer months.

Aspen University generated 1,779 enrollments, up 26% year-over-year, with our Doctoral and BSN Pre-Licensure units both enjoying quarterly enrollment records. USU also delivered record enrollments in the first quarter with 572 new students, a 32% sequential increase.

Continuing with operating metrics, our cost of enrollment has remained stable through this growth cycle, as our weighted average increased 4% to \$1,203 for the quarter, vs. \$1,153 in the comparable year period.

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I'd like to remind everyone that USU terminated its 72-month payment plan for FNP students as of July 31, 2019, which caused a historic enrollment month for the university with nearly 250 enrollments in that month a year ago.

In that context, we were very satisfied that we grew enrollments year-over-year at USU by 11% and by 32% sequentially, while keeping the overall Company's cost-of-enrollment at only a 4% increase year-over-year.

In the first quarter, our marketing efficiency ratio (or MER), representing revenue-per-enrollment over cost-per-enrollment, improved by 16% at Aspen University, from 10.6X to 12.3X. USU's MER continued to impress at 14X.

In terms of bookings on slide 7, on a year-over-year basis we increased 34% to \$36.1 million, which translated into a 10% increase in average revenue per enrollment (or ARPU), from \$13,919 to \$15,344.

On slide 5, note that AGI's overall active student body continues to grow steadily each quarter, as in the first quarter we grew 24% year-over-year from 9,752 to 12,128 students. Aspen University's total active degree-seeking student body grew 21% year-over-year from 8,261 to 9,975. And USU's total active student body grew from 1,491 to 2,153 or 44%. Of the 12,128 active students across both universities, 86% or 10,422 students are degree seeking nursing students.

Moving to financial highlights on slide 8, the Company enjoyed another quarter of improved marketing efficiency as a result of minimal increases in our sequential marketing spend rate. In the current quarter we delivered a \$1.1 million revenue increase over the prior quarter while increasing marketing spend by only \$50,000. That is leverage of 22 times.

Our marketing spend as a percentage of revenue dropped from 21% a year ago down to 18% this quarter. This leverage in our marketing spend is a benefit delivered by executing our business strategy of focusing the majority of our growth capital on our highest LTV degree programs, namely our USU MSN-FNP program and Aspen's BSN Pre-Licensure program.

In addition, instructional costs as a percentage of revenue for the quarter dropped from 21% to 20% year-over-year.

This translated to our gross profit increasing 56% year-over-year to \$9 million or 59% gross margin versus a 56% gross margin in the comparable year period.

In his prepared comments, Frank will walk you through how this gross margin improvement, together with managing the increase of our operating G&A expenses at less than 50% the rate of revenue growth, has led to impressive improvements to our bottom line.

Now onto regulatory updates in Texas and Florida. As we announced last month, Aspen University received the final required state regulatory approvals for their new Pre-Licensure Bachelor of Science in Nursing (BSN) campuses in Austin, Texas and Tampa, Florida, giving Aspen University the go ahead to commence marketing and begin to enroll students immediately.

As a reminder, Aspen admits students into one of two program components:

(1) a pre-professional nursing (or PPN) component that's offered fully-online for students that have less than the required 41 prerequisite general education credits completed (Year 1), and (2) the nursing core component for students that are ready to participate in the competitive evaluation process for entry (Years 2-3).

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Aspen began enrolling PPN students in Austin in the month of August, and we began enrolling PPN students in Tampa starting this month. The initial semester for core nursing students (students entering Years 2 and 3) in Austin is scheduled for September 29, 2020, and the initial semester for core nursing students (Years 2 and 3) in Tampa is scheduled for December 8, 2020.

Now let's talk about the announcement we made today regarding our \$10 million convertible notes. As many of you are aware, Mr. Leon Cooperman became a shareholder in the Company by participating in our equity offering back in 2014, shortly after Aspen announced its innovative monthly payment plan to working professionals designed to allow our students the ability to graduate debt free.

Mr. Cooperman, a year later in 2015, became a lender to the company by providing us a line of credit revolver and then subsequently in 2019 he was the lead investor in a \$10 million term loan. Then about 6 months ago, he agreed to restructure the term loan into a convertible instrument that auto converts should the company's share price trade at or above \$10.725 for 20 consecutive trading days. Today was the 20th consecutive trading day above \$10.725, therefore the conversion took place this afternoon and consequently the company is now debt free.

