

Aspen Group, Inc. (NASDAQ: ASPU) Third Quarter Fiscal 2022 Earnings Conference Call

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Company Participants

Michael Mathews – Chairman and Chief Executive Officer

Matt LaVay – Chief Financial Officer

Conference Call Participants

Eric Martinuzzi - Lake Street Capital Markets

Austin Moldow – Canaccord Genuity

Raj Sharma - B. Riley Securities

Michael Pochucha - Northland Securities

Jeremy Hamblin - Craig-Hallum Capital

Operator

Good afternoon. Welcome to Aspen Group's Fiscal Year 2022 Third 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 statements include the continuing impact of COVID-19 on our operations and future growth, our future growth and growth strategy, the percentage of revenue from our BSN Pre-Licensure program and USU, Bookings, LTV, and ARPU, our fiscal 2022 guidance, the effect of seasonality and campus growth in offsetting gross margin decreases in Q4, future GAAP break even, 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 Group's business is contained in its filings with the Securities and Exchange Commission, including the Form 10-K for the fiscal year ended April 30, 2021, Form 10-Q for the quarter ended January 31, 2022, and in the earnings 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 this conference call, the Company will discuss EBITDA and Adjusted EBITDA, which are non-GAAP financial measures in speaking about the Company's performance.

Reconciliations to the most directly comparable GAAP financial measures are provided in the tables in the earnings release issued by the Company today. Please note that the earnings release is available on Aspen Group's website, aspu.com, on the IR Calendar page under News / Events.

There will be a transcript of this conference call available for one year on the Company's website. Please note that the earnings slides are available on Aspen Group's website, aspu.com, on the Presentations page under Company Info.

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

Michael Mathews

Good afternoon and thank you for joining our call today.

Aspen Group delivered a 14% revenue increase year-over-year for the third quarter of 2022, despite the spike in Covid 19 infection rates driven by the Omicron variant that caused critical healthcare staffing shortages and workload overloads for RN students, and thereby lowered our nursing post-licensure class starts. Sequentially, our third quarter revenue growth was higher than the prior quarter year over year growth of 12%. The second quarter is when we began to see the early signs of the Omicron variant affecting our predominantly RN student body, a trend that was seen across the entire nursing school sector. By our third fiscal quarter, the Omicron variant was widely prevalent and more problematic for scheduled class starts.

The dramatic spike in new reported cases of COVID and related hospitalization rates in November, December and January coincided with our third fiscal quarter of 2022. The spike led to critical nursing staff shortages at hospitals and had a catastrophic effect on the existing staff's workload. I'm sure that all listening to our call today are aware that this dire situation has led to emotional and physical exhaustion and career burnout for the nurses that bore the brunt of managing unprecedented patient loads.

I reference this for two reasons, first as it relates to our financial performance in the quarter, but also for the longer-term implications and opportunities for our nursing schools.

Starting with the implications for this quarter's results - nursing students represented 87% of Aspen Group's total student body at the end of the third quarter. Of the 11,889 nursing students currently enrolled in our various degree programs, 9,612 nursing students are RNs studying to earn a post-licensure degree, such as an RN to BSN, an MSN, an MSN-FNP, or a DNP degree. In total, post-licensure nursing students represent 70% of the Company's total student body and are the population of AGI students primarily affected by the pandemic.

The remaining 2,277 are BSN pre-licensure students located across our four metro locations in Phoenix, Austin, Tampa, and Nashville.

To put the full impact of COVID on our results into context, starting in the second half of June 2021 and continuing through January 2022, the Company experienced lower course starts than seasonally expected among its RN student body. For example, at Aspen University, course starts among RNs during this period increased by approximately 3% year-over-year. By comparison, over the previous two full fiscal years – fiscal year 2021 and Fiscal 2020 – course starts among RNs at Aspen University increased by an average of approximately 10% year-over-year. This material slowdown in post-licensure has been seen across the nursing school sector during the pandemic.