I have privately thanked Mr. Cooperman for his on-going support through the years, but I'd like to publicly thank him today. As I've told him numerous times, this company wouldn't be in such a position of strength today without his consistent support on both the equity and debt side.

Please be aware that the company still holds a \$5 million line of credit with Mr. Cooperman's foundation, but given we have \$15.9 million of cash on the balance sheet, we have no intent of drawing on this unused line.

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Now I'll turn the call over to Frank to review our financial results for Q4.

Frank Cotroneo

Thank you Mike, and good afternoon everyone.

I will begin by reviewing our financial results for the 2021 first fiscal quarter and providing input on our financial progress, followed by commentary on some key financial events which recently transpired.

To begin, as Mike indicated, revenue in the first quarter was \$15.2 million, an increase of \$1.1 million over the prior quarter and \$4.8 million over the year-ago period. Q1 has typically been our seasonally weakest quarter.

However, this year we have seen increasing momentum in enrollment reflecting the secular trends in health care and the need to fill more than one million open nursing positions; combined with the cyclical demand driven by the economic slowdown caused by COVID and existing nurses looking to move from the front lines of the pandemic to a more controlled and higher paying career opportunity as a Family Nurse Practitioner.

Aspen's post-licensure + other unit accounted for 53% of revenue this quarter. The balance of revenue came from our USU subsidiary (with the MSN-FNP program accounting for the vast majority of their revenue), and our Phoenix-based Aspen BSN Pre-Licensure program.

Together they comprised 47% of total revenue. As a comparison, these two programs represented 40% for the full fiscal year 2020; and 46% for the 4th quarter. This trend is expected to continue, and as a result, we anticipate these programs to represent over 50% of revenue in the second half of this fiscal year.

With the expanding footprint of new Pre-Licensure BSN campuses into two new metros, and our intention to embed FNP immersions in each new metro, these programs will remain drivers of our long-term growth, for both revenue and eventually profitability.

Notably, we have begun enrolling first-year pre-requisite students at both new locations in Austin and Tampa. As I said earlier, we anticipate the Pre-Licensure BSN and MSN-FNP business units to deliver over 50% of revenue in the second half of this fiscal year 2021.

Aspen Group's gross profit in Q1 increased to \$9.0 million to a 59% gross margin, which is up from 56% a year ago, an increase of 300 basis points. The strong performance of both universities was the primary reason for the increase - Aspen and USU's gross margin in the quarter were 59% and 64%, respectively.

Marketing spend, which only increased by \$50,000 this quarter, continued to drive strong enrollment growth, demonstrating the leverage and efficiency of our marketing efforts.

As a percent of revenue, our marketing expense dropped to 18% from 21% in the year ago quarter and 19% in the prior sequential quarter. Marketing efficiency continues to be a primary factor in delivering gross margin expansion.

We saw a decrease in marketing cost as a percentage of revenue for Aspen and USU year-over-year. Aspen University's marketing costs was 18% of Aspen University's revenue for the quarter, down from 20%, while USU's marketing costs dropped down to only 14% from 17% of revenue for the current quarter.

Total cost of revenue dropped from 42% to 39%, helped by the decrease in instructional costs falling to 20% of revenue from 21%, despite growing on a dollar basis by over \$900,000 year-over-year.

Aspen University's instructional costs and services represented 19% of Aspen University's revenue for the quarter, while USU's instructional costs and services equaled 22% of USU's revenue for the quarter.

In the first quarter, G&A was \$8.8 million, an increase of \$2.0 million over the prior year but fell to 58% of revenue from 66% in the prior year Q1.

The primary driver of the growth in G&A was what we call growth OPEX, which we are defining as primarily personnel and related costs to increase our enrollment center, academic advisors, financial aid advisors and additional academic operations personnel. These new hires were added early in the year to be trained and on-boarded to handle the increasing enrollment activity across both universities.

In our enrollment center specifically, we decided to grow our EA staff by 23% in Q1, from 96 EAs to 118 EAs, adding EAs across every unit of the company. We are now fully staffed for the fiscal year to accomplish our enrollment goals for the remainder of the fiscal.