Importantly though, as the Omicron variant subsides there are clear and prevailing longer-term trends in nursing that underpin robust demand for Aspen Group's offerings and reinforce our optimism for driving revenue growth and margin improvement. First the supply/demand imbalance of nurses that was evident before the pandemic has been exacerbated over the past two years. A recent analyst report on the nursing sector cited that supply side constraints in nursing staffing include burnout, dissatisfaction with wages and hours.

Nursing burnout due to pandemic-induced job fatigue has been the number one driver behind nurses leaving the profession in 2021, and they are leaving at record levels in 2022.

Another factor impacting the supply/demand imbalance is the record number of nurses leaving the profession as they approach retirement age. Nurses aged 55 and older hit a five-year high in 2020 at 42.5%. It's estimated that more than half a million RNs will retire in 2022. With just over three million RNs in the U.S, this is a significant percentage of the nursing population.

When we put this severe supply-side imbalance together with the rising demand for healthcare to support an aging and unhealthy U.S. population, we see a looming nursing shortage through 2030. Despite the pandemic, registered nursing is one of the highest in-demand professions in the American workforce, which has led to increased applications at Pre-Licensure programs.

Additionally, the trend for RNs to move away from the hospital floor has two growth levers for post-licensure degree programs. With nursing schools facing teacher shortages, RNs are increasingly moving into teaching roles, which offer better hours and wages.

Similarly, the Association of American Medical Colleges forecasts a physician shortage in the U.S, making “Physician extenders” such as nurse practitioners, integral in bridging the growing doctor shortage. The average nurse practitioner makes a six-figure salary working in private clinics, an attractive alternative to the overworked floor nurse in a hospital.

These trends will affect both Pre-licensure and Post-Licensure nursing degree programs for the next decade, meaning demand for nursing education will continue to grow. Aspen Group’s two universities, offering a full scope of nursing degrees at affordable tuition rates, is well-positioned to benefit from these extraordinary, long-term trends.

I’d like to touch on our NCLEX scores and the Arizona Board of Nursing.

Aspen’s pre-licensure program in Phoenix launched nearly three and a half years ago, and our initial cohort graduated in 2020 meeting all Arizona State standards. Subsequently, first-time pass rates for our BSN pre-licensure students taking the NCLEX-RN test in Arizona fell from 80% in 2020 to 58% in 2021, which is below the minimum 80% standard set by the Arizona Board of Nursing.

As a result of the decline in NCLEX pass rates and other issues, and in alignment with a recommendation from the Arizona Board of Nursing, we voluntarily suspended BSN pre-licensure

enrollments and the formation of new cohorts at our two Phoenix pre-licensure campuses, effective February 2022. We're continuing discussions with the Arizona Board of Nursing regarding our future status, and until we have a formal agreement in place we won't be publicly commenting on the matter.

Let me shift to another area of concern to our investors – liquidity.

I would like to remind you that a material component of our cash utilization relates to a key mission of Aspen Group, which is to provide our students an affordable college education while minimizing student debt loads. To meet this goal, we developed the monthly payment plan which allows students to participate in a number of our programs for a reasonable monthly payment. A consequence of the monthly payment program is an increase in student accounts receivable during periods of growth, resulting in the use of cash.

In order to allow us to continue our mission to grow our affordable monthly payment plan, and to bridge the gap to becoming cash flow positive in fiscal year 2024, I am today pleased to announce a financing agreement providing \$30 million of available liquidity, including a \$10 million convertible note and a \$20 million revolving note. Additionally, we extended the existing \$5 million Revolving Credit Facility by one year to November 4, 2023. This financing arrangement closed on March 14th and resulted in the addition of \$10 million of available cash to our balance sheet.

In terms of guidance, given Aspen University's decision to voluntarily suspend enrollments and the formation of new cohorts at its two Phoenix pre-licensure campuses effective February 2022, we have revised our outlook for fiscal year 2022 revenue to a new range of \$75.5 million to \$77.5 million from the prior range of \$77 to \$80 million that we provided in the second quarter fiscal 2022 earnings release on December 14, 2021. Matt will review the revised outlook in detail. Consistent with prior

years, we anticipate providing guidance for the upcoming fiscal year on the fourth quarter earnings call, which will be held in mid-July.

Tying back to my earlier comments on the trends impacting nursing schools and the supply/demand imbalance in the nursing sector, Aspen Group's EdTech platform, along with our pre- and post-licensure nursing programs, puts us in a solid position to serve this growing market in an affordable way for students. The Aspen Group model is extremely relevant given the market dynamics in healthcare and nursing, and we remain confident that we can deliver on our long-term growth initiatives.

At this time, I will turn the call over to Matt. Please go ahead, Matt.

Matt LaVay

Thank you, Mike, and good afternoon, everyone. In my comments on the quarterly results, I will refer to the third quarter that ended on January 31, 2022. All comparisons are to the prior year's third quarter ended January 31, 2021, unless otherwise stated.

Before we discuss the numbers, I'd like to remind everyone of a couple of key points to consider.

First is the impact of our pre-licensure expansion strategy on our operating results. The expansion of pre-licensure campus locations reduces both gross margin and EBITDA during the approximate 18 to 24-month period in which the student body ramps to breakeven operating levels. The reduced profitability has purposely been implemented by management in order to ensure successful growth of the company for years to come. It is also discretionary.

Second is the on-going impact of COVID on post-licensure nursing enrollments, which also impacts our operating results. We saw a continuing COVID related enrollment impact in the fiscal third

quarter, and while management is optimistic that current trends in the pandemic will continue to improve, it is not certain when the effect of this headwind will diminish.

Now on to our key operating metrics:

In the third quarter of fiscal 2022, AGI's overall active degree-seeking student body, which includes both Aspen University and USU, grew by 2% year-over-year to 13,724 from 13,407. Students seeking nursing degrees were 11,889 or 87% of total active students at both universities. Of the 11,889 students seeking nursing degrees, 9,612 are RNs studying to earn an advanced degree, including 6,839 at Aspen University and 2,773 at USU. The remaining 2,277 nursing students are enrolled in Aspen University's BSN pre-licensure program in the Phoenix, Austin, Tampa and Nashville metros. We define active students as those enrolled in a course at the end of the third quarter of Fiscal Year 2022 or registered for an upcoming course.

Total enrollments in the third quarter were 1,782 as compared to 2,129 in the same quarter last year. New student enrollments at AU decreased year-over-year by 18% due to our planned reduction of BSN pre-licensure enrollments in the Phoenix metro year-over-year and the impact of COVID-19, specifically the effect the Omicron variant surge has had among prospective RN students starting in November 2021. New student enrollments at USU decreased by 10% year-over-year. RN student enrollments at USU were similarly impacted by COVID-19.

Let me provide some context on the third quarter enrollment results. On a Company-wide basis, new student enrollments were down 16% year-over-year, primarily as a result of three factors.

First, as we have stated before, Aspen University reduced advertising spend in the Phoenix metro for the BSN Pre-Licensure program down to a maintenance spend through January 2022, causing enrollments in that metro to drop by 51% year-over-year. The quarter was not affected by the

temporary suspension of advertising and enrollments of new pre-licensure students in the Phoenix metro, which happened after the quarter closed.

Second, enrollments at USU were down 10% year-over-year given the impact of the ongoing COVID-19 pandemic as prospective nursing post-licensure students continue to delay their education goals on a short-term basis as they continued to care for COVID patients.

Third, in addition to Aspen University also seeing a COVID effect among prospective nursing post-licensure students, Aspen's 2.0 business plan called for a \$1.3 million annual reduction of ad spend in Fiscal 2022 in Aspen's post-licensure Nursing + Other unit. In the third quarter this equated to a 14% drop in ad spend year-over-year. Consequently, given the drop in ad spend and the COVID effect, enrollments in the Aspen Nursing + Other unit dropped by 18% year-over-year.