In the current quarter, recurring G&A expenses grew \$2.0 million compared to revenue growth of \$4.8 million. We continue to manage our target G&A expense growth to a level at or below 50% of revenue growth for the full fiscal year 2021. This will allow us to continue to deliver margin expansion while we invest in key infrastructure and growth OPEX to support our expansion strategy. This strategy has led to continued progress in reducing operating losses, as we advance on the path towards sustainable profitability.

Net loss was approximately \$(0.9) million compared to (\$2.1) million a year ago. This was a reduction of the net loss of \$1.2 million, an improvement of 55%. Aspen

University generated approximately \$2.3 million of net income for the quarter and USU delivered net income of a little more than \$1.0 million.

I would like to point out that 67% of the year-over-year revenue increase of \$4.8 million dropped to the gross profit line and 25% of the increase dropped to the bottom line this quarter.

The net loss per share reported for the current quarter is (\$0.04) as compared to (\$0.11) per share for the comparable year ago prior year period, an improvement of \$0.07 per share.

For fiscal year 2021, we are introducing a new non-GAAP measure, Adjusted Net Income/(loss) and Adjusted EPS. For FY'21 first quarter, Adjusted Net Income is \$87,298 compared to an Adjusted Net loss of (\$1,433,916) in the prior-year period.

The Adjusted Earnings per share in Fiscal 21 first quarter reflects \$0.00 cents; compared to Adjusted EPS of a negative 8 cents (\$0.08) per share in the prior year quarter.

The company reported breakeven EBITDA for the first quarter, up from a negative (\$1.0) million EBITDA in the year ago quarter. Consolidated AGI Adjusted EBITDA increased to \$1.3 million for the quarter, compared to negative (\$0.1) million in the year ago quarter; this year-over-year improvement for the quarter of \$1.4 million resulted in a 9% AEBITDA margin.

Aspen University delivered EBITDA of \$2.8 million or a 26% margin, and Adjusted EBITDA of \$3.2 million, highlighted by its Pre-Licensure unit in Phoenix delivering \$1.0 million or a 37% Adjusted EBITDA margin.

USU delivered EBITDA of \$1.0 million or a 23% margin, and \$1.1 million of Adjusted EBITDA margin in the quarter. Aspen's Pre-Licensure BSN remains the highest margin business unit of our company.

Switching to the balance sheet, Aspen Group ended the quarter with approximately \$15.9 million in cash, up from \$7.2 million a year ago, and \$14.4 million at year-end FY'2020. Note that our cash used in operations of \$600K is \$1.1 million less than the comparable prior year period and an improvement of 64%.

Regarding accounts receivable and our allowance for doubtful accounts, we continue to evaluate our student accounts and our allowance for doubtful accounts in the context of our increase in revenue growth and our change in the mix of our business. This quarter we added \$400,000 to our allowance; \$340,000 to Aspen and \$60,000 for USU.

We will continue to add to our allowance in line with revenue growth and expected improvements in student payment performance.

Stepping back from the specific numbers for the first quarter, I would like to discuss two events that have taken place in the last few weeks that will impact our second quarter results.

- First, the vesting of performance based equity grants to senior executives;
- Second, the conversion of \$10 million of convertible notes into Common stock.

Starting first with the compensation expense related to restricted stock grants to the senior leadership team.

AGI's compensation committee put in place a four year performance-based bonus plan structured to align leadership's performance with the interest of shareholders which is to drive sustainable shareholder value.

The plan calls for the vesting of restricted Shares at price target thresholds when Aspen's common stock trades at or above the specific price thresholds for 20 consecutive trading days.

The total grant was for 375,000 shares. Vesting takes place accordingly: 10% at \$9.00, 25% at \$10, and the remaining 65% vests when the stock trades at or above \$12 for 20 consecutive days.

Compensation expense to the company is based on the price at vesting. On August 31, the 10% tranche vested at \$12.78 and on September 2, the 25% tranche vested at \$12.99. The total non-cash compensation expense that will be reported in our second quarter is \$1.6 million.

The company has been rewarded by the market for:

- Continued growth in our two highest LTV degree programs;
- Delivering continued margin expansion with focused expense control on the G&A line while investing for future growth;
- Opening PL-BSN campuses in two new metros this year;
- All the while decreasing operating losses toward sustainable profitability.

Aspen is delivering against our promises made, promises kept philosophy as reflected in the strong operating results. Solid execution combined with the stock market rally since the March low has lifted our share price to all-time highs.