In summary, excluding the 51% drop in enrollments in the Phoenix metro BSN Pre-Licensure program and the 18% drop in enrollments in Aspen University's Nursing + Other unit, total enrollments for the Company would have been down by only 1.5% year-over-year.

Moving on to our financial results. Total revenues were \$18.9 million versus \$16.6 million in the year ago quarter. USU revenue for the quarter, which includes the high LTV MSN-FNP program, accounted for 31% or \$5.9 million versus 29% or \$4.8 million. AU revenue for the quarter, which includes the high LTV BSN pre-licensure program accounted for 69% or \$13.0 million versus 71% or \$11.9 million.

GAAP gross profit increased 6.2% to \$9.2 million for Fiscal Q3 2022 compared to \$8.7 million for Fiscal Q3 2021. Gross margin was 51.0% for Fiscal Q3 2022 compared to 54.5% for Fiscal Q3 2021. Gross margin in Fiscal Q3 2022 was impacted by higher instructional costs related to the opening of new campus locations in the AU pre-licensure program, higher immersion costs related to growth in

our USU FNP program and seasonally higher marketing costs over the Q3 holiday period. AU gross margin was 52.8% for Fiscal Q3 2022 versus 57.4%. USU gross margin was 52.6% for Fiscal Q3 2022 versus 52.7%.

We do not expect our gross margin dollars and gross margin as a percentage of revenue to materially change for the remainder of fiscal 2022. Q4 seasonal strength in our post licensure programs and growth in our Austin, Nashville and Tampa pre-licensure locations are expected to offset decreases in gross margin due to the suspension of enrollments in the Phoenix pre-licensure locations. As stated before, we continue to be uncertain as to when we'll see improvements in our gross margin related to a decrease in the COVID impact to post-licensure enrollments.

Overall instructional costs for the quarter were \$4.9 million, or 26% of revenue, up from \$3.9 million, or 24% of revenue. The increase in instructional costs as a percentage of revenue is primarily due to the hiring of full-time faculty for the pre-licensure program at the new campus locations in Nashville, Tampa, and Austin. Additionally, higher USU immersion costs were incurred as the FNP program continues to grow resulting in more immersions at more locations.

Total marketing and promotional costs for the third quarter were \$4.4 million, or 23% of total revenue, up from \$3.6 million, or 22% of revenue. A significant portion of the increase relates to marketing in new pre-licensure locations with the remainder due to seasonally higher spend during the third quarter. As we stated on earlier calls, we have shifted our marketing spend towards our highest LTV programs to improve the efficiency of our marketing spend.

The quarter's general and administrative costs were \$11.8 million, or 62% of total revenue, compared to \$10.6 million, or 64% of total revenue. The quarterly increase in G&A spend is partly related to year-over-year growth in our AU pre-licensure and USU FNP programs, which is comprised of

additional headcount, and the related increase in compensation and benefits expense, and increased facilities costs. As a percentage of revenue, G&A decreased 2%, which is attributable to cost controls implemented by management in corporate G&A. Sequentially, the quarter's G&A costs compare to \$11.6 million, or 61% of revenue in Q2 of Fiscal 22. The sequential growth in G&A is attributable to growth in our AU pre-licensure program. Corporate G&A costs were flat sequentially.

Net loss and net loss per share were \$3.7 million and \$0.15, respectively, for Fiscal Q3 2022, compared to losses of \$2.8 million and \$0.11 in the year ago quarter. From a subsidiary perspective, Aspen University's net income for the quarter was approximately \$900,000, down from \$1.4 million. The decrease in AUs net income is attributable to the new campus openings in our pre-licensure program. USUs net income was approximately \$300,000 both for the current and prior year periods. Finally, AGI incurred a net loss of \$5 million for the quarter, compared to a net loss of \$4.5 million. Included in AGI's quarterly loss is interest expense related to the \$5 million revolving credit facility.

Consolidated EBITDA for the quarter was a loss of \$2.4 million, as compared to a loss of \$2.2 million. Third quarter EBITDA for each of the three subsidiaries was as follows: Aspen University generated \$1.9 million in Q3 of both Fiscal 22 and Fiscal 21; USU generated approximately \$400,000 in Q3 of both Fiscal 22 and Fiscal 21; AGI incurred an EBITDA loss of \$4.8 million compared to an EBITDA loss of \$4.5 million.

Consolidated Adjusted EBITDA was a loss of \$1.3 million compared to a loss of approximately \$900,000 in the year ago quarter. From a subsidiary perspective, Aspen University generated Adjusted EBITDA of \$2.2 million in the third quarter as compared to \$2.5 million. USU generated Adjusted EBITDA of approximately \$600,000 compared to approximately \$500,000. Finally, AGI corporate incurred an Adjusted EBITDA loss of \$4.1 million compared to an Adjusted EBITDA loss of

\$3.8 million. Aspen University's Adjusted EBITDA margin was 16.8% compared to 20.8% a year ago. USU's Adjusted EBITDA margin was 10.1% as compared to 9.6% a year ago.

Moving on to the balance sheet. At January 31, 2022, our unrestricted cash and cash equivalents were \$6 million and restricted cash was \$1.4 million. This compares to unrestricted cash and cash equivalents of \$12.5 million and restricted cash of \$1.2 million as of April 30, 2021.

Earlier today, we announced financing agreements providing for \$30 million of available liquidity, including a \$10 million convertible note and a \$20 million revolving credit facility. We drew down \$10 million upon the close of the convertible note, and the amount is now in our bank account as unrestricted cash. We also extended our existing \$5 million Revolving Credit Facility by one year to November 4, 2023. Our current cash flow outlook reflects conservative assumptions including the continued impact on enrollments from COVID and the voluntarily suspension of new pre-licensure cohorts in Phoenix. Based on this outlook, we believe this financing will sufficiently bridge our liquidity needs until our business is cash flow positive, which we expect to achieve in Fiscal Year 2024.

With respect to our share count, the weighted average number of basic common shares outstanding at the end of the quarter was 25,041,733 versus 24,544,334 in the prior year period.

Today in the earnings release issued after the market close, we introduced revised guidance for the Fiscal Year 2022. Due to Aspen University's decision to voluntarily suspend enrollments and the formation of new cohorts at its two Phoenix pre-licensure campuses effective February 2022, we have revised our outlook for Fiscal Year 2022 revenue to a range of \$75.5 million to \$77.5 million, from the prior range of \$77 million to \$80 million. The new range for GAAP loss per share is \$0.46 loss to \$0.42 loss versus the prior guidance of \$0.38 loss to \$0.29 loss. EBITDA for the full year is now anticipated to be in the range of \$7.5 million loss to \$6.5 million loss, as compared to the prior

range of a \$5 million loss to \$3 million loss. Lastly, we now expect Adjusted EBITDA in a range of \$3.5 million loss to \$2.5 million loss versus the prior range of \$2 million loss to break even.

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

Operator, please open the call for Q&A.

Question-and-Answer Session

Operator

[Operator Instructions] We have a question from the line of Eric Martinuzzi with Lake Street. Please go ahead.

Eric Martinuzzi

Yes. I want to first touch on the COVID trends. You talked about through January, the negative trends. What can you tell us about the same Omicron impact in February as well as the month to date with March?

Michael Mathews

Yes, good afternoon, Eric, it's Mike Mathews. We haven't seen any material changes in terms of our class starts within our Aspen University online nursing programs and student body behavior. So yes, so thus far, there's no material change intra-quarter so far.

Eric Martinuzzi

And then I know you have to be guarded in what you can say about your ongoing discussions with the Arizona State Board of Nursing. But you made -- in an 8-K filing, you talked about your NCLEX trends, the score trends, which were pretty encouraging. That 8-K talked about through February 10, 2022, that your calendar year NCLEX scores were trending at around 85%. Can you tell us where those are trending year-to-date?