Finally, there is one remaining tranche that could vest over the next 3 years and will result in additional non-cash compensation expenses if our stock price maintains 20 consecutive trading days at or above the final vesting threshold of \$12. This expense, while it will be a material drag on our reported net loss and EBITDA numbers in the quarter the vesting takes place, it is a non-cash item and will not negatively impact our ongoing operating performance.

The second event, announced earlier today and which Mike discussed in his comments, is the automatic conversion of the convertible notes for a combined face value of \$10 million. Today Aspen stock achieved 20 consecutive trading days above the automatic conversion threshold of \$10.725.

As detailed in our press release distributed after today's market close, these notes converted into 1.4 million shares of Aspen Common stock at the conversion price per share of \$7.15. This conversion will increase the outstanding share count to 23.8 million shares or 6.3% dilution.

In addition, the remaining amortization of the Original Issuance Discount of \$1.4 million will be accelerated into Aspen's fiscal second quarter. We are pleased to eliminate this debt from our balance sheet and to save \$700,000 of annual interest cost.

Finally, today we introduced two new performance metrics: Adjusted Net Income/(loss) and Adjusted Earnings Per Share.

Both of these new metrics are non-GAAP and will be shown with a reconciliation to their GAAP counterpart.

Both of these new metrics will help the company communicate ongoing and recurring business performance without the effects of certain non-cash stock compensation and non-recurring expenses that would otherwise cloud visibility to company performance.

For example, as the company grew and evolved through its early life cycles, the company entered into funding arrangements that, at the time, were market based and reflected the risk profile of an early stage company. As AGI's performance improved and the risk profile was reduced, the company was able to obtain lower cost financing structures.

The swapping out of these older structures brings acceleration of issuance costs which cause one-time charges to the P/(L). These new metrics are intended to report company performance before and after the effect of these types of expenses. As the company continues to strengthen its balance sheet, these charges will be incurred.

Over time we expect these adjusted and unadjusted metrics to merge making the adjusted metrics redundant. We intend to use these new metrics as long as necessary to provide transparency to company performance.

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. Our first question comes from the line of Darren Aftahi with ROTH Capital Partners. Your line is now open.

Darren Aftahi

Hey, guys. Good afternoon. Thanks for taking my questions and nice job on the quarter and the guide. Two questions, if I may. Maybe, Mike, with the launch of, let's say, Austin, I'm just kind of curious, it is your early days, but could you maybe kind of compare and contrast kind of the marketing strategy? What you're seeing in terms of initial cost with enrollments there? And then how smoothly is kind of the ramp with operations?

And then second question, if my memory serves me correct, with your initial Phoenix campus, was that slated to take NCLEX this summer? And if so, how's that performance turned out? Thanks.

Michael Mathews

Thanks Darren. So, I'll take the last question first quickly. Our first graduating class finished in the August timeframe, July-August timeframe, and they're actually taking the NCLEX exam during the month of September. So, we don't have any formal results yet, but our first class was 20 students that graduated.

And if you remember, when we had our second semester in Phoenix, it was actually four months later -- at the time we weren't doing semesters every other month. So, the second graduating class will be finished in November, and we'll have scores by approximately January.

In terms of our marketing results thus far for Austin, it's only been three weeks, maybe three and half weeks, somewhere in that range. We jumped out with 36 enrollments already within three and half weeks, so I would say it's going well. And I think so far, it's a very similar start-up in terms of lead costs and conversion rates that we saw in Phoenix. It's not as big of a market, so we certainly don't expect the ramp to be quite as fast as Phoenix, but it looks like it's going to be a big success.

Darren Aftahi

Great. And then just one more, if I could add. I think you guys in the past have talked about reaching profitability, I guess, with the introduction of this Adjusted Net Income essentially being in the black slightly, is that an accelerated number -- I want to say you

didn't guide to it and then we said by the end of the year. So, are you effectively breakeven or profitable three quarters early at this point or four quarters?

Michael Mathews

No, what we said earlier, Mr. Cooperman asked the question on Q&A in the earnings call in Q4. And he asked at what point in time do we believe that we are going to be Net Income positive, and that would be on a GAAP basis; and we said we were hopeful that we would achieve that by the fourth quarter and I would reiterate that comment today as well.

Darren Aftahi

Fair enough. Thank you. Appreciate that.