Michael Mathews

Yes, Eric, it's important to note, in our earnings remarks today, we indicated that until such time as we complete our agreement with the Board of Nursing, we've agreed to not make any further public comments related to where we are with the negotiations as well as any intra-quarter NCLEX scores.

Operator

Our next question comes from Austin Moldow with Canaccord. Your line is open.

Austin Moldow

Just a couple of qualitative questions. Have other state nursing boards reached out to you as a result of what's happened in Arizona?

Michael Mathews

They have not to date. No.

Austin Moldow

Even though you've closed off enrollments, I'm sort of curious about changes you've seen at the very top of the funnel. Are you still seeing inbound organic interest? Or has that tapered?

Michael Mathews

Are you talking with regard to our pre-licensure program or our traditional online post-licensure students?

Austin Moldow

Pre-licensure.

Michael Mathews

Yes. And my assumption is you're talking about our other locations, not Phoenix, because in Phoenix, of course, we shut down marketing, full stop, beginning in early February. And so at that point, our new inquiries essentially dropped off materially.

Austin Moldow

And one last sort of philosophical question. With the recent -- do the recent developments call into question how much of a nursing curriculum can actually be delivered online? Do you see that online and offline mix changing in the future?

Michael Mathews

Yes, that's a good question. What I would say to you is that as part of the process of working with the Board of Nursing, one of the requests that they made of us was to hire an independent consultant. And we are actually in the process of hiring such person, and we think it will be very important to listen to an independent third-party expert look at our curriculum, do an analysis and we'll certainly be open to any potential improvements that they recommend.

Operator

And your next question comes from Rajiv Sharma with B. Riley. Your line is open.

Rajiv Sharma

Yes. I had a question. So is the new credit facility an extension of the older credit facility, or was absolutely separate?

Michael Mathews

Yes, good question. So it is a separate facility. So the company currently then has three forms of debt. The first is our original \$5 million line of credit, which we have now extended the maturity date for one year to November of 2023, and the interest rate on that is now 14%.

Secondly, of course, we did this convertible note that we executed yesterday for \$10 million. And then finally, there is a third piece of debt. It's a revolving line of credit for \$20 million, which we don't have any at this point, any expectations to utilize that line.

Rajiv Sharma

And can you comment on whether the lenders are common to the old credit facility? Or is this a new set of lenders?

Michael Mathews

The investors in these debt facilities have asked to remain private. So that's what we're doing.

Rajiv Sharma

And then my other question was, I know that you guys have put out on an 8-K sort of a -- kind of a projection of growth for fiscal '23. Are you still maintaining that projection? You had taken the growth down. Are you still maintaining that projection for fiscal '23? Or would you reserve to talk about it when you give the full year guidance?

Matt LaVay

Yes. This is Matt LaVay. We're going to provide more color regarding next year when we provide our guidance in -- along with the Q4 earnings call. So -- and at that point, we'll have more clarity regarding the situation with the resumption of cohorts in the Arizona, Phoenix P-L locations. So I think that's the time where you should really focus on getting the clear guidance for next year.

Rajiv Sharma

And then just my last question on just an extension of, do you believe there would be -- could you give any color on sort of the impact on brand or impact on enrollments that you could possibly see or the other pre-licensure campuses or your online business? Or do you think the changes that you've implemented so far would end up affecting them positively?

Michael Mathews

Yes. I mean what I would say, Raj, is that we launched marketing in Atlanta, I guess, a little over a month ago now. And it's so far, it's been outstanding. The number of inquiries, the number of applications that we've already -- that have been submitted to us in a very short period of time. It's behaving a lot like the early days of Phoenix.

So I don't think there is a damage to the brand. Please understand that there hasn't been any formal action from the Board of Nursing in Arizona yet. We're in the process of, again, working with them.

And once that consent agreement is completed, of course, that will become public information at that point.

Rajiv Sharma

Thanks for that, Michael. And do you expect, is there a certain timeline by which you would expect a resolution on that consent agreement?

Michael Mathews

Yes, I'd rather not comment on the timing of this. We are working closely with the Board of Nursing currently. And I don't want to guesstimate as to when it's going to be completed at this point.

Rajiv Sharma

And then my last question on, is the registered nurse enrollment. I wanted to understand the impact. I do believe the rest of the industry has been impacted similarly. But outside of the Aspen 2.0 proactive cut in advertising dollars and outside of you stopping the enrollment at the Phoenix location, is the impact on enrollment year-on-year, is that down 1%? Is that the way to look at it?

Michael Mathews

Yes. No, you hit it -- yes, it's exactly correct. As we outlined in our earnings release today as well as in our remarks, if you take out the 51% decrease in Phoenix year-over-year, combined with our decrease of our spend rate by 14% in Aspen Nursing + Other unit, which caused an 18% decrease in enrollments in that unit, we were down 1%. So it's relatively flat.

Rajiv Sharma

And congratulations on getting a new financing.

Operator

Our next question comes from Mike Grondahl with Northland Capital Markets. Your line is open.

Michael Pochucha

This is Michael, on for Mike. Maybe first just on some of the newer cities and campuses. Can you just give a little more color on how the cohorts are doing there? I know it's kind of a noisy quarter with COVID and whatnot. But can you give us any update there, additional details?

Michael Mathews

Sure. In our first year of our second Phoenix campus or our Health Campus, we saw revenues in that first 12-month period of somewhere in the vicinity of between \$1 million and \$1.5 million of revenue. And Austin is our most mature campus that we've expanded to over the last 1.5 years. And Austin tracked to about a \$750,000 revenue level for that first year. So Austin has been very successful for us because, again, it's a smaller market versus the Tier 1 markets such as the Phoenix or in Atlanta that we just opened.

And Tampa and Nashville have kind of tracked into that kind of \$0.5 million range in that first year. So that's a little bit smaller than Austin. So -- and I've indicated previously that from an enrollment perspective, the first 12 months in Phoenix, we had about 500 enrollments. Austin did about 300 and then the other two locations did a couple of hundred, respectively. So that's been kind of the relative sizing of each of the various markets in terms of expansion.

Michael Pochucha

And then just one more, one on Phoenix. As you follow those enrollments, can you just talk about kind of fixed versus variable cost, have you saved some over that year time frame?

Michael Mathews

Yes. Can you repeat the question because you kind of broke up during your -- your voice broke up?

Michael Pochucha

Sure. Just on the Phoenix pause, is that you saved a decent amount from variable costs there? Or is a lot of that fixed on the enrollment side?

Michael Mathews

Well, it depends on the program. Certainly, in terms of our first-year prerequisite students, those students primarily are taught by adjuncts. So that would -- that is a variable cost. But in Phoenix, most of the professors are full-time professors. So those are more fixed cost.

Matt LaVay

And just to add to that, there's a definite reduction in marketing spend. So we've taken that out for the Phoenix pre-licensure business, if you will. And there's also an amount of G&A costs that we can redeploy to other locations within the P-L program, like enrollment advisers, those types of people. So there is some -- we will achieve savings there.

And just to kind of take that to the next level, when you think about -- we've talked before about G&A being something that we're trying to manage going forward. We expect to fully take advantage of G&A reductions in Phoenix, combined with maintaining the line, not increasing G&A on the corporate side to really hold the line on G&A going forward like we have before. So you can think about that kind of spend, the way we've described it before.

Operator

Your next question comes from Jeremy Hamblin with Craig-Hallum. Your line is open.

Jeremy Hamblin

So I wanted to just take a step back and look at where the run rates are versus where you had looked at them in July. So I think from a full year standpoint, your guide is down about 12% from mid-July when you laid out guidance. And -- but when you look at the April quarter, it's down somewhere between 20% and 25%, depending on how it finishes out.