Michael Mathews

Thank you, Darren.

Operator

Thank you. Our next question comes from the line of Jeremy Hamblin with Craig-Hallum Capital. Your line is now open.

Jeremy Hamblin

Thanks. I'll add my congratulations on the strong execution. I wanted to come to your enrollments. You saw pretty significant uptick in the quarter, sans some tough compares. You did see a little bit higher attrition than normal, I think, at USU, at about 19% versus typical in the mid-teens. And I think, at Aspen U, it was about 14%, more typically in the 12% to 13% range. I want to understand why you thought maybe a little bit higher attrition, first?

But then, the second point is really around the revenue growth. You were lapping these tough compares, and you don't typically see this type of sequential acceleration in your overall revenue growth. Is that just attributable to how much more value you're getting from the pre-licensure and the USU students?

Michael Mathews

Yes. Good afternoon, Jeremy. What I would say is that, the analysis of attrition is -- can be a bit tricky. Remember that, when we announce our student body, it's our active student body, it's not necessarily attrition. So we typically see our active student body flatten somewhat during the first quarter, which are the summer months, because our students tend to take less courses during the summer.

So if a given student does not take a class during that given quarter, they don't get counted. So it may seem like there's higher attrition, but actually, that's not the case at all. And, in fact, to answer your second question, we did not see the typical seasonality in the summer quarter, our first quarter, that we normally see in our Aspen post-licensure online nursing programs.

Class starts were fairly strong all the way through the quarter as if there was no seasonality at all. And so, what we believe happened -- and this is true for all of our units, by the way, what we believe is happening here is that, as we think about it, if you're a registered nurse, you typically takeoff during the summer and don't take a course, because you're going on vacation with your family. But during COVID-19, there's no vacation to take. So our students ended up taking courses during the summer where they typically don't. Hopefully, that answers the question.

Jeremy Hamblin

Yes, that's great color. And so, taking that a step further, you've provided some nice color on the new campuses, but with the rest of your existing programs, thinking about, not seeing much seasonality, it sounds like demand remains very strong. How is the rest of the business, the rest of your programs looked, as you've gotten here into early fall?

Michael Mathews

Well, again, we made the announcement in Q1 that we have essentially four business units that we track, right? So you've got Aspen University as our traditional Aspen post-licensure online nursing programs, we call it Aspen nursing + other. The second unit is our doctoral unit, which is primarily our Doctor of Nursing Practice, or DNP program. And then our third unit, of course, is our Pre-licensure campus business in Phoenix and now in Austin and Tampa. And, of course, our fourth unit is USU. Three out of those four units we had record enrollments, the best quarter in our history. So there's no question that demand for our businesses is robust, and we don't see that slowing down, especially in this given quarter. This is the fall quarter, which tends to be strong seasonally wise.

Jeremy Hamblin

Great. Last one for me is actually just on your sales and marketing. So you provided a little bit more color there on the prepared remarks, but in terms of the investments you're making and given the -- what feels like an acceleration in demand -- are you going to -- you didn't have a lot of additional cost here, clearly in the July quarter, but as you look at the remaining three quarters in the year, are you going to get a little bit more aggressive on your spend?

Michael Mathews

Yes. Yeah. In fact, thanks. That's a great question, Jeremy. We wanted to signal that today. In my earnings remarks, I mentioned that we increased our enrollment center by 23% over the last 90 days. Our entire total enrollment group was 96 employees at the end of Q4, and we ended Q1 with 118 enrollment advisers. So again, we increased that by 23% sequentially.

We're now fully staffed for the year. We don't expect to add a material number of EAs the rest of this fiscal year. So we're in place to deliver our enrollment goals that we set forth internally. So, it was a result of such strong demand that we made the decision to staff up entirely over this last 90-day period rather than doing what we normally do

which is adding EAs every quarter. So, we were more aggressive in increasing our enrollment staff, because of this robust demand.

Jeremy Hamblin

Great. Thanks for the color. Best wishes, guys.

Michael Mathews

Thank you.

Operator

Thank you. Our next question comes from the line of Mike Grondahl with Northland Securities. Your line is now open.

Mike Grondahl

Yes. Thanks guys for taking the question. Congrats on the results. Mike, could you expand a little bit, I think you said, you had some nurses who wanted to get off the front line, and they took some nurse practitioner or signed up for some of those classes? And then, I think you also kind of alluded to the economy, maybe helping a little bit drive the pre-licensure program. One, if you could comment on both of those trends a little bit? And then, is there any other area of incremental demand that kind of surprised you?

Michael Mathews

Well, okay. First of all, the nurse practitioner program at United States University, we had a historic enrollment quarter this past quarter. And of course, it's a master level program. So you have to have a BSN in order to enter the program. And these BSN educated RNs are communicating to our enrollment staff that their dream is to become a nurse practitioner, which allows them the flexibility of getting off the front lines, having a private practice, setting their own hours, and so our program had robust demand before COVID-19. And then since then, it's actually accelerated.

And from the economy's perspective, as you asked, sadly, a lot of the millennials that have a dream to become registered nurses (this is pre-licensure) ended up unemployed or furloughed after the pandemic hit. So in Phoenix, we saw quite a pickup of enrollments in demand because, again, a lot of these prospective students -- what better thing to do than to try to accomplish your life's mission during a dark period in health care.

So it makes sense that both of these -- both of these tailwinds took place over the last several months. There's no other significant trends to answer your third question that I would -- that I would point to at this time, those are the two major trends.

Mike Grondahl

Those are the two driving enrollment. That's incremental. Okay. Hey, great. Thanks a lot.

Michael Mathews

Thank you, Mike.

Operator

Thank you. Our next question comes from the line of Eric Martinuzzi with Lake Street Capital Markets. Your line is now open.

Eric Martinuzzi

Yeah. Congrats on the quarter, and the beefed up guide. I had a question about -- you had a recent filing regarding \$12.3 million potential, I guess, equity distribution agreement. I wasn't sure -- I'm kind of getting mixed message, because it seems like you got plenty of cash here, especially with clearing out the debt or converting the debt. So, I was wondering if you could comment on that. And then I have a second question.

Michael Mathews

Yeah. Good afternoon, Eric. So, we decided to file the prospectus supplement, and it does have an at-the-market (an ATM) provision as part of the prospectus supplement. The company has no intention of going into the market to raise equity for working capital purposes for the company. We felt it was just a good governance move.

Eric Martinuzzi

Okay. And then, I assume that's part of the previously registered shelf. What's the cycle on your shelf? When does that expire?

Michael Mathews

Yeah. The shelf expires in April of next year. And you are correct, there's approximately \$12 million available remaining on the shelf.

Eric Martinuzzi

Got you. Okay. And then, the question I have was, sometimes when you open up a new program or you're a new educator in a new state, there's kind of limits on your enrollments. I think, when you guys acquired USU, there was a certain number of classes. They kind of want to give you a training license. Is there any limits in Austin, Tampa (Texas, Florida), as far as how it would compare to the size of your Phoenix programs?

Michael Mathews

Well, I mean, every Board of Nursing in every state operates a little differently. So, in Phoenix, we're not currently subject to any growth restrictions. In Florida, they also do not have any specific guidelines in place. As we worked through the process with the state of Texas, the Board of Nursing there, as you guys are aware, we like to run a program where we have six semesters per annum (three day semesters and three night weekend semesters) for a total of six per year.

We submitted for six, and they accepted a four-semester program for this first year. So, we're planning two day semester starts and two night/weekend semester starts for a total of four in the first year, and we plan to go to the Board of Nursing in Texas a year from now and ask to move to our normal six semester starts.

Eric Martinuzzi

Understand. Okay. Thanks for taking my question.

Michael Mathews

Thank you.

Operator

Thank you. Our next question comes from the line of Austin Moldow with Canaccord Genuity. Your line is now open.

Austin Moldow

Hi. Thanks for taking my questions. Can you give a quick update on the timing of your new weekend immersion spaces for your FNP program?

Michael Mathews

Yeah. Sure. So, we have completed the build out of our space in our original Phoenix campus, which is by the airport, what we call our Elwood campus. And so, weekend immersions will begin in the fourth quarter of this calendar year. So we now have two locations as we move into the fourth quarter to conduct immersions. And we are in the process right now of building out exam rooms for immersions in both Austin and Tampa. And we hope to have approvals for those two locations in the coming months.

Austin Moldow

Great. Thanks. And can you talk through a little bit about your different enrollment channels you've had in the past, the type of potential for prospective students? And how that's changed during the pandemic, if one is maybe more dominant now?