As we look forward, historically, there isn't a lot of sequential growth from the April quarter to the July quarter. And obviously, there's a lot of variables that are unknown because of the factors that you laid out in terms of what's causing enrollment to be lower than previously expected.

But as we look forward to next year and think about typical seasonality, I guess the first question is, would you expect those seasonal trends to hold true? And then the second question is related to your G&A infrastructure. Given that you're built to have a little larger organization, and you're not getting the revenue run rates that you would have expected a year ago, certainly. Is there some thought to whether or not you need to take a little bit out of your G&A structure on a go-forward basis?

Matt LaVay

Yes. This is Matt. I can answer these questions. So we've kind of talked about this before. When you take away the impact of what's going on in Phoenix pre-licensure and just look at the business and how it kind of functions throughout the year. The seasonal trends will be expected to maintain themselves through the next fiscal year. Now albeit it's sort of lower starting point because of the COVID pullback.

And in general, when we provided guidance for Q4 and just kind of look forward, we're not assuming any COVID snapback. So you can think about kind of running results forward from this lower COVID impacted place and factoring in those same seasonal trends. And so of course, Q4 coming up is a higher seasonally active quarter. And so that offsets some of the pullback in the Phoenix P-L location results. And so those kind of factors tend to net out.

So then related to G&A. So like I was saying before, we will get some pullback in G&A spent related to the reduction of operations in Phoenix for the time being. And then on the corporate side, yes, we are holding the line. But on top of that, we've actually gone through our corporate infrastructure, and we've looked for places to save.

And we've actually pulled some costs out of our existing infrastructure to kind of right size ourselves to where we are today. Now there's more we can do. We're not going to get ahead of ourselves. We're going to see what the results are with the negotiations with the Arizona Board of Nursing. And at that time, if we need to pull back more spend, we will pull back more spend. And it's not just in G&A where this is applicable. This is also applicable in marketing spend and even in the instructional area if need be.

So we've got levers that we can pull to kind of adapt the business to the new reality of what's coming up with the Board of Nursing. So -- and then the last point I'll make regarding all of this, as you know, when we say we're still looking to get the cash flow positive, we still -- in light of COVID and what's going on in Phoenix pre-licensure, we still are looking to get cash flow positive at the end of '24, like we said, because we can pull these levers if we need to. And so this financing is meant to get us there, and so that's how to think about those items going forward. Does that make sense?

Jeremy Hamblin

Sure. And then my other question really has to do with your ARPU per student. So you had this really nice progression through kind of the middle of FY '21, where you had grown ARPU almost to \$16,000, about \$15,800, and you've seen a regression in that figure and actually a pretty significant step down

here in Q3. Can you describe why you think that might be? Is it a slight reduction in the percentage of pre-licensure students, is it also reflective of perhaps more competitive pressures out there that while we have a lot of inflation around us, this doesn't appear to be an area where necessarily we're driving higher revenue generation per student? Any color you can share on that?

Michael Mathews

Yes. actually, it's a relatively straightforward answer. So ARPU is a function of the number of enrollments that we achieved for each of our units' times the lifetime value of those specific students from an enrollment perspective. And pre-licensure, as you guys know, is estimated an LTV of \$30,000 per student.

Our traditional programs are less than \$10,000 LTV and of course USU's FNP program is in the \$18,000 range. So if USU was down 10% this quarter in enrollments, then you're going to have an ARPU hit. But more importantly, when we -- when you have a significant decrease in Phoenix pre-licensure enrollments of 51% year-over-year, you can't help but have an ARPU decrease, obviously, given that each of those enrollments is valued at \$30,000 LTV. So that's the simple math.

Operator

Thank you. And with that, we close the Q&A session, and I will pass the call back to Michael Mathews for closing comments.

Michael Mathews

Thanks, everyone, for joining our third quarter fiscal 2022 call today and look forward to having our next call in mid-July for our fourth quarter earnings. Have a good day. Thank you.

Operator

Thank you, ladies and gentlemen. You may now disconnect.