Michael Mathews

Yes, good question. So, I mean, let's talk about pre-licensure, which is really the kind of unique program. Pretty much all the programs we're very active in the Internet advertising space across all three major channels, right? Each of the channels of advertising on the Internet is display advertising, search and e-mail. And we, of course, have a vertically integrated marketing approach, where we essentially work directly with web publishers.

With the pre-licensure program, because these are primarily millennials, whereas the remaining programs that we've been advertising for several years tend to be older, working professionals. We tend to use social media much more in the pre-licensure side in addition to traditional display advertising. And then we weave in traditional radio,

local radio. So those are essentially our three channels that we use for pre-licensure. Every program that we have has a very custom and unique approach that we optimize by doing lots of testing and then once we figure out what works, then we spend.

Austin Moldow

Got it. And my last question is, can you just kind of give your thoughts on consolidation you're seeing in the industry and how you think it might affect Aspen?

Michael Mathews

Yes. I mean, so for those of you that follow the sector very carefully, you would probably be well aware that our major competitor in the marketplace is Chamberlain College of Nursing that's owned, of course, by the public company Adtalem. And we compete with Chamberlain across all of our post-licensure online nursing programs as well as our pre-licensure program in Phoenix. Great University, good competitor and we expect to continue to compete with them in the coming years.

Our second largest competitor is Walden University, which has a very strong MSN program, and they're our major competitor at USU for our Nurse Practitioner program. I think you guys are aware, we've proven to be very successful at taking market share from both of these universities. And regardless of whether or not Walden is owned by Laureate or whether they're owned by Adtalem, it doesn't matter to us. We're going to keep competing and hopefully effectively continue taking market share.

Austin Moldow

Great. Thanks very much for taking my questions.

Operator

Thank you. [Operator Instructions] Our next question comes from the line of Raj Sharma with B. Riley. Your line is now open.

Raj Sharma

Hello. Good afternoon and congratulations on really good enrollment results. I had a question, Mike, on Tampa and Austin, could you please talk a little bit about the full enrollment trends in the sense, should we expect that to be in line with the Phoenix campuses? I know that you've mentioned in the past that Phoenix could do \$15 million run rate revenue. Should we expect a similar level? And also, when do you -- sort of, how do you expect the breakeven profitability on these campuses? And then just to have a follow-on any future -- any color on sort of future campuses and would they be similar? And I know you've said two a year.

Michael Mathews

Yes. Well, let me talk a little bit about, sort of, 30,000-foot level, our pre-licensure strategy.

Raj Sharma

Yes.

Michael Mathews

So, we're planning to launch campuses in what we call Tier 1 locations, which are metro populations of 3 million people or more as well as Tier 2 locations, which is between 1.5 million and 3 million population in that metro. So, for example, Phoenix is a Tier 1 location, and Tampa is right on the edge of being Tier 1 as well. Austin would be more of a Tier 2 location in terms of its overall size. Although, of course, as you guys know, the population growth there is quite significant.

So we would expect to have in a Tier 1 market, over time, when we hit maturity, we're looking to do \$15 million on the top line, which is essentially where we are headed with regard to Phoenix. Tampa, I would expect it to be at a full maturity level to be in the \$12 million range, and Austin probably \$10 million to \$12 million. So, I think, all of our campuses will be at least a \$10 million top line once it hits maturity over a three, four, five year period.

Raj Sharma

And how should we view the operating profitability and where it achieves breakeven?

Michael Mathews

Yes. I don't think that you're going to see results that are going to be materially different from what we saw in Phoenix, and what we saw in Phoenix was about \$0.5 million operating loss in the first 12 months of operations. And a good percentage of that \$500,000 loss is in the first couple of quarters. And then, we broke even in round about that fourth quarter. And then, of course, we then started to drive profitability in that fifth quarter. I don't see any reason why our two new markets won't operate in a similar fashion.

Raj Sharma

Great. Thank you for that. Congrats again.

Michael Mathews

Thank you, Raj.

Operator

Thank you. We have no further questions in the queue at this time. I will now turn the call back to management for closing remarks.

Michael Mathews

Thanks, everyone, for attending the first quarter fiscal 2021 earnings call for Aspen Group. We look forward to talking to you in our next earnings call in December. Good afternoon.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.